

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-2943
May 8, 1991

R E S O L U T I O N

RESOLUTION G-2943. FOUR CORNERS PIPELINE COMPANY'S REQUEST FOR AUTHORIZATION TO REVISE ITS TARIFFS CAL.P.U.C. SHEETS 162, AND 163 "LOCAL GATHERING TARIFF APPLYING ON THE TRANSPORTATION OF CRUDE PETROLEUM AND INDIRECT LIQUID PRODUCTS BY PIPELINE FROM POINTS ENUMERATED IN TABLE OF RATES TO POINTS ENUMERATED IN TABLE OF RATES".

BY ADVICE LETTER 20, FILED ON FEBRUARY 19, 1991.

SUMMARY

1. Four Corners Pipe Line Company (FCPL) requests authority to file revised tariff sheets Cal. P.U.C. 162 and 163 Local Gathering Tariff Applying On The Transportation Of Crude Petroleum And Indirect Liquid Products By Pipeline From Points Enumerated In Table Of Rates To Points Enumerated In Table Of Rates in its tariffs. The revision of Sheet Cal. P.U.C. 162 would (1) increase the penalty for water and other impurities by \$0.005 per barrel for each 0.1% increase in impurities over 1%, (2) revise the effective dates of posting of Gravity Bank Adjustment Factors, and (3) add new text, that FCPL will transport non-crude petroleum products at terms mutually agreed upon between the pipeline and its customers and submitted to the Commission. The revision of Sheet Cal P.U.C. 163 would increase the limit of impurities for crude petroleum delivered to other (foreign) pipelines for shipment either to; (1) a maximum of 3% or (2) the maximum established by the receiving (foreign) pipeline.

2. This Resolution grants the request.

BACKGROUND

1. Increased environmental concerns require stricter standards for the disposal of waste material by FCPL. As an operator of a pipeline system FCPL is incurring increasing costs for the disposal of waste water and other impurities from its pipeline system. The penalty for waste water content and other impurities in the crude petroleum transported by FCPL was last increased by Commission Resolution G-2836, effective October 26, 1988.

2. The Gravity Bank is a method of balancing the payments of the shippers and recipients who use FCPL's pipeline system. The Gravity Bank rates were removed from the FCPL's tariffs while the procedure for determining the Gravity Bank payments was inserted into the tariffs, by Resolution G-2836 effective October 26, 1988.

3. The FCPL tariffs pertain to the shipment of crude petroleum that satisfies specified conditions. FCPL is willing to accept petroleum and petroleum products that do not meet these specifications provided that they do not interfere with the shipment of crude petroleum and the shipper pays all the costs associated with modifications or changes that may be necessary for such shipments.

4. Public Utilities Code (PUC) Section 493(b) states:

If any common carrier of property, in contravention of subdivision (a), transports any property for which it does not have schedules of rates, fares, charges, and classifications on file, the commission may establish a just and reasonable charge for the transportation.

5. FCPL currently has a threshold for water and impurities of 1% for crude petroleum for its pipeline system. If water or other impurities exceed this limit the penalties listed in the various tariffs may be imposed. FCPL is proposing, for crude petroleum which is to be delivered to another pipeline for shipment, to establish as the limit before imposition of penalties either the lesser of (1) an impurity level of 3%, or (2) the maximum limit allowed by the receiving pipeline.

NOTICE:

1. Public notice of this filing has been made by publication in the Commission's calendar on February 25, 1991, and by mailing copies of the advice letter to other utilities and government agencies.

PROTESTS

1. No protests to this Advice Letter were received by the Commission Advisory and Compliance Division.

DISCUSSION

1. Environmental concerns control the disposal of waste material from various industrial processes. One of the industrial processes which is subject to restrictions is the production of crude petroleum and the transportation of petroleum products. The restrictions on disposal of these products have resulted in increased costs of disposal of related industrial wastes.
2. On the FCPL system crude petroleum of different customers is commingled. There is no attempt to segregate the various crude petroleum that is being shipped from various sources. Because of this comingling the purchaser (receiver) does not always receive the quality of crude petroleum purchased. To compensate for this change in quality FCPL has established an adjustment procedure known as the Gravity Bank. Recipients of crude petroleum of a higher quality than what they purchased make payments into the Gravity Bank in accordance with the improved quality of the material received. The amount of money accrued in the Gravity Bank is distributed monthly in accordance with the decisions of an independent arbitrator.
3. FCPL is the trustee for the Gravity Bank. FCPL makes no payments into, nor receives payments from the Gravity Bank. Determination of payments into and out of the Gravity Bank are made by an independent Arbitrator using the price postings published by the major refiners in California. (It is not a publication. The major refiners publish the prices they will pay for crude petroleum. These prices are paid until a new price is established. Copies of these Postings are obtained direct from each refiner.)
4. At present the Gravity Bank adjustment is posted by the Arbitrator using the prices posted on the 10th day of each calendar month. FCPL proposes a language change to permit the Arbitrator to use the average of the postings from the 1st to the 10th of each month. In addition, the adjustment will be provided "on or before the 15th of each month" instead of "on the 15th" as it is now.

5. Movements of refined or partially refined petroleum products using a crude petroleum pipeline cannot be done without some means of segregating the commodity. Transport of such materials requires changes in the pipeline (insertion of plugs between materials) to maintain the segregation. Such changes are an additional expense to a pipeline company. FCPL is willing to make shipments of refinery products when pipeline capacity is available, at terms mutually agreed upon between the parties. FCPL will provide the Commission with a copy of each such agreement for the transportation of refinery products. Moving refinery products by pipeline instead of by truck, the alternative means of transportation, will reduce the amount of contaminants in the atmosphere, and reduce the air pollution.

6. Transportation of crude petroleum, for delivery to another pipeline company, with water or other impurity content of up to three per cent (3%) or the limits of the receiving pipeline, whichever is less, will permit the shipment of additional crude petroleum. A shipper does not have to remove and dispose of the impurities if the recipient of such crude oil is willing to accept crude petroleum containing these higher levels of impurities.

FINDINGS

1. Establishment of the Gravity Bank adjustment using an average of the posted prices for crude petroleum for a 10 day period, instead of prices posted on one day, should make such adjustments approximate more closely the payments needed to compensate for the differences in quality between shipped and received crude petroleum.

2. Transportation of crude petroleum which does not meet the tariff specified limits for water and impurities and where there is only minimal contamination of other crude petroleum being transported should be permitted if the recipient of such material knowingly consented.

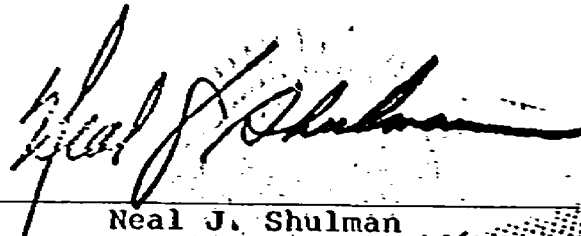
3. Transportation of petroleum products, using a pipeline dedicated to the shipment of crude petroleum, should be permitted if it does not interfere with the dedicated usage of the pipeline.

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THEREFORE, IT IS ORDERED that:

1. Advice Letter 20 submitted by Four Corners Pipe Line Company shall be marked to show that it was approved for filing by Commission Resolution G-2943.
2. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on May 8, 1991. The following Commissioners approved it:



Neal J. Shulman
Executive Director

PATRICIA M. ECKERT
President
G. MITCHELL WILK
JOHN B. OHANIAN
DANIEL Wm. FESSLER
NORMAN D. SHUMWAY
Commissioners