

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION O-0051
DATE: November 20, 2009

R E S O L U T I O N

Resolution O-0051. Mobil Pacific Pipeline Company (MPPL) requests approval of a rate increase for transportation service on the Torrance to GATX bi-directional petroleum pipeline system.

Proposed Outcome:

MPPL's request to increase the existing tariff rate from \$0.1168/barrel (bbl) to \$0.2292/bbl is approved.

Estimated Annual Costs: \$307,695

By Advice Letter 18 filed on August 6, 2009.

SUMMARY

This Resolution approves MPPL's request to increase its rates for transportation service on the Torrance to GATX Bi-directional petroleum pipeline system. The existing tariff will be increased from \$0.1168/bbl to \$0.2292/bbl to recover operating costs and earn a rate of return of 9%. The current shipper using the service covered by the rate has agreed to the proposed rate increase.

BACKGROUND

On August 6, 2009, MPPL filed Advice Letter (AL) 18 for authorization to increase its rates from \$0.1168/bbl to \$0.2292/bbl for the movement of products from ExxonMobil's Torrance Refiner in Los Angeles County to GATX Terminals in Los Angeles County. As explained further below, because the proposed increase is greater than 10 percent per a 12-month period, MPPL's proposed rate increase must be addressed in a resolution.

The current tariff went into effect on March 21, 2002 and has not been adjusted since that time. Historical data shows that MPPL underestimated the previous tariff increase and has not recovered operating costs since 2001. MPPL states that the proposed increase also accounts for elevated operational expenditures necessitated by changes in requirements for pipeline integrity management programs for 2009 and beyond.

Under Public Utilities Code Section 455.3 and General Order (GO) 96-B: Energy Industry Rule 8, an oil pipeline may request a rate change by advice letter provided that it submits its advice letter requesting approval of a rate change and serve the advice letter on all affected shippers at least 30 days prior to the requested effective date. However, if the requested increase exceeds a maximum of 10 percent per 12 month period, only the portion of the rate increase not exceeding that maximum may be effective pending Commission authorization. MPPL is proposing to increase its rates from \$0.1168/bbl to \$0.2292/bbl. Under GO 96-B, an oil pipeline advice letter requesting a rate increase exceeding the maximum will be addressed in a resolution.

MPPL states in its advice letter that the proposed rate increase has been agreed to in writing by the shipper currently using the service covered by the rate. An affidavit attesting to the agreement with the current shipper on the proposed rate increase is included in the Advice Letter.

NOTICE

Notice of AL 18 was made by publication in the Commission's Daily Calendar. MPPL states that a copy of the Advice Letter was mailed and distributed to each subscriber.

PROTESTS

MPPL's Advice Letter 18 was not protested.

DISCUSSION

MPPL's request to increase its rates from \$0.1168/bbl to \$0.2292/bbl for movement on the Torrance to GATX Bi-directional system is approved.

At current rates, MPPL will be operating at a loss of \$228, 000 in 2009. The proposed rate increase is necessary for MPPL to recover operating costs and earn a reasonable rate of return. The Commission authorized the current transportation rate in 2002 to enable MPPL to earn a 9% rate of return.¹ MPPL's proposed rate of return is within the authorized rates of return for other petroleum pipelines.²

A cost of service analysis excluding inflation attached to the Advice Letter shows that the company has been earning significantly below that since 2001. The current rates have not been adjusted since March 21, 2002. In its 2009 forecast, MPPL estimates that their annual revenue at current rates will be \$307,000 and their 2009 cost of service expenses will equal \$545,000 which will have MPPL operating at a loss of \$228,000 for 2009.

In addition, MPPL expects elevated operational expenditures for 2009 and beyond necessitated by changes in integrity management programs. MPPL states that their pipelines are under the US Department of Transportation regulations regarding integrity management of pipelines. In response to an Energy Division data request, MPPL states that, in order to comply with the DOT regulations, their internal practice for this particular pipeline segment is to conduct a hydrostatic pressure test at least every year.

COMMENTS

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to PU Code 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

¹ Resolution O-0041, dated March 21, 2002, approved a 9% rate of return on equity and an 8.7% percent rate of return on rate base.

² D.97-05-031 approved a 9.69% rate of return for ARCO Pipeline. D.01-01-006 approved a 7.56% rate of return for Pacific Pipeline.

FINDINGS

1. MPPL submitted AL 18 on August 6, 2009 to increase its rates for the movement of products from ExxonMobil's Torrance Refinery in Los Angeles County to GATX Terminals in Los Angeles County.
2. The current tariff rate of \$0.1168/bbl has been in effect since March 21, 2002.
3. The proposed tariff rate will be increased to \$0.2292/bbl.
4. At current rates, MPPL will be operating at a loss of \$228,000 in 2009.
5. Consistent with Public Utilities Code Section 455.3, General Order 96-B Energy Industry Rule 8 provides the rules and regulations for the review of an advice letter requesting approval of a rate change by an oil pipeline already in utility service.
6. General Order 96-B Energy Industry Rule 8 requires that a requested increase exceeding a maximum of 10 percent per 12 month period be authorized by resolution.
7. The proposed rate increase will allow MPPL to recover operating costs and earn a 9% rate of return.

THEREFORE IT IS ORDERED THAT:

1. Mobil Pacific Pipeline Company (MPPL)'s proposal to increase its rates from \$0.1168/bbl to \$0.2292/bbl for movement on the Torrance to GATX Bi-directional system 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 November 20, 2009, the following Commissioners voting favorably thereon:

/s/ Paul Clanon
Paul Clanon
Executive Director

MICHAEL R. PEEVEY
PRESIDENT
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners