

131 FERC ¶ 61,238
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

18 CFR Part 342

[Docket No. RM10-25-000]

Five-Year Review of Oil Pipeline Pricing Index

(June 15, 2010)

AGENCY: Federal Energy Regulatory Commission.

ACTION: Notice of Inquiry.

SUMMARY: The Federal Energy Regulatory Commission (Commission) invites comments on its five-year review of the oil pipeline pricing index established in Revisions to Oil Pipeline Regulations Pursuant to the Energy Policy Act of 1992, Order No. 561, FERC Stats. & Regs. [Regs. Preambles, 1991-1996] ¶ 30,985 (1993).

Specifically, the Commission proposes to use the Producer Price Index for Finished Goods (PPI) plus 1.3 percent (PPI+1.3) as the index for annual changes to the oil pipeline rate ceiling over the five-year period commencing July 1, 2011. Commenters are invited to submit and justify alternatives to the continued use of PPI+1.3.

DATES: Written comments on this Notice of Inquiry are due on [Insert date 60 days after publication in the **FEDERAL REGISTER**]. Reply comments must be received by the Commission 30 days after the filing date for initial comments.

ADDRESSES: You may submit comments, identified by docket number by any of the following methods:

- Agency Web Site: <http://www.ferc.gov>. Documents created electronically using word processing software should be filed in native applications or print-to-PDF format and not in a scanned format.
- Mail/Hand Delivery: Commenters unable to file comments electronically must mail or hand deliver an original and 14 copies of their comments to: Federal Energy Regulatory Commission, Office of the Secretary, 888 First Street, NE, Washington, DC 20426.

FOR FURTHER INFORMATION CONTACT:

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SUPPLEMENTARY INFORMATION:

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Five-Year Review of Oil Pipeline Pricing Index

Docket No. RM10-25-000

NOTICE OF INQUIRY

(June 15, 2005)

1. In this notice of inquiry (NOI), the Commission invites comments on its intended utilization of the Producer Price Index for Finished Goods (PPI)¹ plus 1.3 percent (PPI+1.3) as the index for determining annual changes to the oil pipeline rate ceiling during the next five years beginning July 1, 2011.² The index of PPI+1.3 was previously adopted by the Commission for the five-year period starting July 1, 2006.³ The

¹ The PPI represents the Producer Price Index for Finished Goods, also written PPI-FG. The PPI-FG is determined and issued by the Bureau of Labor Statistics, U.S. Department of Labor. Pursuant to 18 C.F.R. section 342.3(d)(2) (2009), "The index will be calculated by dividing the PPI-FG for the calendar year immediately preceding the index year by the previous calendar year's PPI-FG." Multiplying the rate ceiling on June 30 of the index year by the resulting number gives the rate ceiling for the year beginning the next day, July 1.

² The five-year review process was established in Order No. 561. See Revisions to Oil Pipeline Regulations Pursuant to the Energy Policy Energy Policy Act, FERC Stats. & Regs. [Regs. Preambles, 1991-1996] ¶ 30,985 (1993); order on reh'g, Order No. 561-A, FERC Stats. & Regs. [Regs. Preambles, 1991-1996] ¶ 31,000 (1994), affirmed, Association of Oil Pipelines v. FERC, 83 F.3d 1424 (D.C. Cir. 1996).

³ Order Establishing Index for Oil Price Change Ceiling Levels, 114 FERC ¶ 61,293 (2006).

Commission proposes to continue to apply the index of PPI+1.3 to an oil pipeline's existing rate ceiling level to determine the rate ceiling level for the next year.⁴

I. Background

2. In Order No. 561, the Commission established an index methodology to regulate changes to oil pipeline rates and adopted an index of PPI minus one percent (PPI-1) as the most appropriate index to track oil pipeline industry cost changes from one year to the next. The Commission also undertook to review every five years the continued effectiveness of its index for tracking changes to oil pipeline industry costs.

3. After its initial five-year review, the Commission adopted PPI, without the (-1) percent adjustment, as the appropriate index for tracking oil pipeline industry costs for the five-year period beginning July 2001.⁵ In its second five-year review of the oil pricing index, the Commission adopted an index of PPI+1.3 for the five-year period commencing July 1, 2006.⁶

⁴ The Commission publishes the final annual change in the PPI-FG, expressed as a percent, after the final PPI-FG becomes available from the Bureau of Labor Statistics, U.S. Department of Labor in May of each calendar year. Pipelines are required to calculate the new ceiling level applicable to their indexed rates based on this annual change.

⁵ Five-Year Review of Oil Pipeline Pricing Index, 102 FERC ¶ 61,195 (2003), affirmed, Flying J Inc., et al., v. FERC, 363 F.3d 495 (D.C. Cir. 2004).

⁶ Order Establishing Index for Oil Price Change Ceiling Levels, 114 FERC ¶ 61,293.

II. Proposal and Comments

4. The Commission proposes to continue to utilize PPI+1.3 for the next five-year period as the index to track changes to the costs of the oil pipeline industry and to apply to rate ceiling levels for oil pipeline rate changes. The Commission invites interested persons to submit comments on the continued use of PPI+1.3 and to propose, justify, and fully support, any alternative indexing proposals.

III. Comment Procedures

5. The Commission invites interested persons to submit comments on the matters and issues proposed in this notice to be adopted, including any related matters or alternative proposals that commenters may wish to discuss. Comments are due [Insert Date that is 60 days after publication in the **FEDERAL REGISTER**]. Comments must refer to Docket No. RM10-25-000, and must include the commenters' name, the organization they represent, if applicable, and their address.

6. The Commission encourages comments to be filed electronically via the eFiling link on the Commission's web site at <http://www.ferc.gov>. The Commission accepts most standard word processing formats. Documents created electronically using word processing software should be filed in native applications or print-to-PDF format and not in a scanned format. Commenters filing electronically do not need to make a paper filing.

7. Commenters that are not able to file comments electronically must send an original and 14 copies of their comments to: Federal Energy Regulatory Commission, Office of the Secretary; 888 First Street, NE, Washington, DC 20426.

8. All comments will be placed in the Commission's public files and may be viewed, printed, or downloaded remotely as described in the Document Availability section below. Commenters on this proposal are not required to serve copies of their comments on other commenters.

IV. Document Availability

9. In addition to publishing the full text of this document in the Federal Register, the Commission provides all interested persons an opportunity to view and/or print the contents of this document via the Internet through the Commission's Home Page (<http://www.ferc.gov>) and in the Commission's Public Reference Room during normal business hours (8:30 a.m. to 5:00 p.m. Eastern time) at 888 First Street, NE, Room 2A, Washington, DC 20426.

10. From the Commission's Home Page on the Internet, this information is available on eLibrary. The full text of this document is available on eLibrary in PDF and Microsoft Word format for viewing, printing, and/or downloading. To access this document in eLibrary, type the docket number excluding the last three digits of this document in the docket number field.

11. User assistance is available for eLibrary and the Commission's web site during normal business hours from FERC Online Support at (202) 502-6652 (toll free at 1-866-208-3676) or e-mail at ferconlinesupport@ferc.gov, or the Public Reference Room at

(202) 502-8371, TTY (202) 502-8659. E-mail the Public Reference Room at

public.referenceroom@ferc.gov.

By direction of the Commission.

(S E A L)

Nathaniel J. Davis, Sr.,
Deputy Secretary.