

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Pablo Bay Pipeline Company LLC (PLC-29) for authorization to suspend heated service.

Application 21-12-005

DECISION AUTHORIZING A TEMPORARY SUSPENSION OF HEATED SERVICE FOR SAN JOAQUIN VALLEY HEAVY CRUDE OIL**Summary**

This decision grants the request of San Pablo Bay Pipeline Company LLC for authority to suspend heated delivery service for San Joaquin Valley Heavy crude oil during the months of December, January, February, and March each year until safe and reliable testing of its upgraded heating equipment can be completed.

Application 21-12-005 is closed.

1. Background

The proceeding is uncontested. The undisputed facts are as follows.

1.1. Factual Background

The owner and operator of the subject pipeline is San Pablo Bay Pipeline Company LLC (SPBPC), a wholly owned subsidiary of Crimson Midstream, LLP. SPBPC is the Applicant in this proceeding. The pipeline itself is a 20-inch wide, 265-mile-long pipeline, running from the San Joaquin Valley to the San Francisco

Bay Area. Mostly, two portions of the pipeline will be affected by this decision – a portion running from Carneras to Coalinga and another from Coalinga to Avon. SPBPC requests authority to suspend delivery of only San Joaquin Valley Heavy (SJVH) crude oil and only during the four months December through March each year (the winter months).¹

SJVH crude oil, as its name indicates, is a heavy, viscous oil that, depending on the volume of oil in the pipeline, will require varying degrees of heating in the winter months to remain in a sufficiently fluid state to make it transportable. If the pipeline is not sufficiently heated or the volume of oil in the pipeline is too low, SJVH crude oil's temperature will drop and its viscosity will increase until, eventually, it becomes impossible to pump and poses a danger to the pipeline and the public.

The California Public Utilities Commission (Commission) has approved a tariff for SPBPC that requires a minimum operating volume for the pipeline during the winter months of 107,000 barrels per day (bpd) of crude oil.² SPBPC can move SJVH crude oil through the pipeline safely during the winter months so long as 107,000 bpd is injected into the pipeline.

In Decision (D.) 20-02-016, the Commission approved SPBPC's and its shippers' joint request to upgrade the pipeline's vintage heating equipment for the purpose of lowering the minimum amount of crude oil that must be injected into the pipeline during the winter months. The upgrade has been completed. However, the upgraded heating system must be tested before it can be

¹ The pipeline transports three categories of crude oil: (a) San Joaquin Valley Light; (b) San Joaquin Valley Heavy Blend; and (c) SJVH. This proceeding is concerned only with transportation of the last category, SJVH.

² The 107,000 bpd can consist, partly or entirely, of crude oils other than SJVH crude oil.

confidently said that it lowers the minimum volume at which SJVH crude oil can be safely transported during the winter months. To ensure a safe test of the upgraded system during the winter months, the pipeline must be transporting at least 107,000 bpd. Unfortunately, since installation of the upgrades to the heating system, the shippers have not felt the need to inject that much crude oil into the pipeline during the winter months. Consequently, the testing to determine whether the minimum daily volume of the pipeline during the winter months can be lowered to something less than 107,000 bpd has not occurred and running a test with less than 107,000 bpd in the pipeline is unsafe. The situation has prompted SPBPC to request a temporary suspension for shipping SJVH crude oil during the winter months.

1.2. Procedural Background

SPBPC filed its application seeking suspension authorization for its heated service on December 13, 2021. No protests nor public comments were submitted.

On December 21, 2021, the proceeding was assigned to Administrative Law Judge (ALJ) Daphne Lee.

On February 25, 2022, a prehearing conference was held. On March 29, 2022, the assigned Commissioner issued her scoping memo.

On June 14, 2022, the proceeding was reassigned to ALJ Charles Ferguson.

1.3. Submission Date

This matter was submitted on March 29, 2022.

2. Issues Before the Commission

In the Scoping Memo, the assigned Commissioner listed the following issues:

- (i) Would the suspension of service create any safety issues for the public?

- (ii) What are the Minimum Operating Requirements necessary to ensure that neat SJVH crude oil can be delivered safely while ensuring viability of SPBPC's pipeline and public safety?
- (iii) How does the suspension of heated service affect the existing tariff terms and conditions?
- (iv) Will the suspension of heated service impact the achievement of any of the nine goals of the Commission's Environmental and Social Justice (ESJ) Action Plan?

