

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

Before Commissioners:                    Jay Scott Emler, Chairman  
   Shari Feist Albrecht  
   Pat Apple

In the Matter of Magellan Pipeline Company, L.P.,    )  
Filing Tariff Revisions Cancelling the Three-Year    )    Docket No. 16-MGPP-110-TAR  
Volume Incentive Program From Origins in Kansas    )  
to Kansas City (Fairfax), Kansas.                        )

**ORDER APPROVING TARIFF REVISION**

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 record, and being duly advised in the premises, the Commission finds and concludes as follows:

1.        On August 31, 2015, Magellan Pipeline Company, L.P. (Magellan) filed an Application requesting Commission approval of Tariff K.C.C. No. 34, replacing Tariff K.C.C. No. 33. The requested tariff revision cancels an existing three-year volume incentive program and rates in Item Nos. 265 and 266 for movements of product from various Kansas origins to the Kansas City (Santa Fe) destination point due to expiration. The proposed tariff revision also makes wording changes updating current Federal Energy Regulatory Commission (FERC) tariff references in Item Nos. 270, 280 and 290. Tariff.<sup>1</sup>

2.        The Commission has jurisdiction over this proceeding pursuant to K.S.A. 66-117, 66-1,217, 66-1,218, and K.A.R. 82-10-2.

3.        On September 10, 2015, the Commission issued a Suspension Order in this matter suspending operation of Magellan's request and deferring the effective date of Magellan's proposed tariff revision for a period of not more than two-hundred-forty (240) days from the date

---

<sup>1</sup> Application (August 31, 2015).

the Application was filed, August 31, 2015, until Wednesday, April 27, 2016, pursuant to K.S.A. 66-117(c).

4. On April 4, 2016, the Commission Staff (Staff) filed its Report and Recommendation dated March 28, 2016, which is attached hereto and incorporated herein by reference, detailing Staff's analysis and recommendation that the Commission grant Magellan's Application and approve the company's requested tariff revision. According to Staff, Magellan currently operates as an intrastate liquids pipeline common carrier in the State of Kansas under its current Tariff K.C.C. No. 33. The company transports petroleum products from various points in central and southern Kansas to the Kansas City area; from Coffeyville to Great Bend and Scott City; and also along two westbound routes from Coffeyville and El Dorado to Wichita. Magellan was certificated for the assets related to these movements pursuant the Commission's Order issued October 14, 2003 in Docket No. 04-MGPP-376-CCN. Staff also states that Magellan transports petroleum products from El Dorado to points in Sedgwick County, Great Bend, and Scott City. Magellan's certification for the assets associated with these movements was granted pursuant to the Commission's Order issued February 21, 2005, in Docket No. 05-MGPP-267-ACQ. Staff adds that Magellan has provided written notice of the instant filing to all shippers and subscribers and that the company posts all revised tariffs on its official company website: <http://www.magellanlp.com/tariffs>. There are no complaints or interventions in response to Magellan's Application.<sup>2</sup>

5. Staff indicates that the only rates being referenced in the instant filing include: (a) base rates (or general commodity rates), comprising the primary transportation rate charged for each movement of product from some point of origin to some point of destination through a pipeline and (b) volume incentive rates, i.e., rates set at some discounted amount per barrel to

---

<sup>2</sup> Report and Recommendation, page 2.

shippers that meet certain volume thresholds. Magellan's base rates remain unchanged and are found in Item No. 200 of the company's current tariff, K.C.C. No. 33. The primary change associated with Magellan's Application is cancellation of the company's three-year volume incentive program in Item Nos. 265 and 266, which expired on September 30, 2015, and is not being renewed. Staff states that the estimated annual revenue value of the tariff change to Magellan is \$220,000. This amount is based on Kansas intrastate volumes transported under the three-year volume incentive program along with the difference between the expired incentive rates and the higher corresponding base rates for the same movements. A separate volume incentive program remains current in Tariff K.C.C. No. 33 and applies to the same routes covered by the expired three-year incentive program. Inasmuch as the difference between the discounted rates in the ten-year volume incentive program and the current base rates for the same movements continue to represent a benefit to Kansas shippers meeting the volume requirements, Staff states that it has no issue with the requested tariff change. Likewise, Staff states that it has no issue with Magellan's requested wording changes in tariff Item Nos. 270, 280 and 290, which update current FERC references.

