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

Application of SFPP, L.P. for authority, pursuant to Public Utilities Code Section 455.3, to change its rates for pipeline transportation services within California.

Application 12-01-015  
(Filed January 30,2012)

And Related Matters.

Case 12-03-005  
Case 12-03-006  
Case 12-03-007  
Case 12-04-004  
Case 12-04-006  
Case 12-04-007

**ASSIGNED COMMISSIONER'S RULING AND SCOPING MEMO**

**Background**

SFPP, L.P. (SFPP) filed this application on January 30, 2012, seeking approval of a reduction of 6.76% in its rates for transporting refined petroleum products within California. The application was filed pursuant to Public Utilities Code (Pub. Util. Code) Section 455.3 which authorizes pipeline companies to change rates on 30 days' notice subject to later modification by the Commission. ConocoPhillips Company, Chevron Products Company, Southwest Airlines Co., ExxonMobil Oil Corporation, Valero Marketing and Supply Company, Ultramar, Inc., Tesoro Refining and Marketing Company and BP West Coast Products LLC (collectively, Shippers) protested the application, asserting the proposed rate reductions were inadequate and if confirmed would permit SFPP to earn an unreasonably high return. Each of the Shippers also filed a parallel complaint

case to preserve its rights to seek lower rates via the adjudicatory process in the event that the Commission interpreted Section 455.3 as establishing a floor under rate reductions in a general rate case.

In a pair of rulings, the Administrative Law Judge (ALJ) consolidated all six of the complaint cases with this application. The complainants, proceeding numbers, and filing dates of the complaint cases are set out in the following table:

COMPLAINANT	PROCEEDING NO	FILE DATE
TESORO	C. 12-03-005	3-5-2012
BP WEST COAST	C.12-03-006	3-5-2012
EXXONMOBIL	C.12-03-007	3-5-2012
CONOCOPHILLIPS	C.12-04-004	4-10-2012
CHEVRON + SOUTHWEST AIRLINES	C.12-04-006	4-17-2012
VALERO + ULTRAMAR	C.12-04-007	4-17-2012

On April 12, 2012, the ALJ held a prehearing conference at which he ruled that Pub. Util. Code § 455.3 did not set a floor under possible rate reductions and directed the parties to make a joint submission of topics for the scoping memo. On April 16, 2012, the parties made a joint submission of proposed topics in accordance with the ALJ's ruling.

**Scope of the Proceeding**

This proceeding shall address the following topics:

- I. Are the rates, terms, and conditions in effect from March 1, 2012 that are the subject of A.12-01-015 and the consolidated complaints just and reasonable?
  
- II. In the context of a cost-of-service analysis of SFPP's rates, what are reasonable amounts for:

- (i) projected operating capacity, throughput and associated revenues on:
  - (a) the total intrastate portions of SFPP's pipelines,
  - (b) the individual pipelines; and
  - (c) the segments to destinations;
- (ii) capital structure including the treatment of Purchase Accounting Adjustments and Good Will;
- (iii) cost of debt;
- (iv) return on equity;
- (v) allocation of costs between interstate and intrastate systems and among the separate intrastate systems;
- (vi) allocation of overhead costs from the holding company structure (Kinder Morgan Energy Partners) and its own holding company structure (Kinder Morgan, Inc.) and related issues;
- (vii) the appropriate level of operating expenses, including but not limited to fuel and power costs, oil losses and shortages, litigation and environmental expenses, and any other operating or maintenance costs; and
- (viii) such other and further cost of service components which may be in dispute?

III. In light of the Commission's rejection of an income tax allowance for SFPP, the extent, if any, to which SFPP must reflect prior ratemaking treatment of deferred income taxes in determining just and reasonable rates at issue in the subject proceedings or must otherwise refund to shippers such deferred income taxes.

IV. What is the appropriate rate base?

V. What, if any, refunds to shippers are appropriate?

**Schedule**

The following schedule is adopted:

Concurrent Direct Testimony	September 17, 2012
Concurrent Reply Testimony	November 15, 2012
Concurrent Rebuttal Testimony	January 15, 2013
Evidentiary Hearings	February 4, 2013 to February 22, 2013
Opening Briefs	April 1, 2013
Closing Briefs	May 1, 2013
Draft Decision	August 1, 2013
Commission Decision	November 1, 2013

This Scoping Memo and Ruling extends, by 18 months from today's date, the period of resolution of this matter.

**Category of Proceeding**

This proceeding is characterized as ratesetting and hearings have been determined to be necessary.

**Presiding Officer**

Pursuant to Pub. Util. Code § 1701.3 Karl J. Bemserderfer is designated as the presiding officer.

**IT IS SO RULED.**

Dated May 8, 2012, at San Francisco, California.

/s/ MICHAEL R. PEEVEY  
Michael Peevey  
Assigned Commissioner