

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

Before Commissioners: Shari Feist Albrecht, Chair
Jay Scott Emler
Dwight D. Keen

In the Matter of the Application of Jayhawk)
Pipeline, L.L.C. for Permission to Cease)
Operating as a Liquids Pipeline Carrier in the) Docket No. 19-JYHP-213-CCS
State of Kansas)

ORDER GRANTING APPLICATION

NOW, the above-captioned matter comes before the State Corporation Commission of the State of Kansas (Commission) for consideration and decision. Having reviewed its pleadings and records and being duly advised in the premises, the Commission makes the following findings:

I. Background

1. On November 30, 2018, Jayhawk Pipeline, L.L.C. (“Jayhawk”) filed an Application requesting cessation of selected routes from its Certificate of Convenience and Necessity.¹ The selected routes are received at or delivered to Valley Center Station in Sedgwick County, Kansas.² Jayhawk has filed to cease operation of certain routes shown in Supplement Nos. 17 to KCC No. 80, 15 to KCC No. 81, and 14 to KCC No. 82.³

2. When the Chase to Valley Center pipeline system integrity was tested with an In-line Inspection tool, anomalies were identified.⁴ The estimated cost of repair and risks to the environment were determined too great to justify repairing the system.⁵

¹ Application of Jayhawk (Nov. 30, 2018) (“Application”).

² *Id.* at 2; see *Staff’s Report and Recommendation*, at 1 (“*Report and Recommendation*”) (Jan. 10, 2019).

³ Application, at 1; *Report and Recommendation*, at 1.

⁴ Application, at 1.

⁵ *Id.*

3. Jayhawk has served notification of the cessation of the routes to all shippers it serves in Kansas.⁶ The needs of the shippers who utilize the line are expected to be met by other facilities, and there have been no objections to Jayhawk's proposal.⁷

4. On January 10, 2019, the Commission Staff ("Staff") submitted a Report and Recommendation dated January 9, 2019, recommending the Commission grant Jayhawk's request for cessation of certain routes.⁸

II. Legal Standards and Discussion

5. Jayhawk 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. 2016 Supp. 66-105 and 66-1,215 (which references the 66-105 definition); Jayhawk was originally certificated by the Commission in Docket No. 05-JYHP-467-CCN on December 16, 2004.⁹

6. Pursuant to K.S.A. 66-131, the Commission has jurisdiction to grant a Certificate to any public utility seeking to transact business in the State of Kansas. The standard for granting a certificate under K.S.A. 66-131 is that public convenience and necessity will be promoted by the transaction of the proposed project.

7. There are two standards typically used to review liquids pipelines common carrier tariff applications in Kansas:¹⁰

1. Just and reasonable rates: rate 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

⁶ *Report and Recommendation*, at 1.

⁷ *Id.*

⁸ *Id.*

⁹ *Id.* at 2.

¹⁰ See K.S.A. 66-117; 66-1,217.

in using the capacity on the pipelines and sufficient service furnishes adequate or enough public service to meet the needs of the shippers.¹¹

8. The Commission's regulatory practice in the absence of shipper complaints and/or protests is, generally, to pattern its regulation of intrastate oil/liquid pipeline rates and tariffs from the federally authorized tariffs for interstate service.¹²

9. The Federal Energy Regulatory Commission has approved tariff changes in F.E.R.C. No. 37.10.0, cancelling Jayhawk's interstate route from Texas County, Oklahoma, to Valley Center Station, Sedgwick County, Kansas, because of the same inspection results and concerns expressed in this Application with the KCC.¹³

10. Jayhawk has filed to cease operation of certain routes shown in Supplement Nos. 17 to KCC No. 80, 15 to KCC No. 82 due to system integrity and environmental concerns; the cost and risks to the environment have been estimated too great to justify repair.¹⁴ The needs of shippers who utilize the Chase to Valley Center line segment are expected to be met by other facilities.¹⁵ Because there is no impact to other existing rates, the just and reasonable rates standard does not apply here.¹⁶

11. Staff found that cancelling the routes and associated rates to meet the standard of providing efficient service because it would be an inefficient use of resources to repair the line.¹⁷ Staff considers Jayhawk to be providing sufficient service for the liquids pipeline industry because the affected customers have been properly notified, the affected customers' needs are expected to

¹¹ Order, pp. 33 & 37, Docket No. 02-MAPP-160-COM (Jan. 31, 2005).

¹² *Report and Recommendation*, at 2.

¹³ *Id.*

¹⁴ *Id.* at 3.

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Report and Recommendation*, at 3.

be met by other facilities, and there have been no shipper complaints or protests filed regarding the proposed route cancellations.¹⁸

THEREFORE, THE COMMISSION ORDERS:

- A. Jayhawk's Application is granted pursuant to K.S.A. 66-117 and K.S.A. 66-1,217.
- 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).¹⁹
- C. The Commission retains jurisdiction over the subject matter and parties for the purpose of entering such further order or orders, as it may deem necessary.

BY THE COMMISSION IT IS SO ORDERED.

Albrecht, Chair; Emler, Commissioner; Keen, Commissioner

Dated: 01/17/2019



Lynn M. Retz
Secretary to the Commission

CRM

¹⁸ *Report and Recommendation*, at 3.

¹⁹ K.S.A. 66-118b; K.S.A. 77-503(c); K.S.A. 77-531(b).

