

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
Crimson California Pipeline L.P.
(PLC-26) for Authority to Increase
Rates for Its Crude Oil Pipeline
Services. (SOUTHERN
CALIFORNIA.)

Application 24-06-019

**DECISION AUTHORIZING RATE INCREASE ON
CRIMSON CALIFORNIA PIPELINE L.P.'S
SOUTHERN CALIFORNIA PIPELINE SYSTEM****Summary**

This decision authorizes Crimson California Pipeline, L.P. to increase the rates charged for the intrastate transportation of crude oil on its Southern California pipeline system by 26.35% above the rates in effect prior to August 1, 2024. We further authorize the retroactive charge and collection of the difference between rates billed and the approved rate beginning August 1, 2024, including interest calculated at the 90-day commercial paper rate.

This proceeding is closed.

1. Background

Crimson California Pipeline L.P. (Crimson or Applicant) is a California limited partnership authorized to do business in the State of California as a

pipeline corporation as defined by California Public Utilities Code (Pub. Util. Code) Section 228. Crimson is a limited partnership with its principal place of

business located in the city of Long Beach. Crimson's general partner is Crimson Pipeline LLC, which is wholly owned by Crimson Midstream Operating LLC. Crimson Midstream Operating LLC is wholly owned by Crimson Midstream Holdings LLC, a privately held company.

Crimson owns and operates a network of six common carrier crude oil pipeline systems in Southern California. The systems total approximately 300 miles of pipeline connecting various producing oil fields to refineries in the Los Angeles Basin. Its systems include crude oil pipelines and related infrastructure.

1.1. Application

Section 455.3(b)(5) of the Pub. Util. Code authorizes California oil pipeline companies to increase rates, without seeking prior Commission approval, by not more than 10 percent (%) within a 12-month period, upon 30 days' notice to the Commission and all shippers. Such an increase remains subject to retroactive Commission adjustment and refund with interest, as appropriate.

On June 28, 2024, Crimson filed Application (A.) 24-06-019 requesting authority to increase the rates that it charges for transportation of crude oil on its Southern California pipeline system by 1) 10% effective August 1, 2024 and 2) an aggregate 36.92% effective the first day of the month following the Commission's issuance of a decision (Application). Crimson did not file any advice letters seeking the 10% approval pursuant to Pub. Util. Code Section 455.3(b)(5).

1.2. Procedural Background

Crimson's Application appeared on the Commission's Public Calendar on July 3, 2024. No protests to the Application were received.

A prehearing conference was held on October 28, 2024. A Scoping Memo and Ruling (Scoping Memo) was issued on December 11, 2024, categorizing the proceeding as ratesetting and determining that evidentiary hearings were not necessary.

On April 21, 2025, the Administrative Law Judge (ALJ) issued a ruling requiring Crimson to remove CorEnergy's finances (including debt and reorganization costs) from Crimson's application and submit recalculated achieved returns (April 21, 2025 Ruling).¹

On May 15, 2025, Crimson responded to the April 21, 2025 Ruling by filing additional testimony from Dr. Michael J. Webb (Response No. 1).

On September 2, 2025, the ALJ issued a ruling requiring Crimson to file additional information and provide comments (September 2, 2025 Ruling).²

On September 12, 2025, Crimson responded to the September 2, 2025 Ruling by filing a response (Response No. 2).

1.3. Submission Date

This proceeding was submitted on October 23, 2025 by the assigned Administrative Law Judge's Ruling Receiving Evidence Into The Evidentiary Record.

¹ April 21, 2025 Ruling at 1. The April 21, 2025 Ruling also requested additional information for the following: 1) Why Crimson did not file advice letters for the years 2023 and 2024; 2) Why the List of Equity shows Additional Paid-in Capital (\$185,044,573.81) is negative; and 3) Why the Income Statement includes an Impairment Expense (\$61,473,614.40) as a line item.

² The September 2, 2025 Ruling required Crimson to file testimonies or evidence addressing Scoping Memo Issue Nos. 4-5 and provide comments on the ALJ's intention to receive evidence from A.23-03-001 into the record.

