

167 FERC ¶ 61,265  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Neil Chatterjee, Chairman;  
Cheryl A. LaFleur, Richard Glick,  
and Bernard L. McNamee.

Medallion Pipeline Company, LLC

Docket No. OR18-37-000

ORDER ON PETITION FOR DECLARATORY ORDER

(Issued June 26, 2019)

1. On September 10, 2018, Medallion Pipeline Company, LLC (Medallion) filed a petition for a declaratory order (Petition) requesting Commission approval of its proposed services and rates offered on the expansion of certain major segments of Medallion's crude oil pipeline system (Expansion). The Commission grants Medallion's Petition, subject to conditions, as discussed below.

**Background**

2. The Medallion pipeline system is a network of approximately 700 miles of pipeline and facilities that aggregate and transport crude oil production in the Midland Basin of West Texas to downstream interconnecting pipelines.<sup>1</sup> Medallion states that it has undertaken seven expansions of its system since its first full year of operations in 2015.<sup>2</sup> According to Medallion, the system consists of eight pipeline segments that

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<sup>1</sup> Petition, Ex. C at 1.

<sup>2</sup> Petition at 3. See also Petition at 1 n.2 (citing *Medallion Pipeline Co., LLC*, 148 FERC ¶ 61,095 (2014) (*Medallion I*); *Medallion Pipeline Co, LLC*, 150 FERC ¶ 61,156 (2015) (*Medallion II*); *Medallion Pipeline Co., LLC*, 153 FERC ¶ 61,361 (2015) (*Medallion III*); *Medallion Pipeline Co., LLC*, 155 FERC ¶ 61,268 (2016) (*Medallion IV*); *Medallion Pipeline Co., LLC*, 157 FERC ¶ 61,075 (2016) (*Medallion V*); *Medallion Pipeline Co., LLC*, 160 FERC ¶ 61,055 (2017) (*Medallion VI*); *Medallion Pipeline Co., LLC*, 160 FERC ¶ 61,055 (2017); (*Medallion VII*); *Medallion Delaware Express, LLC*, 163 FERC ¶ 61,170 (2018) (*Medallion VIII*) (collectively, the "Medallion Orders").

connect with seven downstream pipelines. These pipelines interconnect with the Medallion system at three major market hubs and provide access to a major Midland Basin refinery and truck loading facilities that deliver barrels to off-system markets.<sup>3</sup> Medallion states that the continuing increase in crude oil production around Medallion's system indicates the need for new pipeline capacity in the region.<sup>4</sup>

3. Specifically, Medallion's Expansion will increase capacity on six pipeline segments: the Midkiff Lateral, the Crane Extension, the Reagan Gathering Extension, the Santa Rita Lateral, the Martin Lateral, and the Midland Lateral. Medallion states that from July 16, 2018 to August 15, 2018 it conducted a widely-publicized initial open season for the Expansion to solicit long-term transportation commitments.<sup>5</sup> According to Medallion, the open season materials (including a form of Transportation Service Agreement (TSA) applicable to the services offered, Medallion's rules and regulations tariff, and a pro forma tariff for interstate and intrastate rates) were made available to all potential shippers that executed a confidentiality agreement. At the conclusion of the initial open season, and after discussions with a potential shipper, Medallion states that a supplemental open season was conducted from August 16, 2018 to August 22, 2018, under the same terms and rates as the initial open season, to solicit additional long-term commitments.<sup>6</sup> Medallion indicates that the initial open season and supplemental open season for the Expansion followed Commission guidelines and procedures that have been approved in the previous Medallion Orders.<sup>7</sup> Additionally, Medallion states that it followed Commission precedent, reserving up to 90 percent of capacity on the Expansion for Committed Firm Shippers, with at least 10 percent of capacity reserved for Uncommitted Shippers at all times.<sup>8</sup>

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<sup>3</sup> *Id.* at 4.

<sup>4</sup> *Id.* at 3 & n.5.

<sup>5</sup> *Id.* at 5-6, Ex. A, (open season press release), Ex. B (excerpts from the Business Wire report showing the distribution of the press release), Ex. C (notice and the process and services offered in the open season).

