

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY
AND COMPLIANCE DIVISION
Energy Branch

RESOLUTION NO. G-2836
October 26, 1988

R E S O L U T I O N

RESOLUTION G-2836. FOUR CORNERS PIPE LINE COMPANY AUTHORIZED TO IMPOSE A PENALTY WHEN EXCESSIVE WATER OR OTHER IMPURITIES IS SHIPPED THROUGH ITS PIPELINE SYSTEM AND TO DELETE THE GRAVITY BANK ADJUSTMENT FACTOR FROM ITS FILED TARIFFS.

(Advice Letter 14, filed September 21, 1988.)

SUMMARY

1. Four Corners Pipe Line Company (FCPL) requested three changes in the language of its filed tariffs. FCPL requested that the changes become effective November 1, 1988.
2. The first change is to impose a fixed penalty, \$0.015 (1 and 1/2 cents) per barrel for each tenth of a per cent (0.1%) that the volume of water or other impurities exceeds one per cent (1.0%), the maximum allowable under its current filed tariffs.
3. The second and third changes are deletion of the Gravity Bank Adjustment Factor from the filed tariffs and listing the procedure for adjusting the Gravity Bank factor on a monthly basis.

BACKGROUND

1. FCPL in its existing filed tariffs (Item 12 Cal P.U.C. No.132) has a provision that if the impurities in crude petroleum shipped exceeds one percent (1.0%) "Shipper shall be liable for any and all costs incurred as a result of such impurities and water."
2. FCPL in its existing filed tariffs (Item 20 Cal P.U.C. No. 132 and Item 20-A in Cal. P.U.C. No. 135) has a provision for the Gravity Bank Adjustment Factor. The Commission in D.86-04-073 authorized FCPL to adjust the Gravity Bank Adjustment Factor without obtaining Commission approval of each adjustment.

DISCUSSION

1. FCPL has had, in its filed tariffs, for many years a statement that if the impurities and water in the crude petroleum (crude) being shipped exceeds one percent (1.0%) the crude would not be accepted for shipment. However if such crude should be shipped the shipper would have to pay any and all costs incurred, either the costs of removing the impurities and water from the crude shipped or payments for the deterioration of crude from other shippers, resulting from the shipment of such crude.
2. FCPL has recently found that in some instances crude, which exceeded the one percent limit has been shipped. This has led to extensive testing and negotiations to ascertain the amount of the costs and charges to be collected from such shippers.
3. FCPL proposes that a fixed penalty of one and one-half cents (\$0.015) per barrel for each tenth of a percent (0.1%) the impurities and water exceeds the limit of one percent (1.0%) per barrel be stated in its tariffs, instead of being required to attempt to ascertain the amount of actual costs which have been incurred and attempting to collect such costs from customers.
4. Such a change, to a fixed penalty instead of a variable fee, should reduce customer complaints and negotiations which are currently required to administer the tariffs.
5. FCPL proposes changing the existing practice of listing the Gravity Bank Adjustment Factor in its filed tariffs to a practice of monthly review, and adjustment of the factor as appropriate.
6. FCPL as a part of this new practice will delete all listings of this Gravity Bank Adjustment factor in its filed tariffs, and will notify all shippers, each month, what the Gravity Bank Adjustment factor will be for the succeeding month.
7. FCPL mailed copies of this Advice Letter to all affected customers on September 21, 1988..
8. No protests to this Advice Letter have been received.

FINDINGS

1. The proposed revisions of the tariffs of Four Corners Pipeline Company are just and reasonable.
2. Having fixed penalties stated, instead of language subject to varying interpretation is in the interests of all concerned.
3. Having such fixed penalties will reduce the time required to administer the tariffs.
4. Revising the Gravity Bank Adjustment factor on a monthly basis will result in a more accurate revenue payments to the shippers of crude petroleum.

THEREFORE IT IS ORDERED that:

1. Four Corners Pipe Line Company is authorized to file the tariff sheets attached to Advice Letter No. 14.
2. Advice Letter No. 14 and accompanying tariff sheets shall be marked to show that they were adopted by Resolution No. G-2836 and to be effective for service on and after November 1, 1988.
3. This Resolution is effective today.

I certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on October 26, 1988. The following Commissioners approved it:

STANLEY W. HULETT
President
DONALD VIAL
FREDERICK R. DUDA
JOHN B. OHANIAN
Commissioners



Executive Director