

108 FERC ¶ 61,326
FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

September 30, 2004

In Reply Refer To:
Platte Pipe Line Company
Docket No. IS04-551-000

Platte Pipe Line Company
Suite 700, Alberta Stock Exchange Tower
300-5th Avenue S.W.
Calgary, Alberta Canada T2P 5J2

Attention: Darcy W. Zacharias, Senior Rate Analyst

Reference: Establishment of Security Cost Recovery Mechanism and Implementation
of Security Surcharge Rate

Ladies and Gentlemen:

1. On August 31, 2004, Platte Pipe Line Company (Platte) filed oil pipeline tariff supplements in Docket No. IS04-551-000,¹ with proposed effective dates of October 1, 2004. Supplement No. 1 to FERC Tariff No. 1456 includes a new provision, Item No. 22 –Security Surcharge, to the rules and regulations that specifies the methodology Platte uses to calculate its proposed security costs recovery surcharge rate for the movement of crude petroleum barrels subject to its FERC Tariff No. 1456 or successor tariffs or supplements. Platte filed supporting data for its proposed initial security surcharge of 0.0040 cents per barrel that it will apply to movements beginning October 1, 2004, through and including September 30, 2005. Based on a review of the filing and consistent with its policy regarding security cost recovery mechanisms and surcharges, the Commission will permit the tariff supplements listed in footnote number one to become effective October 1, 2004, subject to the conditions discussed below. Acceptance of this filing benefits the public because it helps Platte to ensure the reliability and security of its operational facilities and the crude oil transported through its pipeline system.

¹ Supplement No. 1 to FERC Tariff No. 1456, Supplement No. 1 to FERC Tariff No. 1482, and Supplement No. 1 to FERC Tariff No. 1484.

2. Platte filed the instant proposal in accordance with the Commission's Statement of Policy in Docket No. PL01-6-000 issued September 14, 2001 (Policy Statement).² Because of the events of September 11, 2001, Platte states it developed a surcharge to recover prudently incurred security-related costs necessary to further safeguard the reliability and security of its pipeline system. Specifically, Platte adds a new provision, Item No. 22, to its rules and regulations that establishes the methodology Platte uses to calculate a security costs recovery surcharge rate for crude petroleum movements under its FERC Tariff Nos. 1482 and 1484.
3. From December 2001 up to the date of the instant filing, Platte maintains it spent money on security-related projects pertaining to its crude oil systems, including the installation of a main entrance security system and additional security fencing around related facilities, anti-theft devices for its emergency response equipment and a security audit conducted by an external party. Platte summarizes these expenses on Schedule A of the filing, and states that due to the confidential nature of these security features, it filed an additional report, Schedule B, under separate confidential cover to the Commission detailing these security related projects to support its proposed surcharge rate of 0.0040 cents per barrel.
4. Platte states that it collected and identified all security-related expenses incurred through the date of its tariff filing. Platte calculates the initial security surcharge by determining the percentage of its total annual revenues as reported in its FERC Form No. 6 attributable to interstate movements and applying this percentage factor to the security costs incurred during the above time period. According to Platte, it then allocated this amount to interstate barrels by dividing its total interstate throughput into this amount, which identified the appropriate initial security surcharge.
5. Platte states it has not included any carrying charges for costs associated with these security related projects and proposes to recover its security related expenses over a one-year period from October 1, 2004, through and including September 30, 2005, by applying the security surcharge rate to all barrels subject to FERC Tariff No. 1456 or its successor tariffs or supplements. Upon expiration of the surcharge, Platte will perform reconciliation by applying a true-up of the surcharge revenue collected and actual expenditures. If this true-up amount is within one percent of the costs incurred, Platte will not collect or refund any additional amounts.
6. No interventions or protests to Platte's proposal were received.

² Extraordinary Expenditures Necessary to Safeguard National Energy Supplies, Docket No. PL01-6-000, 96 FERC ¶ 61,299 (2001).

7. The Commission finds that with the addition of the following reporting requirement, Platte's proposal satisfies both the need to recover extraordinary security costs and the requirement for just and reasonable rates. With regard to the reconciliation and true-up at the end of the security costs surcharge recovery rate time period (September 30, 2005), we will require Platte to perform this analysis and notify its shippers of the result within 60 days of the end of the security surcharge recovery rate time period. Accordingly, the Commission accepts the tariff supplements listed in footnote number one, subject to the additional reporting requirement specified above, effective October 1, 2004.

By direction of the Commission.

Linda Mitry,
Acting Secretary.