

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

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

In the Matter of ONEOK North System,)
L.L.C. Filing K.C.C. No. 4.17, Containing) Docket No. 25-ONSP-182-TAR
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%).¹

2. On October 8, 2024, ONEOK North System, L.L.C. (“ONEOK”), filed an Application with the Commission seeking approval and implementation of proposed K.C.C. Tariff No. 4.17 and cancelling K.C.C. Tariff No. 4.16.² ONEOK’s proposed tariffs would increase its overall general commodity rates by approximately 3.8%, which is consistent with the above index level as reinstated by FERC’S September 17, 2024, order.³

3. The Commission finds ONEOK operates as an intrastate liquids pipeline common carrier in Kansas and transports products under its current tariffs KCC No. 4.16.⁴ The Commission

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

² ONEOK North Systems, L.L.C., Application, at 1. (Oct. 8, 2024) (“Application”)

³ Staff’s Report and Recommendation, at p.1. (Report)

⁴ *Id.*, at p.2.

finds ONEOK is transporting liquid hydrocarbons within the meaning of K.S.A. 66-105 and K.S.A. 66-1,215.

4. Tariffs and associated rates for liquids pipeline common carriers operating within the state are subject to the Commission's authority.⁵ Therefore, pursuant to the Commission's authority to regulate liquids pipeline common carriers operating in the State of Kansas, the Commission finds it has full power, authority and jurisdiction to rule on the instant Application.⁶

5. ONEOK proposed to make these rate changes effective November 7, 2024, which is subsequent to the date Interstate Pipeline rate changes go into effect at FERC.⁷ The Commission issued a Suspension Order on October 15, 2024, in this docket to allow Commission staff sufficient time to evaluate the proposed tariff adjustments and modified the potential effective date until the Commission has made a determination in this Docket.⁸

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

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

⁶ See K.S.A. 66-117; K.S.A. 66-1,217, et seq.

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

⁸ Suspension Order, Oct. 15, 2024.

⁹ See Report, at p. 2.

¹⁰ See K.S.A. 66-1,217.

¹¹ Order, p. 33-40, 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.¹² Staff determined 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.¹³

7. Staff analyzed the Application and verified the correct application of FERC's updated indexing factor to each rate.¹⁴ Based on Staff's calculations, ONEOK's proposed tariff brings its general commodity rates within allowed FERC charges.¹⁵

8. There have been no objections to these proposed rates' change, and no complaints made or filed with the Commission to date.¹⁶

9. On December 13, 2024, the Commission Staff (Staff) submitted its Report and Recommendation (Report), recommending that the Commission grant ONEOK'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.¹⁷ Staff's report is attached and incorporated by reference herein as additional findings.

10. Having reviewed Staff's Report, the Commission hereby finds Staff's analysis and recommendations concerning ONEOK's proposed tariff increases are expected to result in reasonably efficient and sufficient service. The Commission concludes that ONEOK's requested tariff revision is just and reasonable.

¹² Report, at p. 2.

¹³ *Id.*

¹⁴ *Id.*, p. 2-3.

¹⁵ *Id.*, p. 3.

¹⁶ *Id.*

¹⁷ *Id.*

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

A. ONEOK North System, L.L.C.'s Application requesting to implement proposed K.C.C. Tariff No. 4.17, which increases its overall general commodity rates by approximately 3.8% and cancelling K.C.C. Tariff No. 4.16, is hereby granted and 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).¹⁸

C. The Commission retains jurisdiction over the subject matter 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.

French, Chairperson; Keen, Commissioner; Kuether, Commissioner

Dated: 01/30/2025



Lynn M. Retz
Executive Director

PJH/BWB

¹⁸ K.S.A. 66-118b; K.S.A. 77-503 (c) and K.S.A. 77-531(b).

**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 13, 2024

SUBJECT: Docket No. 25-ONSP-182-TAR
In the Matter of ONEOK North System, L.L.C. Filing K.C.C. Tariff 4.17,
Containing Rate Increases.

EXECUTIVE SUMMARY:

ONEOK North System L.L.C. (ONEOK) is filing for approval to revise its annual rate adjustment in K.C.C. Tariff No. 4.17 (canceling K.C.C. Tariff No. 4.16) 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 3.8%.

ONEOK estimates that its Kansas intrastate revenues will increase by \$269,544 based on 2023 Kansas intrastate volumes and the proposed rate changes in this filing.

Because ONEOK has met the two standards used to review liquid pipeline common carriers tariffs in Kansas, Staff recommends Commission approval of the Application.

BACKGROUND:

ONEOK 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).¹ ONEOK operates an intrastate liquids pipeline system in the State of Kansas, transporting liquid hydrocarbon products between various points throughout the state.

¹ 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.

The Commission granted ONEOK its Certificate of Convenience and Authority to transact business as a liquids pipeline common carrier on October 5, 2007, in Docket No. 08-OPIP-140-ACQ.

On October 8, 2024 ONEOK filed a request for approval of tariff revisions that replace K.C.C. Tariff No. 4.16 with K.C.C. Tariff No. 4.17. in order to increase commodity rates by 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:²

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.³

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.

² Pursuant to K.S.A. 66-117 and 66-1,217.

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

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 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, ONEOK proposes to adjust its intrastate liquids pipelines rates as FERC has done. Staff has found no reason to contest these changes, therefore, recommends approval of ONEOK's proposed rates in this docket.

In this filing, ONEOK is proposing to increase its commodity rates by 3.8 %, increasing aggregate annual revenue by an estimated \$269,544 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 ONEOK ceiling price. Based on these calculations, ONEOK's proposed tariff increases brings its general commodity rates up to their allowed FERC rate ceiling.

Notice

ONEOK has notified all shippers and subscribers of the rate changes in writing. Interested parties can contact ONEOK at regulatoryaffairs@oneok.com with questions about this tariff filing. ONEOK's tariffs can be viewed at <https://www.oneok.com/customers/ngl>. There have been no objections to these proposed rate changes nor any complaints made or filed with the Commission to date.

RECOMMENDATION:

Since ONEOK's proposed rate increase utilizes FERC's indexing methodology, customers have been properly notified and no shipper complaints or protests have been filed, Staff considers the rate increase to meet Kansas' two standards of review for liquids pipelines common carrier tariff applications and recommends approval of this request.

CERTIFICATE OF SERVICE

25-ONSP-182-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 01/30/2025.

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/s/ KCC Docket Room
KCC Docket Room