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

In the Matter of ONEOK North System, L.L.C. Filing Tariff K.C.C. No. 4.5, Replacing Tariff K.C.C. No. 4.4	)))	Docket No. 15-ONSP-135-TAR

**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 North System, L.L.C.'s request for approval of tariff K.C.C. No. 4.5 to replace tariff K.C.C. No. 4.4.

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,

Robert Elliott Vincent, S. Ct. #26028
Litigation Counsel
Kansas Corporation Commission
1500 S.W. Arrowhead Road
Topeka, Kansas 66604
Phone: (785) 271-3273
Fax: (785) 271-3167
E-Mail: r.vincent@kcc.ks.gov

Utilities Division
1500 SW Arrowhead Road
Topeka, KS 66604-4027

Kansas
Corporation Commission

Phone: 785-271-3220
Fax: 785-271-3357
http://kcc.ks.gov/

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 Pipeline Safety
Jeff McClanahan, Director of Utilities

DATE: October 23, 2014

SUBJECT: Docket No. 15-ONSP-135-TAR:
In the Matter of ONEOK North System, L.L.C. Filing Tariff K.C.C. No. 4.5, Replacing Tariff K.C.C. No. 4.4.

EXECUTIVE SUMMARY:

In the instant Application, ONEOK North System, L.L.C. (ONS) is filing for approval of tariff K.C.C. No. 4.5 to replace tariff K.C.C. No. 4.4, which proposes the following changes to the General Rules and Regulations section of the tariff:

1. Item 55 – Payment of Carrier Charges and Carrier's Lien has been updated to allow ONS the right to assess finance charges on past due balances until paid in full; and
2. Item 65 – Allocation of Carrier's Pipeline Facilities has been updated to reference ONS' new allocation policy implemented on October 1, 2014, and apply it to its Kansas tariff.

As it relates to Item 55 of the proposed tariff K.C.C. No. 4.5, ONS has not historically had any Kansas shippers that would have incurred a finance charge. Further, because ONS is merely updating its tariff rules and regulations to be consistent with company policy and all its other state tariffs and at FERC, no increase in revenue is expected in Kansas at this time.

Staff is recommending approval of the instant Application be granted.

BACKGROUND:

ONS operates as an intrastate liquids pipeline common carrier in the State of Kansas under its current tariff, K.C.C. No. 4.4. ONS transports petroleum products, such as

Refinery Grade Butane (RGB), Normal Butane, Isobutane, Propane, ethane/propane mix and natural gasoline bi-directionally among four origin and destination points in Kansas: Wichita; Bushton; Conway; and Hutchinson. ONS also transports Demethanized Mix bi-directionally among origin and destination points in Bushton, Conway, and Hutchinson, Kansas.

ONS was certificated by the Commission in Docket No. 08-OPIP-140-ACQ on October 5, 2007, after ONEOK acquired the assets of what is referred to as "The North System" from Kinder Morgan Operating, L.P. (Kinder Morgan). ONS is a subsidiary of ONEOK Partners Intermediate Limited Partnership (ONEOK Partners).

On September 24, 2014, ONS filed an Application with the Commission to approve a tariff revision that replaces Tariff K.C.C. No. 4.4 with Tariff K.C.C. No. 4.5, updating Item Nos. 55 and 65 of the General Rules and Regulations section of the tariff to include the assessment of a finance charge on unpaid balances from shippers and to reference the company's new allocation policy that went into effect on October 1, 2014.

ONS has submitted with its Application herein a copy of the required Notification to Shippers and states that all shippers and interested parties have been notified of the tariff changes and their right to intervene. There have been no complaints or interventions to date.

ANALYSIS:

ONS 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).[1]

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 B.

In this specific filing, ONS is proposing changes to two item numbers in the Rules and Regulations section of its KCC tariff. The proposed changes and analysis of each are as follows:

1. Item 55 – Payment of Carrier Charges and Carrier's Lien: This item details terms of payment to ONS for acceptance of product (typically, natural gas liquids) for transportation from shippers. This item also address remedies and payments owed ONS for unpaid balances from shippers. In this filing, ONS is updating this item to allow it the right to assess finance charges to past due balances until paid in full.

