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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Item 10

Agenda ID #13004

ENERGY DIVISION

RESOLUTION O-0060 (Rev.1)

June 26, 2014

**R E S O L U T I O N**

Resolution O-0060: Phillips 66 Pipeline LLC requests authority to make changes to its tariffs. These include non-substantive wording revisions to update and clarify its tariffs, cancellation of service on its Line 700 as supported by Commission Decision 07-12-046, and the addition of new origins, one new line and one new service. Additionally, Phillips 66 proposes to cancel service on its trunk lines #100 and #200 and its gathering lines #100 and #200.

PROPOSED OUTCOME:

- This Resolution approves the requested tariff and service changes.

SAFETY CONSIDERATIONS:

- There are inherent safety risks associated with the transportation of crude oil. The tariff changes approved do not affect these risks nor the responsibility of the utility to adhere to all commission rules, decisions, General Orders and statutes including Public Utility Code Section 451 requiring it to take all actions "...necessary to promote the safety, health, comfort, and convenience of its patrons, employees and the public."

ESTIMATED COST:

- No rate change is requested.

By Advice Letter 8-O filed on August 27, 2013.

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**SUMMARY**

**This Resolution approves the revisions to Phillips 66 Pipeline's (Phillips) tariffs as requested in Advice Letter (AL) 8-O. The proposed revisions add a**

new service, and cancel an existing service on a line previously owned by ConocoPhillips Pipeline Company. That line was sold to Crimson California Pipeline, LP.<sup>1</sup> The proposed revisions also incorporate changes to wording to be consistent with existing facility names.<sup>2</sup> Finally, the resolution approves tariff changes that cancel certain origins and destinations on Trunk Lines #100 and #200 and on Gathering Lines #100, #200 and #300. There has not been active service on these routes since 2009 or before.

## **BACKGROUND**

**Phillips provides intrastate pipeline gathering and transportation services for crude petroleum.** The major Commission regulated crude oil pipeline systems are:

- Line 100 – A 78 mile crude line with a capacity of 80 thousand barrels per day (MBD)
- Line 200 – A 227 mile crude line with a capacity of 96 MBD
- Line 300 – A 43 mile crude line and an 11 mile crude line with a capacity of 48 MBD
- Line 400 – A 153 mile intermediate line with a capacity of 42 MBD.

An additional line, Line #600, in Los Angeles County, provides service to the Phillips 66 Refinery and the Tesoro Refinery. Line 700 is included in Phillips' current tariffs. However, this line, previously owned by ConocoPhillips Pipeline Company, was sold to Crimson California Pipeline L.P. (See footnote 1). Each of these systems and associated lines are impacted by Advice Letter (AL) 8-O.

**Advice Letter 8-O, filed on August 27, 2013, requests two categories of change. The first are those that may become effective pending disposition, and the second are changes that require Commission approval and only become effective after Commission approval. Under the first category the AL includes the following:**

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<sup>1</sup> Phillips 66 Pipeline was previously part of ConocoPhillips. The sale of ConocoPhillips' Line 700 to Crimson was approved by the Commission Decision 07-12-046.

<sup>2</sup> For example, the name Texaco Refinery has been changed to Tesoro Refinery.

1. **Non-Substantive Wording Changes.** AL 8-O proposes wording changes to update the tariffs. These changes include clarifying numbers on the tariff sheets, and revisions of facility names to make them consistent with the newer names of these facilities.
2. **Cancelling all Rates and Routing on Line 700.** Line 700 was sold to Crimson and the sale was approved in D.07-12-046.
3. **Addition of New Service.** Phillips AL requests the addition of four new origins, a new line and one new service to support the development of new leases and/or wells. Rates for these new services are proposed. The rates are set consistent with rates for existing service. Additionally, the Torrance Station truck unloading charge that was mistakenly removed from an earlier version of the tariffs has been reinserted.

**The second category of changes include the cancellation of lines, cancellation of specific origins and destinations on other lines and a revision of Service Area Maps to conform with the revisions.** The revisions to routes include the following:<sup>3</sup>

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<sup>3</sup> Specific cancellations include the following with last stated use in parentheses:

