THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Before Commissioners: Andrew J. French, Chairperson
Dwight D. Keen
Annie Kuether

In the Matter of Kaw Pipe Line Company Filing Tariff Revisions to Supplement #20 to KCC No. 140 and #24 to KCC No. 145.	))))	Docket No. 25-KAWP-187-TAR

ORDER APPROVING TARIFF REVISIONS

The above-captioned matter comes before the State Corporation Commission of the State of Kansas ("Commission"). For consideration and determination. Having examined its files and records, the Commission finds and concludes:

1. On September 17, 2024, in Docket No. RM93-11-000, the Federal Energy Regulatory Commission ("FERC") reinstated its December 17, 2020, order establishing an oil pipeline index factor for pipelines to use for the next five-year period as the Producer Price Index for Finished Goods (PPI-FG) plus 0.78% (PPI-FG+0.78%).[1]

2. On October 15, 2024, Kaw Pipe Line Company ("Kaw"), filed an Application with the Commission seeking approval and implementation of proposed K.C.C. Supplement #20 to K.C.C. Tariff No. 140, and Supplement #24 to KCC Tariff No. 145 and cancelling Supplement #19 to K.C.C. Tariff No. 140 and Supplement #23 to KCC Tariff No. 145.[2] Kaw's proposed tariffs would increase its overall general commodity rates by approximately 3.8%, which is consistent with the above index level as reinstated by FERC'S September 17, 2024, order.[3]

---

[1] *Order Reinstating Index Level*, 188 FERC ¶ 61,173 (Sept. 17, 2024, Order). Also see 18 C.F.R. §342.3
[2] Kaw Pipe Line Company, Application, at 1. (Oct. 15, 2024) ("Application")
[3] Staff's Report and Recommendation, at p.2. (Report)

3. The Commission finds Kaw operates as an intrastate liquids pipeline common carrier in Kansas and transports products under its current tariffs KCC No. 140, Supplement #19 and KCC No. 145, Supplement #23.[4] The Commission finds Kaw is transporting liquid hydrocarbons within the meaning of K.S.A. 66-105 and K.S.A. 66-1,215.

4. Tariffs and associated rates for liquids pipeline common carriers operating within the state are subject to the Commission's authority.[5] Therefore, pursuant to the Commission's authority to regulate liquids pipeline common carriers operating in the State of Kansas, the Commission finds it has full power, authority and jurisdiction to rule on the instant Application.[6]

5. Kaw proposed to make these rate changes effective November 1, 2024, which is subsequent to the date Interstate Pipeline rate changes go into effect at FERC.[7] The Commission issued a Suspension Order on October 22, 2024, in this docket to allow Commission staff sufficient time to evaluate the proposed tariff adjustments and modified the potential effective date until the Commission has made a determination in this Docket.[8]

6. Staff reviewed the proposed tariffs to determine whether the rates met the standards used to review liquid pipelines' common carrier tariff applications in Kansas.[9] Two standards are typically used to review liquids pipelines common carrier tariff applications in Kansas: (1) just and reasonable rates with terms and conditions that are nondiscriminatory and provide adequate recovery of costs to the suppliers (carriers),[10] and (2) efficient and sufficient service as defined in

---

[4] *Id.*, at p.2.
[5] *See* K.S.A. 66-117; K.S.A. 66-1,217; K.S.A. 66-1218; and K.A.R. 82-10-2.
[6] *See* K.S.A. 66-117; K.S.A. 66-1,217, et seq.
[7] *Notice of Annual Change in the Producer Price Index for Finished Goods*, 187 FERC ¶ 61,077 (May 15, 2024, Order)
[8] Suspension Order, Oct. 22, 2024.
[9] See Report, at p. 2.
[10] *See* K.S.A. 66-1,217.