<sup>6</sup> *Id.* at 6, Ex. D (supplemental open season press release); Ex. E (excerpts from the Business Wire report showing the distribution of the press release for the supplemental open season), Ex. F (notice and the process and services offered in the supplemental open season).

<sup>7</sup> *Id.* at 16 & n.12 (citing the Medallion Orders).

<sup>8</sup> *Id.* at 6-7 & 17 (citing *inter alia*, *Sunoco Pipeline L.P.*, 139 FERC ¶ 61,259, at P 14 (2012); *JBBR Pipeline LLC*, 150 FERC ¶ 61,012, at P 21 (2015)).

## **Expansion**

4. Medallion states that the Midkiff Lateral consists of a 40-mile, 12-inch diameter bi-directional pipeline that extends from the Midkiff Station to the Garden City Station. According to Medallion, the proposed Expansion will increase the delivery capacity from the Midkiff Lateral to the Garden City Station Destination Point from 100,000 barrels per day (bpd) to 160,000 bpd.<sup>9</sup> Medallion also states that the Midkiff Expansion will increase its delivery capacity from the Midkiff Lateral to the Midkiff Station Destination Point from 100,000 bpd to 120,000 bpd. Specifically, Medallion explains that in lieu of a more costly parallel loop of the existing lateral, this part of the Expansion will include the construction of a new 24-mile, 16-inch lateral (Line 158) extending from the Midkiff Station to an interconnection with the Midland Lateral, as well as an expansion of the Midland Lateral's capacity to the Garden City Station Destination Point.<sup>10</sup> The Expansion of the Midland Lateral will be accommodated through the addition of pumping horsepower at the Midkiff Station. According to Medallion, the integrated expansion capacity on Line 158 and the Midland Lateral Expansion will act as an operational loop of the Midkiff Lateral for deliveries to the Garden City Station.<sup>11</sup>

5. Medallion states that in conjunction with the backhaul expansion on the Midkiff Lateral from the Garden City Station to the Midkiff Station, the increased pumping horsepower at the Midkiff Station will expand capacity on the Crane Extension as well. Medallion claims this will increase capacity from the Midkiff Station Origin Point to the Crane Hub Destination Point by 20,000 bpd.<sup>12</sup>

6. Medallion also plans to expand the Reagan Gathering Extension by 20,000 bpd to accommodate the growth in crude production from adjacent acreage.<sup>13</sup> Medallion explains that the Reagan Gathering Extension currently functions as both a gathering system aggregating crude oil produced in Glasscock and Reagan Counties, as well as a trunkline for delivering crude oil received at the Reagan Station from the Santa Rita Lateral for delivery to the Garden City Station. Medallion proposes to increase the Reagan Gathering Extension's delivery capacity to the Garden City Station from

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<sup>9</sup> *Id.* at 7.

<sup>10</sup> *Id.* at 8.

<sup>11</sup> *Id.*

<sup>12</sup> *Id.*

<sup>13</sup> *Id.*

95,000 bpd to 115,000 bpd. Medallion states that this expansion will require the construction of a 16-mile, 12-inch partial loop of the 10-inch Reagan Gathering Extension between the Reagan Station and the Garden City Station Destination point.<sup>14</sup>

7. The Santa Rita Lateral Expansion will consist of an incremental 20,000 bpd of capacity on the Santa Rita Lateral for delivery to the Santa Rita-Midkiff Interconnect.<sup>15</sup> Medallion states that the additional capacity will result from the newly constructed Line 158, which will allow for a lower operating pressure on the 12-inch Midkiff Lateral. Medallion explains that as a result of the lower pressure requirement at the Interconnect, an additional 20,000 bpd will be available from the Santa Rita Lateral to the Santa Rita-Midkiff Interconnect, of which 18,000 bpd will be reserved for Committed Shippers and 2,000 bpd for Uncommitted Shippers. Additionally, Medallion states that the initial open season notice allowed existing Committed Shippers with TSAs on the Santa Rita Lateral to participate in the initial open season for the new additional capacity. Medallion states that existing Committed Shippers on this line will be able to amend their existing TSAs for the additional firm capacity to allow additional barrels to flow to the Santa Rita-Midkiff Interconnect, within their existing committed volume. Following the Expansion, the Santa Rita Lateral will have a design capacity of 105,000 bpd and the ability to deliver 40,000 bpd to the Santa Rita-Midkiff Interconnect.<sup>16</sup>

