

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

In the Matter of ONEOK NGL Pipeline, L.L.C.     )  
Seeking Commission Approval for K.C.C.     )     Docket No. 15-ONEP-297-TAR  
Tariff No. 9.     )

In the Matter of the Application of ONEOK     )  
NGL Pipeline, L.L.C. to Amend its Certificate     )  
of Convenience and Necessity to Transact the     )     Docket No. 15-ONEP-329-COC  
Business of a Liquids Pipeline Common     )  
Carrier on the State of Kansas.     )

**NOTICE OF FILING OF STAFF'S  
REPORT AND RECOMMENDATION**

The Staff of the Corporation Commission of the State of Kansas ("Staff" and "Commission", respectively), files its Report and Recommendation, and states the following:

Staff hereby files the attached Report and Recommendation recommending the Commission approve ONEOK NGL Pipeline, L.L.C.'s (ONEOK), Application in Docket No. 15-ONEP-329-COC, expanding its Certificate of Convenience to do business in the State of Kansas to include the new route from Bushton, Kansas to Conway, Kansas. Staff also recommends that the Commission approve ONEOK's Application in Docket No. 15-ONEP-297-TAR, establishing a new rate in the amount of 32.39 cpb for transporting ethane/propane mix on the proposed route described above, subject to the ONEOK providing the Commission with an affidavit from at least one non-affiliated shipper agreeing to its rate at such time as a third party shipper becomes interested in using the new route.

Wherefore, Staff submits its Report and Recommendation for Commission review and consideration and for such other relief as the Commission deems just and proper.

Respectfully submitted,



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**REPORT AND RECOMMENDATION  
UTILITIES DIVISION**

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

**FROM:** Kristin Casarona, Natural Gas and Pipeline Operations Analyst  
Leo Haynos, Chief of Energy Operations & Pipeline Safety  
Jeff McClanahan, Director of Utilities

**DATE:** May 21, 2015

**SUBJECT:** Docket No. 15-ONEP-297-TAR:  
In the Matter of ONEOK NGL Pipeline, L.L.C. Seeking Commission  
Approval for K.C.C. Tariff No. 9  
&  
Docket No. 15-ONEP-329-COC:  
In the Matter of the Application of ONEOK NGL Pipeline, L.L.C. to  
Amend its Certificate of Convenience and Necessity to Transact the  
Business of a Liquids Pipeline Common Carrier in the State of Kansas

**EXECUTIVE SUMMARY:**

In the referenced Applications, ONEOK NGL Pipeline, L.L.C. (ONEP) seeks approval for the following:

1. Its Certificate of Convenience and Necessity to transact business as a liquids pipeline common carrier in the State of Kansas be amended to include a new route from Bushton, Kansas, to Conway, Kansas; and
2. A new rate to be established in the amount of 32.39 cents per barrel (cpb) in tariff K.C.C. No. 9.1 for transporting volumes of ethane/propane mix from Bushton, Kansas, to Conway, Kansas, using the same rate it already charges for similar product movement over another route of similar distance.

ONEP estimates it will generate an annual revenue increase of \$1,943,400. This amount is based on an anticipated annual volume of 6,000,000 barrels per year of propane/ethane mix being shipped on the new route.

Staff is recommending approval of the Applications be granted, subject to the condition that ONEP provide the Commission with an affidavit from at least one non-affiliated shipper agreeing to its rate at such time as a third party shipper becomes interested in using the new route.

### **BACKGROUND:**

ONEP operates as an intrastate liquids pipeline common carrier in the State of Kansas and currently transports Natural Gas Liquids (NGLs) and refined products between Hutchinson, Kansas, and Conway, Kansas, under its current tariff, K.C.C. No. 8.<sup>1</sup>

The Commission granted ONEP's Certificate of Convenience and Necessity to transact business as a liquids pipeline common carrier in the State of Kansas in Docket No. 06-ONEP-225-COC on November 28, 2005. ONEP and its affiliates purchased NGL pipeline assets from the Koch Companies (Koch) in July of 2005. ONEP is a subsidiary of ONEOK Partners Intermediate Limited Partnership (ONEOK Partners).<sup>2</sup>

On January 15, 2015, ONEP filed its Application with the Commission requesting approval of its proposed new rate to be established in the amount of 32.39 cpb for transporting ethane/propane mix from its fractionator at Bushton, Kansas, to Conway, Kansas, in Docket No. 15-ONEP-297-TAR (297 Docket).

On January 30, 2015, ONEP filed an amended Application in the 297 Docket to include references that were inadvertently omitted from its original Application.

On January 30, 2015, ONEP filed its Application to amend its Certificate of Convenience and Necessity to include the new route for transporting product from Bushton to Conway, Kansas, as described above, in Docket No. 15-ONEP-329-COC (329 Docket).

On February 5, 2015, Staff filed a Motion requesting the 297 and 329 Dockets be consolidated because obtaining approval to establish a new route and set a rate for that route are intrinsically linked.<sup>3</sup> The motion was granted by the Commission on March 17, 2015.