1.4. Evidentiary Record

The evidentiary record in this proceeding consists of Crimson's Application including Exhibit A Certification Status, Exhibit B Financial statements, Exhibit C Current and Proposed Rates, and Exhibit D Declaration of Michael J. Webb; Response No. 1 to the April 21, 2025 Ruling; and Response No. 2 to the September 2, 2025 Ruling.

2. Standard of Review

The applicant bears the burden of proof to demonstrate by a preponderance of the evidence that its rate increase request is just and reasonable and that the ratemaking mechanisms are fair. That burden is met when the weight of evidence in support of the application has more convincing force than the evidence to the contrary.³

3. Issues before the Commission

The Scoping Memo identified the following issues for consideration in this proceeding:

1. Do the proposed rate increases comply with all applicable laws, regulations, general orders, and decisions of the Commission?
2. Is Crimson's proposal to increase rates by 10 percent effective August 1, 2024, reasonable and in the public interest?
3. Is Crimson's proposal to increase rates by 36.92 percent effective the first day of the month following the Commission's issuance of a decision, reasonable and in the public interest?

³ Decision (D.) D.20-11-026 at 11.

4. Are there any safety considerations raised by Crimson's application?
 5. Whether Crimson's application impacts the achievement of any goals of the Commission's Environmental and Social Justice (ESJ) Action Plan.
- 4. Do the Proposed Rate Increases Comply with all Applicable Laws, Regulations, General Orders (GOs), and Decisions of the Commission**

The first issue is whether the rate increase request complies with all applicable law, GOs, rules, and Commission decisions such that it warrants approval. We find that it does.

The Application was filed pursuant to requirements of Pub. Util. Code Sections 454 and 455.3, and all relevant GOs, rules, and Commission decisions. Consistent with Section 455.3, the Application seeks Commission review and approval of the rate increase request. For the reasons discussed below on the reasonableness of the rate increase request, we determine that the rate increase request complies with all applicable law. The Application presents Crimson's evidentiary support and justification for the rate increase request. As such, we find that the Application complies with all applicable law, rules, and decisions.

5. Is Crimson's Proposal to Increase Rates by 10 Percent Reasonable and in the Public Interest

The second issue is whether Crimson's proposal to increase rates by 10 percent is just and reasonable. Under Pub. Util. Code Section 451, all charges demanded or received by a public utility for any service rendered shall be "just and reasonable." Under Pub. Util. Code Section 454(a), a public utility shall not change any rate except upon a showing that the new rate is "justified." Under Section 455.3, Crimson may implement a 10 percent increase after providing

proper notice to its shippers, subject to subsequent Commission review and approval by Advice Letter. Crimson did not submit an Advice Letter to the Commission and instead sought the 10 percent increase in the Application.

In support of the Application, Dr. Webb evaluated Crimson's financial condition under three scenarios: no rate increase, a 10 percent increase, and a 36.92 percent increase. Dr. Webb's testimony is summarized below.⁴

	No Rate Increase	10% Rate Increase	36.92% Rate Increase
Return on Rate Base	-3.46%	1.21%	13.80%
Return on Equity	-13.77%	-5.99%	15.00%

A review of Dr. Webb's testimony concludes that a 10% rate increase would result in a return on rate base of 1.21% and a return on equity of -5.99%.

5.1. Legal Standard under Bluefield and Hope

The legal standard for setting a fair rate of return was established by the United States Supreme Court in the *Bluefield* and *Hope* cases.⁵ The *Bluefield* case sets forth the standard for measuring just and reasonable rates:

A public utility is entitled to such rates as will permit it to earn a return upon the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties . . . The return should be

⁴ Application, Exhibit D, Declaration of Michael J. Webb at 12.