8. The Martin Lateral currently aggregates and transports crude oil produced in Marin County, Texas, for delivery to the Midland Hub.<sup>17</sup> Medallion states that the Expansion will increase capacity on the Martin Lateral by 17,000 bpd through additional pumping horsepower at the Martin Station. Medallion claims that this will allow an increase from the current 25,000 bpd capacity on the Martin Lateral to 42,000 bpd.

9. Additionally, the Expansion will augment the Midland Lateral and will result in increased pumping horsepower at the Garden City Station.<sup>18</sup> The increased horsepower will expand the capacity on the Midland Lateral from 90,000 bpd to 120,000 bpd from the Garden City Station Origin Point to the Midland Hub Destination Point.

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<sup>14</sup> *Id.* at 8-9.

<sup>15</sup> *Id.* at 9.

<sup>16</sup> *Id.*, Ex. F at 5.

<sup>17</sup> *Id.* at 9.

<sup>18</sup> *Id.* at 10.

### **Terms of the TSA**

10. During the initial open season, Medallion offered prospective shippers the option to sign up for committed service on any, or all, of the Expansion segments. Medallion explains that prior to the initial open season, it had discussions with an anchor shipper of the initial Medallion system, who expressed an interest in obtaining additional committed capacity on certain segments of the pipeline through a new, long-term TSA. These discussions, and other outreach efforts, formed the basis for the services offered to all prospective shippers during the open season.<sup>19</sup> According to Medallion, committed service on the Expansion segments offered during the open season required a long-term commitment to ship or pay for the committed volumes, which will be exempt from prorationing under normal operating conditions.<sup>20</sup> The open season offered prospective shippers two commitment options: (i) a minimum committed volume of 10,000 bpd for a primary term of between ten and twelve years (Tier 1 Shipper) or (ii) a minimum committed volume of 10,000 bpd for a minimum primary term of five years (Tier 2 Shipper). Medallion states that a Tier 1 Shipper is provided a “ramp-up” option for its committed volume during the initial two years of service. Under this option, the ship-or-pay obligation for the first year would be 33 1/3 percent of the otherwise applicable committed volume, and 66 2/3 percent for the second year.<sup>21</sup> In contrast, Medallion states that a Tier 2 Shipper is not permitted to “ramp-up” its committed volume and is obligated to transport or pay for the committed volume during each year of the TSA. Medallion states that the TSA provides both Tier 1 and Tier 2 Shippers with extension rights that will automatically extend for up to two additional two-year terms, unless a Committed Shipper provides prior notice of termination according to the terms of the TSA.<sup>22</sup>

### **Rates**

11. Medallion states that although it has undertaken seven major expansions prior to the Expansion proposed herein, it has not changed the initial base rates for each segment included in this Petition.<sup>23</sup> According to Medallion, the new rates offered during the

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<sup>19</sup> *Id.* at 5. A supplemental open season under the same rates and terms as the first open season was held from August 16, 2018 to August 22, 2018. *See supra* P 3.

<sup>20</sup> *Id.* at 10.

<sup>21</sup> *Id.*

<sup>22</sup> *Id.* at 11.

