

139 FERC ¶ 61,073  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

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

Dixie Pipeline Company LLC

Docket No. IS12-214-000

ORDER ACCEPTING AND SUSPENDING TARIFFS  
AND ESTABLISHING TECHNICAL CONFERENCE

(Issued April 27, 2012)

1. On March 29, 2012, Dixie Pipeline Company LLC (Dixie) filed FERC Tariff No. 6.1.0, to be effective April 30, 2012, to establish rates, rules and regulations for the interstate transportation of normal butane and isobutane between points in Louisiana and a point in Texas. For the reasons discussed below, the Commission accepts and suspends Dixie's proposed tariff, to be effective November 30, 2012, subject to the outcome of a technical conference.

**Background**

2. Dixie Pipeline operates a 1,300-mile pipeline that transports natural gas liquids from Mont Belvieu, Texas, and nine other receipt points, to markets at its eastern termination points in North Carolina and Georgia, as well as seven intermediate delivery terminals - with normal operations moving liquids from west to east.

3. 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. Dixie's pipeline system has a bi-directional section consisting of the section between Mont Belvieu, Texas and Hattiesburg, Mississippi. Pursuant to Item 37 of the proposed tariff, west-to-east movements (Texas to Louisiana) over this bi-directional section will be the primary movement. Dixie will provide secondary movements for east-to-west movements (Louisiana to Texas) on this section in a given month only when sufficient capacity exists and all volumes of propane nominated for movement in the primary direction on such section can move without prorationing.

4. In accordance with the requirements of 18 C.F.R. § 342.2(b), Dixie enclosed an affidavit setting forth that the rates for the new movements have been agreed to, in

writing, by a non-affiliated shipper who intends to use the service covered by the rates, rules and regulations for these movements. In addition, Dixie also provided the product specifications for isobutane and normal butane dated April 30, 2012.

### **Interventions and Protests**

5. Motions to intervene and protests were filed by Crosstex Energy Services, L.P., Crosstex NGL Marketing, L.P., and Crosstex Processing Services, LLC (Crosstex Entities); CITGO Petroleum Corporation (CITGO); and Targa Midstream Services LLC (Targa) (collectively Protesters). Each of the Protesters asserts they have a substantial economic interest in the proceeding because Dixie's proposed FERC Tariff 6.1.0 would significantly impact their ability to transport propane on the Dixie system. The Commission grants these timely motions to intervene, as well as any unopposed late motions to intervene filed before this order issues.

6. The Protesters argue that pursuant to its currently effective tariffs Dixie is engaged primarily in propane transport. The Protesters state that Dixie offers propane transportation under FERC Tariff 2.0.0 and also offers service for refinery grade propylene (RGP) under FERC Tariff 5.4.0. Under FERC Tariff 5.4.0, Dixie can still ship propane on this segment when it transports any RGP barrels. The Protesters assert that in contrast to the primary status that Dixie purportedly will maintain for all propane shippers under FERC Tariff Nos. 2.0.0 and 5.4.0, by its proposed FERC Tariff No. 6.1.0, Dixie would degrade propane service to shippers on this bi-directional portion of its system.

7. The Protesters assert that under the proposed tariff (Item 20) shippers may not inject propane into the line in the Affected Area, i.e. Mont Belvieu, Texas to Breau Bridge, Louisiana, "when a different type of product is moving" with the exception of when RGP is being transported (as allowed under FERC Tariff No. 5.4.0). The Protesters state that under the proposed tariff, a propane shipper could not inject propane in the Affected Area of the system when Dixie transports normal butane or isobutane.

8. The Protesters contend the proposed tariff would provide no notice to Dixie's shippers when Dixie was transporting a certain type of product in the Affected Area (thereby precluding transport of different products in the Affected Area). In addition, the Protesters submit the proposed tariff contains no limitations on the length of time that Dixie could ship a specific type of product on the Affected Area of its system to the exclusion of other products. The Protesters contend this level of vagueness and ambiguity is impermissible under the Interstate Commerce Act (ICA). They contend it ignores the real-world implications of decades of practice. They assert that Dixie provide no justification, factual support, or reasoned basis for its proposal to prevent propane shippers from accessing the system as they have for over forty years. The Protesters assert this tariff proposal provides Dixie with unfettered discretion to determine when and how long it will refuse to accept propane shipments.

