

**THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS**

Before Commissioners:                    Jay Scott Emler, Chairman  
   Shari Feist Albrecht  
   Pat Apple

In the Matter of the Application of Mid-America    )  
Pipeline Company, LLC Filing Tariff Revisions    )  
to KCC Tariff No. 19.5.0, Implementing            )       Docket No. 16-MDAP-555-TAR  
Decreased Rates on FERC Indexing                )  
Methodology.    )

**ORDER APPROVING TARIFF REVISIONS**

The above-captioned matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and decision. Having reviewed the pleadings and record and being duly advised in the premises, the Commission makes the following findings and conclusions:

**I. BACKGROUND**

1. On May 31, 2016, Mid-America Pipeline Company, LLC (MAPL) filed an Application with the Commission seeking to implement tariff revisions that would decrease its rates consistent with the Federal Energy Regulatory Commission's (FERC) annual indexing methodology.<sup>1</sup>

2. On June 9, 2016, this Commission issued a Suspension Order giving Commission Staff (Staff) additional time to conduct a review of MAPL's Application.<sup>2</sup>

3. On July 11, 2016, Staff prepared a Report and Recommendation for the above-captioned matter, wherein Staff recommended Commission approval of the instant Application.<sup>3</sup> Staff's R&R is attached hereto and incorporated herein by reference.

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<sup>1</sup> See Application for Mid-America Pipeline Company, LLC (May 31, 2016).

<sup>2</sup> Suspension Order (June 9, 2016).

<sup>3</sup> See Report and Recommendation, p. 1 (July 11, 2016) (Staff's R&R).

## II. ANALYSIS

4. MAPL's Application seeks to replace Tariff K.C.C. No. 19.4.0 with Tariff K.C.C. No. 19.5.0, specifically Item Numbers 200 and 210 on general commodity rates for inbound and outbound shipments.<sup>4</sup> MAPL's proposed revisions seek to implement an annual rate adjustment utilizing the FERC's indexing methodology.<sup>5</sup> Tariff K.C.C. No. 19.5.0 also reflects wording changes on the title page and page nine (9) to update referenced FERC tariff numbers.<sup>6</sup>

5. MAPL is proposing to decrease its overall general commodity rates by 2.0135% to reflect the annual change in the Producer Price Index for Finished Goods as utilized in FERC's indexing methodology.<sup>7</sup> As Staff notes, in the liquids pipeline industry (in which MAPL is engaged), the most commonly accepted method for adjusting rates is the FERC indexing methodology that establishes ceiling levels for base rates annually.<sup>8</sup> The Commission has approved indexing methodology rate changes for companies engaged in the liquid pipeline business in previous dockets.<sup>9</sup>

6. Staff has analyzed the instant Application and confirms that MAPL's Application contains the correct application of FERC's indexing methodology as applied to MAPL's proposed intrastate tariff revisions.<sup>10</sup> Based on those calculations, MAPL's proposed tariff revisions bring its general commodity rates down to their allowed FERC ceiling levels.<sup>11</sup> Staff considers the requested rate decrease to be both reasonable and consistent with rate methodology applied and accepted throughout the liquids pipeline industry.<sup>12</sup> Staff believes that approval of MAPL's Application will

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<sup>4</sup> See Application, p. 3. See also Staff's R&R, p. 2.

<sup>5</sup> See Staff's R&R, p. 1.

<sup>6</sup> See Staff's R&R, p. 4.

<sup>7</sup> See Staff's R&R, p. 3.

<sup>8</sup> See Staff's R&R, p. 2.

<sup>9</sup> See Staff's R&R, p. 3.

<sup>10</sup> See Staff's R&R, p. 3.

<sup>11</sup> See Staff's R&R, p. 3.

<sup>12</sup> See Staff's R&R, pgs. 3-4.

result in just and reasonable rates while maintaining sufficient and efficient service.<sup>13</sup> Therefore, Staff recommends the Commission grant MAPL's request for tariff revisions and corresponding wording changes in the instant docket.

### **III. FINDINGS AND CONCLUSIONS**

7. Pursuant to K.S.A. 66-117, a public utility over which the Commission has jurisdiction cannot make effective any changed rate, joint rate, toll, charge or classification or schedule of charges, or any rule or regulation or practice pertaining to the service of a public utility except by filing with the Commission.<sup>14</sup> The Commission may suspend the effective date of the application or order while it conducts its investigation of the utility's proposal.<sup>15</sup>

8. The Commission finds that utilization of the FERC indexing methodology in this instance is an appropriate means to calculate MAPL's base rates. The Commission finds that its practice of patterning regulation of intrastate oil/liquid pipeline rates and tariffs on federally authorized rates for interstate service is proper. However, the Commission reserves the right to subject such filings to further investigations as necessary and proper upon the receipt of complaints and/or protests from third parties, or upon the recommendation from Staff.