<sup>23</sup> *Id.*

open season for committed expansion service on the Midkiff Lateral, Midland Lateral, Reagan Gathering Extension, and the Santa Rita Lateral (each an “Eligible Segment”) are lower than the current existing committed service rates due to the cumulative magnitude of the previous expansions and the currently proposed capacity increase.<sup>24</sup>

12. Medallion states that the committed Tier 2 rates, while lower than the existing committed rates on the Eligible Segments, are higher than the Tier 1 committed rate on the respective Eligible Segment. Medallion also states that the uncommitted rate on each Eligible Segment will also be reduced from the currently effective uncommitted rate. As a result, the revised uncommitted rates will be \$0.01 per barrel below the Tier 1 rates and substantially below the Tier 2 rates on the Eligible Segments.<sup>25</sup> Additionally, the TSA contains a rate adjustment mechanism for both Tier 1 and Tier 2 committed rates according to the FERC Oil Pipeline Index but subject to both a floor and a ceiling.<sup>26</sup>

### **Existing Committed Shipper Options**

13. Medallion states that during the open season it offered existing Committed Shippers with a TSA on an Eligible Segment the option to participate in the open season and receive the applicable Tier 1 rate for committed service under its existing TSA (Existing Committed Shipper Rate Option). Medallion explains that this option allows the existing Committed Shippers the opportunity to benefit from the new applicable Tier 1 rates for committed service. However, this option also requires that the existing Committed Shipper execute a TSA amendment to extend the primary term of its existing TSA on the Eligible Segment for a minimum primary term of ten years.<sup>27</sup>

14. Medallion also states that it accommodated an Anchor Shipper’s request to turn back committed volumes and extended this option to other existing Committed Shippers who do not exercise the Existing Committed Shipper Rate Option during the open season (Existing Committed Shipper Turnback Option).<sup>28</sup> This option permits an existing Committed Shipper to turn back an equivalent committed volume under a currently effective TSA but, requires the existing Committed Shippers to execute new TSAs on the Expansion segments for committed service that is equivalent to the committed volume

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<sup>24</sup> *Id.* at 12.

<sup>25</sup> *Id.*

<sup>26</sup> *Id.*

<sup>27</sup> *Id.*

<sup>28</sup> *Id.* at 12-13.

they turned back. In addition, to be eligible for the Turnback Option, an existing Committed Shipper was required to participate in the open season and the terms of the TSA for any existing Committed Shippers that turn back volumes under this option must be on the same terms as proposed by the Anchor Shipper.

### **Open Season Provisions**

15. In addition to soliciting binding commitments for the six subject Expansion segments during the open season, Medallion also solicited bona fide requests for committed service beyond the expansion capacity offered in the open season.<sup>29</sup> Medallion explains that the open season notice provided that Medallion would consider shipper requests for committed service on the Expansion segments for quantities greater than the amounts specified in the open season notice and for committed service on other segments of its system. The open season notice also specified that Medallion would have sole discretion as to further expansions. Furthermore, the open season notice provided that Medallion reserved the right to accept additional shipper commitments, under the same terms and conditions provided in the TSA, for any unsubscribed capacity that remained at the end of open season.

16. By the close of the original open season and the supplemental open season, Medallion states that it received binding commitments sufficient for it to proceed with the Expansion.<sup>30</sup> Medallion states that one of the Committed Shippers is affiliated with Medallion.<sup>31</sup> Medallion also states that one existing Committed Shipper exercised the Existing Committed Shipper Rate Option and extended the primary term of its current TSA for ten years. Additionally, one existing Committed Shipper, the Anchor Shipper, exercised the Existing Shipper Turnback Option.

### **Requested Rulings**

17. Medallion requests Commission confirmation that the following aspects of the open season, rate structure, and TSA provisions follow Commission precedent, are just and reasonable under the Interstate Commerce Act (ICA),<sup>32</sup> and will not be subject to modification or revision except as provided by the open season TSA:

- a. The widely-publicized open season procedures for the Expansion segments.

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<sup>29</sup> *Id.* at 13.

<sup>30</sup> *Id.*

<sup>31</sup> *Id.* at 13 n.9.

<sup>32</sup> 49 U.S.C. app. §§ 1 *et seq.* (2012).

