

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
Energy Branch

RESOLUTION G-2978
JANUARY 21, 1992

R E S O L U T I O N

RESOLUTION G-2978. UNOCAL CALIFORNIA PIPELINE COMPANY AUTHORIZED TO COLLECT CHARGES OF TARIFFS ON FILE SUBJECT TO A POSSIBLE REFUND, AND ALSO TO USE THE FEDERAL ENERGY REGULATORY COMMISSION FORMAT FOR ITS FILED TARIFFS IN LIEU OF THE FORMAT REQUIRED IN GENERAL ORDER 96-A.

BY ADVICE LETTER 1, FILED ON OCTOBER 23, 1991.

SUMMARY

1. Unocal California Pipeline Company (Unocap) filed to assume public utility common carrier status and to have rates effective on January 1, 1992. Additionally Unocap requested authority to use the Federal Energy Regulatory Commission (FERC) format for its filed tariffs, instead of the format required by Commission's General Order 96-A.
2. This Resolution grants the authority requested, with rates subject to possible refund with interest pending the Commission's decision or decisions in Complaint 91-12-028.

BACKGROUND

1. Unocap on October 23, 1991 filed its tariffs to act as a pipeline common carrier to become effective January 1, 1992. Unocap provides intra-state pipeline service for crude petroleum between San Francisco and Los Angeles and intermediate points. Unocap also has filed with FERC for authority to operate certain of its offshore and onshore pipelines as common carriers under FERC tariffs and jurisdiction.
2. Unocap is a wholly owned subsidiary of Union Oil Company of California (Unocal), and is the legal entity now owning pipelines formerly owned by Unocal.
3. Unocal, in ongoing litigation between City of Long Beach, State of California Division of Oil and Gas v Union Oil Company et al., has signed a stipulated settlement to place parts of its crude petroleum pipeline system into public utility common carrier status.

NOTICE:

1. Public notice of these filings has been made by publication in the Commission's calendar on November 1, 1991.

PROTESTS

1. One late filed protest, by the City of Long Beach (Long Beach), to this Advice Letter was received by the Commission Advisory and Compliance Division.

2. Long Beach protested the lack of a provision for a gravity bank clause, objected that Unocap had failed to set forth the basis for the rates sought, and alleged that several of the rates were unreasonably high.

DISCUSSION

1. By Advice Letter No. 1, dated October 23, 1991, Unocap filed its tariffs asking they become effective January 1, 1992 to be a common carrier subject to regulation by the Public Utilities Commission. Public Utilities Code Section 1001 listing the utilities which must apply for a Certificate of Public Convenience and Necessity before starting construction does not include petroleum pipelines.

2. In the filing Unocap also requested authority to file its tariffs in the format used by FERC instead of the format required by Commission General Order 96-A.

3. Deviations from the requirements of General Order 96-A, for pipelines to use the FERC format, have been previously granted to Four Corners Pipeline Company by Resolution G-2729 dated May 29, 1987, Southern Pacific Pipelines, Inc. by Resolution G-2772 dated January 13, 1988, Shell California Pipeline Company by Resolution G-2830 dated October 26, 1988 and Gulf Interstate California Pipelines by Resolution G-2860 dated February 24, 1989.

4. The FERC type tariff sheets are pre-printed on 8-1/2" by 11" heavy bond paper. In particular the FERC format is described in Title 18 Code of Federal Regulations Subchapter P, Parts 341.0 through 341.65, (18 CFR 341.0 et. seq.) governing the construction and filing of tariffs by pipeline companies. The filed date and the approval dates are preprinted under the FERC format, as provided for by 18 CFR 341.3 (g) and (h), before submission and approval. This preprinted approval date anticipates CPUC action which, if not forthcoming, leaves customers with advice filings that appear effective, but which are not.

5. Shippers of crude petroleum and petroleum products are familiar with the FERC format. Use of a different format solely for intra-state shipments would be confusing to them and serve no useful purpose.

6. The Energy Branch of the Commission Advisory and Compliance Division recommends that Unocap be permitted to be exempt, and continue to be exempt, from the format requirements of General Order 96-A, submitting instead tariff sheets following the FERC format, provided that the effective date is left blank until the tariff is approved by the Commission.

7. Unocap in a response to the late filed protest included a tariff provision for a gravity bank to begin operation within two months of starting public utility operations, to be incorporated into its filed tariffs. Unocap stated they were unable to provide this until they had trained or hired the necessary personnel to operate a gravity bank. Unocap also stated that while it anticipated very little demand between January 1, 1992 and March 1, 1992 for any adjustments due to gravity differentials arising out of common stream operations, Unocap will track the quality of oil that is tendered and will make necessary monetary adjustments to reflect differences in the quality of oil delivered and received on behalf of a particular shipper.

8. Unocap also responded that its rates were market-based and reflective of the competitive alternatives available to prospective shippers, and were comparable to existing pipeline rates for the service provided; that the allegations of unreasonably high rates were conclusory and unfounded; and that Long Beach had not demonstrated how it would be affected by those rates, if at all.

9. Long Beach has filed a Complaint (C.91-12-028) raising, in more detail, the same allegations as in its protest, and requesting that the Commission stay the implementation of Unocap's tariffs until there has been an investigation and a determination as to the reasonableness of the filing.

10. The complaint raises questions as to the rate-setting methodology and the reasonableness of rates which should be explored in public hearings. Pending the outcome of C.91-12-028, the rates requested should be approved, but should be subject to possible refund with interest in the eventuality that the Commission finds any of them to be excessive.

FINDINGS

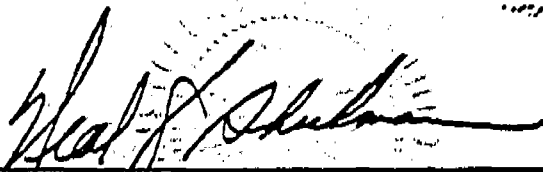
1. The tariff sheets filed by Unocap on October 23, 1991 became effective on January 1, 1992 for the limited purpose of creating common carrier status for Unocap. As such, Unocap is now a common carrier public utility subject to the jurisdiction of the California Public Utilities Commission.
2. Long Beach has filed a Complaint alleging that the tariffs submitted do not provide for a gravity bank, contain rates which are unjustifiably market-based, and will result, at least in part, in excessive costs to potential shippers who would be expected to use the various pipelines.
3. Unocap submitted a tariff provision governing a gravity bank in its response to Long Beach's protest which is included in the tariffs which became effective on January 1, 1992.
4. The remaining issues raised in the complaint should be examined in public hearings before an administrative law judge, and the requested rates approved subject to refund with interest pending the Commission's decision or decisions on the complaint.
5. Unocap's request for exemption from filing tariff sheets as prescribed by CPUC General Order 96-A, in order to conform to FERC's standard tariff sheet format is reasonable.
6. The tariff sheets filed in the future by Unocap should leave the effective date blank until approved by the Commission.

January 21, 1992

THEREFORE, IT IS ORDERED that:

1. Unocal California Pipeline Company is authorized to collect the charges contained in these tariffs, subject to refund plus interest from the effective date of this Resolution, of all charges found to be excessive in our decision or decisions on C.91-12-028. It shall keep accurate account of all amounts received under these tariffs in sufficient detail that refunds with interest can be made to individual shippers of any portion of any charge ultimately found unjustified.
2. Prior to the commencement of operation of the gravity bank, Unocal California Pipeline Company shall track the quality of oil that is tendered and put into the common stream, and shall make necessary monetary adjustments to reflect differences in the quality of oil delivered and received on behalf of a particular shipper.
3. In accordance with Section XV of General Order 96-A Unocal California Pipeline Company is authorized to use the tariff sheet format of the Federal Energy Regulatory Commission.
4. Unocal California Pipeline Company is authorized to submit tariff sheets formatted in conformance with the Federal Energy Regulatory Commission requirements, but omitting the printed effective date, until further order of this Commission.
5. This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on January 21, 1992. The following Commissioners approved it:



NEAL J. SHULMAN
Executive Director

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