

Decision **PROPOSED DECISION OF ALJ BEMESDERFER** (Mailed 4/15/14)**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of San Pablo Bay Pipeline Company LLC (PLC- 29) for authority, pursuant to Public Utilities Code Section 455.3, to increase its rates for pipeline transportation services within California.

Application 14-01-003
(Filed January 2, 2014)

**DECISION GRANTING APPLICATION OF SAN PABLO BAY
PIPELINE COMPANY, LLC FOR RATE INCREASE**

1. Summary

The Commission approves the application of San Pablo Bay Pipeline Company for authority to increase its rates for transportation of crude oil by \$0.055 per barrel.

2. Background

San Pablo Bay Pipeline Company, LLC (SPBPC), seeks approval to increase its rates and charges for transportation of crude oil on its San Pablo Bay pipeline by \$0.055 per barrel, subject to refund, pursuant to Public Utilities Code § 455.3.¹

¹ Section 455.3 allows oil pipeline corporations like SPBPC to increase pipeline transportation rates upon thirty days' notice to the Commission and prior to Commission approval, provided that the proposed increase does not exceed 10 percent per 12-month period. Section 455.3 further provides the Commission with authority to suspend any such rate increase and use of the increased rate for a period of time not to exceed 30 days from expiration of the thirty-day notice of increase provided by the oil pipeline corporation. Finally, Section 455.3 allows the Commission to subsequently

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SPBPC seeks this increase to offset declining revenues expected to result from projected declines in throughput. The requested increase from \$1.34 per barrel to \$1.395 per barrel, with a corresponding increase in annual intrastate revenues of \$2.56 million, is a rate increase of approximately 4.1%.

Simultaneously with this application, SPBPC filed its Advice Letter No. 2 with the Energy Division, mirroring the requested rate increase that is the subject of this application. Although SPBPC could have raised its rates by this amount, subject to refund, upon thirty days' notice to shippers and the Commission, it has declined to do so pending Commission action on this application.

The application was protested by Tesoro Refining and Marketing Company, LLC (Tesoro). SPBPC replied to the protest. Following successful negotiations between SPBPC and Tesoro to reach an agreement with respect to the application, Tesoro's protest of the application is withdrawn. The application is now uncontested.

3. Discussion

SPBPC's application provides substantial evidence to demonstrate that throughput has been gradually declining in recent years and will continue to decline in 2014; and that without the requested increase, SPBPC will not recover its costs of service or achieve the overall rate of return the Commission has previously authorized.² This evidence is sufficient to satisfy the burden of proof.

evaluate the reasonableness of any rate increase effected prior to Commission approval, to disallow any portion of the rate increase that is ultimately deemed unreasonable, and to require refund of that portion of the increase found to be unreasonable.

² See *Application of San Pablo Bay Pipeline Company, LLC for Rate Increase* and supporting Attachments.

Consequently, there is no need for evidentiary hearings and this application should be approved.

4. Categorization and Need for Hearing

In ALJ Resolution 176-3329 dated January 16, 2014, the Commission preliminarily categorized this application as ratesetting and preliminarily determined that hearings were necessary. We confirm the preliminary categorization and change the hearing determination to “not necessary.”

5. Comments on Proposed Decision

The proposed decision of the Administrative Law Judge (ALJ) in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission’s Rules of Practice and Procedure. No comments were received.

6. Assignment of Proceeding

Michael R. Peevey is the assigned Commissioner and Karl J. Bemederfer is the assigned ALJ in this proceeding.

Findings of Fact

1. Throughput on the SPBPC has steadily decreased from an average of 159,146 barrels per day in 2008 to 133,113 barrels per day through September, 2013.

2. SPBPC cost of service calculations demonstrate a revenue shortfall in the Test Period of \$2.56 million with the existing \$1.34/bbl rate.

3. A rate increase of \$0.055 per barrel will permit SPBPC to recover its costs of service and achieve the overall rate of return and return on equity previously authorized by this Commission.

4. Although authorized to do so by Pub. Util. Code § 455.3, SPBPC has not increased its crude oil transportation rates by the requested amount pending Commission action on this application.

5. Tesoro protested the application. Tesoro and SPBPC subsequently reached an agreement with respect to the application, and Tesoro's protest is now withdrawn. The application is uncontested.

Conclusions of Law

1. SPBPC is an oil pipeline corporation as that term is defined in Pub. Util. Code § 455.3.

2. The requested rate increase is authorized under Pub. Util. Code § 455.3.

3. A rate increase of \$0.055 per barrel (approximately 4.1%) is necessary in order to permit SPBPC to achieve the overall rate of return and return on equity previously authorized by this Commission.

4. The application should be approved.

O R D E R

IT IS ORDERED that:

1. The application of San Pablo Bay Pipeline Company, LLC, to increase its rates and charges for transportation of crude oil on its California pipeline by \$0.055 per barrel effective as of the date hereof is approved.

2. Hearing determination is changed to no hearings necessary.

3. Application 14-01-003 is closed.

This order is effective today.

Dated _____, at San Francisco, California.