

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


In the Matter of the Application of Kaw Pipe Line)
Company for Permission to Cease Operating as)
a(n) Liquids Pipeline Common Carrier in the State) Docket No. 18-KAWP-374-CCS
of Kansas. For a Specified Route in Rooks County.)

NOTICE OF FILING OF STAFF'S REPORT AND RECOMMENDATION

COMES NOW, the Staff of the State Corporation Commission of the State of Kansas ("Staff" and "Commission", respectively) and files its Report and Recommendation ("Staff R&R") regarding the Application of Kaw Pipe Line Company ("Kaw") for permission to cease operating as a liquids pipeline common carrier in the state of Kansas.

WHEREFORE Staff respectfully requests the Commission accept this Report and Recommendation, and for any other relief as the Commission may deem appropriate.

Respectfully submitted,


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GOVERNOR JEFF COLYER, M.D.

SHARI FEIST ALBRECHT, CHAIR JAY SCOTT EMLER, COMMISSIONER | PAT APPLE, COMMISSIONER

REPORT AND RECOMMENDATION UTILITIES DIVISION

TO: Chair Shari Feist Albrecht
Commissioner Pat Apple
Commissioner Jay Scott Emler

FROM: Ryan Cates, Research Economist
Justin Prentiss, Senior Research Economist
Darren Prince, Senior Research Economist
Lana Ellis, Deputy Chief of Economics and Rates
Robert Glass, Chief of Economics and Rates
Jeff McClanahan, Director of Utilities

DATE: March 23, 2018

SUBJECT: Docket No. 18-KAWP-374-CCS
In the Matter of the Application of Kaw Pipe Line Company for Permission to
Cease Operating as a(n) Liquids Pipeline Common Carrier in the State of Kansas
For a Specified Route in Rooks County.

EXECUTIVE SUMMARY:

Kaw Pipe Line Company (Kaw) is filing for approval of Supplement No. 14 to K.C.C. No. 145 to cancel a selected route, as well as a few minor wording changes contained in Supplement No. 13, with an effective date of April 1, 2018.

Cancelling the route is necessary because anomalies were identified when the system's integrity was tested with an In-line Inspection tool, and the estimated cost of repair and risks to the environment were determined to be too great to justify repairing the system. Further, one of the shippers utilizing the route has been using alternate means for the past four months to meet their needs and have made no objections. The other shipper will begin moving volumes to a new connection near Natoma.

Because Kaw has met the standards used to review liquid pipeline common carriers, it requests to cancel routes in Kansas. Staff recommends the Commission approve the Application.

BACKGROUND:

Kaw 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. 2016 Supp. 66-105 and K.S.A. 66-1,215 (which references the 66-105 definition). Kaw was originally certified by the Commission on September 14, 1953, in KCC Docket No. 16365.

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.

Kaw operates as an intrastate-only liquids pipeline system in the State of Kansas and, under its current tariffs K.C.C. Nos. 118, 140, and 143-145, transports petroleum products from points in Ellis, Barton, Graham, Rooks, and Trego Counties to Rice County.

On February 28, 2018, Kaw filed an Application with the Commission requesting approval to cancel one connecting carrier receipt (shown as Route 03) and corresponding rates at Plainville (Rooks County), Kansas, in Supplement No. 14 to KCC 145. In addition, Kaw requests approval of the following minor language changes: an addition to show the only available truck location (Palco Station) on the Kaw system in Rooks County, Kansas, in Route 01; and an update of the issuant's name and title.

Kaw has notified all shippers it serves in Kansas of the cessation of this route and will make these tariff modifications available on its website upon the Commission's approval of this Application. 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:¹

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.²

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 tariffs for interstate service. Because the Kaw system is a Kansas-only intrastate system, it is not subject to FERC jurisdiction and, therefore, does not file applications with FERC.

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

² 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.

Route Cancellation

Kaw proposes to cancel a connecting carrier receipt and corresponding rates at Plainville (Rooks County), Kansas, on Supplement No. 14 to K.C.C. Tariff No. 145. Kaw indicated that the route has been taken out of service for integrity reasons and no further rates or routing will be provided at this time.

An assessment of the 17.25-mile Plainville to Bemis pipeline system using an In-line Inspection tool identified anomalies. The estimated cost to fix these anomalies, as well as the risks posed to the environment, were determined to be too great to justify the repairs. Since November 2017, one shipper has moved the liquid volumes by truck from Plainville to the Bemis and Riverton connections. In addition, the only other shipper will begin moving its volumes to a new pipeline connection (Pony Express Pipeline). Therefore, the shippers' needs have been met and there have not been any objections.

Furthermore, because customers have been properly notified and no shipper complaints or protests have been filed regarding the cancellation of certain movements, Staff considers Kaw to be providing efficient and sufficient service for the liquids pipeline industry, and the corresponding routes and rates contained in Kaw's current Supplement #14 to KCC No. 145 are no longer necessary. Because there is no rate impact, the just and reasonable rates standard does not apply. Thus, Staff supports the cancellation of the route within Supplement #14 to KCC No. 145 and recommends approval.

Other Tariff Changes

Also, Staff recommends Commission approval of the following minor language changes: An addition to show the only available truck location (Palco Station) on the Kaw system in Rooks County, Kansas, in Route 01 and updating of the issuant's name and title. Since the updates are informative, accurately reflect current information, and do not affect the terms of service, Staff concludes that the changes are just and reasonable.

RECOMMENDATION:

Because Kansas' standards of review for Liquids Pipelines Common Carrier Tariff Applications have been met, Staff recommends the Commission grant Kaw's request to cancel the route contained in Supplement No. 14 to KCC No. 145. Staff also recommends Commission approval of the proposed minor language changes to the tariff.


CERTIFICATE OF SERVICE

18-KAWP-374-CCS

I, the undersigned, certify that a true and correct copy of the above and foregoing Notice of Filing of Staff's Report and Recommendation was served via electronic service this 23rd day of March, 2018, to the following

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