3. Discussion and Analysis

SPBPC relies on the prepared testimony of Mr. Nestor Taura, a vice president of the pipeline's immediate parent company, Crimson Pipeline LP. Mr. Taura testified that he was familiar with the operation of the SPBPC's pipeline. His testimony was attached to and filed with SPBPC's application. No testimony or other evidence critical of Mr. Taura's testimony has been introduced or received.

With respect to the first issue raised by the assigned Commissioner, whether it is safe to suspend heated service during the winter months, Mr. Taura testified that the only safe thing to do is to suspend heated service during the winter months until the new heating equipment can be properly tested. A proper test requires a minimum of 107,000 bpd to ensure safe operation of the pipeline during testing. Ultimately, the test may show that less crude oil than 107,000 bpd could be injected into the pipeline to transport SJVH crude oil in the winter months, however, at this time no one knows with any certainty what that volume may be. In the absence of certainty on that point, conducting the test with a volume of 107,000 bpd as a safety net is certainly wise. There is no

evidence in the record to the effect that suspending heated service for SJVH crude oil would be unsafe.³

The resolutions of the remaining three scoped issues fall in line with the resolution of the first issue.

The second scoped issue asks what the Minimum Operating Requirements on the pipeline will be with the upgraded equipment and whether those operations will be safe. Unfortunately, the question cannot be answered until a safe test of the upgraded equipment can be conducted, but that test cannot take place until the shippers are willing to inject 107,000 bpd into the pipeline during the winter months.

The third scoping question asks what effect the suspension would have on the existing tariff terms and conditions. The answer is that the tariff would be modified to indicate that heated service for SJVH crude oil is suspended for and will not be offered during the months of December, January, February, and March until further notice.⁴ Furthermore, our ordering paragraphs in this decision will require the proper testing to commence as soon as the shippers notify SPBPC that they are ready to inject 107,000 bpd into the pipeline during the winter months.

The final issue identified in the Scoping Memo is whether the suspension of heated service would impede the Commission's pursuit of any of its ESJ Action Goals. There is no evidence in the record that it would. Moreover, it would not be wise to pursue any goal, ESJ or otherwise, at the risk of having

³ Similarly, there is no evidence in the record that suspending heated service will affect rates.

⁴ Under the existing terms of the tariff, transportation of SJVH crude oil will remain available for eight months (April through November) during the year, so long as certain conditions applicable in those months are met.

SJVH crude oil coagulate in the pipeline and cause damage to the pipeline or even an explosion, which Mr. Taura warns might happen if testing takes place without an injection of 107,000 bpd. Ensuring the public's safety is our primary obligation, above all others.

4. Conclusion

We approve suspending transportation of SJVH crude oil on the San Joaquin Pipeline during the period December through March each year, until such time as the daily nominations for transportation of crude oil during those four months reaches 107,000 bpd for long enough to allow proper testing of the upgraded heating equipment to take place. At the conclusion of the test, the minimum volume shall reflect the test results and transportation of SJVH crude oil in the winter months shall resume.

5. Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, as provided in Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day public review and comment period for this decision is waived.

6. Assignment of Proceeding

Commissioner Genevieve Shiroma is the assigned Commissioner and Charles Ferguson is the assigned ALJ in this proceeding.

Findings of Fact

1. Pursuant to its current tariff, Applicant SPBPC offers to transport three categories of crude oil on its San Joaquin Valley pipeline (SJV Pipeline) from Carneras to Coalinga and from Coalinga to Avon.

2. SJVH crude oil is one of the three categories of crude oil SPBPC transports on the SJV Pipeline.

3. SJVH crude oil is a heavy, viscose oil. The other two categories of crude oil are lighter and less viscous than SJVH crude oil.

4. During the winter months (December through March), SPBPC can provide heated service on its SJV Pipeline.

5. Heating SJVH crude oil lowers its viscosity, avoids its coagulation inside a pipeline and allows it to flow through the SJV Pipeline more easily.

6. SPBPC has upgraded the heating equipment on its SJV Pipeline, as required by a settlement agreement between it and the shippers which we approved in D.20-02-016.

