

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

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

In the Matter of the Application of Magellan )  
Pipeline Company, L.P. Filing K.C.C. No. 49, ) Docket No. 25-MGPP-183-TAR  
Containing Rate Increases. )

**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%).<sup>1</sup>

2. On October 8, 2024, Magellan Pipeline Company, L.P. (“Magellan”), filed an Application with the Commission seeking approval and implementation of proposed Tariff K.C.C. No. 49 and cancelling Tariff K.C.C. No. 48.<sup>2</sup> Magellan’s proposed tariff would increase its general commodity rate by approximately 3.8%, which is consistent with the above index level as reinstated by FERC’s September 17, 2024, order.<sup>3</sup>

3. Magellan operates as an intrastate liquids pipeline common carrier in Kansas and transports products under its current tariff, Tariff K.C.C. No. 48.<sup>4</sup> Accordingly, Magellan is

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<sup>1</sup> *Order Reinstating Index Level*, 188 FERC ¶ 61,173 (Sept. 17, 2024, Order). Also see 18 C.F.R. § 342.3.

<sup>2</sup> Application, p. 1.

<sup>3</sup> Staff’s Report and Recommendation, p. 2.

<sup>4</sup> *Id.*

transporting liquid hydrocarbons within the meaning of K.S.A. 66-105 and 66-1,215. Tariffs and associated rates for liquids pipeline common carriers operating within the state are subject to the Commission's authority.<sup>5</sup> Therefore, pursuant to the Commission's authority to regulate common carriers operating in the State of Kansas, the Commission has full power, authority, and jurisdiction to rule on the instant Application.<sup>6</sup>

4. Magellan proposed to make these rate changes effective November 8, 2024, after the date Interstate Pipeline rate changes go into effect at FERC.<sup>7</sup> In accordance with the Commission's authority pursuant to K.S.A. 66-117(c), the Commission issued a Suspension Order on October 15, 2024, in this docket to allow Commission Staff ("Staff") sufficient time to evaluate the proposed tariff adjustments and modify the potential effective date until the Commission has made a determination in this Docket.<sup>8</sup>

5. Staff reviewed the proposed tariff to determine whether the rates met the standards used to review liquid pipelines' common carrier tariff applications in Kansas.<sup>9</sup> 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 non-discriminatory and provide adequate recovery of costs to the suppliers (carriers),<sup>10</sup> and (2) efficient and sufficient service as defined in Docket No. 02-MAPP-160-COM.<sup>11</sup> In the absence of shipper complaints or protests, the Commission's regulatory practice has been to pattern its regulation of intrastate oil/liquid pipeline

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<sup>5</sup> See K.S.A. 66-117; K.S.A. 66-1,217; K.S.A. 66-1218; and K.A.R. 82-10-2.

<sup>6</sup> See K.S.A. 66-117 and K.S.A. 66-1,217, et seq.

<sup>7</sup> *Notice of Annual Change in the Producer Price Index for Finished Goods*, 187 FERC ¶ 61,077 (May 15, 2024, Order)

<sup>8</sup> Suspension Order, Docket No. 25-KNBP-174-TAR, Oct. 8, 2024.

<sup>9</sup> Staff's Report and Recommendation, p. 2.

<sup>10</sup> See K.S.A. 66-1,217.

<sup>11</sup> Order, pp. 33, 37, 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.)

rates and tariffs after the federal regulation of interstate service.<sup>12</sup> Staff believes that using FERC's pricing methodology and 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.<sup>13</sup>

6. Staff has analyzed this Application and verified the correct application of FERC's updated indexing factor to each rate. Based on Staff's calculations, Magellan's proposed tariff brings its general commodity rates within allowed FERC charges.

7. There have been no objections to Magellan's proposed tariff changes, nor have any complaints filed with the Commission.<sup>14</sup>

8. On December 30, 2024, Staff submitted its Report and Recommendation ("Report") recommending the Commission approve Magellan'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.<sup>15</sup> Staff's Report is attached hereto and incorporated by reference herein.

9. Having reviewed Staff's Report, the Commission hereby adopts Staff's analysis, findings, and recommendations concerning Magellan's proposed tariff increases, which are expected to result in reasonably efficient and sufficient service. The Commission concludes that Magellan's requested tariff revisions are just and reasonable.

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<sup>12</sup> Report, p. 2.

<sup>13</sup> *Id.*

<sup>14</sup> *Id.*, p. 3.

<sup>15</sup> *Id.*

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

A. Magellan Pipeline Company, L.P.'s Application requesting to implement proposed Tariff K.C.C. No. 49, and canceling Tariff K.C.C. No. 48, is hereby 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).<sup>16</sup>

C. The Commission retains jurisdiction over the subject matter and the parties to enter such further orders as it may deem necessary.

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

French, Chairperson; Keen, Commissioner; Kuether, Commissioner

Dated: 02/06/2025



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Abigail D. Emery  
Acting Secretary to the Commission

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<sup>16</sup> K.S.A. 66-118b; K.S.A. 77-503 (c) and K.S.A. 77-531(b).



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:** December 30, 2024

**SUBJECT:** Docket No. 25-MGPP-183-TAR  
In the Matter of the Application of Magellan Pipeline Company, L.P. Filing K.C.C.  
No. 49, Containing Rate Increases.

### **EXECUTIVE SUMMARY:**

Magellan Pipeline Company, LP (MPL) is filing for approval to revise its annual rate adjustment in Tariff K.C.C. No. 49 (canceling K.C.C. No. 48) 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 \$816,713. This amount is based on January-December 2023 sales volumes.

Because MPL 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. 49.

### **BACKGROUND:**

MPL is a liquids pipeline common carrier that is engaged in the transportation of liquid hydrocarbons in accordance with K.S.A. 66-105 and K.S.A. 66-1,215 (which references the 66-105 definitions).<sup>1</sup> MPL operates an intrastate liquids pipeline system in the State of Kansas, transporting petroleum products between various points throughout the state.

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<sup>1</sup> Common Carriers are defined in K.S.A. 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 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.

On October 8, 2024, MPL filed this Application with the Commission requesting approval of tariff revisions that replace Tariff K.C.C. No. 48 with Tariff K.C.C. No. 49 in order to increase commodity rates by approximately 3.8% utilizing FERC's revised annual indexing methodology.

### **ANALYSIS:**

#### **Standard of Review**

There are two standards typically used to review liquids pipelines common carrier tariff applications in Kansas:<sup>2</sup>

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.<sup>3</sup>

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 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

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<sup>2</sup> Pursuant to K.S.A. 66-117 and 66-1,217.

<sup>3</sup> Order, pp. 33 & 37, Docket No. 02-MAPP-160-COM (Jan. 31, 2005).

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, MPL 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 MPL's proposed rates in this docket.

In this filing, MPL is proposing to increase its commodity rates by approximately 3.8%, increasing aggregate annual revenue by an estimated \$816,713 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 MPL ceiling price. Based on these calculations, MPL's proposed tariff increases brings its general commodity rates up to their allowed FERC rate ceiling.

#### **Notice**

MPL has notified all shippers and subscribers of the adjustments in writing. Also, MPL's proposed tariffs are posted on its website<sup>4</sup> 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 MPL'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.

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<sup>4</sup> <https://www.oneok.com/customers/rpco/liquid-pipeline-tariffs/refined-product-tariffs>.

## **CERTIFICATE OF SERVICE**

25-MGPP-183-TAR

I, the undersigned, certify that a true copy of the attached Order has been served to the following by means of electronic service on 02/06/2025.

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/S/ KCC Docket Room  
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