

141 FERC ¶ 61,109
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Jon Wellinghoff, Chairman;
Philip D. Moeller, John R. Norris,
Cheryl A. LaFleur, and Tony T. Clark.

Dixie Pipeline Company LLC

Docket No. IS12-214-000

ORDER FOLLOWING TECHNICAL CONFERENCE

(Issued November 8, 2012)

1. This order addresses the post-technical conference comments on Dixie Pipeline Company LLC's (Dixie) proposed tariff to establish rates, rules and regulations for the interstate transportation of normal butane and isobutane between points in Louisiana and a point in Texas.

Background

2. Dixie operates a 1,300-mile pipeline that transports natural gas liquids from Mont Belvieu, Texas, to Apex, North Carolina, and has numerous origin and destination points along that route. From Hattiesburg, Mississippi east, the pipeline exclusively transports propane from west to east. Between Mont Belvieu, Texas and Hattiesburg, Mississippi, the pipeline primarily transports propane from west to east; however, that portion of the line is bi-directional and also transports batches of other products in both directions. Dixie provides batched transportation of ethane between Grangeville, Louisiana and Hattiesburg, Mississippi. Dixie also provides batched transportation of Refinery Grade Propylene (RGP) from Anse La Butte and Breaux Bridge, Louisiana to Mont Belvieu, Texas. Dixie has also provided normal butane and isobutane service between Mont Belvieu, Texas and Anse La Butte, Louisiana during most of the period between 1984 and 2007.

3. Because the segment of Dixie's pipeline between Mt. Belvieu, Texas and Anse La Butte and Breaux Bridge, Louisiana is underutilized, Dixie proposed to

resume batched transportation¹ of normal butane and isobutane to alleviate this underutilization. Dixie stated that during the last three years this segment was 37 percent idle from December through February, and 68 percent idle during the rest of the year. Accordingly, on March 29, 2012, Dixie filed FERC Tariff No. 6.1.0 to establish initial rates, rules and regulations for isobutane movements from Mont Belvieu, Texas to Anse La Butte and Breaux Bridge, Louisiana and normal butane movements from Anse La Butte and Breaux Bridge, Louisiana to Mont Belvieu, Texas. Under the tariff, propane shippers would continue to have priority inasmuch as normal butane and isobutane movements would only be made after all nominations for propane had been satisfied.

4. Under the proposed tariff, except for the propane shippers' current ability to inject propane into RGP batches, Dixie would no longer allow any shipper to inject any product into the line when a different type of product was moving by the shipper's origin. Instead, each shipper would have to wait until other product batches had moved by its origin and Dixie had informed the shipper that it could begin injecting into the line. To the extent a shipper would be required to store product during the period when another product was moving by the shipper's origin, the shipper would have to make its own arrangements for such storage, since Dixie does not hold itself out to provide such storage.

5. Crosstex Energy Services, L.P., Crosstex NGL Marketing, L.P., and Crosstex Processing Services, LLC (Crosstex); CITGO Petroleum Corporation (CITGO); and Targa Midstream Services LLC (Targa) protested the tariff filing. The protesters argued that Dixie's resumption of normal butane and isobutane service would degrade propane service to shippers on the bi-directional portion of its system. The protesters asserted Dixie provided no justification for its proposal to prevent propane shippers from accessing the system as they have for over forty years. The protesters asserted the tariff proposal provided Dixie with unfettered discretion to determine when and how long it would refuse to accept propane shipments.

6. On April 27, 2012, the Commission issued an order accepting and suspending Dixie's tariff for seven months, to become effective November 30, 2012, subject to the outcome of a technical conference.² The Commission recognized that the protesters are not entitled to receive on-demand service and that operating a batched system is a common practice among pipelines. The Commission also found there was not enough

¹ Pipelines use batching to move two or more different liquids through the same pipeline in a series of batches. The adjoining batches mix where they come into contact forming a liquid interface called transmix.

² *Dixie Pipeline Company LLC*, 139 FERC ¶ 61,073 (2012) (April 27 Order).

information in the pleadings to determine how normal butane and isobutane service would affect the overall operations on Dixie's system. The order also stated certain language appeared ambiguous and could lead a shipper to believe that Dixie gains unfettered discretion that could potentially lead to undue discrimination.