9. The Commission finds that approval of MAPL's Application will result in sufficient and efficient service at just and reasonable rates.

10. The Commission finds Staff's report and recommendations are reasonable and hereby adopts the same.

#### **IT IS, THEREFORE, BY THE COMMISSION ORDERED THAT:**

A. Mid-America Pipeline Company, LLC's Application to implement tariff revisions based upon the Federal Energy Regulatory Commission's annual indexing methodology and the

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<sup>13</sup> See Staff's R&R, p. 3.

<sup>14</sup> See K.S.A. 66-117(a).

<sup>15</sup> See K.S.A. 66-117(c).

corresponding wording changes on the title page updating referenced FERC tariff numbers is hereby granted.

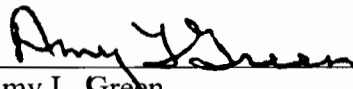
B. The parties have 15 days, plus three days if mailed service, to petition the Commission for reconsideration.<sup>16</sup>

C. The Commission retains jurisdiction over the subject matter and parties for the purpose of entering such further orders, as necessary.

**BY THE COMMISSION IT IS SO ORDERED.**

Emler, Chairman; Albrecht, Commissioner; Apple, Commissioner

Dated:     AUG 02 2016    

  
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Amy L. Green  
Secretary to the Commission

MJD

**Order Mailed Date**

**AUG 03 2016**

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<sup>16</sup> K.S.A. 66-118b; K.S.A. 77-529(a)(1).

## REPORT AND RECOMMENDATION UTILITIES DIVISION

**TO:** Chairman Jay Scott Emler  
Commissioner Shari Feist Albrecht  
Commissioner Pat Apple

**FROM:** John Turner, Research Economist  
Lana Ellis, Deputy Chief of Economics and Rates  
Robert Glass, Chief of Economics and Rates  
Jeff McClanahan, Director of Utilities

**DATE:** July 11, 2016

**SUBJECT:** Docket No.16-MDAP-555-TAR: *In the Matter of the Application of Mid-America Pipeline Company, LLC Filing Tariff Revisions to KCC Tariff No. 19.5.0, Implementing Decreased Rates on FERC Indexing Methodology*

### **EXECUTIVE SUMMARY:**

Mid-America Pipeline Company, LLC (MAPL) is filing for approval of Tariff K.C.C. No. 19.5.0, to replace Tariff K.C.C. 19.4.0, which implements an annual rate adjustment utilizing the Federal Energy Regulatory Commission's (FERC's) indexing methodology. The rate adjustment sought would decrease overall rates by 2.0135%. MAPL is also requesting approval and implementation of small wording changes to update the referenced FERC tariff numbers. There are currently no shippers utilizing this rate, therefore, at this time there will be no revenue increase or decrease due to this rate change.

Because MAPL has met the two standards used to review liquid pipeline common carriers in Kansas and has properly notified all shippers and subscribers as required by the Commission, Staff is recommending Commission approval of the instant Application.

### **BACKGROUND:**

MAPL 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. 2015 Supp. 66-105 and K.S.A. 66-1,215 (which defers to the 66-105) decision.<sup>1</sup>

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<sup>1</sup> Common Carriers are defined in K.S.A. 2015 Supp. 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, whether incorporated or not, operating such agencies for public use in the conveyance of persons or property within this state."

Tariffs and associated rates for liquids pipeline common carriers 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.

MAPL operates as an intrastate liquids pipeline common carrier in the State of Kansas and, under its current tariff, K.C.C. No. 19.4.0, transports natural gas liquids (NGLs) to and from various points throughout Kansas, primarily in the Conway, McPherson, Hutchinson, and El Dorado areas.<sup>2</sup> Further, the general rules and regulations that govern each of these tariffs are published in MAPL's current FERC tariff, F.E.R.C. No. 75.8.0 and F.E.R.C. No. 82.13.0.

On May 31, 2016, MAPL filed an Application with the Commission to approve a tariff revision that replaces Tariff K.C.C. No. 19.4.0 with Tariff K.C.C. No. 19.5.0, specifically Item Nos. 200 and 210 on general commodity rates for inbound and outbound shipments. The proposed tariff revision implements an overall decrease in base rates by 2.0135% utilizing the FERC's annual indexing methodology.

MAPL has properly notified all shippers and subscribers in writing as required by the Commission. Additionally, all MAPL tariffs are posted on the tariff website: <http://www.enterpriseproducts.com/customers/tariff-information>, for all parties in interest. There have been no objections to the changes nor any complaints made or filed with the Commission to date.

### **ANALYSIS:**

In the liquids pipeline industry, the most commonly accepted method for adjusting rates is the FERC's indexing methodology that establishes ceiling levels for base rates annually. This methodology gives pipeline companies the option to adjust their interstate tariff rates every year, effective July 1<sup>st</sup>, provided the adjusted rates do not exceed their annual calculated ceiling level (unless circumstances warrant an alternative rate adjustment be used).

