

Decision \_\_\_\_\_

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

Application of Phillips 66 Pipeline LLC (PL25) for authority to convert from a variable to a fixed apportionment of evaporation and measurement volume changes for Pipeline #200.

Application 14-03-001  
(Filed March 10, 2014)

**DECISION GRANTING APPLICATION OF PHILLIPS 66 PIPELINE LLC  
TO CONVERT FROM A VARIABLE TO FIXED APPORTIONMENT OF  
EVAPORATION AND MEASUREMENT VOLUME CHANGES  
FOR PIPELINE #200**

**1. Summary**

This decision approves Phillips 66 Pipeline LLC's request for authority to convert from a variable to a fixed apportionment of evaporation and measurement volume changes for Pipeline #200, which runs from Kern County through Fresno County to the Rodeo refinery in Contra Costa County.

**2. Background**

Phillips 66 Pipeline LLC (Phillips) is a limited liability company formed under the laws of the State of Delaware, and authorized to do business in California. It is a pipeline corporation as defined by Pub. Util. Code § 228 and is subject to the Commission's jurisdiction pursuant to Pub. Util. Code § 216. Its principal place of business is 3010 Briarpark Drive, Houston, Texas 77042. Phillips operates more than 12,000 miles of pipelines in the United States. In California, Phillips provides gathering and transportation of crude petroleum on five pipeline systems comprising over 723 miles of oil pipelines. All crude and

semi-refined products transported over all five pipelines must pass through Line #200 to reach the Rodeo refinery.

Phillips filed the application on March 10, 2014. Notice of the application was published in the Commission's March 13, 2014 Daily Calendar. No protests to the application were filed.

Pipeline transportation results in daily volume changes due to shrinkage and evaporation. Under the variable method of apportionment, Phillips tracks pipeline losses and apportions those losses among all the shippers on its system each month, based on the prior month's losses. The variable method presents some uncertainty for shippers, because loss amounts vary from month to month and an individual shipper is unable to determine what the cost of such losses will be until the following month.

Phillips seeks to convert to the fixed apportionment method, which is used by the majority of intrastate pipeline companies within California. The fixed apportionment method assigns a pipeline loss allowance (PLA) of an agreed fixed percentage to transportation costs of crude petroleum, thereby providing shippers with certainty concerning anticipated costs associated with petroleum losses. Phillips proposes a PLA of twenty-five hundredths of one percent (0.25 percent), calculated on receipt barrels,<sup>1</sup> to cover shrinkage, evaporation, interface losses and normal losses during transportation.

### **3. Discussion**

Phillips requests authority to apply a fixed PLA of 0.25 percent to the transportation of crude petroleum which travels through Pipeline #200 from

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<sup>1</sup> See Exhibit 4, Proposed Updated Tariff Schedule, Sheet No. 39-0, Rule 11-B.

Junction Station in Kern County and Coalinga Station in Fresno County to the Rodeo Refinery in Contra Costa County. This PLA is the same as that charged by Crimson California Pipeline L.P., which operates two lines that previously were part of Phillips' network until we approved transfer of them to Crimson in 2007.<sup>2</sup>

Alan Fairwell, Phillips' Director of Tariffs, submitted testimony about losses, which vary significantly from year to year across its pipelines. He states that applying the PLA to Line #200 will appropriately account for any losses throughout the system, because all oil within the system ultimately travels across that line. Exhibit 5 to the application shows that the throughput or shipped volume at Line #200 was 31,135,937 barrels (bbls)<sup>3</sup> in 2013. The loss in 2013 was 70,994 bbls. Therefore, the aggregate financial impact of pipeline losses over all Phillips lines in 2013 was \$6,744,430.<sup>4</sup>

Fairwell explains that he arrived at the PLA of 0.25 percent by averaging volume data on Line #200 over several years. Volume was 28,159,390 in 2011, 29,389,669 in 2012 and 31,135,937 in 2013. Therefore, he assumed a throughput volume of 30 million barrels, at a price of \$95 per barrel in order to arrive at the 0.25 percent PLA. He opines that implementing a PLA of 0.25 percent on Line #200 will generate revenue of \$7,125,000, which should account for the actual pipeline losses on all lines. Lastly, Fairwell testifies that he has informed

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<sup>2</sup> Decision 07-12-046.

<sup>3</sup> A bbl is a one petroleum barrel of oil of roughly 159 liters.

<sup>4</sup> At \$95 per barrel, 31,135,937 would have resulted in revenue of \$2,957,914,015. However, net volume after loss of 70,994 barrels was 31,064,943. At \$95 per barrel, the 2013 net revenue was \$2,951,169,585, a revenue loss of \$6,744,430.

Phillips' shippers that Phillips would be seeking approval of a fixed PLA and that no shipper has objected to the request.

There are no objections to Phillips' application and Fairwell's testimony is un rebutted. We conclude that Phillips' proposal to convert to a fixed PLA, under which Phillips would add twenty-five hundredths of one percent (0.25 percent) to the transportation of crude petroleum through its established Pipe Line #200, is reasonable and should be approved.

#### **4. Categorization and Need for Hearings**

In Resolution ALJ 176-3333, dated March 27, 2014, the Commission preliminarily categorized this proceeding as ratesetting and made a preliminary determination that there was a need for hearings. However, no protests have been received and a public hearing is not necessary.

#### **5. Waiver of Comment Period**

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code and Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

#### **6. Assignment of Proceeding**

Michael R. Peevey is the assigned Commissioner and Patricia B. Miles is the assigned Administrative Law Judge in this proceeding.

#### **Findings of Fact**

1. The application requests authority to convert from a variable to a fixed apportionment of evaporation and measurement volume changes for Pipeline #200.

2. A notice of the filing of the application appeared in the Daily Calendar on March 13, 2014.

3. There were no protests to the application.
4. There is some uncertainty for shippers under a variable method of apportioning losses, because loss amounts vary from month to month.
5. Assigning a fixed percentage to transportation costs will provide shippers with more certainty concerning costs associated with petroleum losses.

**Conclusions of Law**

1. Converting from a variable method to a fixed apportionment method, under which Phillips assigns a fixed pipeline loss allowance of 0.25 percent to transportation costs of crude petroleum over its Line #200, is reasonable.
2. Application 14-03-001 should be approved.
3. A hearing is not required.
4. The following order should be effective immediately.
5. This proceeding should be closed.

**O R D E R**

**IT IS ORDERED** that:

1. The application of Phillips 66 Pipeline LLC for authority to convert from a variable to a fixed apportionment of evaporation and measurement volume changes for Pipe Line #200 is approved.
2. No hearings are necessary.
3. Application 14-03-001 is closed.

This order is effective today.

Dated \_\_\_\_\_, at San Francisco, California.