6. Staff determines that Magellan's requested tariff revisions meet the two standards typically applied to review of pipeline common carrier tariff applications in Kansas. Staff finds Magellan's rates, terms, and conditions to be *just and reasonable*, non-discriminatory, and available to all shippers transporting product over similar routes and facilities in Kansas. Staff also determines that Magellan provides *efficient and sufficient service* to its shippers, that its service is non-discriminatory, and that the company attempts to meet the needs of its shippers while providing adequate recovery of costs to the suppliers (carriers). Concluding, Staff opines that Magellan's proposed tariff revision meets the foregoing standards and will have no adverse

impact on the public convenience. Staff recommends Commission approval of Magellan's Application and approval of the company's request to replace Tariff K.C.C. No. 33 with Tariff K.C.C. No. 34.<sup>3</sup>

7. The Commission adopts Staff's analysis and recommendation of March 28, 2015, as stated in its Report and Recommendation, and finds that Magellan's Application is reasonable, in the public interest, and should be granted and that the requested tariff revision replacing Tariff K.C.C. No. 33 with Tariff K.C.C. No. 34 should be approved.

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

A. Magellan Pipeline Company, L.P.'s Application is hereby granted and the company's requested tariff revision replacing Tariff K.C.C. No. 33 with proposed Tariff K.C.C. No. 34 is hereby approved and shall become effective as of the date of this Order.

B. The parties have fifteen (15) days, plus three (3) days if service of this Order is by mail, from the date this Order was served in which to petition the Commission for reconsideration of any issue or issues decided herein. K.S.A. 66-118b; K.S.A. 2014 Supp. 77-529.


C. The Commission retains jurisdiction over the subject matter of this docket 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.**

Emler, Chairman; Albrecht, Commissioner; Apple, Commissioner

Dated: APR 07 2016

oan

  
Amy L. Green  
Secretary to the Commission  
**Order Mailed Date**

**APR 08 2016**

<sup>3</sup> Id., pages 3 and 4.

**REPORT AND RECOMMENDATION  
UTILITIES DIVISION**

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

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

**DATE:** March 28, 2016

**SUBJECT:** Docket No. 16-MGPP-110-TAR:  
In the Matter of Magellan Pipeline Company, L.P., Filing Tariff Revisions  
Canceling the Three-Year Volume Incentive Program From Origins in  
Kansas to Kansas City (Fairfax), Kansas.

**EXECUTIVE SUMMARY:**

In the instant Application, Magellan Pipeline Company, L.P. (Magellan) is filing for approval of tariff K.C.C. No. 34 to replace tariff K.C.C. No. 33, which updates the tariff on record and makes the following changes:

1. Cancels an existing three-year volume incentive program and rates in Item Nos. 265 and 266, for movements of product from various Kansas origins to the Kansas City (Santa Fe) destination point due to expiration;
2. Makes wording changes to update current Federal Energy Regulatory Commission (FERC) tariff references in Item Nos. 270, 280 and 290.

The estimated aggregate annual revenue value of the tariff change to Magellan is \$220,000. This amount is based on Kansas intrastate volumes that were transported under three-year contracts on the expired volume incentive program along with the difference between the expired incentive rates and the higher corresponding base rates for the same movements.

Staff is recommending approval of the instant Application be granted.

## **BACKGROUND:**

Magellan currently operates as an intrastate liquids pipeline common carrier in the State of Kansas under its current tariff, K.C.C. No. 33. Magellan transports petroleum products from various points in central and southern Kansas to the Kansas City area; from Coffeyville, Kansas, to Great Bend and Scott City, Kansas; and also along two westbound routes from Coffeyville and El Dorado to Wichita, Kansas. Magellan was certificated for the assets related to these movements when it purchased them from Williams Pipe Line Company, L.L.C. on October 14, 2003, in Docket No. 04-MGPP-376-CCN.

Magellan also transports petroleum products from El Dorado to points in Sedgwick County, Great Bend, and Scott City, Kansas. Magellan was certificated for the assets related to these latter movements on February 21, 2005, in Docket No. 05-MGPP-267-ACQ, when it purchased them from Chase Transportation Company and Shell Pipeline Company.

On August 31, 2015, Magellan filed the instant Application with the Commission requesting approval of a tariff revision that replaces tariff K.C.C. No. 33 with tariff K.C.C. No. 34.

All intrastate shippers and subscribers have received proper written notification as required by the KCC. Additionally, Magellan posts all revised tariffs on its official company website: <http://www.magellanlp.com/tariffs.aspx>, providing public access to all possible parties in interest. There have been no complaints or interventions to date.

