



NEWS RELEASE

June 18, 2020

News Media Contact

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Docket No. RM20-14-000

FERC Seeks Comment on Five-Year Index Level for Interstate Oil Pipeline Rates

The Federal Energy Regulatory Commission (FERC) invites comments on its proposed index level used to calculate annual changes to interstate oil pipeline rate ceilings for the next five years, beginning July 1, 2021.

In a Notice of Inquiry, the Commission proposes to use the Producer Price Index for Finished Goods (PPI-FG) plus 0.09 percent as the index level for the five-year period.

This proposal to determine the next index is based on the methodology developed by Dr. Alfred E. Kahn and established in Order No. 561. The Kahn Methodology uses oil pipeline data reported on page 700 of FERC Form No. 6 from the prior five-year period to determine an adjustment to be applied to the PPI-FG.

Since its last review of the index in 2015, the Commission has adopted two major changes to the cost-of-service methodology used to populate page 700 data. First, in 2018, the Commission revised its policy concerning the treatment of income taxes and Accumulated Deferred Income Taxes (ADIT) in the rates of master limited partnership (MLP) pipelines following the U.S. Court of Appeals - D.C. Circuit's remand in *United Airlines, Inc. v. FERC*, which affected how MLP oil pipelines calculate their cost of service.

The second major development was FERC's May 21 policy statement revising its methodology for determining return on equity (ROE) for interstate natural gas and oil pipelines (Docket No. PL19-4-000). The Commission encouraged oil pipelines to file updated FERC Form No. 6, page 700 data for 2019 reflecting the revised ROE methodology and said it intends to issue a notice giving pipelines two weeks to do so.

The Notice of Inquiry invites comments regarding the Commission's proposal and any alternative methodologies for calculating the index level, including issues such as different data trimming methodologies and whether the Commission should reflect the effects of the cost-of-service policy changes in the calculation of the index level.

Comments on the Notice of Inquiry are due Aug. 17, 2020. Reply comments are due September 11, 2020. All comments should cite Docket No. RM20-14-000.

R-20-31

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