9. The Protesters submit that the language in the proposed tariff would force propane shippers in the Affected Area to obtain storage services. They continue by noting that storage services are only available from Enterprise's non-jurisdictional entities in that area. The Protesters argue that the attempt to increase east to west traffic at the expense of west to east traffic would enhance Enterprise's (Dixie's parent) control of other unrelated business such as storage and the markets for RGP and butane/isobutane.

10. The Protesters assert the proposed tariff would result in higher propane costs to consumers due to supply disruptions, commodity price reactions and the need to contract for or build additional storage capabilities when Dixie transports product other than propane or RGP. CITGO asserts that its Lake Charles refinery produces propane as a byproduct of gasoline production and propane transportation is essential to its continued operation. CITGO assert that if it cannot inject propane for an extended period of time, CITGO and consumers in the Southeast and Mid-Atlantic face the possibility of either curtailment or limited production of gasoline at Lake Charles.

11. The Protesters also allege the tariff results in undue discrimination between shippers in the Affected and Non-Affected Areas because when propane is not shipped in the Affected Areas, shippers in the Non-Affected Areas are building their allocation history which affects how capacity Dixie will allocate in the event of constraints.

12. The Protesters request that the Commission reject Dixie's tariff, or at a minimum suspend it for seven months pending further examination at a technical conference or hearing. The Protesters assert the proposed tariff would impose unfair and monopolistic practices, and the resulting anticompetitive effect and hardship on propane shippers in the Affected Area demonstrate that Dixie tariff proposal warrants the maximum statutory suspension.

### **Dixie's Answer**

13. Dixie filed an answer in response to the protests on April 18, 2012. Dixie asserts the Commission should accept its tariff without suspension or further investigation. Dixie argues that its proposal to expand its current service to include batched shipments of butane and isobutane is in the best interests of the pipeline and its shippers as a whole, and is fully consistent with the Commission's regulations and the requirements of the ICA. Dixie asserts the tariff at issue reflects its effort to make its facilities available to shippers of additional products in order to make better use of what is currently an underutilized asset. Dixie submits that the fact that in the past certain propane shippers have generally been able to enjoy on-demand access to Dixie's system does not give those shippers any legal entitlement to that privilege, especially when it negatively affects the movements of other potential shippers.

14. Dixie contends its tariff will not deny transportation to propane shippers upon reasonable request. Under the proposed tariff, Dixie states that propane shippers will

continue to have priority, and Dixie will only move butane and isobutane batches when there is sufficient capacity to do so after accommodating all of the propane nominations. Dixie submits the Protesters have no legitimate expectation of 24/7 service and no legal entitlement to deliver product whenever and however they wish. Dixie asserts its existing propane rules and regulations tariff makes clear that it operates a bi-directional, batched line and it may require shippers to comply with batching schedules and provide the necessary storage to do so. Dixie states that the purpose of operating a batched system is to keep different types of products separate to preserve the individual characteristics and quality of the separate products. Dixie asserts that if the obligation to provide transportation upon reasonable request required pipelines to allow all shippers to inject on a 24/7 basis, it would not be possible to operate a batched system. Dixie asserts the ICA mandate to offer service upon reasonable request imposes no such requirement.

15. Moreover, Dixie asserts its proposed tariff simply requires that propane shippers not inject propane into the batches of butane and isobutane, but instead wait until those batches have moved past the propane shippers' origin points. Dixie states that shippers on other batched lines are not required to accept the injection of other products into their batches, and there is no reason why Dixie should require its butane and isobutane shippers to operate under these conditions simply because a handful of propane shippers are unwilling to obtain the necessary storage to allow them to comply with the batching schedule.