## **ANALYSIS:**

Magellan 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. 2015 Supp. 66-105 and K.S.A. 66-1,215 (which defers to the 66-105 definition).<sup>1</sup>

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.

Although Magellan is the largest liquids pipeline common carrier of intrastate shipments in Kansas, its Kansas intrastate shipments account for only about 10% of all the shipments on its interstate *Central System*.<sup>2</sup> Because the majority of this system is interstate in nature and very complex, the tariffs (FERC and respective state tariffs) tend

---

<sup>1</sup> Common Carriers are defined in K.S.A. 2014 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."

<sup>2</sup> Magellan's *Central System* is the interstate system of assets that all Magellan's Kansas intrastate shipments move within.

to be complex as well. However, the only rates being referenced in this filing are as follows:

1. Base rates (or general commodity rates): These rates comprise the primary transportation rate charged for each movement of product from some point of origin to some point of destination through a pipeline. These rates remained unchanged in this filing. All of Magellan's base transportation rates and related movements in Kansas are listed in Item No. 200 of its current tariff, K.C.C. No. 33.
2. Volume Incentive Rates: As the name suggests, these are rates set at some discounted amount per barrel to shippers that can meet certain volume thresholds. The rates are usually charged in order to provide shippers incentive to move large quantities of product on some particular route. The volume incentive rates are discounted from the corresponding base rate listed in the tariff for the particular route in question. Typically, shippers must enter into a prior written commitment with the carrier that includes a specific commitment term (usually 2, 3, 5, or 10 years). Carriers that choose to have volume incentive rates list the rates separately under specific volume incentive programs which are given specific terms.

In the instant Application, Magellan is filing a revised tariff that reflects changes already made for compliance purposes. The primary change is the cancelling of its three-year volume incentive program in Item Nos. 265 and 266. This program expired on September 30, 2015, and has not been renewed.

However, Magellan has another volume incentive program already in effect in its current tariff, K.C.C. No. 33, for shippers moving product along the same routes in the expired three-year program (from Coffeyville, El Dorado, and McPherson to Kansas City (Fairfax)).<sup>3</sup> This program is a ten-year program and provides incentives for shippers to move larger volumes over a longer term.

Because the contracts under the three-year incentive program have already expired and Magellan continues to offer a discounted rate along the same routes in another volume incentive program, Staff has no issue with the tariff change. The difference between the discounted rates in the ten-year volume incentive program and the current base rates for the same movements continue to represent a **benefit** to Kansas shippers who can meet the volume requirements and is available to all Kansas intrastate shippers.

Magellan also proposes wording changes in Item Nos. 270, 280 and 290 to update current FERC tariff references. Staff agrees with these changes. Magellan's concurrent FERC filing can be found in FERC Docket No. IS15-621-000, in which there have been no interventions or protests filed to date.

---

<sup>3</sup> The ten-year volume incentive program was approved by Commission Order, dated January 20, 2015, in Docket No. 15-MGPP-229-TAR.

There are two standards typically used to review liquids pipeline common carrier tariff Applications in Kansas<sup>4</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).

It is Staff's opinion that the proposed tariff changes in this filing meet these two standards of review and determines there will be no adverse impact on public convenience as a result.

**RECOMMENDATION:**

Staff is recommending approval of the instant Application be granted, allowing Magellan to replace Tariff K.C.C. No. 33 with Tariff K.C.C. No. 34.

---

<sup>4</sup> Pursuant to K.S.A. 66-117 and 66-1,217.



## **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. 2015 Supp. 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

16-MGPP-110-TAR

I, the undersigned, certify that the true copy of the attached Order has been served to the following parties by means of first class mail/hand delivered on \_\_\_\_\_.

TINA R. GRANGER, SUPERVISOR, PIPELINE TARIFFS  
MAGELLAN PIPELINE COMPANY, L.P.  
ONE WILLIAMS CENTER  
TULSA, OK 74172  
tina.granger@magellanlp.com

OTTO NEWTON, LITIGATION COUNSEL  
OTTO NEWTON  
1500 SW ARROWHEAD ROAD  
TOPEKA, KS 66604  
Fax: 785-271-3167  
o.newton@kcc.ks.gov  
\*\*\*Hand Delivered\*\*\*

/S/ DeeAnn Shupe  
DeeAnn Shupe

er Mailed Date

APR 08 2016