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FERC Establishes New Five-Year Oil Pipeline Rate Index

The Federal Energy Regulatory Commission (FERC) today established a new price index to calculate annual changes to ceiling levels for oil pipeline rates.

Upon concluding its third five-year review of the oil pricing index established in Order No. 561, FERC set the index level of Producer Price Index for Finished Goods plus 2.65 percent (PPI-FG+2.65) for the five-year period beginning July 1, 2011. The current price index level is PPI-FG+1.3.

The Commission used the middle 50 percent of the data set to determine the appropriate index level. Use of the middle 50 percent ensures that pipelines with relatively large cost increases or decreases do not distort the index.

The Commission's decision was made after review of public comments on whether to continue the use of the existing index level of PPI-FG+1.3 or adopt an alternative indexing proposal.

R-11-11

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