- b. The reservation of up to 90 percent of the expansion capacity during the open season for Committed Shippers, while reserving at least 10 percent of the capacity for Uncommitted Shippers.
- c. The tariff rate structure for Tier 1 and Tier 2 Shippers offered in the open season TSA and *pro forma* tariff provide just and reasonable rates for each class of service, including service for Committed and Uncommitted Shippers.
- d. The Existing Committed Shipper Option, which allows existing Committed Shippers to obtain lower expansion rates on the Expansion segments in return for a substantial extension of the primary term of the existing TSA.
- e. The Existing Committed Shipper Turnback Option, which allows existing Committed Shippers to turn back a portion of its current capacity in exchange for an equivalent amount of expansion capacity.
- f. Allowing existing shippers on the Santa Rita Lateral to participate in the open season to increase the firm delivery rights at the Santa Rita-Midkiff Interconnect under their existing TSAs.
- g. The TSA provision containing a negotiated floor and ceiling that limits the annual FERC Oil Pipeline Index adjustment for Committed Shippers.
- h. The TSA provision allowing Tier 1 Committed Shippers the option to “ramp-up” their committed volume over a two year period.
- i. Contract extension rights provided to Tier 1 and Tier 2 Shippers for two consecutive two year terms after the expiration of the primary term.
- j. Medallion’s proposal to construct the Expansion in phases.
- k. The right of Medallion to accept additional shipper commitments following the open season under the same terms and conditions as provided in the open season.
- l. The rate structure and rate provisions of the open season TSA for committed service, including the amended TSAs, should be considered settlement rates pursuant to section 342.4(c) of the Commission’s regulations.<sup>33</sup>

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<sup>33</sup> Petition at 16-17.



### **Notice, Interventions and Responsive Pleadings**

18. Notice of the Petition was issued on September 11, 2018, providing for motions to intervene, comments and protests to be filed on or before October 10, 2018. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure,<sup>34</sup> all timely filed motions to intervene and any unopposed motions to intervene out-of-time filed before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties. The Petition is unopposed.

### **Commission Determination**

19. Based upon the representation in the Petition,<sup>35</sup> the Commission grants the rulings requested by Medallion, subject to the conditions set forth below.

20. Medallion's open season procedures, as demonstrated in the exhibits accompanying the Petition, indicate that the expansion capacity was available to all interested shippers during the open season and that the open season followed Commission guidelines. Medallion offered prospective shippers the option of long-term committed service to ship or pay on any, or all, of the Expansion segments during the open season. Likewise, Medallion properly followed the Commission requirement that up to 90 percent of the Expansion's capacity can be offered to Committed Shippers with at least 10 percent of capacity reserved for Uncommitted Shippers. The Commission affirms that this provides reasonable access on the Expansion for shippers that did not enter into committed firm agreements, consistent with prior Commission orders.<sup>36</sup>

21. As described in the Petition, Medallion entered into long-term TSAs with Committed Shippers that provide for committed volumes, subject to ship-or-pay obligations, in exchange for firm transportation service exempt from prorationing. The TSA provides that Committed Shippers will pay premium rates compared to all other shippers on the Expansion segments. The rate structure of the TSA requires that, at a

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<sup>34</sup> 18 C.F.R. § 385.214 (2018).

<sup>35</sup> In cases where the TSA offered in the open season is not included with the petition, the declarations granted by the Commission are necessarily based on the Petition's characterizations of the TSA provisions as set forth in the Petition, and not from any independent assessment of the TSA terms.

<sup>36</sup> See *Sunrise Pipeline LLC*, 164 FERC ¶ 61,140, at P 12 (2018); *NORCO Pipe Line Co., LLC*, 152 FERC ¶ 61,170, at P 19 (2015) (*NORCO*); *CCPS Transportation, LLC*, 121 FERC ¶ 61,253, at P 17 n.33 (2007) (*CCPS*).

minimum, Committed Shippers' rates on the Expansion will always be \$0.01 per barrel above the rates for Uncommitted Shippers for the same origin and destination points.<sup>37</sup> The Commission finds that the TSA provisions establishing a rate structure that includes a premium rate for committed volumes are permissible under the ICA and consistent with Commission precedent.<sup>38</sup>

22. Medallion requests approval of a contractual modification of the FERC Oil Pipeline Index under the TSA that includes both a floor and a ceiling on the annual index adjustment, compared to an unmodified application of the FERC Index with no floor on reductions or ceiling on increases.<sup>39</sup> The Commission has approved, as a provision of a TSA contract, similar rate indexing provisions that modify the index rate adjustment for Committed Shippers.<sup>40</sup>

