

153 FERC ¶ 61,361  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

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

Medallion Pipeline Company, LLC

Docket No. OR16-4-000

ORDER ON PETITION FOR DECLARATORY ORDER

(Issued December 30, 2015)

1. On November 6, 2015, Medallion Pipeline Company, LLC (Medallion) filed a petition for declaratory order (Petition) regarding a second set of proposed expansions of its existing Wolfcamp Connector crude oil pipeline system (Expansion Projects). Specifically, Medallion seeks Commission approval of its proposed tariff rate structure and terms of service for the Expansion Projects by December 31, 2015, to ensure the committed shipper rates and terms of service will be in place so that the Expansion Projects can be completed by the targeted in-service date.
2. The Commission grants the rulings requested by Medallion, as discussed below.

**Background**

3. On August 1, 2014, the Commission issued a declaratory order, *Medallion Pipeline I*,<sup>1</sup> confirming the validity of Medallion's open season procedures for its Wolfcamp Connector system and approving the lawfulness of the committed firm shipper rates and related tariff provisions. Medallion explains after the Wolfcamp Connector's commencement of operations in October 2014, it entered into discussions with various producers regarding a potential westward extension and expansion of its existing system into Upton and Midland Counties (Midkiff Lateral) as well as an extension of the Wolfcamp Connector's mainline from the existing Garden City station to the Colorado City hub (Wolfcamp Expansion). On February 27, 2015, the Commission issued a subsequent declaratory order, *Medallion Pipeline II*,<sup>2</sup> confirming the validity of the open

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<sup>1</sup> *Medallion Pipeline Co., LLC*, 148 FERC ¶ 61,095 (2014).

<sup>2</sup> *Medallion Pipeline Co., LLC*, 150 FERC ¶ 61,156 (2015).

season procedures, approving the lawfulness of the committed firm shipper rates and related tariff provisions for the initial expansion of the Wolfcamp Connector system, and noting that the rate design, and related tariff provisions were the same as in *Medallion Pipeline I*. The Midkiff Lateral and Wolfcamp Expansion were placed into service on June 1, 2015.

4. In late 2014 and early 2015, Medallion entered into discussions with producers concerning the Expansion Projects, which includes another extension of the Wolfcamp Connector system into central and southwestern Reagan County, Texas (Santa Rita Lateral) as well as an expansion of the Reagan Gathering Extension facilities from the existing Reagan station to the Garden City station (Reagan Expansion).

5. Medallion states the Santa Rita Lateral would consist of approximately 30 miles of 10-inch diameter pipe, with 25 miles of 8-inch pipe and smaller diameter laterals extending to certain aggregation points. The Santa Rita Lateral would transport approximately 65,000 bpd. The Reagan Expansion is anticipated to extend approximately 55 miles north to the Garden City station with 10-inch diameter pipe. The Reagan Expansion will expand the existing Reagan Gathering Extension's capacity by 30,000 bpd.

6. Following discussions with producers, Medallion states that it conducted a widely publicized open season from February 11, 2015 to March 4, 2015, to solicit long-term transportation commitments to support the Expansion Projects.<sup>3</sup> Medallion explains that the open season materials were provided to any party that executed a confidentiality agreement, and included a form of transportation service agreement (TSA), along with Medallion's currently-effective tariff rules and regulations.

### **Terms of the TSA**

7. Medallion states that the open season notice set forth minimum eligibility requirements for the Expansion Projects and provided a minimum 10-year term and volume commitment of at least 5,000 bpd.

8. Medallion explains the TSA provides committed shippers with firm transportation for committed volumes with rates at least 1 cent per barrel above the rates applicable to uncommitted service for the same origin and destination volumes.

9. The TSA also provides that the level of annual adjustment for committed firm service rates are limited by a negotiated floor and ceiling. Additionally, Medallion explains that committed firm shippers may elect to "ramp-up" during the first two years

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<sup>3</sup> Medallion Petition at 14.

of service, such that the ship-or-pay obligation for the first year is 33 1/3 percent of the otherwise applicable committed volume, and the second year obligation is 66 2/3 percent. The TSA also provides committed firm shippers with contract extension rights which are automatically extended for up to two additional two-year terms, unless the shipper provides prior notice of termination.<sup>4</sup> Moreover, the TSA provides that to the extent a new destination point is added on the Santa Rita Lateral, at Medallion's sole discretion, committed firm shippers with origin points on the Santa Rita Lateral have the right to access the new destination point, subject to a potential surcharge applicable to that destination point.

10. As a result of the open season, Medallion received committed firm service by one affiliate, totaling 90 percent of the Expansion Projects' capacity.

### **Requested Rulings**

11. Medallion requests Commission confirmation and approval of the following aspects of the Expansion Projects:

- A. The open season for the Expansion Projects followed Commission guidelines;
- B. Medallion properly committed up to 90 percent of the Expansion Projects' capacity to committed firm shippers, while reserving at least 10 percent of the capacity for uncommitted shippers;
- C. The committed rates and rate structure provided in the open season TSAs and the *pro forma* rates tariff follow Commission precedent, are just and reasonable under the Interstate Commerce Act (ICA), and will not be subject to modification or revision except as provided by the open season TSAs; and
- D. Each of the following provisions is consistent with Commission precedent and is just and reasonable under the ICA: the TSA provision limiting annual FERC Oil Pipeline Index adjustments for committed firm shippers; the TSA provision granting contract extension rights to committed firm shippers; the TSA provision granting a "ramp-up" election to committed firm shippers; and the TSA provision affording committed firm shippers the right to elect a new destination point on the Santa Rita Lateral if Medallion decides to add such a point on those facilities in the future, subject to a potential surcharge for use of that destination point.