Docket No. 02-MAPP-160-COM.[11] In the absence of shipper complaints or protests, the Commission's regulatory practice has been to pattern its regulation of intrastate oil/liquid pipeline rates and tariffs after the federal regulation of interstate service.[12] Staff determined that the use of FERC's pricing methodology, with proper notice to customers, appropriately balances consumers' interests with investors' interests and meets the two standards of review used for Kansas liquid pipeline ratemaking purposes.[13]

7. Staff analyzed the Application and verified the correct application of FERC's updated indexing factor to each rate.[14] Based on Staff's calculations, Kaw's proposed tariff brings its general commodity rates within allowed FERC charges.[15]

8. There have been no objections to these proposed rates' change, and no complaints made or filed with the Commission to date.[16]

9. On January 14, 2025, the Commission Staff (Staff) submitted its Report and Recommendation (Report), recommending that the Commission grant Kaw's proposed rate increase utilizing FERC's indexing methodology because customers have been properly notified, there have been no filed customer complaints or protests, and the rate increase meets the two standards of review for liquids pipelines common carrier tariff applications.[17] Staff's report is attached and incorporated by reference herein as additional findings.

10. Having reviewed Staff's Report, the Commission hereby finds Staff's analysis and recommendations concerning Kaw's proposed tariff increases are expected to result in reasonably

---

[11] Order, p. 33-40, Docket No. 02-MAPP-160-COM (Jan. 31, 2005) (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.)
[12] Report, at p. 2.
[13] *Id.*
[14] *Id.,* p. 2-3.
[15] *Id.*, p. 3.
[16] *Id.,* p. 3.
[17] *Id.*

efficient and sufficient service. The Commission concludes that Kaw's requested tariffs' revisions are just and reasonable.

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

A. Kaw's Application requesting to implement proposed Supplement #20 to K.C.C. Tariff No. 140, and Supplement #24 to KCC Tariff No. 145, which increases its overall general commodity rates by approximately 3.8% and cancelling Supplement #19 to K.C.C. Tariff No. 140 and Supplement #23 to KCC Tariff No. 145, is hereby granted and approved.

B. Any party may file and serve a petition for reconsideration pursuant to the requirements and time limits established by K.S.A. 77-529 (a)(1).[18]

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

BY THE COMMISSION IT IS SO ORDERED.

French, Chairperson; Keen, Commissioner; Kuether, Commissioner

Dated: 01/23/2025

Lynn M. Retz

Lynn M. Retz
Executive Director

PJH/BWB

[18] K.S.A. 66-118b; K.S.A. 77-503 (c) and K.S.A. 77-531(b).

1500 SW Arrowhead Road
Topeka, KS 66604-4027

AD ASTRA PER ASPERA
Kansas
Corporation Commission

Phone: 785-271-3100
Fax: 785-271-3354
http://kcc.ks.gov/

Andrew J. French, Chairperson
Dwight D. Keen, Commissioner
Annie Kuether, Commissioner

Laura Kelly, Governor

REPORT AND RECOMMENDATION
UTILITIES DIVISION

TO: Andrew J. French, Chairperson
Dwight D. Keen, Commissioner
Annie Kuether, Commissioner

FROM: Pat Renner, Senior Research Analyst
Paul Owings, Chief Engineer
Jeff McClanahan, Director of Utilities

DATE: January 8, 2025

SUBJECT: Docket No. 25-KAWP-187-TAR
In the Matter of Kaw Pipe Line Company Filing Tariff Revisions to Supplement #20 to KCC No. 140 and #24 to KCC No. 145.

EXECUTIVE SUMMARY:

Kaw Pipe Line Company, (Kaw) is filing for approval to revise its annual rate adjustment in Tariff K.C.C. No. 140, Supplement #20 (canceling K.C.C. No. 140, Supplement #19) and Tariff K.C.C. No.145, Supplement #24 (canceling K.C.C. No. 145, Supplement #23) utilizing the Federal Energy Regulatory Commission's (FERC) indexing methodology that was approved by FERC on September 17, 2024. This rate adjustment was revised mid-year due to a directive by the United States Court of Appeals. The rate adjustment sought would increase commodity rates by approximately 3.8%.

The proposed rate changes in this docket result in an estimated aggregate annual revenue increase of $144,215. This amount is based on September 2023 - August 2024 sales volumes.

