

155 FERC ¶ 61,214  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

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

Colonial Pipeline Company

Docket No. IS16-275-000

ORDER ACCEPTING TARIFF

(Issued May 31, 2016)

1. On April 29, 2016, Colonial Pipeline Company (Colonial) filed FERC Tariff No. 99.22.0, cancelling FERC Tariff No. 99.21.1, to be effective June 1, 2016. FERC Tariff No. 99.22.0 adds a footnote to clarify the treatment of “Surplus” and “Product” generated on the Colonial system. For the reasons discussed below, the tariff is accepted.

**Background**

2. Colonial states that Surplus and Product are excess volumes that are generated on the system through Colonial's operations that do not correlate to shippers' ticketed volumes. Surplus and Product are normal occurrences of transmix created by the batching process on a refined products pipeline.

3. Surplus is the difference by product between system-wide physical volumes and book inventory, which occurs as a natural byproduct of system operations and results in a gain or loss adjustment. Colonial states that because Surplus is created as the product moves through the system, it does not have a specific origin point.

4. Product (also referred to as “swell”) is generated on the system as the result of non-jurisdictional blending. Colonial states that, when Product is generated at locations other than an origin point at which Petroleum Products as defined in Colonial's tariff may enter the system, an origin point must be assigned. Colonial states that the currently effective Tariff No. 99.21.1 does that for Product generated on Line 17, which is currently the only location where Product is generated at a non-origin point.

5. Colonial states that because the currently effective tariff language is limited in applicability to certain routes and does not cover Surplus, the instant Tariff has been revised to replace the existing footnote with an overarching footnote to the Table of Rates (footnote 8) that provides for consistent treatment of all Surplus and Product generated

downstream of points of origin for transportation purposes. Specifically, footnote 8 provides that “All Surplus or Product, which is generated on the system downstream of Collins, Mississippi, delivered to a Shipper shall be charged a Houston basis transportation charge.”

6. Colonial states that footnote 8 clarifies that line history, for purposes of capacity allocation, will not be earned on Lines 1 & 2 for Surplus or Product that is generated downstream of Collins, Mississippi. Colonial states that the Rules and Regulations tariff provides that a Regular Shipper’s history is calculated based on its volumes shipped on the constrained segment during the base period. Currently, the constrained portion of Colonial's mainline system (Lines 1 & 2) occurs at Collins, Mississippi, such that Regular Shippers earn history for any volumes that move through the constrained segment (i.e., originate upstream of Collins and are delivered downstream of Collins). Colonial states that footnote 8 clarifies that for Surplus or Product that is generated downstream of points of origin, history will not be calculated based on a deemed Houston origination. Colonial states that line history will not be earned on Lines 1 & 2 for Surplus or Product, which is actually generated downstream of the constrained point at Collins and thus does not move through the constrained segment, notwithstanding the assigned Houston origination point for purposes of calculating transportation charges.

7. Colonial submits that these changes will provide clarity and consistency to the process for charging shippers and calculating history for excess volumes that are generated in-line on the system other than at specified points of origin. Colonial states that all shippers will be treated equally by establishing a uniform Houston basis for calculating transportation charges on Surplus and Product generated downstream of origin points and delivered to shippers, and for assigning line history relating to such volumes.

### **Interventions and Protests**

8. On May 16, 2016, a motion to intervene and protest was filed by Costco Wholesale Corporation (Costco), a New Shipper on Colonial. Costco takes issue with Colonial’s purported effort to “clarify” certain existing provisions in its tariff regarding the treatment of “Surplus” and “Product” generated on the Colonial system by adding a new footnote 8. Costco states that Colonial explains that the footnote is intended to treat all Surplus and Product generated downstream of points of origin for transportation purposes the same, i.e., all Surplus and Product will bear a Houston basis transportation charge. Costco states that, according to Colonial, the footnote will “clarify” that line history for purposes of capacity allocation will not be earned on Lines 1 & 2 for Surplus or Product that is generated on the system downstream of Collins, Mississippi because the constrained portion of Colonial’s system occurs at Collins, Mississippi. Consequently, Costco states that line history will not be earned for Surplus or Product actually generated downstream from the constrained point at Collins.