- 1) Cancellations for Trunk Line #100: a) the Mobil continental Station as a destination from Sunset Station (2008); b) Mobil McKittrick Station as origin and McKittrick Station, Junction Station and Anchor Refining Junction to Mobil McKittrick Station (2006).
- 2) Cancellations for Gathering Line #100: a) all origins and destinations on the Metson Line (2009); b) all origins and destinations on the Maricopa Line (2000); c) origins Sill O'Brien, Kerchoff, E.W. Dodge, Hazelton, Haversite, Chaparrel, Westside Lumber, Sloan Flack and Bronco from Midway/Sunset Field on International Line (2000); d) all origins except for National, Formax, B&E Central and Moco from Midway/Sunset Field on the Gravity Line (2000); e) origins of Wilbert and Cheney from Midway/Sunset Field on Midway Gathering Line #155 (2000); f) all origins and destinations on the Shale Gathering Line #156 (2008); g) origins of M&M, Security, W&S and ARCO Facility from Midway/Sunset Field on E&M line #157 (2006); h) origins of Hondo, Section 15, A&G, Anderson and Neely from Midway/Sunset Field on Bremer Line #158 (2006); i) all origins and destinations on East Puente Line #159 (1987); j) origins of Bruce Anderson and Hoyt from Cymric field on Gamble Line #160 (1987); k) origins of Crailco, Fitz, Midway Premier and Texaco Midway Premier from Cymric Field on Hopkins Line #161 (1987); l) all origins and destinations on

*Footnote continued on next page*

1. **The cancellation of certain origins and destinations on Trunk Line #100.** In total cancellations of five origins/destinations are proposed. The most recent use of any of these is stated to be in 2008.
2. **The cancellation of certain origins and destinations on Gathering Line #100.** All origins and destinations on Metson Line #151 , Maricopa 8" Line #153, Shale Gathering Line #156, East Puente Line #159, Temblor Line #162, Tulare Line #163 and Gibson Line #164 are to be cancelled. Additionally, 36 other origins/destinations are cancelled. The most recent use of the Metson Line is identified as in 2009 and all other cancelled service is stated as not having been used since before 2009.<sup>4</sup>
3. **The cancellation of certain origins and destinations on Trunk Line #200.** Avon Refinery is to be cancelled as an origin and the Rodeo Refinery as a destination. The AL indicates that this was last used in 2006.
4. **The cancellation of certain origins and destinations on Gathering Line #200.** All origins and destinations on the Pyramid Hills Field Line #251, Gujarral Hills Line #252, Coalinga Nose Unit Line #253 and Coalinga Nose Unit Line #254 are to be cancelled. Phillips states that these routes have not been used since 1992

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Temblor Line #162 (2003); m) all origins and destinations on Tulare Line #163 (2003);  
n) all origins and destinations on Gibson Line #164 (1995);

3) Cancellations for Trunk Line #200: a) Avon refinery cancelled as an origin and Rodeo Refinery as a destination (2006);

4) Cancellation for Gathering Line #200: a) all origins and destinations on Pyramid Hills Field Line #251 (1992); b) all origins and destinations on Gujarral Hills Line #252 - origins of Superior Fee, 18F, Walker & Pray, Gatchel B34, Fred Smith, Allison and Sunray Dessel (1985) origins of Estreem and Polvadero Unit (1992); c) all origins and destinations on Coalinga Nose Unit Line #253 (1992); d) all origins and destinations on Coalinga Nose Unite Line 254 (1992);

5) Cancellations on Gathering Line #300: all origins and destinations on Guadalupe Line #354 ("early 1990s").

<sup>4</sup> Among these cancellations, some origin/destinations have not been used since 2006 while others were last used in 1987.

with the exception of origins at Superior Fee, 18 F and Walker & Pray in Pleasant Valley Field, and the origins at Gatchel B34, Fred Smith, Allison, and Sunray Dessel in Gujarral Hill Field that have not been used since 1985.

5. **The cancellation of certain origins and destinations on Gathering Line #300.** All origins and destinations on Guadalupe Line #354 are to be cancelled. Phillips notes that these routes have not been used since the early 1990s.

Phillips explains the reasoning for the cancellations as follows: “the costs of operation and maintenance of the pipelines has become uneconomical when compared to the revenue generated from the associated fields and wells, due to reductions in the production from those wells and fields. Reduced flows expose pipelines to increased deterioration and maintenance costs, rendering trucking the only economical option for transporting the output from those wells and fields.”<sup>5</sup> Additionally, Phillips notes that it was “the last shipper to use the routes and, as the purchaser of the production from the wells associated with the deleted origins, no longer requires the service.”<sup>6</sup>

In addition to these cancellations AL 8-O states that Phillip will revise its Service Area Maps 1 and 2 of its tariff to be consistent with the tariff changes.

## **NOTICE**

Notice of AL 8-O was made by publication in the Commission’s Daily Calendar. Phillips 66 Pipeline, LLC states that a copy of the Advice Letter was mailed to all parties listed on Attachment C to the Advice Letter which includes all shippers who previously used the services Phillips 66 now proposes to cancel. The Advice Letter was also sent to all parties who currently ship on any pipeline owned or operated by Phillips 66 in the United States.

