

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**ENERGY DIVISION**

**RESOLUTION O-0021  
MARCH 26, 1998**

**RESOLUTION**

**RESOLUTION O-0021. UNOCAL CALIFORNIA PIPELINE COMPANY SEEKS APPROVAL TO ABANDON ITS COMMON CARRIER OBLIGATION TO PROVIDE INTRASTATE CRUDE OIL TRANSPORTATION SERVICE ON ITS LOS ANGELES BASIN TRUNK LINE #700B IN LOS ANGELES COUNTY. DENIED WITHOUT PREJUDICE.**

**BY ADVICE LETTER NO. 15, FILED ON JANUARY 26, 1998.**

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**SUMMARY**

1. By Advice Letter (AL) No. 15, Unocal California Pipeline Company (UNOCAP) seeks approval to abandon its common carrier obligation of providing intrastate crude oil transportation service on its Los Angeles Basin Trunk #700B (Line #700B) in Los Angeles County.
2. A protest was filed by Tidelands Oil (Tidelands) contending that UNOCAP inappropriately used the Commission's filing procedure, that approving the request will have detrimental financial and service impacts on Tidelands and other competing crude oil producers, that UNOCAP has not provided adequate evidence of its assertions, and that UNOCAP's actions may violate the terms of the "Pipeline Dedication Agreement" entered into by Union Oil of California (Unocal), the City of Long Beach (City) and the State of California (State).
3. A protest was filed by the City, as Trustee, and the State of California (State), as Beneficiary, arguing that the abandonment of common carrier service must be made by Application, not Advice Letter, that abandonment of Line #700B violates UNOCAP's statutory common carrier obligations, that abandonment of Line #700B would violate a settlement agreement reached between Unocal, the City and the State which specifically required UNOCAP to institute common carrier status on Line #700B.
4. This resolution denies without prejudice AL No. 15.

**BACKGROUND**

1. On January 26, 1998, UNOCAP filed AL No. 15 seeking Commission authority to abandon its common carrier obligation of providing intrastate crude oil transportation service on its Line #700B pipeline. UNOCAP's Line #700B is approximately 5.8 miles of 8-inch pipeline

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in Los Angeles County.

2. UNOCAP states that both the Port of Long Beach (Port) and the City have informed them that a grade separation projection on Anaheim street impacts Line #700B and the project requires the removal and/or relocation of approximately 300 feet and the relocation of approximately a 4,000 foot portion of this pipeline. Pursuant to the franchise agreement with the City, UNOCAP is required to remove and/or relocate the pipeline at its expense in the event of such street and roadway improvement projects. The Port and the City have both notified UNOCAP that they intend to commence work in this area, and require removal and/or relocation of the pipeline by approximately April 1, 1998.

3. In order to comply with the California Pipeline Safety Act, which requires pipeline replacements be designed to accept the passage of internal inspection tools for corrosion monitoring, UNOCAP concluded that approximately 6,500 feet of new 10-inch pipeline will needed to be installed. UNOCAP estimates that the cost of relocating this 6,500 foot pipeline will be \$1.3 million.

4. UNOCAP states that over the last three years, it has spent over one million dollars relocating portions of this pipeline due to Port construction projects. Meanwhile, throughput over this pipeline has continually decreased. Volume decline results in revenue decline. Tariff rates have not been increased since the initial filing. Moreover, there is only one shipper on this line. UNOCAP believes there is no economic justification to relocate the affected portion of Line #700B in order to continue service to the single customer currently obtaining service on this pipeline. Furthermore, UNOCAP states that to recover normal annual operating expenses of approximately \$70,000 per year, not including the estimated \$1.3 million required to remove and relocate the affected portions of Line #700B, will require an average throughput that is far in excess of this pipeline's oil movement history.

5. UNOCAP's sole shipper on Line #700B, Ultramar, has lost shipment previously available to it. This is reflected in the volumes nominated over the last half of 1997 as opposed to the first half of 1997. Ultramar shipped, on average, 17,570 barrels per day (bpd) in the first half of 1997; while the second half of 1997, it shipped only 10,540 bpd, with a monthly low of 3,320 bpd.

6. UNOCAP has met with Ultramar and has offered to either sell the system to Ultramar, so Ultramar can relocate the pipeline, or, in the alternative, require Ultramar to sign a minimum throughput agreement that will fund the relocation. As of January 23, 1998, UNOCAP has received no response to either options.

7. UNOCAP believes that the abandonment of this line should not create any hardship as

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oil producers are connected to various other refineries in the Los Angeles area and the single customer can meet its crude oil supply through other conduits.

8. UNOCAP only served a copy of this advice letter on the single customer, shipper Ultramar, currently receiving service from this pipeline.

#### NOTICE

1. Notice of AL No. 15 was only served on the single customer currently receiving service from this pipeline.

#### PROTEST

1. On February 13, 1998, Tidelands Oil (Tidelands) filed a protest contending that UNOCAL inappropriately used the Commission's filing procedure, that approving the request will have detrimental financial and service impacts on Tidelands and other competing crude oil producers, that UNOCAP has not provided adequate evidence of its assertion that its franchise agreement with the City requires it to remove and/or relocate Line #700B at its own expense in the event of such a street and roadway improvement project or that the Port and City will begin work on this project and would require UNOCAP to remove and/or relocate Line #700B by April 1, 1998, and that UNOCAP's actions may violate the terms of the "Pipeline Dedication Agreement" entered into by Union Oil of California (Unocal), the City and the State of California (State).

