PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY AND
COMPLIANCE DIVISION
Energy Branch

RESOLUTION O-0008*
January 10, 1996

R E S O L U T I O N

RESOLUTION O-0008. UNOCAL CALIFORNIA PIPELINE COMPANY (UNOCAP) REQUESTS APPROVAL TO CANCEL CRUDE OIL TRANSPORTATION SERVICE FROM ITS MIOSSI LINE NO. 355 SAN LUIS OBISPO COUNTY, ARROYO GRANDE FIELD, PRICE CANYON UNIT. CAL PUC NO. 29 WILL REPLACE CAL PUC NO. 28.

BY ADVICE LETTER NO. 5, DATED JUNE 30, 1995 AND RECEIVED JULY 11, 1995.

SUMMARY

1. Unocal California Pipeline Company (UNOCAP) seeks approval to cancel crude oil transportation service from its Miossi Line No. 355, San Luis Obispo County, Arroyo Grande Field, Price Canyon Unit. UNOCAP states that the primary reason for terminating this service is the proximity of the Pacific Ocean to the Miossi Line that may pose potential liabilities that are not justified by the limited volumes of oil transported on the line.

2. UNOCAP also seeks approval to deviate from the tariff format and sheet rules stated in General Order No. 96-A and file its tariffs for this advice letter under the Federal Energy Regulatory Commission (FERC) format for liquids pipelines.

3. UNOCAP's request to withdraw service for Line No. 355 is approved as of March 1, 1996.

4. UNOCAP's request to utilize the FERC format to file its tariffs is denied. It shall refile its Advice Letter (AL) No. 5 tariffs according to G.O. 96-A format guidelines on or before February 29, 1996.

5. No protests were filed.

BACKGROUND

1. UNOCAP filed AL No. 5 on July 11, 1995, requesting Commission approval to terminate service on its Miossi Line and to file its tariffs under the FERC format in lieu of General Order 96-A's tariff filing procedures.

2. The Miossi Line is eight inches in diameter and 4.7 miles in length. The line originates at the Miossi Junction and runs west to Avila Terminal. In 1986, Shell which owns and operates the Arroyo Grande Field, Price Canyon Unit, laid a pipeline from the Arroyo Grande Field to Miossi Junction and connected its pipeline to UNOCAP's Miossi Line.

3. UNOCAP submits that approximately one half to one mile of the Miossi Line is about 200 feet from and runs parallel to the Pacific Ocean. UNOCAP is concerned that a leak from this line could reach the ocean due to its proximity. UNOCAP believes that even though it meets all existing regulatory safety standards, it poses an environmental risk and potential liability should a leak occur.

4. UNOCAP stated that if it was not permitted to eliminate its common carrier obligation, UNOCAP would have to invest approximately $750,000 to upgrade the existing line to minimize the risk of a leak. The upgrade would involve installation of a launcher and receiver to permit running a high-resolution internal inspections tool to determine areas where corrosion may have occurred, replacement of corroded sections of the line and if need be, replacement of the line.

5. Based on the current average throughput of 1500 barrels per day, at the tariff rate of $0.07/bbl, UNOCAP estimates that it would require almost 20 years to collect an amount equal to its investment of $750,000.

6. Shell Pipeline Company (Shell) is the only producer connected to the Miossi Line. Approximately 1500 barrels per day of crude oil are transported on the Miossi Line from the Arroyo Grande Field to Avila Terminal, which is owned and operated by UNOCAP's parent company, Union Oil Company of California (Unocal).

7. Unocal is the sole shipper on UNOCAP's Miossi Line. Unocal purchases the oil from Shell at the Price Canyon Unit which connects to Miossi Junction via two miles of Shell pipeline.

8. Shell, the producer affected by the proposed closure of the line, does not object to UNOCAP's request. Shell has requested that the Miossi Line remain open until close of business on February 29, 1996, to allow it to construct additional facilities that will be required to facilitate truck transportation of the crude oil.

NOTICE

1. UNOCAP served notice of AL No. 5 by mailing copies via first class U.S. postal services to its subscribers and interested parties. It was also posted on the Commission calendar on July 14, 1995.