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<sup>5</sup> Phillips 66 Pipeline LLC Advice Letter No. 8-O. August 27, 2013. p. 4

<sup>6</sup> Ibid., p.4.

## **PROTESTS**

**Advice Letter 8-O was timely protested by Tesoro Refining and Marketing Company (Tesoro). Tesoro characterizes its protest as limited and notes that it is not protesting the non-substantive wording changes proposed in the Advice Letter. It states that it is protesting cancellation of rates and routing for Lines #100 and Trunk Line #200.** Tesoro states, as the basis for its protest, “deficiencies in the Advice Letter”<sup>7</sup> and requests clarification of the relief requested by Phillips. Tesoro further notes that Phillips indicates that origin points on Gathering Line #100 have not been used since 1992 or 2002 and adds, that Tesoro has “recently” used the service location identified in Section I.B.2(b)(ii) of the Advice Letter<sup>8</sup>. It further indicates that it will “potentially” use Lines #100 and #200 in the future. Tesoro acknowledges that there could be outdated routes included in the existing tariff schedule “due to producing location name changes, pipeline abandonment, lack of sufficient flow, etc.”<sup>9</sup> Finally, Tesoro states that the “Commission should direct Phillips 66 to supplement the Advice Letter with information sufficient to enable Commission review or should reject the Advice Letter without prejudice. Alternatively the Commission should approve the Advice Letter in part but reject Phillips 66 request to terminate service to points on Lines 100 and 200.”<sup>10</sup>

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<sup>7</sup> Limited Protest and Request for Clarification of Tesoro Refining & Marketing Company LLC to Advice Letter No. 8-O, Phillips 66 Pipeline LLC. September 16, 2013. P.2. On the same page Tesoro references General Order (GO) 96-B and the primary use of the Advice Letter process. The reference is unclear in its purpose but appears to suggest that subject of the Phillips request is not appropriate to an advice letter. GO 96-B Energy Industry Rule 5.3 (6) specifically allows for the requests concerning service cancellations made by Phillips to be filed in a Tier 3 Advice Letter.

<sup>8</sup> The advice letter text indicates that the service discussed in Section I.B.2.(b)(ii) is to be cancelled. Section I.B.2.(b)(ii) on page 5 of Advice Letter 8-O identifies the service as “Each of National, Formax, B&E Central, and Moco is canceled as an origin from Midway/Sunset Field on Gravity Line #154. These origins have not been in use since 2000.” Advice Letter 8-O, op.cit. p. 5.

<sup>9</sup> Tesoro Protest, op. cit., p. 2.

<sup>10</sup> Ibid., pp. 2-3.

**Phillips replied to Tesoro's protest on September 23, 2013.** Phillips notes that the text of the Advice Letter mistakenly omitted that the specific origins on Gathering Line 100 that are of concern to Tesoro would not be cancelled. It notes that the revised tariff attached to the Advice Letter includes these origins. Phillips restates that Gathering Line #200 origins and destinations have not been used since 1992 and that Trunk Line #200 between Avon Refinery and Rodeo Refinery has not been used to ship liquids since 2006. The response notes that Tesoro has only indicated that it may potentially, at some future point, use services that have been idle for at least seven years.

## **DISCUSSION**

**The Commission approves the revisions to tariffs as proposed by Phillips in AL 8-O. The additions of a line and of origins and destinations represent enhancements to service.** The proposed rates for the new line are consistent with rates charged for similar existing service on Phillips' pipelines. Neither these additions nor the rates to be charged for the services were protested.

**The cancellation of rates and routing on Line #700 was approved by Commission Decision 07-12-046.** The terminated service applies to a line no longer owned by Phillips and whose sale to Crimson was approved by Commission Decision 07-12-046.

**The "non-substantive" wording changes appropriately make the tariff consistent with current names for facilities.**

None of the above items are the subject of the protest by Tesoro.

The Tesoro protest concerns "changes to services that it relies upon, has used in the past, and considers as an appropriate and viable option to competitor pipelines for services to its refineries."