9. Costco contends that the alleged clarification Colonial is making in the tariff is a continuation of Colonial's efforts to eliminate the crossover of barrels from the Colonial system to Plantation pipeline at Collins, Mississippi (Collins-Plantation). If successful, Costco asserts that Colonial would create additional demand on the Colonial system and drive the line space values even higher. Costco submits that the initial step Colonial took in this regard was to raise the minimum crossover bar to 75,000 barrels. Costco asserts that this made it impossible for New Shippers to crossover from Colonial to Plantation because New Shippers who win the lottery are only allowed to ship 25,000 barrels.

10. Costco argues that Colonial's filing would eliminate any product surplus (swellage) from the earned history of a New Shipper. Costco asserts that this will further restrict the ability of New Shippers to become Regular Shippers. Costco contends this action by Colonial to make it even more unlikely that a New Shipper would ever become a Regular Shipper is unduly prejudicial to and discriminates against New Shippers. Costco requests that the Commission suspend the tariff for the full statutory period and initiate a formal investigation, including a hearing, discovery, and other proceedings.

### **Colonial's Answer**

11. On May 23, 2016, Colonial filed its answer. Colonial explains that shipper history for Regular Shippers and New Shippers on Colonial's mainline is calculated and earned based on the volumes ticketed at the mainline origin that are then shipped past the allocation point. Colonial notes the constraint point on Colonial's mainline (Lines 1 and 2) occurs at Collins, Mississippi, such that Shippers earn history for any volumes that move through that constraint point (originating upstream of Collins and delivered downstream of Collins). Colonial states the tariff filing explicitly states that when Surplus (generated as an operational matter) is eventually delivered, no Mainline History will accrue for those volumes, regardless of where the Surplus may have been generated. Similarly, Colonial states when Product (swell) is generated downstream of Collins as a result of non-jurisdictional blending, no Mainline History will accrue for those volumes.

12. Colonial notes that Costco's arguments that the tariff filing "is a continuation of Colonial's efforts to eliminate the crossover of barrels from the Colonial system to Plantation pipeline" relate to a prior tariff filing,<sup>1</sup> and have no relationship to the instant

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<sup>1</sup> FERC Tariff No. 98.22.0, filed November 3, 2015 in Docket No. IS16-61-000. In that tariff filing, Colonial amended Item 20(c)(2)(a) "to remove Collins-Plantation as a location where segregated, fungible or joint batch may be terminated." Costco asserted that because a Batch is defined by Colonial's tariff as at least 75,000 barrels, the Batch Termination Change will discriminate against New Shippers and small volume shippers, which are unlikely ever to ship volumes of that magnitude. Colonial has made clear in the pleadings in IS16-61 that the Batch Termination Change does not require the

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filing, which has no implications whatsoever with respect to deliveries to Collins-Plantation.

### **Commission Determination**

13. Pursuant to Rule 214 of the Commission's Rules and Regulations, 18 C.F.R. § 385.214 (2015), all timely filed motions to intervene and any unopposed motion to intervene out of time filed before this order issues are granted.

14. The Commission accepts Colonial's tariff filing. Costco's protest failed to clearly identify why Colonial's proposed change is not justified. Colonial submits that Mainline History is not impacted by Surplus or Product that is generated downstream of the allocation point because it is not part of a shippers nominated/ticketed volumes at origin. We therefore disagree with Costco's attempt to conflate the operational clarification filed in this proceeding with the broader issues raised in Docket No. IS16-61.

15. Furthermore, the Commission recognizes that many of the issues Costco identified in its protest, including Colonial's history transfer provisions and prorationing policy, are still pending in other dockets.<sup>2</sup> The Commission will address the issues and operational concerns in the appropriate dockets.

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shipment of 75,000 barrels by any single shipper, and does not prevent shippers from moving volumes onto Plantation.

<sup>2</sup> Revisions to the history transfer, prorationing, and allocation policies were first introduced in Docket No. IS16-61, which was the subject of a technical conference. Subsequently, a complaint was filed in Docket No. OR16-17 by Tricon Energy Ltd. and Rockbriar Partners Inc. against Colonial regarding the implementation of the current history transfer program. The complaint was originally included in a protest filed in Docket No. IS16-259; the Commission rejected Colonial's proposed tariff change in that docket (*Colonial Pipeline Company*, 155 FERC ¶ 61,187 (2016)).

The Commission orders:

Colonial FERC Tariff No. 99.22.0 is accepted effective June 1, 2016.

By the Commission.

( S E A L )

Kimberly D. Bose,  
Secretary.