

common carriers operating within the state are subject to the Commission's authority pursuant to K.S.A. 66-117, K.S.A. 66-1,217, K.S.A. 66-1,218 and K.A.R. 82-10-2.⁴

3. Staff submitted a Report and Recommendation ("R&R") to the Commissioners regarding NuStar's proposed tariff on August 9, 2019, attached hereto and made a part hereof by reference. Staff reviewed the proposed tariff to determine whether the rates contained therein were just and reasonable, and whether sufficient and efficient service would be provided as dictated by K.S.A. 66-1,217.⁵

4. On May 21, 2019, NuStar filed an Application with the Commission requesting approval of a tariff revision that replaces K.C.C. No. 19 with K.C.C. No. 20 in order to implement an overall rate increase of 4.3108% utilizing FERC's annual indexing methodology.⁶

5. There are two standards, found in K.S.A. 66-1,217, that are typically used to review liquid pipelines common carrier tariff applications in Kansas: 1) just and reasonable rates, and 2) efficient and sufficient service. In the absence of shipper complaints and/or protests, the Commission's regulatory practice has been to pattern its regulation of intrastate oil/liquid pipeline rates and tariffs after the federally authorized rates for interstate service.⁷ Staff believes that the use of FERC's pricing methodology, with proper notice to customers, appropriately balances the consumers' interests with investors' interests and meets the two standards of review used for Kansas liquid pipeline ratemaking purposes.⁸

6. In this filing, NuStar is proposing to increase its overall general commodity rates by 4.3108%, increasing aggregate annual revenue by an estimated \$227,785 to reflect the annual

⁴ R&R at 2.

⁵ *See id.*

⁶ *Id.*

⁷ *Id.*

⁸ *Id.*

change in the PPI-FG utilizing FERC's indexing methodology.⁹ Nustar filed its interstate rate adjustments in FERC Docket RM93-11-000 on May 10, 2019. Staff has analyzed this Application and verified the correct application of the current indexing factor to each rate.¹⁰ Based on those calculations, NuStar's proposed tariff brings its general commodity rates up to their allowed FERC ceiling.¹¹ Additionally, there have been no objections to the changes nor any complaints made or filed with the Commission to date.¹²

7. Since NuStar's proposed rate increase utilizes FERC's indexing methodology, customers have been properly notified and no shipper complaints or protests were filed, Staff considers the rate increase to meet Kansas's two standards of review for liquids pipeline common carrier tariff applications and recommends approval of NuStar's request to replace K.C.C. No. 19 with K.C.C. No. 20, increasing its overall general commodity rates by 4.3108%, utilizing FERC's indexing methodology.¹³

8. Having reviewed Staff's Report, the Commission adopts Staff's analysis and recommendation in regard to NuStar's proposed tariff increase.

IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:

A. NuStar's Application is approved. Tariff K.C.C. No. 20 shall replace Tariff K.C.C. No. 19.

B. The parties have fifteen (15) days, plus three (3) days if service of this order is by mail, from the date this order was served in which to petition the Commission for reconsideration of any issue or issues decided herein. K.S.A. 66-118b; K.S.A. 77-529(a)(1).

⁹ See R&R at 3.

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.* at 2.

¹³ *Id.* at 3.

C. The Commission retains jurisdiction over the subject matter and parties for the purpose of issuing such further order, or orders, as it may deem necessary.

BY THE COMMISSION IT IS SO ORDERED.

Keen, Chair; Albrecht, Commissioner; Duffy, Commissioner

Dated: 08/15/2019



Lynn M. Retz
Executive Director

CRM

**REPORT AND RECOMMENDATION
UTILITIES DIVISION**

TO: Chair Dwight D. Keen
Commissioner Shari Feist Albrecht
Commissioner Susan K. Duffy

FROM: Pat Renner, Senior Research Analyst
Leo Haynos, Chief Engineer
Jeff McClanahan, Director of Utilities

DATE: July 30, 2019

SUBJECT: 19-KNBP-477-TAR:

In the Matter of NuStar Pipeline Operating Partnership, L.P. Filing Tariff Revisions for Commission Approval of Tariff K.C.C. No. 20 and Cancelling K.C.C. No. 19

EXECUTIVE SUMMARY:

NuStar Pipeline Operating Partnership, L.P. (NuStar) is filing for approval to implement its annual rate adjustment utilizing the Federal Energy Regulatory Commission's (FERC) indexing methodology. The rate adjustment sought would increase overall rates by 4.3108%.

The estimated aggregate annual revenue value of NuStar's proposed rate increase is \$227,785. This amount is based on historical annual volumes, anticipated volume changes, and the rate changes described in the Application.

Because NuStar has met the two standards used to review liquid pipeline common carriers' tariffs in Kansas, Staff recommends the Commission approve the Application.

BACKGROUND:

NuStar is a liquids pipeline common carrier under the jurisdiction of the Commission that is engaged in the transportation of liquid hydrocarbons within the meaning of K.S.A. 66-105 and K.S.A. 66-1,215 (which references the 66-105 definition).¹ NuStar was originally

¹ Common Carriers are defined in K.S.A. 66-105, which states, "As used in this act, "common carriers" shall include all freight-line companies, equipment companies, pipe-line companies, and all persons and associations of persons,

certificated as Kaneb Pipe Line Company (Kaneb) by the Commission over 50 years ago in Docket No. 46,367-R. NuStar purchased the Kaneb system and the Certificate of Convenience and Necessity was subsequently revised to incorporate the name change on May 9, 2008, in Docket No. 08-KNBP-892-CCN.