**Through its reply and a substitute sheet to the AL, Phillips has addressed Tesoro's protest as it relates to the Line #100 cancellation of origins presented**

**in Section I.B.2(b)(ii) of the AL.<sup>11</sup> The origins of concern to Tesoro are not being cancelled.** Tesoro pointed out in its protest that “While Phillips 66 indicates origin points on Gathering Line 100 have not been used since 2002, Tesoro has recently used this service location.”<sup>12</sup> The reply by Phillips addresses this specific issue. Phillips states that “Unfortunately, omitted wording in the Advice Letter (not the revised tariff itself), gave the impression that these origins would be cancelled. Instead, Section B.2(b)(ii) of the Advice Letter should have read: ‘All origins on Gravity Line #154 are cancelled, *except for* National, Formax, B&E Central, and Moco.’”<sup>13</sup> As indicated in the reply, the revised tariff, shown on page 16 of Attachment A to the AL, retains the origins identified in Section I.B.2(b)(ii). As requested by the Commission, Phillips has provided, as a substitute sheet to the Advice Letter, revised wording noting the excepted origins and making the text of the AL consistent with the revised tariff.<sup>14</sup>

**The Commission rejects the arguments in Tesoro’s protest concerning past and future use of Trunk Line #200 and Gathering Line #200. Tesoro has not used any of these services for at least seven years and for as long as thirty years. Further Tesoro’s statement concerning future use is tenuous.**

Tesoro also protests the cancellations of origins and destinations on Trunk Line #200 and Gathering Line #200. Tesoro states that it has utilized these services and “plans to potentially utilize them more actively for developing crude supplies and other potential operations in the future.”

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<sup>11</sup> AL 8-O page 5 describes the service cancellation as follows: “Each of National, Formax, B&E Central, and Moco is cancelled as an origin from Midway/Sunset Field on Gravity Line #154.” Gravity Line #154 is part of Gathering Line #100.

<sup>12</sup> Ibid., p.2.

<sup>13</sup> Reply to the Limited Protest and Request for Clarification of Tesoro Refining & Marketing Company LLC to Phillips 66 Pipeline Advice Letter 8-O. September 23, 2014. p.1.

<sup>14</sup> On March 27, 2014 Phillips filed a Substitute Sheet for Advice Letter No. 8-O. The sheet replaces page number 5 of the AL and incorporates the words “except for” thereby making it clear that the National, Formax, B&E Central, and Moco origins are not cancelled.

Tesoro does not state when it last used these services nor does it dispute the dates provided by Phillips indicating when the services were last used by any shipper. The AL states that of the requested cancellations of origins and destinations on Trunk Line #200 the most recent use was in 2006. This would be approximately seven years ago. The last use for some of the requested cancellations of origins and destinations on Gathering Line #200 was just under thirty years ago, in 1985, and the most recent use for the others was in 1992, over twenty years ago. By way of reference a review of approved oil pipeline cancellations of service submitted by AL and not previously approved by Resolution or Decision indicates that Commission approval was given after the service had not been used for as little as twelve months with most being cancelled within three years of prior use. Only one cancellation was for service that had not been used for a longer period, thirteen years.<sup>15</sup> Further, Tesoro's statement about future use is highly qualified. It does not say that it will use the lines Phillips proposes to cancel service on or it has any plans to use them in the future. The protest only states that it "plans to potentially use them" for developing supplies and other "potential" operations.<sup>16</sup>

**The Advice Letter did not provide sufficient information describing Phillips plans for the disposition of the lines after it has been authorized to cancel service.** Energy Division sent a data request to Phillips on March 20, 2014 to obtain information concerning whether the lines will be kept for private use, abandoned, or otherwise disposed of. Tesoro's protest had also included the issue that there are deficiencies in the Advice Letter.

**In response to an Energy Division data request, Phillips provided the necessary information to clarify its intent for and the impact of the proposed service cancellations.** In its response, Phillips explains that the lines will no longer be available for any use, including private use; and there is no need or economic basis to justify them remaining in service that cannot be otherwise met

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<sup>15</sup> The review included ALs physically available in the Energy Division's Tariff Unit files. It excluded cancellations of service resulting from damage due to natural disasters (e.g. earthquakes) and any that were ordered or approved in prior Commission decisions or resolutions.

<sup>16</sup> Tesoro Protest, op. cit., p. 2.

through an alternative, i.e., trucking. Phillips states that, “None of the lines on which service is proposed to be cancelled will be used for private service. ...service is proposed to be cancelled on those lines because the wells associated with those lines are no longer producing, or the production is so low that shipping via pipeline is not practical, and crude is now being trucked from those wells.”<sup>17</sup> Phillips further explained that it will follow its standard procedure for lines on which crude petroleum no longer flows. It describes that procedure as, “for metal pipe, the pipe is drained of all the crude petroleum, purged with nitrogen, disconnected from the facilities, and isolated on both ends. In certain circumstances, for shorter sections, Phillips 66 then excavates, removes and disposes of the pipe.”<sup>18</sup> Phillips explains that the same process is used for plastic pipe no longer in service and either it leaves the pipe in place, or, for shorter sections, removes and disposes of the pipe.