The FERC's rate methodology uses the *Producer Price Index-Finished Goods* (PPI-FG), plus one point two three percent (PPI-FG + 1.23%) indexing factor. The annual average PPI-FG index factors were 200.4 for 2014 and 193.9 for 2015, thus the percent change (expressed as a decimal) in the annual average PPI-FG from 2014 to 2015 is -0.032435. Adding the 1.23% indexing factor to annual percentage change gives a negative 0.020135.<sup>3</sup> Thus, oil pipelines must multiply their July 1, 2015, through June 30, 2016, index ceiling levels by positive 0.979865 to compute their index ceiling levels for July 1,

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<sup>2</sup> The Commission granted MAPL its Certificate of Convenience and Necessity to transact business as a liquids pipeline common carrier on March 26, 2003, in Docket No. 03-MDAP-557-CCN. Enterprise Products Partners, L.P. of Houston, Texas, is the parent company of MAPL. MAPL also transports NGLs and refined petroleum products in tariff K.C.C. No. 19.0.0, which is addressed in Docket No. 16-MDAP-554-TAR, a separate but concurrent filing.

<sup>3</sup>  $[193.9-200.4]/200.4 = -0.032435+0.0123 = -0.020135$

2016, through June 30, 2017.<sup>4</sup> Pipeline companies that take advantage of the interstate tariff adjustments most often file concurrent adjustments in their intrastate rates.<sup>5</sup>

In this specific filing, MAPL is proposing to decrease its overall general commodity (base) rates by 2.0135% to reflect the annual change in the PPI-FG by utilizing the FERC indexing methodology described above. These rates include all transportation rates and most related service charges necessary to the transportation of MAPL's products. Staff has analyzed the instant Application and verified the correct application of the current indexing factor to each rate.

Based on those calculations, MAPL's proposed tariff bring its general commodity rates down to their allowed FERC ceiling. Staff considers the requested rate decrease to be both reasonable and consistent with the rate methodology applied and accepted throughout the liquids pipeline industry.

There are two standards typically used to review liquids pipelines common carrier tariff applications in Kansas<sup>6</sup>:

1. Just and reasonable rates: rates with terms and conditions that are non-discriminatory, available to all shippers, and are comparable with rates for shipping similar products over similar routes and facilities within the industry in Kansas, while providing 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.<sup>7</sup>

Generally, 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 from the federally authorized rates for interstate service. Further, the Commission has approved the indexing methodology in previous tariff filings.<sup>8</sup> Staff considers MAPL's proposed rate decreases to be comparable within the liquids pipeline industry in Kansas and available to all shippers. Furthermore, because of no shipper complaints and/or protests, Staff considers MAPL to be providing efficient and sufficient service. Therefore, based on the two standards of review, Staff determines there will be

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<sup>4</sup>  $1 - 0.020135 = 0.979865$

<sup>5</sup> *Notice of the Annual Change in the Producer Price Index for Finished Goods*, FERC Docket No. RM93-11-000, May 19, 2016.

<sup>6</sup> Pursuant to K.S.A. 66-117 and 66-1,217.

<sup>7</sup> Docket No. 02-MAPP-160-COM: *In the Matter of the Complaint of Farmland Industries, Inc., Seeking an Order Directing Mid-America Pipeline Company and Texaco Natural Gas, Inc. to Cease and Desist the Unlawful Abandonment of Service on the Six Inch Pipeline Between Conway, Kansas and El Dorado, Kansas*, Order, January 31, 2005, pp. 33 & 37.

<sup>8</sup> Examples include KCC Docket Numbers: 15-JYHP-563-TAR, 15-KAWP-564-TAR, 15-MGPP-581-TAR, 15-PPLP-205-TAR, and 15-KNBP-560-TAR.

no adverse impact on public convenience as a result of approving this filing and supports the requested rate decreases.

Besides the rate changes described above, K.C.C. No. 19.5.0 also reflects wording changes on the title page and page nine to update referenced FERC tariff numbers. The referenced FERC tariffs can be found in the Application. Staff agrees that these changes are reasonable.<sup>9</sup>

**RECOMMENDATION:**

Staff recommends the Commission grant MAPL's request for approval of its tariff, K.C.C. 19.5.0, decreasing its overall general commodity rates by 2.0315%, utilizing the FERC's indexing methodology and the corresponding wording changes on the title page updating referenced FERC tariff numbers.

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<sup>9</sup> F.E.R.C. No. 82.13.0 cancels F.E.R.C. No. 82.12.0.



**CERTIFICATE OF SERVICE**

16-MDAP-555-TAR

I, the undersigned, certify that the true copy of the attached Order has been served to the following parties by means of first class mail/hand delivered on       AUG 02 2016      .

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/S/ DeeAnn Shupe  
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DeeAnn Shupe

**Order Mailed Date**  
**AUG 03 2016**