

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

**Agenda ID # 21089
RESOLUTION O-0080
December 1, 2022**

R E S O L U T I O N

Resolution O-0080. Santa Fe Pacific Pipelines, L.P. (SFPP), requests Commission approval for a system-wide, intrastate rate increase of 10 percent under Public Utilities Code Section 455.3 and GO 96-B.

PROPOSED OUTCOME:

- Approves SFPP’s request to increase its systemwide, intrastate rates by 10 percent in accordance with the provisions of Public Utilities Code Section 455.3 and General Order 96-B, Energy Industry Rule 8.
- The 10 percent increase approved herein is expected to increase annual revenues by approximately \$11 million for the 12-month period commencing March 1, 2022.

SAFETY CONSIDERATIONS:

- There are no safety considerations associated with this resolution.

ESTIMATED COST:

- This Resolution is expected to lead to increased ratepayer costs of \$11 million for 12 months.

By Advice Letter SFPP, L.P. AL 46-O, Filed on January 28, 2022.

SUMMARY

This Resolution O-0080 approves SFPP, L.P.’s (SFPP) request for an interim, system-wide, intrastate rate increase of 10 percent under the provisions of Public Utilities Code Section 455.3 and General Order 96-B, Energy Industry Rule 8.

This resolution does not grant any additional increase above 10 percent. The Commission will consider the entirety of SFPP's requested increase in SFPP's related Applications (A.) 21-01-015¹ and (A.) 22-01-016².

BACKGROUND

SFPP, L.P. filed Tier 3 AL 46-O on January 28, 2022, requesting an increase in its systemwide, intrastate rates by 10 percent in accordance with the provisions of Pub. Util. Code Section 455.3 and General Order 96-B, Energy Industry Rule 8.

The 10 percent increase, if approved herein, is expected to increase annual revenues by approximately \$11 million for the 12-month period commencing March 1, 2022.

Three protests were timely filed. These filings are discussed further below.

NOTICE

Notice of AL 46-O was made by publication in the Commission's Daily Calendar on February 2, 2022. SFPP confirms that a copy of the Advice Letter was mailed and distributed in accordance with Section 4 of General Order 96-B to the service list appended as Attachment D of the advice letter.

PROTESTS

Advice Letter 46-O was protested.

SFPP's Advice Letter 46-O was timely protested by Chevron Products Company (Chevron), Phillips 66 Company (Phillips 66), Southwest Airlines Co. (Southwest), and Valero Marketing and Supply Company (VMSC), collectively referred to as Joint Protestants; Marathon Petroleum Company LP (Marathon); and Pilot Travel Centers LLC, Pro Petroleum LLC, and Southern Counties Oil Co (dba SC Fuels), collectively referred to as Pilot Shippers. The Joint Protestants, Marathon and Pilot Shippers all use SFPP's pipeline system to ship petroleum products.

¹ A.21-01-015 – SFPP requests a rate increase of 25.527 percent, effective March 1, 2021. In AL 44-O, filed in conjunction with this application, SFPP request for an interim rate increase of 10 percent, effective March 1, 2021, was approved by Resolution O-0073 on June 24, 2021.

² A.22-01-016 – SFPP requests for a rate increase of 10 percent, effective March 1, 2022. This application is filed in conjunction with AL 46-O.

In its protest, Joint Protestants request that the Commission reject the rate increase set forth in the Advice Letter on the grounds that it has not been justified, contains material omission, and relies on erroneous assumptions. In the alternative, Joint Protestants request that the Commission set this matter for evidentiary hearing, with full discovery rights, and consolidate this proceeding with the Commission's review of SFPP's rate increase application (A.21-01-015) and AL 44-O that were filed on January 28, 2021. In that application, which in conjunction with the rate increase sought in AL 44-O, SFPP seeks an aggregate increase of 25.527 percent in its intrastate transportation rates.

If the Commission allows SFPP's instant proposed Advice Letter-based rate increase to take effect, Joint Protestants request that the Commission clarify that the increase is subject to refund pending the outcome of SFPP's General Rate Increase Application.

Joint Protestants states that SFPP does not provide any basis to determine whether this proposed rate increase is just and reasonable, and that SFPP's actual volumes are not consistent with the test year volumes used in SFPP's justification for the 10 percent increase. In addition, Joint Protestants request that AL 46-O should be consolidated with A.21-01-015 and AL 44-O to conserve administrative resources to enable these matters to be conducted in a more efficient manner.

Marathon requests that the Commission reject SFPP's Advice Letter, stating that this Advice Letter is an attempt to circumvent the Commission's order in an ongoing proceeding (A.21-01-015). In the alternative, Marathon request that the Commission suspend SFPP's proposed 10% rate increase pending a full evidentiary hearing as to its propriety. In the event the Commission does not suspend the rate increase sought in the Advice Letter, Marathon requests that the Commission set the propriety of the increase for hearing and provide for refunds to shippers when the Commission ultimately determines that SFPP was not entitled to the 10% rate increase.