PROTESTS

1. No protests were received for AL 5.

DISCUSSION

1. CACD requested additional information from UNOCAP, via data request dated July 25, 1995, regarding its need to cancel service on the Miossi Line. UNOCAP responded on August 17, 1995.

2. The information UNOCAP provided CACD in support of this proposal was vague. UNOCAP has provided no facts that corrosion exists on this line or that there is a need to replace or remove the line. In its AL and data request response, UNOCAP only speculated on the degree of risk and did not provide supporting information to justify the need for line improvements. UNOCAP did not provide a reasonable standard of measuring the current risk of a leak or the amount of risk that would be eliminated should UNOCAP be permitted to upgrade its Miossi Line.

3. The Commission Advisory and Compliance Division (CACD), believes that UNOCAP did not meet its burden of proof of demonstrating 1) that the Miossi line poses an environmental risk due to its proximity to the Pacific Ocean, 2) that there is a need to minimize the risk of a leak on its Miossi Line, even though it meets all existing regulatory safety standards, 3) that it has provided a reasonable standard of measuring the current risk of a leak compared to the amount of risk that would be eliminated should UNOCAP be permitted to upgrade its Miossi Line, and 4) that there is a need to upgrade its Miossi Line and thus, to either invest $750,000 for the upgrades or shut down the line.

4. CACD does recommend that UNOCAP's request to shut down this line be approved, however, since Shell (the producer affected by the proposed closure of the line) does not object to UNOCAP's request. Shell has requested that the Miossi Line remain open until close of business on February 29, 1996, to allow Shell to construct additional facilities that will be required to facilitate truck transportation of the crude oil.

5. CACD recommends that the Commission approve closure of the Miossi Line no earlier than March 1, 1996, to allow Shell the opportunity to set up its trucking facilities.

6. UNOCAP's request for authorization to use the tariff format established by the Federal Energy Regulatory Commission (FERC) for liquids pipelines which would exempt it from the tariff format and sheet rules stated in General Order No. 96-A should be denied. CACD will continue to inform oil pipeline carriers of the standard format currently used by the Commission in its General Order No. 96-A for the purpose of uniformity and simplicity. CACD recommends that UNOCAP refile its AL No. 5 tariffs according to G.O. 96-A format guidelines on or before February 29, 1996.

FINDINGS

1. UNOCAP filed AL No. 5 on July 11, 1995, requesting Commission approval to terminate service on its Miossi Line and to file its tariffs under the FERC format in lieu of General Order 96-A's tariff filing procedures.

2. Shell, the producer affected by the proposed closure of the line, does not object to UNOCAP's request.

3. Shell has requested that the Miossi Line remain open until close of business on February 29, 1996, to allow Shell to construct additional facilities that will be required to facilitate truck transportation of the crude oil.

4. Since Shell, the sole producer affected by the closure of the line, does not object to the closure of the line, it is reasonable to allow UNOCAP to withdraw Line No. 355 from service.

5. CACD recommends that the Commission approve closure of the Miossi Line no sooner than March 1, 1996, to allow Shell the opportunity to set up its trucking facilities.

6. In order to allow uniformity and simplicity when the Commission staff reviews advice letter filings by oil pipeline carriers, UNOCAP's request for an exemption from filing tariff sheets as prescribed by CPUC General Order 96-A, should be denied. CACD recommends that UNOCAP refile its Advice Letter No. 5 tariffs according to G.O. 96-A format guidelines on or before February 29, 1996.

THEREFORE, IT IS ORDERED that:

1. UNOCAP's request to cancel service on its Line No. 355 as described in Advice Letter No. 5 is approved.

2. UNOCAP shall not close Line No. 355 before March 1, 1996.

3. UNOCAP's request for authorization to use the tariff format established by the Federal Energy Regulatory Commission (FERC) for liquids pipelines which would exempt it from the tariff format and sheet rules stated in General Order No. 96-A is denied. UNOCAP shall refile its Advice Letter No. 5 tariffs according to G.O. 96-A format guidelines on or before February 29, 1996.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on January 10, 1996. The following Commissioners approved it:

Wesley Franklin

WESLEY M. FRANKLIN
Executive Director

DANIEL Wm. FESSLER
President
P. GREGORY CONLON
JESSIE J. KNIGHT, Jr.
HENRY M. DUQUE
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Commissioners