

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

Agenda ID# 21090
RESOLUTION O-0081
DECEMBER 1, 2022

R E S O L U T I O N

Resolution O-0081. Crimson California Pipeline L.P. requests the CPUC to approve a 10 percent rate increase for the transportation of crude oil on its KLM Pipeline System ("KLM").

PROPOSED OUTCOME:

- Approves Crimson California Pipeline L.P.'s ("Crimson") request to increase its rates by 10 percent for its KLM system 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 Crimson's pipeline tariff revenue by approximately \$790,000.
- The Advice Letter-based rate increase approved by this resolution shall be subject to refund pending the outcome of Crimson's rate increase application in A.22-07-015.

SAFETY CONSIDERATIONS:

- There are no safety considerations associated with this resolution.

ESTIMATED COST:

- This Resolution is expected to increase shipper costs by \$790,000.

By Advice Letter AL 51-O, filed on July 29, 2022, AL 51-O-A, filed on July 29, 2022, and AL 51-O-B, filed on September 8, 2022.

SUMMARY

This Resolution O-0081 approves Crimson California Pipeline L.P.'s request for an interim rate increase of 10 percent on its KLM system pursuant to the provisions of Public Utilities Code Section 455.3 and General Order 96-B, Industry Rule 8.

This resolution does not grant any additional increase above 10 percent. The Commission will consider the entirety of Crimson's requested increase in Crimson's related Application (A.) 22-07-015.¹

BACKGROUND

Crimson California Pipeline L.P. filed Tier 3 AL 51-O on July 29, 2022, requesting a 10 percent rate increase for crude oil transportation service on its KLM Pipeline system. The KLM system consists of approximately 295 miles of pipe running from points in the San Joaquin Valley production areas to San Francisco Bay Area refinery connections. This increase was requested under the provisions of Pub. Util. Code Section 455.3 and GO-96B, Industry Rule 8, to be effective September 1, 2022.

On July 29, 2022, Crimson filed supplement AL-51-O-A to correct a typographical error and to clarify that Crimson is proposing to increase its system-wide, intrastate rates by 10 percent from \$1.5455/bbl. to \$1.700/bbl.

Valero Marketing and Supply Company (VMSC) submitted a protest to AL 51-O on August 18, 2022. VMSC submitted a protest for A.22-07-015 on September 1, 2022.

Crimson responded to VMSC's protest on August 23, 2022. Crimson does not believe that VMSC's challenges to AL 51-O have merit but does not contest VMSC's request for evidentiary hearings.

AL 51-O was suspended effective August 29, 2022.

On September 8, 2022, Crimson filed supplement AL 51-O-B to clarify that AL 51-O is submitted as Tier 1 filing in accordance with GO 96-B, Industry Rule 5.1(1).

NOTICE

Notice of AL 51-O was made by publication in the CPUC's Daily Calendar on August 3, 2022. Notice of AL 51-O-A was made by publication in the CPUC's Daily Calendar on August 3, 2022. Notice of AL 51-O-B was made by publication in the CPUC's Daily Calendar on September 9, 2022. Crimson states that a copy of the Advice Letter was mailed and distributed in accordance with Section 4 of General Order 96-B.

¹ A.22-07-015 – Concurrently filed with AL 51-O on July 29, 2022, Crimson requests a rate increase of 10 percent, effective September 1, 2022, for its KLM Pipeline System.

PROTESTS

Crimson's Advice Letter 51-O was protested by Valero Marketing and Supply Company on August 18, 2022. VMSC requests that the Commission reject the rate increase on the grounds that it has not been justified, contains material omissions, and relies on erroneous assumptions. Alternatively, VMSC requests that the Commission set this matter for an evidentiary hearing, with full discovery rights. VMSC also requests that if Crimson's instant proposed Advice Letter-based increase is allowed to take effect, then that increase will be subject to refund pending the outcome of A.22-07-015.