23. The TSA contains a two-tiered rate structure for committed service that provides Committed Shippers with lower rates for executing a TSA of 10 years or longer.<sup>41</sup> Tier 1 Shippers are required to sign a ship or pay agreement for a 10-year term, whereas Tier 2 Shippers are only required to commit to a five-year term. The Tier 2 rate will therefore always be more than the Tier 1 rate. The Commission has found that these types of rate structures are consistent with Commission precedent, as they recognize that long-term commitments are vital to a project, and that Committed Shippers making a larger or longer commitment are not similarly situated to Committed Shippers making a smaller or shorter term commitment.<sup>42</sup> In addition to the two-tier rate structure, the TSA allows Tier 1 Shippers to elect a ramp-up option for the initial two years of service. If a Tier 1 Shipper elects this option, the shipper is only required to meet one-third of its ship or pay obligation the first year, and two-thirds of its obligation the second year. Tier 2 Shippers

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<sup>37</sup> Petition at 18.

<sup>38</sup> See *NORCO*, 152 FERC ¶ 61,170 at P 16; *Shell Pipeline Co. LP*, 139 FERC ¶ 61,228, at P 21 (2012).

<sup>39</sup> Petition at 19.

<sup>40</sup> *CCPS*, 121 FERC ¶ 61,253 at PP 21-22.

<sup>41</sup> Petition at 10-11.

<sup>42</sup> *Grand Mesa Pipeline, LLC*, 156 FERC ¶ 61,163, at P 16 (2016).

will not be given this ramp-up option. This is consistent with precedent, as the Commission has found similar provisions permissible in previous orders.<sup>43</sup>

24. Medallion offered its existing Committed Shippers a Turnback Option to obtain the lower Expansion rate in return for a 10-year extension of the primary term of its existing TSA. The Commission finds that the Existing Committed Shipper Turnback Option for existing Committed Shippers is consistent with Commission precedent. The turnback capacity in question is derived solely from existing Committed Service and accordingly will not adversely impact the current 10 percent of system capacity set aside for Uncommitted Shippers. We find this permissible. The instant scenario, as explained by Medallion, appears distinguishable from the *Colonial Pipeline Co.* proceeding.<sup>44</sup> There, a constrained pipeline sought to change uncommitted common carriage into contract carriage, which would have created differing classes of shippers on an existing pipeline and therefore unduly and discriminatorily reduce the ability of non-contracting existing shippers to ship on the pipeline.<sup>45</sup> Here, in contrast, the capacity set aside for Uncommitted Shippers is not reduced because the turnback capacity comes only from the capacity originally designated for existing Committed Service, which was capacity the Uncommitted Shippers never had any right of access to from the beginning.

25. Absent a Committed Shipper providing prior notice of termination pursuant to the TSA, the TSA will automatically extend the initial term for Committed Shippers for two consecutive two-year terms after expiration of the primary term. The Commission has previously approved contract extensions when the pipeline conducted an open season in which all potential Committed Shippers had notice of the contract extension provision in the TSA. Therefore, the Commission finds the TSA provision regarding automatic term extension is consistent with Commission precedent.<sup>46</sup>

26. Medallion requests that the Commission approve the TSA provision that permits Committed Shippers to assign their rights under the TSA to an affiliate without restriction, other than requiring the consent of the carrier. The TSA also provides that the

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<sup>43</sup> *Medallion VIII*, 163 FERC ¶ 61,170 at P 21.

<sup>44</sup> *Colonial Pipeline Co.* 146 FERC ¶ 61,206 (2014).

<sup>45</sup> *Id.* PP 37-38; *Medallion VIII*, 163 FERC ¶ 61,170 at P 20.