STATE OF KANSAS



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REPORT AND RECOMMENDATION

UTILITIES DIVISION

TO: Shari Feist Albrecht, Chair
Jay Scott Emler, Commissioner
Dwight D. Keen, Commissioner

FROM: Josh Frantz, Managing Rate Analyst
Lana Ellis, Deputy Chief of Economics and Rates
Robert Glass, Chief of Economics and Rates
Jeff McClanahan, Director of Utilities

DATE: January 9, 2019

SUBJECT: Docket No. 19-JYHP-213-CCS: In the Matter of the Application of Jayhawk Pipeline, L.L.C. for Permission to Cease Operating as a Liquids Pipeline Carrier in the State of Kansas

EXECUTIVE SUMMARY:

Jayhawk Pipeline, L.L.C. (Jayhawk) seeks approval from the Kansas Corporation Commission (Commission or KCC) to cancel routes which are received at or delivered to Valley Center Station in Sedgwick County, Kansas, from its Certificate of Convenience and Necessity. Jayhawk has filed to cease operation of certain routes shown in Supplement Nos. 17 to KCC No. 80, 15 to KCC No. 81, and 14 to KCC No. 82.

Cancelling these routes is necessary because anomalies were identified when the Chase to Valley Center pipeline system integrity was tested with an In-line Inspection tool and the estimated cost of repair and risks to the environment were determined to be too great to justify repairing the system. Jayhawk has served notification of the cessation of the routes to all shippers it serves in Kansas. The needs of the shippers who utilize the line are expected to be met by other facilities. There have been no objections to Jayhawk's proposal.

Because Jayhawk has met the standards used to review liquid pipeline common carrier Applications in Kansas, Commission Staff (Staff) recommends the Commission approve the Application.

BACKGROUND:

Jayhawk 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. 2016 Supp. 66-

105 and K.S.A. 66-1,215 (which references the 66-105 definition). Jayhawk was originally certificated by the Commission in Docket No. 05-JYHP-467-CCN on December 16, 2004.

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 November 30, 2018, Jayhawk filed an Application with the Commission requesting approval to:

- cancel all routes and corresponding rates on Supplement No. 17 to KCC No. 80 which are delivered to Valley Center Station in Sedgwick County, Kansas;
- cancel all routes and corresponding rates on Supplement No. 15 to KCC No. 81 which are received at or delivered to Valley Center Station in Sedgwick County, Kansas; and
- cancel the route and corresponding rate on Supplement No. 14 to KCC No. 82 which is received at Valley Center Station in Sedgwick County, Kansas.¹

Jayhawk is requesting to cancel these services because the 65.8-mile Chase to Valley Center pipeline system was assessed with an In-line Inspection tool for integrity, anomalies were identified, and the estimated cost of repair and risks to the environment were determined too great to justify repairing the system.²

Jayhawk has notified all shippers it serves in Kansas of the cessation of these routes and will make these tariff modifications available on its website contingent upon the Commission's approval of its Application.³

ANALYSIS:

Standard of Review

There are two standards typically used to review liquids pipelines common carrier tariff applications in Kansas:⁴

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.⁵

Generally, in the absence of shipper complaints and/or protests, the Commission's regulatory practice has been to pattern its regulation of intrastate oil/liquid pipeline rates and tariffs from the federally authorized tariffs for interstate service. The Federal Energy Regulatory Commission has approved tariff changes in F.E.R.C. No. 37.10.0, cancelling Jayhawk's interstate route from Texas County, Oklahoma, to Valley Center Station, Sedgwick County, Kansas, because of the same inspection results and concerns expressed in this Application with the KCC.

¹ Application, Supplemental Affidavit, pp. 1-2 (Nov. 30, 2018).

² Application, Supplemental Affidavit, p. 1 (Nov. 30, 2018).

³ Application, Cover Letter (Nov. 30, 2018).

⁴ Pursuant to K.S.A. 66-117 and 66-1,217.

⁵ Order, pp. 33 & 37, Docket No. 02-MAPP-160-COM (Jan. 31, 2005).

Route Cancellation

Jayhawk has filed to cease operation of certain routes shown in Supplement Nos. 17 to KCC No. 80, 15 to KCC No. 81, and 14 to KCC No. 82 due to system integrity and environmental concerns. The needs of shippers who utilize the Chase to Valley Center line segment (CHS McPherson Refinery Inc., Coffeyville Resources, and MV Purchasing) are expected to be met by other facilities.⁶ Because there is no impact to other existing rates, the just and reasonable rates standard does not apply.

Jayhawk has indicated that the routes have been taken out of service for integrity reasons as the estimated cost of repair and risks to the environment have been determined too great to justify repairing the system. Because it would be an inefficient use of resources to repair the line, Staff finds cancelling the routes and associated rates to meet the standard of providing efficient service.

The affected customers have been properly notified and expect to meet their needs via other facilities. Additionally, no shipper complaints or protests have been filed regarding the proposed route cancellations. Therefore, Staff considers Jayhawk to be providing sufficient service for the liquids pipeline industry.

For these reasons, Staff supports the requested route cancellations and recommends approval of the proposed tariff modifications.

RECOMMENDATION:

Because Kansas's standards of review for liquids pipelines common carrier tariff Applications have been met, Staff recommends the Commission grant Jayhawk's request to cease operation of certain routes shown in Supplement Nos. 17 to KCC No. 80, 15 to KCC No. 81, and 14 to KCC No. 82.

⁶ Application, Supplemental Affidavit, pp. 1–2 (Nov. 30, 2018).

CERTIFICATE OF SERVICE

19-JYHP-213-CCS

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 01/18/2019.

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/S/ DeeAnn Shupe

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