7. A technical conference was held on May 30, 2012. Initial comments on the technical conference were filed on September 7, 2012 by Dixie, CITGO, Crosstex, and Targa. Reply comments were filed on September 28, 2012 by Dixie and CITGO. Since the filing of initial comments on September 7, 2012, Dixie has agreed to make certain changes to its proposed tariff, which resolves the matters in dispute between Dixie and two of the protesters, Crosstex and Targa. As a result, on September 28, 2012, instead of filing reply comments, Crosstex and Targa filed notices of withdrawal of the protests filed in this proceeding. The discussion below will therefore focus on Dixie's reply comments, which contain its revised tariff proposal, and the comments of CITGO, the remaining protester on the proceeding.

Post-Technical Conference Comments

8. Dixie states that since filing its initial post-technical conference comments on September 7, 2012, it has agreed to make certain changes to its batching proposal, which Dixie believes is a resolution of the matters in dispute between it and Crosstex and Targa. Dixie states that it is currently working to resolve the outstanding issues between it and the remaining protester, CITGO, and will promptly notify the Commission if it reaches a settlement accommodation. Dixie states that even if it is unable to reach a resolution with CITGO, the Commission should allow Dixie's FERC Tariff No. 6.1.0 to take effect on November 30, 2012, subject to Dixie amending its tariffs.

9. Dixie states that in response to concerns expressed by the Commission and the affected propane shippers, it proposes certain amendments to its tariffs to ensure propane shippers have adequate time to prepare for the batching of products other than propane on Dixie, and to provide additional detail and clarity regarding the scheduling of the new batched service. Dixie asserts its proposal to resume normal butane and isobutane transportation will increase volumes on a chronically underutilized portion of Dixie's system, while complying with the pipeline's obligation to provide service upon reasonable request for both propane shippers and shippers of other products. Dixie contends its proposal is in the best interest of the pipeline and its shippers as a whole, and fully complies with the requirements of the Interstate Commerce Act (ICA).

10. Dixie proposes to amend its normal butane/isobutane tariff and to make additional changes to its propane and Refinery Grade Propylene (RGP) tariffs as shown in the *pro forma* tariffs included in Attachment A to its reply comments. To the extent the Commission approves these changes as an acceptable resolution of the issues in this case, Dixie will file the attached tariffs with the Commission on or before November 30, 2012.

11. The first proposed change provides that the affected propane shippers may continue to inject propane into batches of other products through July 31, 2013. Dixie states this is intended to give shippers adequate time to make any storage or other arrangements necessary to conform to Dixie's ongoing batching procedures. Dixie states that during this period, the normal butane and isobutane shippers will be responsible for reimbursing Dixie for the cost of any necessary refractionation³ due to the injection of propane into normal butane and isobutane batches by paying Dixie a charge of \$2.31 per barrel for all affected product.

12. Dixie states that to the extent propane shippers inject into batches of RGP during the period from January 1, 2013 through July 31, 2013, the propane shipper is responsible for the \$2.31 per barrel refractionation fee, although only with respect to any propane barrels injected. Dixie states this fee represents a reasonable compromise between the interests of the protesters, Dixie and RGP shippers, because it permits propane shippers to continue to inject into the RGP batches, while requiring them to bear certain costs of refractionation during the period when they are developing alternative storage arrangements. Dixie asserts that placing some of the cost of RGP refractionation on the protesters during the transition period is reasonable and gives them an incentive to complete their alternative storage arrangement promptly.

13. After July 31, 2013, Dixie will not permit any shipper to inject product into a batch of a different product. Dixie proposes to provide additional clarity regarding when batching will occur. Under the proposed tariffs, during the period from August 1, 2013 through December 1, 2013, the pipeline will require propane shippers to stop injecting propane for no more than 72 continuous hours at a time while batches of other products are moving past their origin points. After any given 72-hour period, propane shippers will then have at least 72 hours to inject propane before (and if) Dixie transports another non-propane batch. During the period after December 1, 2013, Dixie will require propane shippers to stop injecting propane for no more than 96 continuous hours at a time while batches of other products are moving past their origin points. After any given 96-hour period, propane shippers will then have at least 24 hours to inject propane before (and if) another non-propane batch is transported. Dixie states its tariff will also continue to make clear that it will transport normal butane, isobutane and RGP only after it satisfies all nominations for propane.

³ Fractionation is the process where a mixed stream of different natural gas liquids must be separated out. In this case, since the natural gas liquids were separate and then mixed together they must be refractionated.

14. CITGO's arguments in its initial and reply comments address Dixie's original tariff filing and not the proposed amended tariffs contained in Dixie's reply comments. However, CITGO's concerns about the original tariff appear to be addressed by Dixie's amended proposal. It is also important to recognize that CITGO indicated it has a storage solution with PetroLogistics Midstream, LLC (PetroLogistics) at its Lake Charles, Louisiana refinery that will allow CITGO to store propane when batches of other products are moving by CITGO's origin. Since the storage solution will not become operational until the summer of 2013, CITGO asserts that Dixie's original tariff should not go into effect November 30, 2012, and that permitting the tariff become effective earlier than August 2013 would result in curtailment of capacity at its Lake Charles, Louisiana refinery.

