170 FERC ¶ 61,047
UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

Medallion Delaware Express, LLC
Medallion Pipeline Company, LLC

Docket No. OR19-28-000

ORDER ON PETITION FOR DECLARATORY ORDER

(Issued January 23, 2020)

1. On June 13, 2019, Medallion Delaware Express, LLC (Delaware Express) and Medallion Pipeline Company, LLC (Medallion) (together, Petitioners) filed a petition for declaratory order (Petition) seeking approval of the overall tariff rate structure and terms of service, open season procedures, and proposed joint tariff service for an expansion of Petitioners' facilities and existing integrated joint crude-oil transportation services (Expansion). The Expansion consists of: (1) new gathering facilities in Reeves County, Texas, to connect to the Delaware Express mainline; (2) an expansion of the Delaware Express mainline; and (3) an expansion of segments of the Medallion pipeline system along the existing joint tariff route. We grant the Petition, subject to conditions, as explained below.

I. Background

2. Petitioners are carriers providing integrated crude oil transportation service pursuant to a joint tariff from origin points on the Delaware Express pipeline system in west Texas to destination points on the Medallion pipeline system.[1] Petitioners state that the current Delaware Express pipeline system includes a mainline pipeline and two discrete gathering systems that aggregate and transport crude oil production from multiple field origin points in Texas.[2] Petitioners note that the Delaware Express mainline consists of approximately 61 miles of 16-inch diameter pipeline with a capacity

---

[1] *See Medallion Delaware Express, LLC*, 163 FERC ¶ 61,170, at P 1 (2018) (*Medallion 2018*). *See*, *e.g.*, Delaware Express Joint Tariff Filing, Docket No. IS18-661-000 (July 11, 2018) and Medallion Joint Tariff Filing, Docket No. IS18-664-000 (July 11, 2018), each as updated and amended, (Joint Tariff) and related rate filings.

[2] Petition at 3.

of approximately 90,000 barrels per day (bpd) originating in Ward County and extending in an easterly direction to an interconnection with Medallion at the Crane Hub.[3] The system includes approximately 60 miles of 6 to 12-inch gathering lines that gather and transport crude oil from tank storage in the field to the mainline.[4] Additionally, Petitioners state that Delaware Express receives crude oil at the Independence Station and the Eagle Eye Station origin points on the Delaware Express mainline from upstream storage tanks and truck unloading facilities owned and operated by an affiliate of Delaware Express.[5] Petitioners note that Delaware Express and Medallion are not affiliated.[6]

3. The Medallion pipeline system consists of approximately 800 miles of 6-inch diameter and larger crude oil pipeline based in various counties in the Midland Basin.[7] The Medallion pipeline system has expanded[8] to include eight pipeline segments that provide diversified market access to seven downstream pipelines and interconnections at three major market hubs, in addition to the Delaware Express connection.[9]

---

[3] *Id.*

[4] *Id.* at 3-4.

[5] *Id.* at 4.

[6] *Id.* at 1 n.1. Petitioners state that Delaware Express is owned by a subsidiary of The Energy & Minerals Group. *Id.* On October 30, 2017, Medallion was acquired by a subsidiary of Global Infrastructure Partners. An affiliate of Medallion provides certain operational and administrative services to Delaware Express pursuant to an Operations Services Agreement, and members of Medallion management hold, in aggregate, an approximate two percent non-voting interest in Delaware Express. *Id. See also Medallion 2018*, 163 FERC ¶ 61,170 at P 5.

[7] Petition at 4.

[8] *Medallion Pipeline Co.*, 148 FERC ¶ 61,095 (2014) (*Medallion I*); *Medallion Pipeline Co.*, 150 FERC ¶ 61,156 (2015); *Medallion Pipeline Co.*, 153 FERC ¶ 61,361 (2015); *Medallion Pipeline Co.*, 155 FERC ¶ 61,268 (2016); *Medallion Pipeline Co.*, 157 FERC ¶ 61,075 (2016); *Medallion Pipeline Co.*, 160 FERC ¶ 61,055 (2017); *Medallion Pipeline Co.*, 160 FERC ¶ 61,139 (2017); *Medallion 2018*, 163 FERC ¶ 61,170. *See also Medallion Pipeline Co.*, 167 FERC ¶ 61,265 (2019) (approving provisions for expansion on six segments).

[9] *See* Petition at 4.

