

Decision 12-01-011 January 12, 2012

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Chevron Pipeline Company
(PLC-13) for Authorization to Increase its
Rates and Charges for Crude Oil
Transportation Services on Its California
Pipelines Effective November 1, 2011.

Application 11-08-024
(Filed August 30, 2011)

DECISION GRANTING RATE INCREASE APPLICATION

1. Summary

We approve the application of Chevron Pipeline Company for authority to increase its rates for transportation crude oil by 13.5155% effective November 1, 2011. This proceeding is closed.

2. Background

Chevron Pipeline Company (Chevron Pipeline) seeks approval to increase its rates and charges for transportation of crude oil on its California pipeline system by 13.5155% effective November 1, 2011. Pursuant to Pub. Util. Code § 455.3, oil pipeline corporations like Chevron Pipeline may increase pipeline transportation rates upon 30 days' notice to the Commission and prior to Commission approval, provided that the proposed increase does not exceed 10% 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 30-day notice of increase provided by the oil pipeline corporation. Finally, Section 455.3 allows the Commission to subsequently 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.

Simultaneously with this application, Chevron Pipeline filed Advice Letter No. 44 raising its crude oil transportation rates by 10% pursuant to Section 455.3 effective October 1, 2011. The Application seeks approval of the balance of the rate increase request, 3.5155 %, effective November 1, 2011.

3. Discussion

Although there were no protests to the Application, Shell Trading (US) Company (STUSCO), a shipper on the Chevron Pipeline system, filed a response to the Application (Response) pursuant to Rule 2.6 of the Commission's Rules of Practice and Procedure (Rules).¹ The Response does not protest any aspect of the

¹ Rule 2.6.

(a) Unless otherwise provided by rule, decision or General Order, a protest or response must be filed within 30 days of the date the notice of the filing of the application first appears in the Daily Calendar.

(b) A protest objecting to the granting, in whole or in part, of the authority sought in an application must state the facts or law constituting the grounds for the protest, the effect of the application on the protestant, and the reasons the protestant believes the application, or a part of it, is not justified. If the protest requests an evidentiary hearing, the protest must state the facts the protestant would present at an evidentiary hearing to support its request for whole or partial denial of the application.

(c) Any person may file a response that does not object to the authority sought in an application, but nevertheless presents

Footnote continued on next page

Application, object to any of the relief requested, request an evidentiary hearing, or identify any issues of disputed fact. Nonetheless, the Response requests “that the Commission convene a prehearing conference to discuss a scope of issues and a procedural schedule for this proceeding.”²

Rule 2.6(c) allows the filing of a “response” by a party that “does not object to the authority sought in the application.” It further provides that the limited purpose of such a “response” is to allow the party to present “information” that such respondent “believes would be useful to the Commission in acting on the application.” Rule 2.6(c) does not, however, allow a party submitting a “response” to request a prehearing conference or any other additional proceedings. In particular, it does not allow a responding party like STUSCO to request additional proceedings for the purpose of developing grounds to “object to the authority sought in the application.”³ Moreover, the lone “information” STUSCO would introduce -- that as a utility applicant seeking a rate increase Chevron Pipeline bears the burden of proof -- presents no new “information” useful for the Commission to act on the Application. The recitation by STUSCO

information that the person tendering the response believes would be useful to the Commission in acting on the application.

(d) Any person protesting or responding to an application shall state in the protest or response any comments or objections regarding the applicant’s statement on the proposed category, need for hearing, issues to be considered, and proposed schedule.

² Response at 2.

³ *Ibid.*

of established Commission policy that an applicant bears the burden of proof does not require or warrant the Commission scheduling a prehearing conference.

The Response is also not a valid protest. Rule 2.6(d) obligates a protesting party to “state in the ... response any comments or objections regarding the applicant's statement on the ... issues to be considered.” The response fails to identify “any issue to be considered.” Instead, it requests that a prehearing conference be scheduled to first allow a “discuss[ion of] a scope of issues” to be considered.

To summarize, the Response is not a protest pursuant to Rule 2.6(b) nor does it comply with Rule 2.6(d). For that reason, we will treat the Application as one to which no objections have been made by any party.

Since the first 10% increase in rates is authorized by Section 455.3 and has already been put into effect via an Advice Letter filing, Chevron Pipeline’s sole burden in this Application is to provide evidentiary support for the additional 3.5155% increase. In the Application and its Exhibits, Chevron Pipeline provides evidence to demonstrate that at current rates it is not recovering its costs of service or achieving the Overall Rate of Return or Return on Equity the Commission has previously authorized and that it will do so if this rate increase request is granted. This evidence is sufficient to satisfy the burden of proof.

4. Categorization and Need for Hearings

In ALJ Resolution 176-3280 adopted September 8, 2011 the proceeding was preliminarily categorized as ratesetting and it was preliminarily determined that hearings are not necessary. We confirm the preliminary categorization and hearing determination.

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) otherwise applicable 30-day period for public review and comment is waived.

6. Assignment of Proceeding

Michael R. Peevey is the assigned Commissioner and Karl J. Bemesderfer is the assigned Administrative Law Judge for this proceeding.

Findings of Fact

1. At currently authorized rates Chevron Pipeline is not recovering its costs of service or achieving the overall rate of return and return on equity previously authorized by this Commission.

2. A rate increase of 13.5155% will permit Chevron Pipeline to recover its costs of service and achieve the overall rate of return and return on equity previously authorized by this Commission.

3. Pursuant to the authorization granted by Pub. Util. Code § 455.3, Chevron Pipeline increased its crude oil transportation rates by 10% subject to refund on October 1, 2011.

4. There are no protests to the application

Conclusions of Law

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

2. Oil pipeline corporations are authorized by § 455.3 of the Pub. Util. Code to increase transportation rates by up to 10% per 12-month period, subject to Commission review for reasonableness and potential refund to customers.

3. An additional rate increase of 3.5155% is necessary in order to permit Chevron Pipeline 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 Chevron Pipeline Company to increase its rates and charges for transportation of crude oil on its California pipelines by 13.5155% effective November 1, 2011 is approved.

Application 11-08-024 is closed.

This order is effective immediately.

Dated January 12, 2012, at San Francisco, California.

MICHAEL R. PEEVEY

President

TIMOTHY ALAN SIMON

MICHEL PETER FLORIO

CATHERINE J.K. SANDOVAL

MARK J. FERRON

Commissioners