Crimson responded to the protest of VMSC on August 23, 2022. In its reply, Crimson states that VMSC's challenges to Crimson's cost-of-service showing reflects a mischaracterization of the facts and cannot be supported. Crimson does not contest VMSC's request for evidentiary hearings and notes the concurrent filing of A.22-07-015.

DISCUSSION

Crimson California Pipeline L.P. filed AL 51-O seeking approval to increase its rates on its KLM system in accordance with the provisions of Pub. Util. Code Section 455.3 and General Order 96-B, Energy Industry Rule 8. Concurrently, Crimson filed Application (A.)22-07-015 requesting the same rate increase.

Similar rate increases on the KLM system for 2020 and 2021 are the subject of Applications A.20-06-009 and A.21-06-023, respectively. A decision approving the rate increase requested in A.20-06-009 was approved by the Commission on October 6, 2022, while A.21-06-023 is pending.

General Order 96-B, Industry Rule 5.1(1) states that matters appropriate to a Tier 1 advice letter include "a tariff change in compliance with specific requirements of a statute." Industry Rule 5.1(7) also states that a Tier 1 appropriate matter includes "a change to an existing tariff rate by an oil pipeline, as provided in Industry Rule 8." Because Crimson had also filed A.22-07-015, it was determined that Crimson should submit AL 51-O-B to refile as a Tier 1 advice letter.

Public Utilities Code Section 455.3 and GO 96-B Industry Rule 8 state that rate increases not exceeding 10 percent per 12-month period may be made effective pending disposition. The rate change can be suspended for a maximum of 30 days, after which the increase may be made effective. Therefore, Crimson is entitled to an instant advice letter-based rate increase, up to a maximum of 10 percent.

Because the Tier 1 advice letter was protested, this is not a ministerial determination that may be approved via staff disposition and must be approved by the CPUC via resolution pursuant to General Rule 7.6.2.

Crimson does not oppose VSMC's request for evidentiary hearings. In response to VSMC's protest, Crimson notes that A.22-07-015 is filed concurrently. Therefore, whether the rate increase is just and reasonable pursuant to Public Utilities Code Section 451 shall be determined in A.22-07-015.

Crimson proposes to increase its system-wide, intrastate rates by 10 percent from \$1.5455/bbl. to \$1.700/bbl. This is expected to increase revenues by approximately \$790,000 for the twelve-month period commencing September 1, 2022. Crimson asserts that the rate increase is based upon decline in throughput on the KLM system which, among other factors, means that even with the 10 percent increase in revenues, Crimson will not only fail to realize any return on its utility investment, but it will also further fail to recover its reasonably anticipated expenses of operation.

The rates requested by AL 51-O are therefore approved effective September 1, 2022, consistent with Public Utilities Code section 455.3 and General Order 96-B. This increase shall be subject to refund pending the outcome of A.22-07-015.

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. Crimson California Pipeline L.P. AL 51-O requested to increase its rates by 10 percent for its KLM Pipeline System in accordance with the provisions of Public Utilities Code Section 455.3 and General Order 96-B, Industry Rule 5 and Industry Rule 8.
2. Concurrently, Crimson has filed A.22-07-015. Therefore, AL 51-O is appropriately considered a Tier 1 advice letter and was made so via a supplemental advice letter filing.
3. Crimson 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, effective September 1, 2022.
4. As AL 51-O is protested, final approval for the requested rate increase must be approved by CPUC Resolution pursuant to General Rules 7.6.1 and 7.6.2.
5. Whether the rates requested in AL 51-O are just and reasonable pursuant to Public Utilities Code Section 451 shall be determined in A.22-07-015.
6. This rate increase is subject to refund pending the outcome of A.22-07-015.

THEREFORE, IT IS ORDERED THAT:

1. The request of Crimson California Pipeline L.P., in Advice Letter 51-O for a 10 percent rate increase on its KLM Pipeline System effective from September 1, 2022, as provided in Section 455.3 of the Public Utilities Code and General Order 96-B is approved.
2. The rate increase provided is subject to refund pending the outcome of A.22-07-015.

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