

152 FERC ¶ 61,167
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Norman C. Bay, Chairman;
Philip D. Moeller, Cheryl A. LaFleur,
Tony Clark, and Colette D. Honorable.

SFPP, L.P.

Docket No. IS15-587-000

ORDER ACCEPTING TARIFF RECORDS

(Issued August 31, 2015)

1. On July 31, 2015, SFPP, L.P. (SFPP) filed F.E.R.C. Tariff No. 194.8.0, Rules and Regulations (“Tariff”), cancelling F.E.R.C. Tariff No. 194.7.0, to be effective September 1, 2015. SFPP proposes to revise Item 80 of its Tariff to specify its allocation method for transmix generated on gathering lines connected to SFPP’s pipeline system (“Gathering Line Transmix” or “Transmix”). For the reasons discussed below, the Commission accepts FERC Tariff No. 194.8.0, to be effective September 1, 2015.

Background

2. SFPP operates common carrier interstate refined petroleum products pipelines located in Arizona, California, Nevada, New Mexico, and Texas. At three of its origin points on these mainline pipelines, SFPP receives product that is sourced from interconnecting gathering pipeline systems operated by third-party suppliers (“Suppliers”). Those three origin points are at Concord, California (for origination into SFPP’s North Line), El Paso, Texas (for origination into SFPP’s East Line), and Watson, California (for origination into SFPP’s West Line). In delivering products to SFPP’s mainlines, these gathering lines also deliver quantities of transmix generated in those upstream lines.

3. In the Tariff, SFPP included new language under Item 80 (Transmix Handling) addressing the allocation of Gathering Line Transmix. In particular, the new language describes how the responsibility for Gathering Line Transmix will be allocated to the Suppliers, who supply petroleum products moving on a particular gathering line, with such allocation to be based on the proportion of each Supplier’s supplied volumes on a gathering line to the total supplied volumes on such gathering line. The added language under Item 80 also specifies (1) where SFPP will physically distribute Gathering Line Transmix to Suppliers, and (2) that Suppliers have sole responsibility for the disposition of their allocated Gathering Line Transmix.

Protest

4. On August 17, 2015, HollyFrontier Refining & Marketing LLC (HollyFrontier) filed a protest. Specifically, HollyFrontier protests SFPP's proposal to allocate Gathering Line Transmix on a supplier basis, rather than by Shipper. HollyFrontier transports petroleum products on the Suppliers' interconnected facilities, and through the injection points for further transportation on SFPP's System. HollyFrontier ships products not only from the injection point owned by its affiliate, Holly Energy Partners ("HEP") but from the other three injection points as well. When HollyFrontier ships on HEP's gathering line, HEP is the supplier, and HollyFrontier is the shipper.¹

5. HollyFrontier states that a separate allocation method for Gathering Line Transmix that allocates it not to Shippers in proportion to their shipments, but to upstream Suppliers in proportion to the volumes provided through each supplier's facilities connected to SFPP's System, is problematic. HollyFrontier claims that shippers on the interconnected Supplier facilities do not always correspond to the shippers on SFPP's system. As a result, claims HollyFrontier, there is no way to ensure that Shippers are allocated Transmix caused by their use of pipeline facilities.

6. HollyFrontier believes that SFPP is already allocating Gathering Line Transmix in accordance with its proposed method, and that HollyFrontier receives an over-allocation of Gathering Line Transmix. Every additional barrel of Transmix allocated to HollyFrontier, argues HollyFrontier, results in the incurrence of additional costs.

7. HollyFrontier states that SFPP's proposed method may not provide enough information to allow shippers such as HollyFrontier to determine whether the Transmix allocated to them is actually generated by their shipment of products on the gathering lines. SFPP's current facilities do not include a custody transfer meter far enough upstream to allow SFPP to identify the sources of Gathering Line Transmix. Accordingly, HollyFrontier argues there is no way for shippers to verify that SFPP is

¹ SFPP states that heretofore it has, due to administrative oversight, billed HollyFrontier instead of HEP for Gathering Line Transmix costs, but is in the process of correcting the invoicing system to bill HEP as Supplier on the gathering line. In any event, the invoices to HollyFrontier have always separately identified the amount of mainline transmix (Mainline Transmix) that HollyFrontier was allocated as a shipper on SFPP's mainline, and separately identified the amount of Gathering Line Transmix that HEP/HollyFrontier was being allocated by virtue of HEP's status as that gathering line's Supplier.

properly allocating Gathering Line Transmix. HollyFrontier requests that the Commission reject SFPP's proposed revisions to the Tariff and convene a technical conference to allow for consideration of a more appropriate Gathering Line Transmix allocation method.

SFPP's Answer

8. On August 24, 2015, SFPP filed an answer to HollyFrontier's protest. SFPP explains that it is a batched pipeline system, which means it transports distinct product types, such as jet fuel and gasoline. When consecutive batches of different product types are transported, there is an unavoidable mixing of the two product types which is called transmix. If for example, there is a batch of jet fuel, followed by a batch of gasoline, the transmix between them must be removed from the system, as it cannot be used as either jet fuel or gasoline, but must be broken out and disposed of. SFPP states that practice for allocating Gathering Line Transmix to Suppliers has been in place for years and is therefore not a "new" practice. SFPP notes that HollyFrontier itself acknowledges this point, stating in its pleading that HollyFrontier believes "SFPP is already allocating Gathering Line Transmix in accordance with its proposed method." This existing practice is further evidenced, argues SFPP, by the invoices that SFPP has sent to HollyFrontier over the past several years specifying what portion of Transmix is being allocated to HollyFrontier as Mainline Transmix, and what portion of Transmix is being allocated to HollyFrontier as Gathering Line Transmix.

9. SFPP states that the invoices that SFPP sends to Suppliers and Shippers specify how much Mainline Transmix is being allocated to the Shipper on the mainline, and how much Gathering Line Transmix is being allocated to the gathering line Supplier for disposal. Because HollyFrontier has been treated as both a Supplier and shipper, HollyFrontier's invoices include allocations for both Mainline Transmix and Gathering Line Transmix.

Discussion

10. The Commission has reviewed SFPP's proposed tariff revisions in light of HollyFrontier's protest and SFPP's answer to HollyFrontier's protest and finds that the proposed new language in the Tariff adequately addresses the allocation of Gathering Line Transmix. HollyFrontier has been receiving invoices similar to the one attached to SFPP's Answer for many years. HollyFrontier's invoices have always reflected transmix allocations under product codes 13 (Mainline Transmix) and 53 (Gathering Line Transmix). Because these invoices have continuously reflected a clear separation between Mainline Transmix and Gathering Line Transmix, there can be no question that HEP and HollyFrontier have been on notice of the distinction in transmix allocation and SFPP's practice, and the subject tariff revision incorporates that existing practice into the tariff. Although SFPP can tie each barrel shipped on its mainline (and related transmix) to a particular shipper, it cannot do the same with certainty for transmix on Suppliers'

gathering lines. Because none of those Suppliers have installed their own break-out facilities to store the transmix they generate, they use SFPP's facilities to dispose of the transmix. HEP, like other suppliers, is the entity able to correctly allocate the costs of transmix on its gathering line, whether the costs are attributable to its affiliate HollyFrontier, or other shippers. SFPP does not have any method for accurately allocating responsibility for gathering line transmix on any of its gathering lines, including HEP's. Accordingly, the allocation methodology in the subject tariff is just and reasonable in these circumstances, and may be accepted.

The Commission orders:

The Commission accepts SFPP's FERC Tariff No. 194.8.0, to be effective September 1, 2015.

By the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.