4. The proposed Expansion consists of: (1) new gathering facilities that will connect crude oil production in Reeves County to the Delaware Express mainline; (2) an expansion of the Delaware Express mainline; and (3) an expansion of segments of the Medallion pipeline system along the existing joint tariff route.

5. Petitioners held an Expansion open season from April 12, 2019 to May 10, 2019 to solicit long-term Transportation Services Agreements (TSA) to support the Expansion and the expanded Joint Tariff service. Pursuant to the open season, Petitioners sought to subscribe shippers (Committed Shippers) willing to (a) dedicate interest in production from a minimum of 10,000 acres (Acreage Dedication Shipper)[10] or (b) make a minimum volume commitment of 10,000 bpd (Volume Commitment Shipper).[11] Petitioners state that the open season notice was publicized through the issuance of a press release that was widely disseminated.[12]

6. Petitioners state that the mainline expansions on the Medallion and Delaware Express pipeline systems will be constructed gradually, as crude oil production from the dedicated acreage and the shipper's maximum capacity entitlement (Shipper MDQ) under the Acreage Dedication TSAs increases. Petitioners state they will increase the Joint Tariff capacity for Committed Shippers and uncommitted shippers (Uncommitted Shippers) by increasing pumping station horsepower, adding drag reducing agents, and looping pipeline segments along the Joint Tariff route.[13] As additional capacity comes online to meet these increasing Joint Tariff capacity requirements, Petitioners commit to setting aside 10 percent of the Expansion's capacity for Uncommitted Shippers.

II. TSA Terms, Rates, and Prorationing Policy

7. Prospective shippers participating in the open season were given the option of making long-term volume commitments for Joint Tariff service pursuant to an Acreage Dedication TSA or Volume Commitment TSA. Various destination points on the Medallion pipeline were offered. The TSAs offered in the open season required a minimum contract term of 10 years, and either a minimum acreage or minimum volume commitment requirement for the expanded Joint Tariff service.

8. The Acreage Dedication TSA requires a shipper to dedicate its existing or subsequently acquired interest in production from a minimum of 10,000 acres for the

---

[10] Petition, Ex. B, Open Season Notice, at 4 (Apr. 12, 2019).

[11] Open Season Notice at 6.

[12] Petition at 6-7; *see also* Ex. A, Open Season Press Release (Apr. 12, 2019).

[13] Petition at 5.

term of the agreement. Acreage Dedication Shippers are required to submit documentation of the prospective shipper's interest in the dedicated acreage, production data, and estimate of the crude oil expected to be produced. Petitioners use the production data to establish the Acreage Dedication Shipper's estimated peak production over the life of the agreement (Peak Estimate). The Peak Estimate is used to determine the capacity that will be reserved for the Acreage Dedication Shipper. Acreage Dedication Shippers are required to provide the carriers with a shipper forecast every six (6) months that projects crude oil production from the dedicated acreage for the subsequent twenty four (24) month period. The first six (6) months of each shipper forecast establishes the Shipper MDQ for such six (6) month period as established in the TSAs. Petitioners state that the shipper forecast and Peak Estimate are critical components of the Joint Tariff service that enable them to plan their operations and expand their systems as crude oil production and the Shipper MDQ increase. The Acreage Dedication TSA also grants Acreage Dedication Shippers significant destination point optionality over the term of the TSA, with the shipper entitled to deliver 100 percent of its Shipper MDQ to the Crane Hub, Midland Hub, and the Colorado City Hub.[14]

9. The open season also offered prospective shippers the opportunity to enter into long-term Volume Commitment TSAs that provide prospective Volume Commitment Shippers with the option of committing to a minimum volume of 10,000 bpd (Committed Volume) for transportation on Petitioners' pipeline systems. Volume Commitment Shippers are subject to throughput and deficiency payment obligations, and they have the option to ramp up their Committed Volumes over a two-year period as set forth in the Volume Commitment TSA. Prospective Volume Commitment Shippers will be required to allocate their Committed Volumes among the Joint Tariff destination points with the aggregate Joint Tariff destination point quantity not exceeding the Volume Commitment Shipper's Committed Volume.[15]

10. Under the terms offered during the Expansion open season, Committed Shippers will pay a volume incentive rate that is lower than the Joint Tariff uncommitted rate. When the Committed Shipper pays this discounted rate, it is subject to prorationing. However, in order to avoid prorationing, the Committed Shipper may elect, on a monthly basis, to pay a firm rate that exceeds the uncommitted rate.[16]

11. Volumes subject to the Joint Tariff firm rate will not be prorationed under normal operating circumstances, up to the Shipper MDQ or the Committed Volume as set forth

---

[14] *Id.* at 7-8.