[1] 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."

The specific terms and amounts of the finance charge are standard in the industry and are similar or identical to finance charge amounts and/or terms provided in Kansas intrastate tariffs of other pipeline companies previously approved by the Commission.[2] Further, as it relates to this item, ONS has not historically had any Kansas shippers that would have incurred a finance charge. Therefore, ONS is not anticipating any annual change in revenue at this time.

2. Item 65 – Allocation of Carrier's Pipeline Facilities: This item details how shipments of product are allocated to shippers during occasions when more product is offered for transportation in total than ONS can transport or otherwise handle at a given time (usually when a condition arises that causes a constraint on the pipeline system). No changes are being made to existing language; however, a reference to ONS' new company allocation policy, implemented on October 1, 2014, is being added and applied to its Kansas tariff. The allocation policy can be viewed by all parties in interest on ONS' web site: http://www.oneokpartners.com/Customers/NaturalGasLiquids/Pipelines/NorthSystems/Tariffs.aspx and is attached herewith (Attachment A). The actual policy provides additional detail and clarification to what currently exists in this item. The primary basis for allocation at a time of constraint in this policy considers the most recent 12 months of shipper history. This is common in the industry and Staff considers it non-discriminatory and acceptable.

Because the terms and conditions apply to all shippers equally and ONS is merely updating its tariff rules and regulations to be consistent with company policy and all its other state tariffs and at FERC, Staff determines there will be no adverse impact on public convenience as a result of approving this filing and supports the tariff changes. ONS has filed identical Item Nos. 55 and 65 changes in all of its other intrastate tariffs and at FERC. The corresponding FERC Docket is IS14-678-000, in which there have been no protests, complaints or interventions filed to date.

RECOMMENDATION:

In conclusion, Staff recommends the Commission grant ONS' request for approval of tariff K.C.C. No. 4.5 to replace tariff K.C.C. No. 4.4.

Attachments

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[2] The exact same finance charge, 125% of the prime rate of interest charged by Citibank N.A., New York, NY, as of the due date or the maximum finance charge rate allowed by law, whichever is less, and the terms and conditions surrounding it are identical to that listed in Item 70 of Magellan's tariff K.C.C. No. 30, approved by the Commission on July 1, 2014. Other finance charges with the same terms, but ranging from 18% APR to 25% APR, are provided for in Kansas intrastate tariffs of NuStar Energy, Jayhawk Pipeline and Plains Pipeline, approved also by the Commission on July 1, 2014, in Docket Nos. 14-KNBP-553-TAR, 14-JYHP-550-TAR, and 14-PPLP-552-TAR, respectively.

ATTACHMENT A

http://www.oneokpartners.com/
Customers/NaturalGasLiquids/Pipelines/
NorthSystems/Tariffs.aspx

ONEOK NORTH SYSTEM, L.L.C
Allocation Policy
Effective October 1, 2014

Carrier will allocate the capacity of its system or a portion of its system during any month when it determines, based upon the nominations properly submitted (as defined in the ONEOK North System, L.L.C. tariffs) by Shippers, that the total volume nominated by all Shippers for shipment on Carrier's system or portion thereof during the month exceeds the capacity of the system or portion thereof. When allocation is necessary, Carrier's pipeline or portion thereof shall be allocated among all Shippers under the following allocation policy:

