

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

**MAR 22 2012**

In the Matter of the Application of Mid- )  
America Pipeline Company, LLC for the )  
Establishment of Initial General )  
Commodity Transportation Rates on its )  
Conway to Coffeyville and Coffeyville to )  
El Dorado Segments. )

Docket No. 12-MDAP-068-RTS

by  
State Corporation Commission  
of Kansas

**STAFF'S CONTESTED ISSUES LIST**

COMES Now the Staff of the State Corporation Commission of the State of Kansas ("Staff" and "Commission," respectively), and files its Contested Issues List, as requested by the Commission in its Order Granting Joint Motion to Modify Procedural Schedule issued January 19, 2012.

**I. Rate Base**

1. Plant in Service: The issue involves determining the appropriate adjustment to Carrier Property in Service to reflect test period property additions. Mid-America Pipeline Company, LLC (MAPL) proposes a budgeted plant in service amount related to pipeline integrity capital costs. Coffeyville Resources Refining and Marketing, LLC (CRRM) uses actual plant additions through August 2011. Staff uses actual plant additions through September 2011.

2. Net Deferred Return: The issue involves whether to use MAPL's proposed trended original cost (TOC) methodology rather than Staff's proposed depreciated original cost (DOC) methodology.

3. AFUDC: The issue involves whether to include an Allowance for Funds Used During Construction (AFUDC). MAPL proposes an estimated AFUDC balance. Staff proposes to remove all AFUDC from the calculation of rate base.

## **II. Income Statement**

4. Pipeline Integrity: The issue involves what level of pipeline integrity expenses should be included in calculating base rates. MAPL proposes an estimated expense. Staff removes all pipeline integrity costs from the cost-of-service and proposes that MAPL recover its actual pipeline integrity costs through a Hazardous Liquids Safety and Reliability Surcharge (HLSRS).

5. Rate Case Expense: The issue involves what level of rate case expense should be reflected in the cost-of-service. MAPL proposed an estimated rate case expense. CRRM proposed an estimated rate case expense. Staff proposed an adjustment based on actual costs as of November 1, 2011.

6. Interstate Allocation Percentage: The issue involves determining the appropriate method for calculating an interstate/intrastate allocation percentage. MAPL proposes an allocation by taking the ratio of interstate barrel-miles to total barrel-miles. Staff proposes an interstate vs. intrastate allocation based on total volumes shipped on the system.

## **II. Rate of Return**

7. Rate of Return: The issue involves determining the appropriate rate of return, including the appropriate capital structure and return on equity (ROE). MAPL proposed an ROE of 11.96% for both lines. CRRM proposed an ROE of 9.67% for both lines. Staff proposed an ROE of 11% for both lines. The cost of debt is not a contested issue. Staff corrected the debt and equity ratios used by MAPL and CRRM, with that correction the capital ratios are not at issue.

### **III. Rate Design**

8. Calculating Rates on Distance Basis (Inbound Only): The issue involves determining the appropriate method for calculating rates. MAPL proposes to allocate the cost-of-service to each origin-destination pair using a methodology that allocates distance-based costs on a mileage basis using barrel-miles and allocates non-distance-based costs on a volumetric basis using barrels. Staff proposes to calculate rate design based on total volumes shipped on the system.

9. Volumes: The issue involves determining the appropriate level of volumes (i.e. billing determinants) for calculating rate design. MAPL proposed to normalize volumes based on actual shipments from February 2011 through May 2011, claiming that time period is more representative of the volume levels going forward. Staff relies on actual test year volumes, excluding January 2011 due to a fire at the CRRM refinery.

### **IV. Other**

10. FERC Form 6: The issue involves whether MAPL should be required to file a FERC Form 6: Annual Report for both lines to reflect intrastate data. MAPL disagrees with Staff's recommendation as the FERC requires the Form 6 to be filed on a total-company basis, not on an individual pipeline system or segment. Additionally, MAPL indicates it only maintains its financial statements at the company level and not by individual pipeline. Staff's proposal is to modify the Form 6 to include the relevant information for both intrastate pipelines to ensure that MAPL is not over recovering.

11. Track and Report Volumes: The issue involves whether CRRM should provide MAPL with the ultimate destination of the volumes shipped so that MAPL can accurately apply the interstate or intrastate tariff rate. MAPL agrees with Staff's proposal, but with respect to the

ultimate destination, MAPL must obtain this information from the shippers. CRRM claimed it lacks the information necessary to determine the ultimate destination of all the movements at issue. Staff believes its proposal to track and report volumes is necessary to determine the interstate and intrastate allocation and to determine if a shipment is considered interstate commerce.

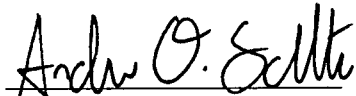
12. Depreciation Study: The issue involves whether MAPL should be required to file a new depreciation study with its next rate case filing. MAPL believes the 2002 FERC approved depreciation rates are appropriate and that FERC Opinion No. 511 concluded that there was no reason to conduct a new depreciation study. Since a depreciation Study has never been conducted at the KCC, Staff believes MAPL should file a depreciation rate study with its next rate case filing.

13. Hazardous Liquids Safety and Reliability Surcharge (HLSRS): The issue involves whether MAPL should be granted an HLSRS to recover pipeline integrity expenses. MAPL is not opposed the rider, however they have proposed to modify Staff's recommendation. Staff does not agree with the modifications proposed by MAPL.

14. Indexing: The issue involves whether base rates should be indexed. MAPL proposes to index base rates but not the pipeline integrity costs recovered through the HLSRS. Staff's proposal indicates that indexing would result in double recovery if the HLSRS is approved.

WHEREFORE, Staff provides its Contested Issues List.

Respectfully submitted,

A handwritten signature in black ink, reading "Andrew G. Schulte". The signature is written in a cursive style with a horizontal line underneath the name.

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## CERTIFICATE OF SERVICE

12-MDAP-068-RTS

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing Staff's Contested Issues List was served by electronic service on this 22nd day of March, 2012, to the following parties who have waived receipt of follow-up hard copies.

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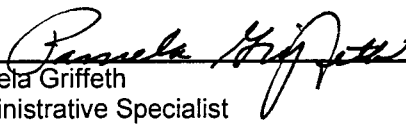
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