Tariffs and associated rates for liquids pipeline common carriers operating within the state are subject to the Commission's authority pursuant to K.S.A. 66-117, K.S.A. 66-1,217, K.S.A. 66-1,218, and K.A.R. 82-10-2.

NuStar operates as an intrastate liquids pipeline system in the State of Kansas and, under its current tariff K.C.C. No. 19, transports petroleum products between various points in central and southern Kansas.

On May 21, 2019, NuStar filed an Application with the Commission requesting approval of a tariff revision that replaces K.C.C. No. 19 with K.C.C. No. 20 in order to implement an overall rate increase of 4.3108% utilizing FERC's annual indexing methodology.

NuStar has filed its interstate tariff adjustments under FERC Docket RM93-11-000 and has notified all shippers and subscribers in writing. Additionally, all NuStar's proposed tariffs are posted on the website:<http://www.nustarenergy.com/enus/OurBusiness/Pipelines/Pages/Tariffs.aspx>, for all parties that are interested. There have been no objections to the changes nor any complaints made or filed with the Commission to date.

ANALYSIS:

Standard of Review

There are two standards typically used to review liquids pipelines common carrier tariff applications in Kansas:²

1. Just and reasonable rates: rates with terms and conditions that are non-discriminatory and provide adequate recovery of costs to the suppliers (carriers); and
2. Efficient and sufficient service: as defined in Docket No. 02-MAPP-160-COM, efficient service acts to produce a minimum amount of waste or unnecessary effort in using the capacity on the pipelines and sufficient service furnishes adequate or enough public service to meet the needs of the shippers.³

Generally, in the absence of shipper complaints and/or protests, the Commission's practice has been to pattern its regulation of intrastate oil/liquid pipeline rates and tariffs after the federal regulation of interstate service. Staff believes that the use of FERC's pricing methodology, with proper notice to customers, appropriately balances the consumers' interests with investors' interests and meets the two standards of review used for Kansas liquid pipeline ratemaking purposes.

whether incorporated or not, operating such agencies for public use in the conveyance of persons or property within this state."

² Pursuant to K.S.A. 66-117 and 66-1,217.

³ Order, pp. 33 & 37, Docket No. 02-MAPP-160-COM (Jan. 31, 2005).

Indexing Methodology

In the liquids pipeline industry, the most commonly accepted method for adjusting rates is FERC's indexing methodology, which establishes a new ceiling level for base rates annually. Further, the Commission has approved the use of FERC's indexing methodology in previous tariff filings. This methodology gives pipeline companies the option to adjust their tariff rates for inflation each year, provided the adjusted rates do not exceed their annual calculated ceiling level (unless circumstances warrant an alternative rate adjustment be used).

FERC's indexing methodology uses the Producer Price Index-Finished Goods (PPI-FG), plus 1.23% (PPI-FG + 1.23%) indexing factor. The annual average PPI-FG index factors were 198.0 for 2017 and 204.1 for 2018, thus the percent change in the annual average PPI-FG from 2017 to 2018 is 3.0808%.⁴ Adding the 1.23% indexing factor to the annual percentage change results in an increase of 4.3108%.⁵ Thus, oil pipelines multiply their July 1, 2018, through June 30, 2019, ceiling levels by 1.043108 to compute their ceiling levels for July 1, 2019, through June 30, 2020.⁶

In this filing, NuStar is proposing to increase its overall general commodity rates by 4.3108%, increasing aggregate annual revenue by an estimated \$227,785 to reflect the annual change in the PPI-FG utilizing FERC's indexing methodology described above. NuStar filed its interstate rate adjustments in FERC Docket RM93-11-000 on May 10, 2019. Staff has analyzed this Application and verified the correct application of the current indexing factor to each rate. Based on those calculations, NuStar's proposed tariff brings its general commodity rates up to their allowed FERC ceiling.

Since NuStar's proposed rate increase utilizes FERC's indexing methodology, customers have been properly notified and no shipper complaints or protests were filed, Staff considers the rate increase to meet Kansas' two standards of review for liquids pipelines common carrier tariff applications and recommends approval of this request.

RECOMMENDATION:

Because both Kansas standards of review for liquids pipelines common carrier tariff applications have been met, Staff recommends the Commission grant NuStar's request to replace K.C.C. No. 19 with K.C.C. No.20, increasing its overall general commodity rates by 4.3108%, utilizing FERC's indexing methodology.

⁴ $(204.1-198.0)/198.0 = .030808$

⁵ $.030808 + .0123 = .043108$

⁶ $.043108 + 1 = 1.043108$

CERTIFICATE OF SERVICE

19-KNBP-477-TAR

I, the undersigned, certify that a true copy of the attached Order has been served to the following by means of electronic service on 08/15/2019.

ADAM CUMMINS, SR MANAGER, FERC COMPLIANCE,
TARIFFS & REGULATORY PLANNING
NUSTAR PIPELINE OPERATING PARTNERSHIP, L.P.
19003 W INTERSTATE 10
SAN ANTONIO, TX 78257-9518
Fax: 210-913-8416
adam.cummins@nustarenergy.com

CARLY MASENTHIN, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
Fax: 785-271-3354
c.masenthin@kcc.ks.gov

/S/ DeeAnn Shupe

DeeAnn Shupe