1. Definitions
   - *a.* **"Binding Allocated Volume"** means a Shipper's final allocated volume after being advised that Carrier's system or a portion of its system is subject to allocation.
   - *b.* **"Carrier"** means ONEOK North System, L.L.C.
   - *c.* **"Delivery Factor"** means a percentage of the Binding Allocated Volume, as described in 2g(ii).
   - *d.* **"Final Nomination"** means the nomination tendered by a Shipper after being advised that Carrier's system or a portion of its system is subject to allocation.
   - *e.* **"Initial Allocation"** means a Shipper's Initial Allocation as described in paragraph 2b(i) of this allocation policy for Regular Shippers or a Shipper's Initial Allocation as described in paragraph 2d of this allocation policy for New Shippers.
   - *f.* **"New Shipper(s)"** means any Shipper other than a Regular Shipper.
   - *g.* **"Original Nomination"** means the nomination tendered by a Shipper prior to being advised that the Carrier's system or a portion of its system is subject to allocation.
   - *h.* **"Regular Shipper(s)"** means any Shipper that has shipped Product at any time during the twelve (12) calendar months preceding the first day of the month in which the pipeline or a portion of the pipeline is allocated.
   - *i.* **"Shipper(s)"** means a party, including Regular Shipper(s) and New Shipper(s), for whom transportation services are nominated.
2. Allocation Procedures
   - *a.* ***Availability of capacity to Regular Shippers.*** After the adjustment for New Shippers, as provided in paragraphs 2c and 2d, all remaining unnominated capacity (as determined in accordance with paragraph 2e(i)) plus any unused allocated capacity (as determined in accordance with paragraph 2f) shall be available to Regular Shippers who have nominated volumes for the month.
   - *b.* ***Allocation to each Regular Shipper.*** When it is determined that the total volume nominated by all Shippers for shipment on Carrier's system or portion thereof during the month exceeds the capacity of the system or portion thereof, the following steps will be taken.
     - i. Each Regular Shipper will be notified, via Carrier's electronic commerce and communication system or other appropriate method as selected by the Carrier, of its Initial Allocation. The Initial Allocation is equal to a fraction, the numerator of which is the Regular Shipper's average barrels shipped on Carrier's system during the latest twelve (12) month period, for which the month-end processes are completed, and the

denominator of which is the total shipments during such twelve (12) month period by all Regular Shippers, for which the month-end processes are completed preceding the month for which the Regular Shipper's allocation is being calculated, multiplied by the total capacity available to all Regular Shippers for the month in which the allocation policy procedures are being applied.

ii. Each Regular Shipper will be given an opportunity to properly submit an adjusted nomination by 11:59 pm on the second (2^{nd}) business day following the day notification was made to the Regular Shipper, which is not to exceed the Regular Shipper's Original Nomination, using Carrier's electronic commerce and communication system or other appropriate method as selected by the Carrier. The adjusted nomination will become the Regular Shipper's Final Nomination.

iii. If a Regular Shipper does not properly submit an adjusted nomination by 11:59 pm on the second (2^{nd}) business day following the day notification was made to the Regular Shipper, then the Original Nomination shall be considered the Regular Shipper's Final Nomination.

iv. If the Regular Shipper's Final Nomination is less than or equal to the Regular Shipper's Initial Allocation, the Regular Shipper's Final Nomination will become the Regular Shipper's Binding Allocated Volume.

v. If the Regular Shipper's Final Nomination is greater than the Regular Shipper's Initial Allocation, the Regular Shipper's Binding Allocated Volume will be equal to the Regular Shipper's Initial Allocation plus a portion of any unnominated capacity remaining (which will be allocated in the same manner as described in item 2b(i) to any Regular Shipper's that have a Final Nomination greater than the Regular Shipper's Initial Allocation). The Regular Shipper's Binding Allocated Volume will not exceed the Regular Shipper's Final Nomination.

c. ***Availability of capacity to New Shippers.*** Not more than five (5) percent of the total available allocated capacity of Carrier's system or portion thereof shall be made available to all New Shippers.

d. ***Allocation to each New Shipper.*** Each New Shipper will be notified, via Carrier's electronic commerce and communication system or other appropriate method as selected by the Carrier, of its Initial Allocation which is equal to the lesser of 2d(i), 2d(ii) or New Shipper's Original Nomination:

i. Five (5) percent of the total available allocated capacity of Carrier's system or portion thereof divided by the number of New Shippers who nominated volumes for shipment on the system or portion thereof.; or

ii. One and one quarter (1.25) percent (one-fourth of 5%) of the total available capacity of Carrier's system or portion thereof.

iii. Each New Shipper will be given an opportunity to properly submit an adjusted nomination by 11:59 pm on the second (2^{nd}) business day following the day notification was made to the New Shipper, which is not to exceed the New Shipper's Initial Allocation , using Carrier's electronic commerce and communication system or other appropriate method as selected by the Carrier. The adjusted nomination will become the New Shipper's Final Nomination, which will also be the New Shipper's Binding Allocated Volume.