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<sup>4</sup> Medallion Petition at 11.

### **Public Notice, Interventions, Protests, and Comments**

12. Notice of the petition was issued on November 16, 2015, providing for motions to intervene, comments and protests to be filed on or before December 7, 2015. Pursuant to Rule 214 of the Commission's regulations,<sup>5</sup> all timely filed motions to intervene and any unopposed motions to intervene out-of-time filed before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties. The Petition is unopposed.

### **Medallion's Attestations**

13. Medallion argues that the open season for the Expansion Projects followed Commission guidelines for committed firm service and other contractual rights provided to committed shippers. Medallion states that part of the determination should include a finding that the rate structure and rate provisions of the open TSAs for committed firm service constitute settlement rates, pursuant to section 342.4(c) of the Commission's regulations. Moreover, Medallion attests that it followed Commission precedent, reserving up to 90 percent of capacity for committed firm shippers,<sup>6</sup> with at least 10 percent of capacity reserved for uncommitted shippers.

14. Medallion attests that committed firm shippers will pay premium rates compared to all other shippers, and that Commission precedent permits firm service for committed firm shippers that pay premium rates compared to uncommitted shippers for the same origin and destination points. Medallion states that such committed firm shippers have agreed to ship-or-pay certain volumes under long-term agreements, which provides support for the Expansion Projects' commercial viability, and that all shippers had been afforded the opportunity to contract for such service.

15. Medallion argues that Commission precedent supports the approval of the requested TSA and tariff provisions. Medallion states that the open season TSAs will adjust rates annually by a modified version of the FERC Oil Pipeline Index and asks that those rates be treated as settlement rates. Moreover, Medallion attests Commission precedent supports the TSA provisions permitting committed firm shippers to elect a "ramp-up" for the initial years of service, and the contract extension rights for committed firm shippers. Medallion states that the TSA provision that permits committed firm shippers to take advantage of a potential new destination point on the Santa Rita Lateral provides committed firm shippers with greater flexibility to tailor service to particular transportation requirements.

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<sup>5</sup> 18 C.F.R. § 385.214 (2015).

<sup>6</sup> Medallion Petition at 15.

### Commission Determination

16. Based on the representations in the petition, the Commission will grant all the rulings requested by Medallion as consistent with precedent. These confirmations and rulings are briefly summarized below.

17. The Commission confirms that Medallion's open season followed Commission guidelines, and is consistent with prior precedent.<sup>7</sup> The open season was widely advertised and afforded all potentially interested shippers an opportunity to become committed firm shippers on the Expansion Projects. Furthermore, Medallion's reservation of up to 90 percent of the Expansion Projects' capacity allows at least 10 percent of capacity to remain available for walk-up shippers, which provides reasonable access on the Expansion Projects for shippers that did not enter into committed firm agreements, consistent with Commission precedent.<sup>8</sup>

18. Moreover, the Commission finds the committed rates and rate structure provided in the open season TSAs and *pro forma* tariffs and the request to treat the committed rates as settlement rates are consistent with Commission precedent. The TSA rates will not be subject to modification or revision except as provided in the TSA. Medallion also seeks waiver of the verified statement obligation of section 342.4(c) of its regulations, which is reasonable in the circumstances with respect to the agreed-upon contract rates under the TSAs for committed shippers. Medallion should reference this declaratory order and its waiver of the verified statement obligation at the time it files the initial committed rates applicable to the Expansion Projects.

19. The Commission approves the provisions of the TSA for committed firm shippers, which include limiting annual index adjustments,<sup>9</sup> offering contract extension rights,<sup>10</sup>

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<sup>7</sup> See, e.g., *Shell Pipeline Co., LP*, 146 FERC ¶ 61,051, at P 21 (2014).

<sup>8</sup> *Sunoco Pipeline L.P.*, 139 FERC ¶ 61,259, at P 14 (2012); *CCPS Transp. LLC*, 121 FERC ¶ 61,253, at P 17 n.33 (2007).

<sup>9</sup> *Medallion I*, 148 FERC ¶ 61,095 at P 18; *Medallion II*, 150 FERC ¶ 61,156 at P 15.

<sup>10</sup> *Belle Fourche Pipeline Company & Bridger Pipeline LLC*, 151 FERC ¶ 61,139, at P 25 (2015); *Kinder Morgan Pony Express Pipeline LLC and Hiland Crude, LLC*, 141 FERC ¶ 61,249, at P 39 (2012).

ramp-up elections,<sup>11</sup> and the opportunity to elect a new destination point on the Santa Rita Lateral subject to a potential surcharge.

20. In conclusion, the Commission finds the Petition consistent with precedent and unopposed. Accordingly, based upon the facts and representations made by Medallion, the Commission confirms and approves the rulings concerning the Expansion Projects, as requested in the Petition.

The Commission orders:

Medallion's Petition is granted, as discussed in the body of this order.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.

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<sup>11</sup> *Tallgrass Pony Express Pipeline LLC*, 147 FERC ¶ 61,266, at PP 6, 19 (2014); *Medallion I*, 148 FERC ¶ 61,095, at P 18 (2014).