16. Dixie contends that reasonable access to ample storage is currently available to each of the Protesters. Dixie asserts the Protesters would prefer not to incur the cost of arranging for that storage, and instead seek to force Dixie either to provide storage for them or to do so effectively by allowing them to continue to inject on a 24/7 basis. Dixie submits it is neither fair nor appropriate, however, to burden the pipeline (and all of Dixie's other shippers) with the cost of providing storage for a few individual shippers who wish to avoid costs all other shippers are incurring.

17. Dixie states that its tariffs make clear that butane and isobutane shipments will only occur if the shippers tendering those products comply with the various specific conditions described above, and only if there is sufficient capacity available to satisfy all propane nominations. Dixie further notes that its propane tariff has always required the pipeline to "prepare schedules showing the estimated time that each shipment will be received for transportation at origin points" and to "furnish the schedules to Shippers upon request." Tariff No. 2.1.0 at Item 20(c). Thus, Dixie argues the Protesters are simply incorrect in suggesting that there are no limits on Dixie's ability to make butane or isobutane movements.

### **Discussion**

18. In its filing, Dixie proposes to establish rates, rules, and regulations for the interstate transportation of normal butane and isobutane between points in Louisiana and

a point in Texas. The Protesters request that the Commission reject or suspend Dixie's proposal for the full statutory period and examine it at a technical conference or hearing. The Protesters assert the new service would degrade the service currently offered to propane shippers and would give Dixie unfettered discretion to determine when and how long propane could not be shipped. The Protesters assert that the proposed tariff results in increased costs to and undue discrimination against certain propane shippers, and would enhance the advantage of Dixie's affiliates in various related non-jurisdictional businesses. On the other hand, Dixie contends its tariff serves the neutral and entirely appropriate pipeline interest of treating propane shippers and shippers of other products fairly and thereby increasing throughput and capacity utilization on its line. Dixie asserts that encouraging movements of butane and isobutane on this bi-directional pipeline segment during periods where sufficient capacity exists benefits both the pipeline and shippers. Dixie states that the pipeline benefits from obtaining additional revenue related to the butane and isobutane movements, and the shippers of butane and isobutane benefit from enhanced options for transporting product to market. Dixie states that propane shippers also benefit, because the overall system costs are shared with additional shippers.

19. This filing requires the Commission 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 argue Dixie would degrade their service in a discriminatory manner. The Commission recognizes that the Protesters are not entitled to receive on-demand service and that operating a batched system is a common practice among pipelines. However, the Commission finds that there is not enough information in the pleadings to determine how new butane/isobutane service will affect the overall operations on Dixie's system, or whether allegations of a plan to improperly benefit Enterprise affiliates can be considered anything more than speculation. Moreover, based on a fair reading of the proposed tariff, there is certain language that appears ambiguous and could lead a shipper to believe that Dixie gains unfettered discretion that could potentially lead to undue discrimination. Therefore, the Commission directs the Staff to convene a technical conference to better understand Dixie's proposal. Dixie and the Protesters, as well as other interested parties, should come prepared to discuss, among other things, (1) how the system operates today, (2) how the system would operate under the proposed tariff, (3) how the proposed tariff interacts with Dixie's currently effective tariffs, (4) how the proposal compares to other pipelines operating batched systems, and (5) whether there are sections of the proposed tariff that Dixie could clarify. The Commission expects the parties to walk Staff through actual examples of Dixie's system operations using system maps, flow diagrams, and citations to tariff provisions and any other relevant documents or procedures.

20. The Commission is concerned that allowing the tariff to take effect as proposed on April 30, 2012, without a sufficient basis to make a just and reasonable determination, could result in increased costs to propane shippers, supply disruptions, and increased

prices to consumers. Therefore, the Commission will accept and suspend the tariff for seven months, to become effective November 30, 2012. The Commission will issue a subsequent order on Dixie's tariff following the technical conference prior to the end of the suspension period.

The Commission orders:

(A) Dixie's FERC Tariff 6.1.0 is accepted and suspended, to be effective November 30, 2012, or earlier subject to a subsequent order following the technical conference established in this proceeding.

(B) Staff is directed to convene a technical conference to address the issues raised by the filing as discussed in this order.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.