iv. If a New Shipper does not properly submit an adjusted nomination by 11:59 pm on the second (2^{nd}) business day following the day notification was made to the New Shipper, then the Initial Allocation shall be considered the New Shipper's Final Nomination, which will also be the New Shipper's Binding Allocated Volume.

e. ***Unnominated capacity.***

i. Any amount of allocated capacity which is available to New Shippers under the rules in paragraphs 2c and 2d, but is not nominated by an eligible New Shipper shall be made available to Regular Shippers in accordance with the rules in paragraphs 2a and 2b.

f. ***Reallocation of unused allocated capacity.*** In the event that additional capacity becomes available, the Carrier reserves the right to allocate unused capacity on a non-discriminatory basis.

g. ***Penalties for Failure to Utilize Allocated Capacity.***

i. If, during a month when Carrier determines allocation on the system or a portion thereof is necessary, a Shipper delivers a volume greater or equal to the Shipper's Binding Allocated Volume multiplied by the Shipper's Delivery Factor, then such Shipper will be invoiced for transportation charges based on its delivered volumes during such month. If a Shipper delivers less than the Shipper's Binding Allocated Volume multiplied times the Shipper's Delivery Factor, the Shipper shall be invoiced for transportation charges based on the Shipper's volumes delivered for such month, plus a penalty charge equal to:

The Shipper's Binding Allocated Volume multiplied by the Shipper's Delivery Factor

Less: The actual volumes delivered

Equals: The Deficient Volumes

Shipper shall be billed by Carrier an amount equal to the Deficient Volumes multiplied by the then applicable tariff rate(s) as provided for by Carrier's tariff.

ii. The Shipper's Delivery Factors are:

Shipper's Binding Allocated Volume	**Shipper's Delivery Factor**
Up to 29,999 barrels per month	93%
30,000 – 149,999 barrels per month	95%
150,000 – 299,999 barrels per month	97%
Over 299,999 barrels per month	98%

iii. Penalties for a Shipper's failure to deliver its Binding Allocated Volume multiplied by the Shipper Delivery Factor as described in 2g(ii) may be waived, in whole or in part if Carrier determines, in its sole discretion, that the Shipper's failure to use all or some of its Binding Allocated Volume was due to factors beyond the Shipper's reasonable control.

h. ***Transfer of allocated capacity; Use of affiliates.*** Allocated volumes allocated to a Shipper may not be assigned, conveyed, loaned, transferred to, or used in any manner by another Shipper. However, a Shipper's allocation may be transferred as an incident of the bona fide sale of the Shipper's business or to a successor to the Shipper's business by the operation of law, such as an executor or trustee in bankruptcy. A Shipper may not use an affiliated or cooperating entity to obtain an increased allocation of allocated capacity or, in the case of a Regular Shipper, seek New Shipper status in order to pool two or more allocations to the benefit of the Shipper.

i. ***Allocation during an emergency.*** Carrier may allocate capacity on a different equitable basis during an emergency period.

ATTACHMENT B

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.

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-ONSP-135-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 4th day of November, 2014, to the following:

JAMES G. FLAHERTY, ATTORNEY
ANDERSON & BYRD, L.L.P.
216 S HICKORY
PO BOX 17
OTTAWA, KS 66067
Fax: 785-242-1279
jflaherty@andersonbyrd.com

ROBERT VINCENT, LITIGATION ATTORNEY
KANSAS CORPORATION COMMISSION
1500 SW ARROWHEAD RD
TOPEKA, KS 66604-4027
Fax: 785-271-3354
r.vincent@kcc.ks.gov

ALESIA SPEARS, MANAGER, RATES AND REGULATORY
ONEOK NORTH SYSTEM, L.L.C.
100 WEST FIFTH STREET
TULSA, OK 74103-4298
Fax: 918-732-1406
alesia.spears@oneok.com

Pamela Griffeth

Pamela Griffeth
Administrative Specialist