⁵ D.07-12-049, mimeo at 9, citing *Bluefield Water Works Co. v. Public Serv. Commission*, 262 US 679 (1923); *Federal Power Comm'n v. Hope Natural Gas Co.*, 320 U.S. 591 (1944).

reasonably sufficient to assure confidence in the financial soundness of the utility, and should be adequate, under efficient and economical management, to maintain and support its credit, and enable it to raise the money necessary for the proper discharge of its public duties.⁶

The *Hope* decision reinforces the financial soundness and capital attraction principles of the *Bluefield* decision:

From the investor or company point of view it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business. These include service on the debt and dividends on the stock . . . By that standard the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and attract capital.⁷

After reviewing Dr. Webb's testimony, it is determined that a -5.99% return on equity would not provide Crimson with financial soundness, adequate credit strength, or the ability to cover its operating expenses. Consistent with the principles articulated in *Bluefield* and *Hope*, requiring Crimson to increase rates by only 10 percent would not be just and reasonable because it would compel Crimson to operate at a loss. As such, we find that a 10 percent rate increase is not reasonable and not in the public interest.

⁶ *Bluefield*, 262 U.S. at 692.

⁷ *Hope*, 320 U.S. at 603.

6. Is Crimson's Proposal to Increase Rates by 36.92 Percent Reasonable and in the Public Interest

A review of Crimson's Application discloses that the filing incorporates the financial condition of CorEnergy (including debt and reorganization costs). The Commission must determine whether CorEnergy financials are properly part of Crimson's rate base and therefore appropriate for consideration in this Application.

CorEnergy has a 45 percent interest in Crimson.⁸ In A.21-02-013, Crimson and CorEnergy requested permission to change control of Crimson and San Pablo Bay Pipeline Company, LLC. (SPBPC) to CorEnergy, with the proposed transaction transferring exclusive control of Crimson's pipelines and SPBPC's pipelines to CorEnergy alone.⁹

In D.22-12-032, the Commission denied CorEnergy's application (A.21-02-013) for a change of control of Crimson and the SPBPC.¹⁰

An application must provide the legal name of the applicant and location of its principal place of business.¹¹ In addition, the rules provide that a financial statement of the applicant shall be attached to the application.¹²

Crimson's initial filing incorporated financial information attributable to CorEnergy, including debt service and reorganization costs. Decision 22-12-032 denied CorEnergy's request to change ownership of Crimson; therefore, it is

⁸ D.22-12-032 at 2.

⁹ D.22-12-032 at 3.

¹⁰ D.22-12-032 at 1.

¹¹ Rule 2.1(a).

¹² *Id.*

determined that CorEnergy is a minority investor in Crimson and CorEnergy's financials are not properly part of Crimson's application.

Because CorEnergy's financials are not properly part of Crimson's Application, we find that Crimson's 36.92 percent rate increase request is unreasonable and not in the public interest.

7. Are Crimson's Revised Proposals, Including Its Request to Increase Rates by 26.35%, Reasonable and in the Public Interest

In its May 15, 2025, Response No. 1 to the April 21, 2025 Ruling, Crimson submitted supplemental testimony from Dr. Webb that removed CorEnergy's financials from Crimson's application, reducing Crimson's rate increase request from 36.92 percent to 26.35 percent and reflecting a return on rate base of 13.80 percent and a return on equity of 15.00 percent.¹³ In its September 15, 2025 Response No. 2 to the September 2, 2025 Ruling, Crimson proposed a 60/40 equity-to-debt capital structure for Crimson, a cost of debt of 12 percent, and a return on equity of 15 percent.¹⁴ In the following Sections, we address whether Crimson's revised proposals are reasonable and in the public interest.

7.1. Capital Structure

Crimson's revised proposal seeks a capital structure of 60 percent equity and 40 percent debt. Crimson argues that the Commission should adopt a 60/40 equity to debt capital structure because it is economically sensible and has been approved by the Commission in several rate proceedings.¹⁵

¹³ Response No. 1 at 1-2.

¹⁴ Response No. 2 at 3, 8.

¹⁵ *Id.*

The Commission finds that a 60 percent equity and 40 percent debt capital structure has been consistently approved for Crimson.¹⁶ As such, we grant Crimson's request for a 60/40 equity to debt ratio.