Pilot Shippers request the Commission reject SFPP's proposed rate increase. Alternatively, Pilot Shippers request that the Commission should set AL 46-O for full investigation and hearing to the justness and reasonableness of the proposed rate increase, clarify that the rate increase is subject to refund, and consolidate AL 46-O with A.21-01-015 and A.22-01-016 because AL 46-O involves the 10% rate increase requested in A.22-01-016, which is also a portion of the same but larger rate increase of 25% that SFPP proposed in A.21-01-015.

Pilot Shippers states that numerous elements of SFPP's proposed cost of service appear to be overstated, in which they question SFPP's Operation and Maintenance costs, cost allocations, proposed capital structure, return on equity, and depreciation and allowance for funds used during construction (AFUDC) levels.

SFPP timely responded to the protests of Joint Protestants, Marathon, and Pilot Shippers on February 24, 2022. SFPP asks that the Commission reject the protests, contending that AL 46-O's request for a rate increase is in accordance with the provisions of Public Utilities Code Section 455.3. It states that SFPP is entitled to implement its proposal in AL 46-O for a 10 percent rate increase, even if the increase is subject to an evidentiary hearing, and that under those same provisions, the rate increase would be subject to refund, with interest, if in the event the Commission were to establish a different rate.

SFPP rebuts Joint Protestant's, Marathon's, and Pilot Shipper's positions. SFPP contends that it fully justified its proposed rate increase that is subject of AL 46-O and adhered to the Commission's process, and objects to consolidation with AL to the extent that it would delay the A.21-01-015 proceeding.

SFPP believes that Joint Protestants' and Marathon's factual mischaracterizations do not alter the fact that SFPP's rate increase under AL 46-O is fully justified. Much of the remainder of the Joint Protestants' and Marathon's protests concern reiteration of their positions on various materially disputed facts that they raised with respect to A.21-01-015 that is currently pending before the Commission. In A.21-01-015, SFPP responded to those positions in its pre-filed testimony, stating that they lack merit. SFPP thus states all allegations raised in the protests to AL 46-O are lacking in merit.

DISCUSSION

SFPP filed AL 46-O seeking approval to increase its system-wide, intrastate rates by 10 percent in accordance with provisions of Public Utilities Code 455.3 and General Order 96-B, Energy Industry Rule 8.

In AL 46-O, SFPP sets forth financial justification for the 10 percent increase. These include a cost-of-service analysis based on a 12-month base period from December 1, 2020, through November 30, 2021, as adjusted to reflect known and measurable changes in operating expenses, rate base, and throughput expected to occur in the foreseeable future.

SFPP states that volumes transported on SFPP's CPUC-jurisdictional pipeline system have remained consistent with the volume projections that formed the basis of the A.21-01-15 requested rate increase, and that costs have not decreased over the prior 12-month period compared to the costs included in the cost of service accompanying A.21-01-015.

We find that based on Pub. Util. Code Section 455.3 and General Order 96-B, Energy Industry Rule 8, SFPP may increase rates only by 10 percent at this time as requested in AL 46-O.

The 10 percent rate increase under Pub. Util. Code Section 455.3 is subject to refund, in the event the Commission should reject or modify any part of it in A.22-01-016.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this Resolution must be served on all parties and subject to at least 30 days public review. Any comments are due within 20 days of the date of its mailing and publication on the Commission's website and in accordance with any instructions accompanying the notice. Section 311(g)(2) provides that this 30-day review period and 20-day comment period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day review and 20-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

FINDINGS

1. SFPP filed AL 46-O requesting an interim 10 percent increase in system-wide intrastate rates in, accordance with the provisions of Pub Utilities Code Section 455.3 and General Order 96-B, Energy Industry Rule 8.
2. Concurrently, SFPP has filed (A.) 22-01-016 where it seeks a rate increase of 10%.
3. SFPP is entitled to an advice letter-based rate increase, up to a 10 percent maximum, in accordance with Public Utilities Code Section 455.3 and General Order 96-B Energy Industry Rule 8, effective March 1, 2022.

4. Whether the rates requested in AL 46-O are just and reasonable pursuant to Public Utilities Code Section 451 shall be determined in A.22-01-016.
5. This rate increase is subject to refund pending the outcome of A.22-01-016.

THEREFORE, IT IS ORDERED THAT:

1. The request of SFPP, L.P. in Advice Letter 46-O for an interim 10 percent rate increase system-wide for its intrastate pipelines effective as of March 1, 2022 as provided in Section 455.3 of the Public Utilities Code and GO 96-B Energy Industry Rule 8 is approved.

This increase shall be subject to refunds to shippers in the event the Commission should reject or modify any part of this 10 percent increase in A.22-01-016.

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 December 1, 2022; the following Commissioners voting favorably thereon:

Rachel Peterson
Executive Director