<sup>46</sup> *CenterPoint Energy Bakken Crude Services, LLC*, 144 FERC ¶ 61,130, at P 35 (2013); *Oryx Southern Delaware Oil Gathering and Transport LLC*, 154 FERC ¶ 61,065, at P 26 (2016) (*Oryx*).

carrier may not unreasonably refuse consent.<sup>47</sup> The Commission has previously approved assignment provisions that require consent of the carrier.<sup>48</sup>

27. Medallion also requests Commission approval of the TSA provision allowing Existing Committed Shippers to participate in the open season regarding the additional capacity on the Santa Rita-Midkiff Interconnect.<sup>49</sup> Medallion states that the Expansion will make available up to 18,000 bpd of the Santa Rita Expansion capacity for Committed Service for deliveries to the Santa Rita-Midkiff Interconnect and reserve at least 2,000 bpd for Uncommitted Shippers. This provision allows existing Committed Shippers to participate in the open season of an expansion and to increase their volume commitments for firm capacity on the additional capacity, while reserving adequate capacity for non-contracting shippers, and is consistent with Commission policy.<sup>50</sup>

28. Medallion stated in the initial open season notice that it may enter into new TSAs with Committed Shippers for unsubscribed capacity following the close of the open season. Medallion states that the new TSAs will contain the same terms offered in the open season TSAs. This provision is consistent with Commission policy, as long as all shippers are offered the same terms and conditions and the required 10 percent minimum is reserved for Uncommitted Shippers.<sup>51</sup>

29. Medallion additionally requests approval of its proposal to construct the Expansion in phases.<sup>52</sup> Medallion contends that this construction approach is consistent

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<sup>47</sup> Petition at 23-24.

<sup>48</sup> *BridgeTex Pipeline Co., LLC*, 156 FERC ¶ 61,121, at P 18 (2016); *Powder River Crude Services, LLC*, 154 FERC ¶ 61,066, at P 22 (2016).

<sup>49</sup> Petition at 24.

<sup>50</sup> *NuStar Logistics, L.P.*, 152 FERC ¶ 61,100, at P 18 (2015).

<sup>51</sup> *Monarch Oil Pipeline, LLC*, 151 FERC ¶ 61,150, at P 31 (2015); *Oryx*, 154 FERC ¶ 61,065 at P 21.

<sup>52</sup> Petition at 22-23.

with the Commission's policy to provide new capacity as it becomes available.<sup>53</sup> The Commission finds this approach consistent with Commission policy.<sup>54</sup>

30. Medallion requests that the Commission approve the committed rates, as well as subsequent adjustments of those rates made under the terms of the TSAs, as settlement rates under 18 C.F.R. § 342.4(c).<sup>55</sup> Commission regulations require that the committed rates must meet the requirements for initial rates under 18 C.F.R. § 342.2(a), file a cost-of-service rate, or 18 C.F.R. § 342.2(b), file a sworn affidavit that the rate is agreed to by at least one non-affiliated shipper who intends to use the service in question, when the tariff is ultimately filed with the Commission.<sup>56</sup> Medallion states that it received sufficient binding commitments to proceed with the Expansion; however, it did not specify whether at least one of those shippers was not an affiliate.<sup>57</sup> The Commission grants Medallion's request to treat the committed rates as settlement rates, conditioned upon Medallion providing (1) a sworn affidavit that the rates are agreed to by at least one non-affiliated shipper who intends to use the service in accordance with 18 C.F.R. § 342.2(b), or (2) a cost-of-service rate, in accordance with 18 C.F.R. § 342.2(a). The Commission will treat any subsequent rate adjustments thereto pursuant to the TSA as settlement rates under 18 C.F.R. § 342.4(c).<sup>58</sup>

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<sup>53</sup> *Tesoro High Plains Pipeline Co. LLC*, 148 FERC ¶ 61,160, at P 29 (2014).

<sup>54</sup> *Kinder Morgan Pony Express Pipeline LLC*, 141 FERC ¶ 61,180, at P 62 (2012).

<sup>55</sup> Petition at 16-17.

<sup>56</sup> 18 C.F.R. § 342.2 (2018).

<sup>57</sup> Petition at 13 & n.9.

<sup>58</sup> 18 C.F.R. § 342.4(c).

The Commission orders:

Medallion's Petition is granted, subject to conditions, as discussed in the body of this order.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.