7.2. Cost of Debt

Crimson seeks a cost of debt of 12% based on several factors: 1) Crimson does not issue long term debt but instead relies on its owners; 2) Crimson has no third-party debt, all debt is with its minority owner CorEnergy; 3) a hypothetical debt cost representative of the cost of debt of companies with a similar risk profile to Crimson; 4) testimony of Dr. Webb, who concludes that Crimson would have a bond rating of CCC or (Ca using Moody metrics); and 5) CCC bonds have been trading at above 12% since Spring 2022.¹⁷

Crimson contends that a cost of debt of 12% is appropriate because 1) Crimson's financial risk has increased significantly in the past 18 months; 2) CorEnergy issued a secured note to Crimson at 12%, and 3) another oil pipeline, Summit Midstream Partners, in a similar subprime category issued a bond requiring a 12% interest rate.¹⁸

In its Response No. 2, Dr. Webb described Crimson's financial state using three scenarios: first, if Crimson did not raise its rates at all, second, if Crimson raised its rates by 10% and third, if Crimson raised its rates by 26.35%.

Dr. Webb's testimony is summarized below:¹⁹

¹⁶ See D.20-11-026; D.24-05-007 (modified on other grounds by D.24-12-027).

¹⁷ Response No. 2 at 6.

¹⁸ Application, Exhibit D, Declaration of Michael J. Webb at 15-16.

¹⁹ Response No. 1, Attachment A, Declaration of Michael J. Webb at 6.

	No Rate Increase	10% Rate Increase	26.35% Rate Increase
Return on Rate Base	-1.48%	6.15%	13.80%
Return on Equity	-5.53%	2.25%	15.00%

Based on the evidence, including Dr. Webb's analysis and market comparators, we find there is sufficient support to adopt a 12 percent cost of debt for ratemaking purposes.

7.3. Return on Equity

Crimson requests a return on equity of 15%. In testimony, Dr. Webb indicated that Crimson's financial situation has deteriorated materially since the issuance of D.24-05-007 and that Crimson's cost of debt is now 12% and that it is axiomatic that the return on equity exceed the cost of debt.²⁰

Dr. Webb recommends a multi-factor methodology to estimate an appropriate return on equity. His approach comprises: (1) assessing the returns produced by a proxy group of sub-investment-grade midstream companies; (2) considering the equity premium implied by precedent in prior Commission decisions; and (3) calculating an equity return for investment-grade firms using the Capital Asset Pricing Model and then adding a small-company premium to reflect Crimson's size and risk profile.²¹ Based upon each of Dr. Webb's criteria, Dr. Webb concludes that Crimson requires a return on equity of 15%.

²⁰ D.25-06-044 at 47.

²¹ Application, Exhibit D, Declaration of Michael J. Webb at 20-21.

We acknowledge that Crimson would be operating at a loss if this application was not approved and that Crimson's financial insecurities would greatly affect the public. We conclude that Crimson is entitled to a 15 percent return on equity for the period covered by this decision, a conclusion consistent with the fact that no protest was filed to this Application.

Further, nothing in this decision should be construed as establishing entitlement to a 12 percent cost of debt or a 15 percent return on equity in future years for Crimson.

8. Are There Any Safety Considerations Raised by Crimson's Application

The third issue for consideration in this matter is that of safety considerations. On September 2, 2025, Crimson was directed to provide evidence or testimony relating to safety considerations raised by its Application. Crimson submitted its response on September 12, 2025.

In its Response No. 2, Crimson indicates that no party has identified any safety concerns or related issues. Crimson asserts that this Application does not give rise to any safety considerations. Additionally, Crimson states that the requested rate increases include funding earmarked for safety investments and implementation of safety standards.

It is noted that safety remains a fundamental priority for the Commission and is integral to all facets of a utility's operations. As such, we find that this Application does not present any safety concerns.

9. Whether Crimson's Application Impacts the Achievement of Any Goals of the Commission's ESJ Action Plan

The final issue for our consideration is whether the application negatively impacts any ESJ communities. In its Response No. 2, Crimson notes that its customers are large commercial oil companies and the only entities that will be impacted by the rate increase.²²

Crimson faces the prospect of operating its Southern California pipeline system at a financial loss if the application is not approved. The rate increase request includes funding earmarked for implementation of environmental protection, and insufficient revenue poses a significant risk to Crimson's ability to adequately maintain the pipeline. Failures in pipeline safety carry the potential for substantial environmental damage and public health hazards. Ensuring that ESJ communities are protected necessitates that Crimson has sufficient revenues to guarantee safe operations. As such, we find that Crimson's application aligns with and supports the objectives of ESJ.