7. SPBPC's upgraded heating equipment on its SJV Pipeline has not been field tested yet. It has not been tested yet because proper testing requires that the SJV Pipeline be loaded with 107,000 bpd of crude oil during the winter months to conduct proper testing. The shippers have injected into SJV Pipeline only 80,000 bpd during winter months in recent years.

8. Attempting to conduct testing of the upgraded heating equipment during winter months with only 80,000 bpd in the pipeline presents a danger to the pipeline and the public, including the possibility of SJVH crude oil coagulating in the pipeline, possibly resulting in an explosion.

9. Injecting 107,000 bpd into the SJV Pipeline long enough to conduct a test of the upgraded heating equipment would allow testing to be conducted safely.

Conclusions of Law

1. SPBPC should be authorized to suspend heated delivery service for SJVH crude oil during the months of December, January, February, and March each year until safe and reliable testing of its upgraded heating equipment can be completed.

2. SPBPC has presented sufficient evidence to support a temporary suspension of heated transportation service for SJVH crude oil during the months of December, January, February, and March, until such time as proper testing of its upgraded heating equipment can be accomplished.

3. SPBPC has presented sufficient evidence to support the conclusion that testing its upgraded heating equipment on its SJV Pipeline cannot take place safely without a minimum of 107,000 barrels of crude oil per day injected into its pipeline for enough days during the months of December, January, February, and March to conduct a proper test.

4. SPBPC has presented sufficient evidence to support the conclusion that there are no alternatives means of testing SPBPC's upgraded heating equipment except to wait for shippers to request transportation for a minimum of 107,000 bpd for enough days during the months of December, January, February, and March to conduct a proper test.

5. This proceeding should be closed.

O R D E R

IT IS ORDERED that:

1. San Pablo Bay Pipeline Company LLC is authorized to suspend temporarily the transportation of San Joaquin Valley Heavy crude oil during the months of December, January, February, and March each year until such time as it can conduct proper testing of its upgraded heating equipment installed pursuant to our Decision 20-02-016.

2. San Pablo Bay Pipeline Company LLC (SPBPC) shall begin testing when SPBPC receives requests to transport, in the aggregate, 107,000 barrels per day on a date occurring between December 1 through March 31; and the testing shall continue for as long as necessary for the test to demonstrate the minimum

volume of crude oil in the San Joaquin Valley pipeline necessary to allow transportation of San Joaquin Valley Heavy crude oil safely during the months of December, January, February, and March.

3. Within 10 calendar days of a final order in this proceeding by the Commission, San Pablo Bay Pipeline Company LLC shall modify its tariff on file with this Commission to notify the public that its transportation of San Joaquin Valley Heavy crude oil is suspended.

4. Within five business days of commencing a test of the upgraded heating equipment, San Pablo Bay Pipeline Company LLC shall notify the Commission's Energy Division in writing that it is in test mode and disclose the anticipated date for concluding the test.

5. Within five business days of completing a test of the heating equipment, San Pablo Bay Pipeline Company LLC (SPBPC) shall notify the Commission's Energy Division of the test results. If the testing indicates that it is safe to resume transporting San Joaquin Valley Heavy (SJVH) crude oil during the period December 1 through March 31, SPBPC shall file a Tier 1 Advice Letter with the Commission's Energy Division within ten calendar days of completing the test. The Advice letter shall request permission to resume heated transportation of SJVH crude oil and attach all relevant documentation showing the test was successful. If the test was unsuccessful, SPBPC shall notify the Commission's Energy Division in writing to that effect and explain the reasons why the upgraded heating equipment failed the test, or the test could not be completed properly.

6. Within 30 calendar days of completing a successful test of the upgraded heating equipment, San Pablo Bay Pipeline Company LLC (SPBPC) shall apply to the Commission to resume heated service of San Joaquin Valley Heavy (SJVH)

crude oil and permission to remove the notice of heated service suspension. If the test results indicate a volume other than 107,000 barrels per day (bpd) is required to transport SJVH crude oil safely, the application shall so indicate and SPBPC must request a tariff revision to substitute the new minimum indicated by the test results in place of the 107,000 bpd.

7. Application 21-12-005 is closed.

This order is effective today.

Dated _____, at San Francisco, California.