15. Dixie states that since CITGO has entered into a long-term storage agreement with PetroLogistics, CITGO has already taken steps to resolve the operational issues that it previously claimed made Dixie's batching proposal unworkable. CITGO nonetheless claims that there are a number of outstanding matters that need to be resolved before the Commission allows the tariff to become effective. CITGO claims that it will need additional time to construct the connection between its refinery and the PetroLogistics storage cavern. CITGO also contends that there is still a lack of precision in the tariff regarding the batching schedule.

16. Dixie's asserts that its proposal provides ample time for CITGO to implement its storage agreement with PetroLogistics. Dixie states that in order to give CITGO and the other affected propane shippers adequate time to make arrangements to comply with Dixie's new batching procedures, Dixie proposes to allow the affected propane shippers to continue to inject propane into other product batches through July 31, 2013. Dixie states its proposed tariff amendments therefore give CITGO approximately a year from when CITGO executed its agreement with PetroLogistics on August 17, 2012, to complete its connection to the PetroLogistics storage cavern. Dixie submits there is no basis for CITGO's claim that Dixie's proposed tariff will result in calamitous effects such as the curtailment of the CITGO refinery and disruption of the national supply of gasoline.

17. CITGO argues that Dixie's tariff does not provide sufficient detail regarding the scheduling of normal butane and isobutane batches. Dixie states that it proposes to allow propane shippers to continue to inject propane into batches of other products through July 31, 2013. As of August 1, 2013, Dixie will no longer permit propane shippers to inject propane into batches of other products; however, the amount of time that Dixie will batch other products will be limited. Dixie states that from August 1, 2013 through December 1, 2013, batches of other products will move for no more than 72 continuous hours by the affected propane shippers' origin points, and after December 1, 2013, batches of other products will move for no more than 96 continuous hours by the affected propane shippers' origin points. Dixie states its FERC Tariff No. 6.1.0 at Item 20 further provides that "Carrier will prepare schedules showing the estimated time that each

shipment will be received for transportation” and that “schedules may be modified from time to time” and provided to shippers “upon request.” Dixie states its tariff also makes clear that normal butane and isobutane shipments will occur only if there is sufficient capacity available to satisfy all propane nominations. Dixie contends these proposed rules provide clarity to shippers regarding the duration of non-propane batching along with reasonable notice of schedule changes, while preserving the flexibility necessary for Dixie to adjust schedules to account for revised shipper nominations and other operational issues. Dixie asserts that its proposed tariffs will provide more detail than many batched pipelines.

18. CITGO filed an answer in opposition to the *pro forma* tariffs in Dixie’s reply comments. CITGO asserts that because of the proposed changes Dixie is required to provide shippers operational storage. CITGO contends the August 1, 2013 deadline to implement the new batching procedures is too short and its storage solution may not be ready in time. CITGO contends that the schedule for injecting propane for 24 hours on and then 96 hours off may be unworkable because there may not be enough capacity to accommodate all propane injections when they are permitted. Finally, CITGO submits that given that propane can be injected into other products during the transition period, there is no reason why Dixie cannot do it permanently.

19. Dixie filed a response to CITGO’s answer. Dixie asserts that its proposal gives propane shippers a reasonable period to transition to the new batching arrangements. Dixie submits that the August 1, 2013 date to fully implement the new batching procedures is consistent with CITGO’s timeline for its storage solution. However, Dixie states that it has no interest in the curtailment of the CITGO refinery and if operational problems arise it can amend the tariff at that time. Dixie contends there is no basis for CITGO’s assertion that the batching schedule is unworkable. Dixie states that it is making modifications to its facilities that will permit it to accept up to 80,000 barrels per day in the applicable pipeline segment by August 1, 2013, which will be more than sufficient to accept the volumes expected to be tendered by CITGO and other shippers. Dixie asserts that its request that shippers not inject propane into different products is a reasonable compromise and is consistent with the operations of other batched systems. Dixie argues that CITGO’s argument against batching is simply to maintain its on-demand privileges to which the Commission stated they are not entitled.