10. Retroactive Recovery of Rate Increase

Pub. Util. Code Section 455.3(b)(5) provides that the Commission shall determine the appropriateness of allowing retroactive charge and collection of subsequently approved rate increases above 10 percent. The analysis set forth above that finds a rate increase of 26.35 percent just and reasonable also supports a determination that retroactive recovery of that rate increase with interest is appropriate. As a result, we authorize the retroactive charge and collection of

²² Response No. 2 at 2.

the difference between rates billed and the rates approved by this decision beginning August 1, 2024, including interest calculated at the 90-day commercial paper rate.

11. Summary of Public Comment

Rule 1.18 allows any member of the public to submit written comment in any Commission proceeding using the “Public Comment” tab of the online Docket Card for that proceeding on the Commission’s website. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding. No Public Comments under Rule 1.18 have been filed for this proceeding.

12. Conclusion

The Commission authorizes Crimson to increase the rates charged for the intrastate transportation of crude oil on its Southern California pipeline system by 26.35% above the rates in effect prior to August 1, 2024.

13. Procedural Matters

This decision affirms all rulings made by the ALJ and assigned Commissioner in this proceeding. All motions not ruled on are deemed denied.

14. Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested by Crimson pursuant to its revised proposals described in this decision. Accordingly, pursuant to Pub. Util. Code Section 311(g)(2), the otherwise applicable 30-day period for public review and comment is waived.

15. Assignment of Proceeding

Matthew Baker is the assigned Commissioner and Minh LeQuang is the assigned ALJ in this proceeding.

Findings of Fact

1. Crimson owns and operates a network of six common carrier crude oil pipeline systems in Southern California. The systems total approximately 300 miles of pipeline connecting various producing oil fields to refineries in the Los Angeles Basin. Its systems include crude oil pipelines and related infrastructure.

2. Pipeline corporations are public utilities under Pub. Util. Code Section 216(a).

3. In the Application, Crimson requests authority for a 10 percent rate increase effective August 1, 2024, and a 36.92 percent rate increase effective the first day of the month following the Commission's issuance of a decision.

4. The Application is unopposed.

5. Crimson applied for the revenues it determined necessary to conduct its business reasonably, reliably and safely.

6. Crimson's operating costs are \$34,609,497.00.

7. Crimson's rate base is \$58,586,189.00.

8. Crimson's cost of debt is 12 percent.

9. Crimson reasonably prioritizes safety and devotes adequate funds to achieve the required and necessary safety.

10. A rate increase advances the goals of the ESJ Action Plan by improving environmental protection for ESJ Communities.

Conclusions of Law

1. Crimson's rate increase request sought in this Application complies with and is consistent with all applicable Pub. Util. Code Sections, GOs, rules and Commission decisions.

2. Crimson's proposals for a 60/40 equity-to-debt capital structure, a return on rate base of 13.80 percent, and a return on equity of 15 percent are reasonable and should be adopted.

3. A rate increase of 26.35% by Crimson is justified, reasonable, in the public interest and should be authorized.

4. The retroactive charge and collection by Crimson of the difference between rates billed and the rates approved by this decision beginning August 1, 2024, including interest calculated at the 90-day commercial paper rate, should be authorized.

5. Like all utilities under the Commission's jurisdiction, Crimson should be responsible for fulfilling its vital obligations to operate safely in all aspects of its business.

6. This proceeding should be closed.

O R D E R**IT IS ORDERED** that:

1. Crimson California Pipeline L.P.'s proposals for a 60/40 equity-to-debt capital structure, a return on rate base of 13.80 percent, and a return on equity of 15 percent are adopted.

2. Crimson California Pipeline L.P. is authorized to increase its rates for transportation of crude petroleum products on its Southern California Pipeline System by 26.35 percent effective August 1, 2024.

3. Crimson California Pipeline L.P. is authorized to retroactively charge and collect the difference between rates billed and the rates approved by this decision beginning August 1, 2024, including interest calculated at the 90-day commercial paper rate,

4. Application 24-06-019 is closed.

This order is effective today.

Dated _____, at San Francisco, California