2. On February 13, 1998, the City, as Trustee, and the State, as Beneficiary, filed a protest arguing that the abandonment of common carrier service must be made by Application, not Advice Letter, that abandonment of Line #700B violates UNOCAP's statutory common carrier obligations<sup>1</sup>, that abandonment of Line #700B would violate the settlement agreement reached between Unocal, the City and the State which specifically required UNOCAP to institute common carrier status on Line #700B.

3. On February 23, 1998, UNOCAP provided responses to the protests filed by the City, as Trustee, and the State as Beneficiary, and by Tidelands. First, UNOCAP is unaware of any

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<sup>1</sup>As of February 1998, the City and the State argued that 16,613 bpd of Long Beach THUMS crude oil was moved over Line #700B, accounting for over 36% of Long Beach THUMS crude production. Further, in 1997, the City and State stated that over 5,100,000 of crude oil moved over Line #700B to the Ultramar refinery.

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statute or regulation requiring UNOCAP to proceed by formal application rather than advice letter. Second, nothing in the 1991 Individual Settlement Agreement forces UNOCAP to continue to operate a common carrier pipeline in perpetuity regardless of the economics of such operations, or prohibits UNOCAP from ever removing any part of the oil pipeline from common carrier service. Third, UNOCAP is prepared to provide whatever documentation the Commission requires to process or evaluate this advice letter. Finally, UNOCAP notes that Tidelands is not a common carrier customer of UNOCAP's pipeline operations. Further, the alleged financial impact on Tidelands is not within the Commission's or the public's interest to require common carrier operations to continue in order to maximize the prices of goods sold by a third-party, non-customer of common carrier service.

### DISCUSSION

1. Notice of an advice letter is governed by General Order 96-A, section III.G which states in pertinent part: "each ... pipeline ... utility shall furnish a copy of the advice letter and a copy of each of the related tariff sheets to the following: 1. Competing utilities either privately or publicly owned, 2. Adjacent utilities either privately or publicly owned, 3. Utilities either privately or publicly owned, having requested such notification, 4. Other interested parties having requested such notification..."
2. UNOCAP has only provided notice of this advice letter to the one shipper that is currently using Line #700B.
3. Although two protest were received, UNOCAP has failed to provide sufficient notice as there may be other shippers and/or oil producers who may be interested in UNOCAP's abandonment of Line #700B.
4. Further, both protests raise the issue of whether UNOCAP violated the settlement agreement reached between Unocal, the City and the State. This is an issue which requires interpretation of a third party settlement agreement and cannot be resolved through the advice letter process.
5. Moreover, the City and State's protest to AL No. 15 raise factual disputes as to whether there is sufficient throughput to deny abandonment of Line #700B. UNOCAP states Ultramar, the sole shipper on Line #700B, has lost sales previously available to it. This is reflected in the volumes nominated over the last half of 1997, as the first half of 1997, Ultramar shipped, on average, 17,570 barrels per day (bpd) while the second half of 1997, it shipped only 10,540 bpd, with a monthly low of 3,320 bpd. In contrast, the City and the State stated that as of February 1998, 16,613 bpd of Long Beach THUMS crude oil was moved over Line #700B, accounting for over 36% of Long Beach THUMS crude production. Further, in 1997, the City and State stated

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that over 5,100,000 barrels of crude oil moved over Line #700B to the Ultramar refinery. This is an issue of factual dispute which cannot be resolved through the advice letter process.

6. To the extent issues of fact and law have been raised in this filing that cannot be resolved through the advice letter process, the protests are granted on procedural grounds, and the advice letter should be denied without prejudice.

**FINDING**

1. AL No. 15 should be denied without prejudice because UNOCAP has failed to provide sufficient notice of its intent to abandon its common carrier obligation of providing intrastate crude oil transportation service on its Los Angeles Basin Trunk #700B (Line #700B) in Los Angeles County. Further, issues have been raised requiring interpretation of a third party settlement agreement and resolution of a factual dispute which can not be resolved through the advice letter process.

2. UNOCAP may want to consider filing an Application with the Commission to resolve issues which cannot be resolved through the advice letter process.

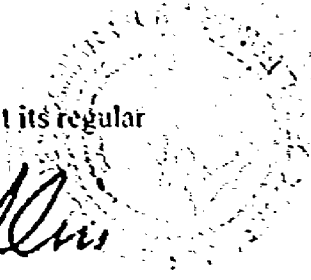
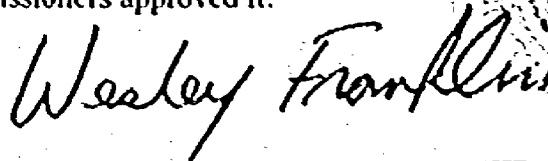
3. The protests are granted on procedural grounds.

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**THEREFORE IT IS ORDERED THAT:**

1. Unocal California Pipeline Company's request for approval of advice letter No. 15 is denied without prejudice.
2. This resolution is effective today.
3. The protests are granted on procedural grounds.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on March 26, 1998. The following Commissioners approved it:



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WESLEY M. FRANKLIN  
Executive Director

Richard A. Bilas, President  
P. Gregory Conlon  
Jessie J. Knight  
Henry M. Duque  
Josiah L. Neeper  
Commissioners