[15] *Id.* at 8-9.

[16] *Id.* at 9.

in the TSAs. Committed Shippers will have the right to nominate incremental volumes above their Shipper MDQ or Committed Volume, subject to the availability of capacity at the volume incentive rate. Such incremental volumes will not be eligible for firm service.[17]

12. Petitioners state that they received a binding commitment from a Committed Shipper during the open season sufficient to move forward with the Expansion as proposed. The Committed Shipper, though not an affiliate of Medallion, is an affiliate of Delaware Express,[18] and it executed the sole TSA for Committed Service on the Expansion.

III. Requested Rulings

13. Petitioners state that each of the rulings requested is the same, in all material respects, as was approved by the Commission in *Medallion 2018*,[19] and is just and reasonable under the Interstate Commerce Act (ICA)[20] and fully consistent with Commission policy.

14. Petitioners request an order confirming the following are just and reasonable under the ICA, fully consistent with Commission policy, and will be upheld during the term of the TSAs:

a. The open season for the Expansion;

b. Petitioners committing up to 90 percent of the Expansion's capacity to a Committed Shipper, while reserving at least 10 percent of the capacity for Uncommitted Shippers;

c. The committed rates and rate structure provided in the TSAs and the *pro forma* rates tariff;

d. The provision of Committed Service on Petitioners' Expansion facilities;

---

[17] *Id.*

[18] To the extent an affiliated committed shipper enters into marketing agreements with producers controlling acreage and production proximate to the Expansion, these marketing agreements are not before the Commission as part of the Petition, and the subject order does not address or make any confirmation or authorization related to them.

[19] *Medallion 2018*, 163 FERC ¶ 61,170.

[20] 49 U.S.C. app. § 1 *et seq*. (1988).

e. The open season provisions that allow Petitioners to construct capacity gradually as production ramps up under the Acreage Dedication TSAs;

f. The open season provisions that allow Committed Shippers to add Joint Tariff origin and destination points to their TSAs;

g. The open season provision that allows Petitioners to enter into contracts for Committed Service under the Joint Tariff after the open season, under the same terms set forth in the open season notice;

h. The TSA provisions granting contract extension rights to Committed Shippers;

i. The TSA provisions granting a ramp-up election to Committed Shippers executing Volume Commitment TSAs;

j. The TSA provisions allowing Committed Shippers to elect, on a monthly basis, to pay the firm rate in order to avoid prorationing;

k. The TSA provisions permitting Committed Shippers to ship incremental barrels above their Shipper MDQ or Committed Volume at the incentive rate on a non-firm basis; and

l. The TSA provisions permitting Committed Shippers to have first rights to capacity if Joint Tariff capacity becomes available or if the Petitioners expand the Joint Tariff capacity.

Further, Petitioners argue that because their proposed tariff structure is a joint rate structure, the Commission's initial rate regulations in section 342.2, as clarified in *Targa*[21] and other orders,[22] do not apply to this project.

IV. <u>Public Notice, Intervention, Protests, and Comments</u>

15. Notice of the Petition was issued on June 19, 2019, providing for motions to intervene, comments and protests to be filed on or before July 8, 2019. Pursuant to Rule 214 of the Commission's regulations, all timely filed motions to intervene and any

[21] *Targa NGL Pipeline Co. LLC*, 166 FERC ¶ 61,179, at P 20 (2019) (clarifying applicability of 18 C.F.R. § 342.2(a) and (b)) (2019).

[22] *E.g.*, *Magellan Pipeline Co., L.P.*, 166 FERC ¶ 61,181, at P 34 (2019); *Sunoco Pipeline L.P.*, 167 FERC ¶ 61,159, at P 14 (2019); *Enterprise TE Prods. Pipeline Co. LLC*, 166 FERC ¶ 61,180, at P 11 (2019).

unopposed motions to intervene out-of-time filed before the issuance date of this order are granted.[23] No motions to intervene, comments, or protests were filed.

V. Discussion

A. The Requested Rulings

16. Based on representations made in the Petition,[24] we grant the rulings requested by Petitioners, subject to the conditions set forth below.