On February 11, 2015, ONEP filed the required Notification to all Shippers and states that all shippers on ONEP and interested parties have been notified of the proposed route, the applicable rate, and their right to intervene. There have been no complaints or interventions to date.

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<sup>1</sup> ONEP also transports unfractionated streams under K.C.C. No. 7 that contain primarily natural gasoline, normal butane, isobutene, etc. from the Duke Energy National Helium Plant to ONEP's Liberal Booster Station, both in Seward County, Kansas. However, that tariff is outside the scope of this Docket.

<sup>2</sup> ONEP was also granted a Limited Contract Carrier Certificate issued in Docket No. 12-ONEP-333-CON relating to the lease of pipeline capacity between Conway, Kansas, and El Dorado, Kansas, through March 31, 2015. The extension of that Limited Contract Carrier Certificate is currently being addressed in another Docket (Docket No. 15-ONEP-460-CON).

<sup>3</sup> See Paragraph 5 of the Motion to Consolidate.

## ANALYSIS:

ONEP 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. 2013 Supp. 66-105 and 66-1,215 (which defers to the 66-105 definition).<sup>4</sup>

### The 329 Docket

ONEP is requesting that its Certificate of Convenience and Necessity be amended in the 329 Docket Application to include a new route from Bushton, Kansas, to Conway, Kansas.

Pursuant to K.S.A. 2014 Supp. 66-131, the Commission has jurisdiction to grant (or amend) a common carrier's Certificate to transact business in the State of Kansas. The statutory standard of review in this matter is whether the "public convenience will be promoted by the transaction of said business and permitting said applicants to transact the business of a common carrier or public utility in this state." K.S.A. 2013 Supp. 66-131.

ONEOK Hydrocarbon, L.P. (OHLP), a sister company of ONEP, owns fractionation facilities at Bushton, Kansas, and currently ships NGLs and refined products from Bushton, Kansas, to Conway, Kansas, on a line owned by ONEOK North Systems, another sister company. ONEP built the new line from Bushton, Kansas, to Conway, Kansas, based on a huge increase in market demand for barrels of ethane/propane mix at the Conway Hub (to be transported to destinations within Kansas as well as on an interstate basis to a hub in Medford, Oklahoma). Based on the affiliate's shipper request, ONEP estimates it will ship approximately 6,000,000 barrels of ethane/propane mix annually to destinations within Kansas. Although an affiliate is currently the only party expressing interest in transporting product on this pipeline, the service will be nondiscriminatory and open to any shipper who wishes to utilize it.

Staff considers the ability to ship more product within Kansas based on market demand as encouraging to business and that it promotes public convenience in Kansas.

### The 297 Docket

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. Relevant excerpts are included in Attachment A.

ONEP is seeking approval of tariff K.C.C. No. 9.1 to establish an initial rate of 32.39 cpb for movement of ethane/propane mix along the new route from Bushton to Conway, Kansas, as described above. The shipments will be subject to the same terms and conditions already approved by the Commission in its current tariff, K.C.C. No. 8.

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<sup>4</sup> Common Carriers are defined in K.S.A. 2013 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."

Staff typically uses two standards to review liquids pipeline common carrier tariff Applications<sup>5</sup>:

1. Just and reasonable rates: Rates with terms and conditions that are non-discriminatory – available to all shippers – are comparable with rates for shipping similar products over similar routes and facilities within the industry in Kansas; and
2. Efficient and sufficient service: Service that is non-discriminatory and attempts to meet the needs of the shippers while providing adequate recovery of costs to the suppliers (carriers).

Staff considers ONEP's proposed tariff as meeting both of these standards, as discussed below.

Barring shipper complaints and any other requirements specific to Kansas Statutes and Administrative Regulations, it has been standard practice in the liquids pipeline common carrier industry in Kansas to pattern its intrastate rate methodologies after the federal interstate rate methodologies contained in 18 CFR §342, established by the FERC. Staff considers a consistent treatment of rates as fair and reasonable and typically applies the federal methodologies for rates in other liquids pipeline dockets where feasible.

In 18 CFR §342.2, there are two primary ways in which a liquids pipeline company establishes a new rate. The most commonly used method entails a sworn affidavit being filed by at least one non-affiliated shipper agreeing to the new rate. However, ONEP cannot provide this as the only shipper requesting to utilize this tariff is OHLP, an affiliate.

The other method for establishing a new rate is to provide a full cost of service filing as required by 18 CFR §346. However, a full cost of service filing is both costly and time consuming.

ONEP requests a waiver of the statements required in a cost of service filing and further justifies the proposed 32.39 cpb rate based on the following:

- It is the same rate it charges to transport the same product over a similar route, Hutchinson to Conway, Kansas, in Item No. 110 of tariff K.C.C. No. 8<sup>6</sup>; and
- The rate is non-discriminatory – available to all shippers for the same product quality under the same terms and conditions should third-party shippers express interest.