Discussion

20. In its original tariff filing in this proceeding, Dixie proposed to establish normal butane and isobutane transportation service on a bi-directional segment of its pipeline between Louisiana and Texas to increase throughput on an underutilized pipeline segment. A number of Dixie’s propane shippers protested the filing arguing that it would degrade on-demand service that they have received for over forty years and provided Dixie with unfettered discretion in its tariff concerning the scheduling of different products that could result in undue discrimination. The Commission suspended the tariff for seven months and established a technical conference in order to further understand the

operational effects of Dixie's proposal. The Commission recognized that it needed to balance the pipeline's interest in efficiently utilizing its facilities with the obligation to provide service upon reasonable request, and the concerns of certain propane shippers who argued that Dixie's proposal would degrade their service in a discriminatory manner.

21. The remaining protester to Dixie's Filing, CITGO, states it incurred significant expense to implement a storage solution, but needs an additional nine to eleven months for the necessary work to be completed. CITGO asserts that unless Dixie either voluntarily withdraws or postpones the proposed tariff for an appropriate period, the Commission must reject the tariff. CITGO also asserts that Dixie original proposal was vague and that Dixie had not provided the parties with any information indicating how much notice it would provide concerning either any planned reversal of the pipeline or the duration for which propane shipments would be foreclosed.

22. As a result of the discussion at the technical conference and negotiations between Dixie and the affected propane shippers, Dixie filed an amended tariff proposal that addresses the concerns of both the propane shippers and the Commission. Crosstex and Targa have resolved the matters in dispute with Dixie, and, as a result Crosstex withdrew its protest to the filing and Targa withdrew its protest and filed an answer in support of the amended proposal filed by Dixie in its reply comments. While CITGO has not reached a settlement with Dixie, the Commission finds that Dixie's amended tariff adequately addresses its concerns including those raised in CITGO's answer to Dixie's reply comments.

23. In the April 27 Order the Commission determined that the existing propane shippers were not entitled to on demand service and that Dixie was entitled to operate a batched system that also provides normal butane and isobutane service. Therefore, the issues to be resolved through the technical conference process were how to provide more certainty to propane shippers concerning the batched scheduling process and how to provide propane shippers with adequate time to acquire or build the storage necessary during periods when propane could not be transported on Dixie's pipeline.

24. Dixie's amended tariff achieves these objectives because it allows propane shippers to continue to inject propane into batches of other products through July 31, 2013. This change to the original tariff will give shippers, including the remaining protester CITGO, adequate time to make any storage or other arrangements necessary to conform to Dixie's batching procedures that will go into effect after July 31, 2013. Moreover, in its response to CITGO's answer, Dixie indicated that if there were operational issues preventing implementation of CITGO's storage solution by August 1, 2013, it could amend the tariff at that time to address those issues.

25. The other concern of the propane shippers and the Commission addressed by the proposed amended tariff was the lack of any specificity in the original tariff concerning the time periods when propane shipments could not be scheduled when normal butane or isobutane service was being provided on the affected segment of Dixie's system. In fact,

Dixie's presentation at the technical conference that was included as part of Dixie's initial comments indicated that while other service was being provided, propane shippers might have to store propane between 6 and 23 days a month followed by 4 to 7 days of propane injections. This statement was so broad as to provide no meaningful guidance to propane shippers concerning the specific timing of their transportation service and how they would need to plan for times when propane service was unavailable. The amended tariff, however, does provide specific time frames for when propane service will be available and removes the ambiguity in the tariff that concerned the propane shippers and the Commission. Under the amended tariff, batched scheduling will not take effect until after July 31, 2013, and the time frames for batched scheduling will occur in two periods. There will be a phase-in for the period between August 1, 2013 and December 1, 2013. After December 1, 2013, propane service can be interrupted for no more than 96 hours at a time, and will resume for a minimum of 24 hours. Further, the tariff makes clear that shipments of normal butane and isobutane will occur only if there is sufficient capacity available to satisfy all propane nominations. In addition, as stated by Dixie in its response to CITGO's argument that the 96 hours off/24 hours on propane injection schedule may be unworkable, Dixie's facilities will be expanded to accommodate all propane injections.

26. The Commission finds that Dixie's proposed amended tariff is a reasonable accommodation concerning the issue of batched scheduling that balances the interests of Dixie's desire to increase throughput on an underutilized segment of its pipeline with the propane shippers need for certainty as to when their propane can be shipped so that they can make the appropriate long-term business and operational arrangements that will account for period where propane service is not available. Therefore, in accordance with the representations in its reply comments, Dixie is directed to file the *pro forma* tariff records contained in Appendix A to its reply comments as actual tariff records on or before November 30, 2012.

The Commission orders:

Dixie is directed to file tariff records in accordance with the discussion in this order on or before November 30, 2012.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.