**Based on the facts that (1) the service to be cancelled for Trunk Line 100 has not been used since 2008; (2) the service to be cancelled for Gathering Line 100 has not been used since 2009 or before; (3) the service to be cancelled on Trunk Line 200 has not been used since 2006 or before; (4) the service to be cancelled on Gathering Line 200 has not been used since 1992; (5) the service to be cancelled on Gathering Line 300 has not been used since the early 1990s; (6) in response to a data request Phillips provided the necessary information concerning the future use of any cancelled service; and (7) that Tesoro has not provided a credible record of past or future use of the service to be cancelled, the Commission approves the Phillips request. No other party protested the advice letter.**

## **COMMENTS**

Comments were provided by Phillips on June 16, 2014. The comments state that Phillips 66 fully supports the draft resolution. The comments also note what they characterize as minor errors that should be corrected. The first of the corrections concern footnote 3: the inclusion of additional origins to section 2.c, the notation in section 2.d that service for National, Formax, B&E Central and

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<sup>17</sup> Phillips, Response to Data Request. March 28, 2014, p. 1.

<sup>18</sup> Ibid., p. 1.

Moco from Midway/Sunset field on the Gravity Line is not being cancelled, and in 2.e a date change from 2006 to 2000. These changes result in a change to the number of cancellations in paragraph 2 of page 4 from 31 to 36. Secondly, regarding page 4, paragraph 4 Phillips notes that a certain service has not been used since 1985. These changes have been incorporated into the appropriate sections of this resolution.

## **FINDINGS AND CONCLUSIONS**

1. On August 27, 2013 Phillips 66 Pipeline LLC (Phillips) filed Advice Letter (AL) 8-O requesting approval of changes to its tariffs. The changes include non-substantive wording revisions to update the tariffs, cancellation of service on Line 700 as approved by Commission Decision 07-12-046, the addition of new origins, a new line and one new service and cancellations of service on its Line 100 and Line 200 pipeline systems.
2. Phillips' requested changes concerning non-substantive wording changes, cancelling rates and routing on Line 700 and the addition of four new origins, a new line and one new service as well as the reinsertion of a truck unloading charge mistakenly removed from an earlier version of the tariffs are effective pending disposition.
3. Phillips' requested changes cancelling lines and specific origins and destinations on other lines may become effective only after Commission approval.
4. Tesoro Refining and Marketing Company LLC (Tesoro) filed a protest to AL 8-O on September 16, 2013. Tesoro is an active shipper on certain Phillips lines/services impacted by the requested cancellations and has used other impacted lines/services in the past. Further Tesoro is a recipient of product shipped on the lines.
5. Tesoro's protest is limited to cancellations of rates and routing for Line 100 as identified in Section I.B.2(b)(ii) of the AL, and of rates and routing for Trunk Line 200 and Gathering Line 200 as identified in Sections I.B.3 and I.B.44 of the AL. Tesoro states that current uses or has used services Phillips requests be cancelled and that it may use these services in the future. Further, Tesoro asserts that there are deficiencies in the AL and requests clarification of the relief requested by Phillips.

6. The rates and routing for Line 100 identified in Section I.B.2(b)(ii) and identified as part of the Tesoro protest have not been cancelled. Phillips acknowledged that wording excepting the items in Section I.B.2(b)(ii) from cancellation was omitted. Phillips filed a substitute sheet to its AL correcting the AL. As such Phillips has addressed Tesoro's concerns regarding Line 100 cancellations.
7. The service on Line 200 that Phillips seeks to cancel has not been used since 2006 or earlier. Tesoro does not contest this date.
8. The Commission consistently approves cancellation of service that has not been in use for significantly shorter periods.
9. Tesoro provides no credible information concerning future use of the service Phillips seeks to cancel.
10. The AL did not provide sufficient information whether the cancelled service will be kept for private use, abandoned or otherwise disposed of. In response to a data request Phillips clarified that the lines on which service is proposed to be cancelled will not be used for private service. According to Phillips, the process by which the lines will be physically handled and eliminated from service including, when appropriate removal and disposal of pipes will be conducted. The response again notes that, given declines in the oil produced and shipped the service previously provided is not economically viable and can be met by trucks. This response provides the necessary information and provides clarification as requested by Tesoro.
11. The proposed changes to the Phillips' tariffs should be approved

**THEREFORE IT IS ORDERED THAT:**

1. The request of Phillips 66 Pipeline LLC to revise its tariffs as proposed in Advice Letter AL 8-O is approved.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on June 26, 2014 the following Commissioners voting favorably thereon:

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PAUL CLANON  
Executive Director