Further, ONEP filed for approval of the 32.39 cpb rate over the same route as a local interstate rate<sup>7</sup> at FERC on February 13, 2015, in FERC Docket No. IS15-177-000, of which there have been no interventions or protests to date.

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<sup>5</sup> Pursuant to K.S.A. 66-117 and 66-1,217.

<sup>6</sup> The Commission Approved tariff K.C.C. No. 8 in Docket No. 12-ONEP-429-TAR on February 13, 2012.

In special circumstances, where initial rates are being established that are in line with analogous rates and that have already been in operation under the existing Certificate of Convenience and Necessity in Kansas, Staff has recommended the Commission accept the tariff rate proposed by the Applicant provided there are no complaints from non-affiliated shippers.<sup>8</sup> In this case, as long as the only shipper requesting movement of the propane/ethane mix on this route is OHLP, an affiliated company, it is Staff's opinion that requirements for cost justification can be more loosely applied.

Therefore, Staff is willing to accept the cost justification proposed by ONEP and recommends approval of the 32.39 cpb rate. However, Staff would recommend this approval be subject to the condition that ONEP provide the Commission with an affidavit from at least one non-affiliated shipper agreeing to its rate at such time as a third party shipper becomes interested in using the new route.

### **RECOMMENDATION:**

In conclusion, Staff recommends the Commission grant ONEP the following:

1. Approval of its Application in Docket No. 15-ONEP-329-COC, expanding its Certificate of Convenience to do business in the State of Kansas to include the new route from Bushton to Conway, Kansas; and
2. Approval of its Application in Docket No. 15-ONEP-297-TAR, establishing a new rate in the amount of 32.39 cpb for transporting ethane/propane mix on the proposed route described above, subject to the following condition:
  - ONEP provide the Commission with an affidavit from at least one non-affiliated shipper agreeing to its rate at such time as a third party shipper becomes interested in using the new route.

Attachments

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<sup>7</sup> Locate rate meaning the movement from Bushton to Conway, Kansas, creates an additional origin point at Bushton, Kansas, for moving product along its interstate system through Conway, Kansas, to Medford, Oklahoma.

<sup>8</sup> The Commission has approved establishing new rates that are similar in amount for transporting similar product over similar routes in other Dockets, including but not limited to: Docket No. 09-ONEP-693-TAR; and Docket No. 09-ONSP-694-TAR.

## **ATTACHMENT A**

### **KCC Liquids Pipeline Jurisdiction - excerpts:**

K.S.A. 66-117(d) states in part:

(d) Except as provided in subsection (c), no change shall be made in any rate, toll, charge, classification or schedule of charges or joint rates, or in any rule or regulation or practice pertaining to the service or rates of any such public utility or common carrier, without the consent of the commission.

K.S.A. 66-1,217 states in part:

Every common carrier, except a motor carrier holding a certificate of public service, governed by this act shall be required to furnish reasonably efficient and sufficient service, joint service and facilities for the use of any and all products or services rendered, furnished, supplied or produced by such common carrier, to establish just and reasonable rates, joint rates, tolls, charges and exactions and to make just and reasonable rules, classifications and regulations.

Further, K.S.A. 66-1,218 further requires every liquids pipeline common carrier doing business in Kansas:

... to publish and file with the Commission copies of all schedules of rates, joint rates, tolls, charges, classifications and divisions of rates affecting Kansas traffic, either state or interstate, and shall furnish copies of all rules, regulations and contracts between common carriers ... pertaining to any and all services to be rendered by such common carriers. The Commission shall have power to prescribe reasonable rules and regulations regarding the printing and filing of all schedules, tariffs, and classifications of all rates, joint rates, tolls, charges and all rules and regulations of such common carriers.

K.S.A. 66-131(a) states in part:

- (a) No person or ... common carrier or public utility, including that portion of any municipally owned utility defined as a public utility by K.S.A. 66-104, and amendments thereto, governed by the provisions of this act shall transact business in the state of Kansas until it shall have obtained a certificate from the corporation commission that public convenience and necessity will be promoted by the transaction of said business and permitting said applicants to transact the business of a common carrier or public utility in this state.

Finally, K.A.R. 82-10-2 provides the Commission with the authority to require, "all relevant facts and data pertaining to its [liquids common carrier pipeline companies'] business and operations which will assist the commission in arriving at a determination of rates which will be fair, just and reasonable both to the applicant and the public."



## CERTIFICATE OF SERVICE

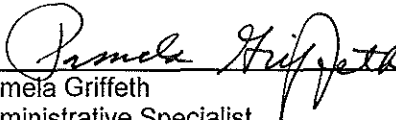
15-ONEP-297-TAR

I, the undersigned, hereby certify that a true and correct copy of the above and foregoing Notice of Filing of Staff's Report and Recommendation was served by electronic service on this 3rd day of June, 2015, to the following:

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