
FEDERAL ENERGY REGULATORY COMMISSION



WASHINGTON, D.C. 20426

NEWS RELEASE

NEWS MEDIA CONTACT:

Tamara Young-Allen
202-502-8680

FOR IMMEDIATE RELEASE

July 20, 2006
Docket No. OR06-8-000

COMMISSION ORDER TO FOSTER MAJOR EXPANSION OF COLONIAL'S PETROLEUM PRODUCTS PIPELINE

The Federal Energy Regulatory Commission, noting the need to encourage investment in new energy infrastructure, today granted Colonial Pipeline Co. certain assurances sought for a planned \$1 billion expansion of Colonial's mainline petroleum products pipeline. The Commission acted in response to Colonial's request for a declaratory order regarding its planned expansion.

Providing the assurances is in the public interest because Colonial's expansion project would enhance reliability, reduce system congestion and provide greater access to much needed petroleum and petroleum product supplies in markets throughout the eastern United States, the Commission concluded.

"The Colonial pipeline system is currently constrained and curtailments are getting worse. These constraints have the effect of raising prices for gasoline and other petroleum products, and as the constraints become more severe the price effects will become that much greater," Chairman Joseph T. Kelliher observed.

"The disruption caused by Hurricane Katrina last year clearly demonstrated the importance of Colonial's pipeline to our nation's economic well-being. Our action today clears the way for commencement of construction of an expansion in the Colonial system that will increase gasoline supplies in the Mid-Atlantic and Southeast," Chairman Kelliher said.

One of the largest interstate petroleum products pipelines in the United States, Colonial Pipeline spans some 5,500 miles from Houston, Texas, to Linden, New Jersey. The company transports approximately 2.4 million barrels per day of refined petroleum products – including gasoline, distillate, kerosene and jet fuel – from Gulf Coast refineries to markets in Atlanta, Washington, Baltimore, Philadelphia and New York.

To ease constraints on its system due to an unprecedented increase in energy demand, especially during summer-driving and winter-heating seasons, Colonial plans to expand its system by constructing and operating 500 miles of 36-inch-diameter pipeline from Louisiana to Georgia to transport at least 800,000 barrels per day of petroleum products, a 30 percent increase in capacity. Colonial estimates the project, which will be its largest system expansion in 44 years, will initiate service by 2010.

“The Commission has recognized the need for investment in energy transportation infrastructure...,” the Commission said. “The project that Colonial proposes is the type of project the Commission finds is appropriate to encourage as a means to ensure reliable deliveries of competitively priced product to consumers,” the order said.

“The fact that existing congestion will get worse unless this pipeline is significantly expanded supports the need for the proposed expansion,” the order said.

Colonial’s petition asked the Commission for permission to recover the expansion costs through a Uniform Rate Component (URC) that will be added to its existing transportation rate. Under the URC, all shippers will pay the same rate for service on its existing line and for service on the expansion facilities. The Commission accepted Colonial’s proposal to recover the expansion costs through the URC, however the Commission emphasized its declaratory order does not approve any specific rates for recovery of the expansion costs.

The order takes care to protect consumers as well as assure adequate gasoline supplies. The Commission agreed to the use of the URC to recover expansion costs, but only if Colonial demonstrates that the revenues from expansion volumes do not allow for recovery of expansion costs.

“The declarations in this order are based on the condition that Colonial will, under typical rate filing requirements...file a cost of service and adequate support for the level of the rate component it will seek to impose prior to imposing the component,” the Commission’s order states.

Additionally, the Commission directed Colonial to make a filing if any of the facts supporting its petition change.