Because Kaw has met the two standards used to review liquid pipeline common carriers' tariffs in Kansas, Staff recommends Commission approval of the Application and Tariff K.C.C. No. 140, Supplement #20 and Tariff K.C.C. No. 145, Supplement #24.

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. 66-105 and K.S.A. 66-1,215 (which references the 66-105 definition).[1] Kaw was originally certificated by the Commission in Docket No. 16,365-R on September 14, 1953.

[1] Common Carriers are defined in K.S.A. 66-105, which states, "As used in this act, "common carriers" shall include

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 liquids pipeline system in the State of Kansas and, under its current Tariffs KCC No. 140 Supplement # 19 and KCC No. 145 Supplement # 23 transports petroleum products between various points throughout Kansas.

On October 15, 2024, Kaw filed an Application with the Commission requesting approval of tariff revisions in order to implement an overall rate increase of 3.8% utilizing FERC's revised annual indexing methodology. In implementing these rate increases, Kaw seeks to replace supplements to its tariffs as follows:

- Supplement #20 to KCC No. 140 (canceling Supplement #19);
- Supplement #24 to KCC No. 145 (canceling Supplement #23).

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 consumers' interests with investors' interests and meets the two standards of review used for Kansas liquid pipeline ratemaking purposes.

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 or

---

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."

[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).

deflation 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 annual Producer Price Index-Finished Goods (PPI-FG) plus or minus an index factor to adjust the ceiling rates of its jurisdictional interstate liquids pipelines for inflation/deflation. The PPI index component of this inflation /deflation rate changes annually while the index factor component normally is reviewed and changed every 5 years by FERC.

On May 15, 2021, FERC approved a new index factor of .0078 which is normally used for 5 years before being changed. Then in January of 2022, as the result of a rehearing on a number of issues including the index factor, FERC ordered oil pipelines to recalculate their ceiling rates using an index factor of -.0021. This factor was used in the rate ceiling calculation until September 17, 2024 when FERC revised the factor back to .0078 as a result of a Federal Appeals Court ruling. FERC ordered its liquid pipelines to recalculate their rate ceilings as if the index factor of .0078 had been used since the May 15, 2021 decision. Since the KCC has accepted FERC's methodology for reflecting inflation/deflation adjustments, Kaw proposes to adjust its intrastate liquids pipelines rates as FERC has done. Staff has found no reason to contest these changes and recommends approval of Kaw's proposed rates in this docket.

In this filing, Kaw is proposing to increase its commodity rates by approximately 3.8%, increasing aggregate annual revenue by an estimated $144,215 to reflect the change in FERC's index factors as described above. Staff has reviewed this filing and verified the correct application of the index factor in order to calculate the correct current Kaw ceiling prices. Based on these calculations, Kaw's proposed tariff increases brings its general commodity rates up to their allowed FERC rate ceiling.

Notice

Kaw has notified all shippers and subscribers of the adjustments in writing. Also, Kaw's proposed tariffs are posted on its website[4] for all interested parties to review. There have been no objections to these proposed rate changes nor any complaints made or filed with the Commission to date.

RECOMMENDATION:

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

[4] https://www.chspipelines.com/tariffs.

CERTIFICATE OF SERVICE

25-KAWP-187-TAR

I, the undersigned, certify that a true copy of the attached Order has been served to the following by means of first class mail and electronic service on 01/23/2025.

BRETT W. BERRY, LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
brett.berry@ks.gov

GREGORY BROWN, PRESIDENT
KAW PIPE LINE CO.
2000 S MAIN
MCPHERSON, KS 67460

KATRISHA HENRY, MANAGER, ADMINISTRATIVE
KAW PIPE LINE CO.
2000 S MAIN
MCPHERSON, KS 67460
katrisha.henry@chsinc.com

PATRICK HURLEY, CHIEF LITIGATION COUNSEL
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604
patrick.hurley@ks.gov

/S/ KCC Docket Room
KCC Docket Room