17. We find that the open season appropriately followed Commission guidelines and offered all interested parties an equal opportunity to become Committed Shippers.[25] As described, the open season appears to have been widely advertised and afforded all potentially interested shippers an opportunity to become Committed Shippers. In addition, we confirm that the committed rates provided in the Committed Shipper's TSA will be honored and will govern the transportation services Petitioners provide to the Committed Shipper during the term of its agreement.

18. We find that the open season provisions allowing the Petitioners to construct capacity gradually as production ramps up under the Acreage Dedication TSAs are consistent with Commission precedent.[26] The proposed structure allows Petitioners to efficiently manage their capital expenditures to meet their contractual obligations under the TSAs and construct the Expansion over the term of the TSAs in a cost-effective manner, while maintaining 10 percent of the Joint Tariff capacity to be made available to Uncommitted Shippers.[27]

19. Petitioners have reserved at least 10 percent of the Expansion capacity for Uncommitted Shippers with the remaining 90 percent of capacity available for the

---

[23] 18 C.F.R. § 385.214 (2019).

[24] 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.

[25] *Shell Pipeline Co. LP*, 146 FERC ¶ 61,051, at P 21 (2014).

[26] *Medallion 2018*, 163 FERC ¶ 61,170 at P 19 ("The Commission finds that the open season provision permitting Carriers to construct capacity over time as production increases is consistent with Commission policy and precedent.").

[27] *Id.*

Committed Shipper. This is supported by Commission precedent, consistent with a fully transparent open season process available to all potential committed shippers.[28]

20. We find that the open season provisions that allow a Committed Shipper to add Joint Tariff origin and destination points to their TSAs are consistent with Commission policy.[29]

21. We find the provision allowing Petitioners to enter into contracts for Committed Service under the Joint Tariff after the open season under the same terms set forth in the open season notice is consistent with Commission policy.[30]

22. We find that the TSA provisions granting contract extension rights to Committed Shippers[31] and a ramp up election to any Committed Shipper executing Volume Commitment TSAs,[32] allowing a Committed Shipper to elect, on a monthly basis, to pay the firm rate in order to avoid prorationing,[33] allowing a Committed Shipper to ship

---

[28] *Sunoco Pipeline L.P.*, 139 FERC ¶ 61,259, at P 14 (2012); *CCPS Transp., LLC*, 121 FERC ¶ 61,253, at P 17 n.33 (2007).

[29] *Sunoco Pipeline L.P*, 149 FERC ¶ 61,191, at PP 24, 27 (2014) (permitting carrier to add more origin and destination points at its sole discretion since it will "aid in meeting the demand for transportation from these production areas"); *Stakeholder Midstream Crude Oil Pipeline, LLC*, 160 FERC ¶ 61,010 at P 19 (2017) (approving TSA provision allowing committed shippers to designate future origin and destination points under the TSA).

[30] *Oryx Southern Delaware Oil Gathering and Transport LLC*, 154 FERC ¶ 61,065, at P 21 (2016) (both committed and uncommitted shippers may secure additional capacity following the open season pursuant to the terms outlined in the open season and the TSA in order to permit the pipeline to be appropriately sized and provided that 10 percent of capacity remains available for uncommitted shippers); *Monarch Oil Pipeline, LLC*, 151 FERC ¶ 61,150, at P 31 (2015) ("The Commission also finds Monarch . . . may continue to commit capacity to participants, so long as all shippers are offered the same terms and conditions, and reasonable access to Monarch is reserved for Committed Shippers.").

[31] *Belle Fourche Pipeline Co. & Bridger Pipeline LLC*, 151 FERC ¶ 61,139, at P 25 (2015); *Kinder Morgan Pony Express Pipeline LLC and Hiland Crude, LLC*, 141 FERC ¶ 61,249, at P 39 (2012).

[32] *Tallgrass Pony Express Pipeline LLC*, 147 FERC ¶ 61,266, at PP 6, 19 (2014); *Medallion I*, 148 FERC ¶ 61,095 at P 18.

[33] Petitioners note that if prorationing becomes necessary, Committed Shippers

incremental barrels above its Shipper MDQ or Committed Volume at the incentive rate on a non-firm basis,[34] and permitting a Committed Shipper to have first rights to capacity if Joint Tariff capacity becomes available or if Petitioners expand the Joint Tariff capacity,[35] are all consistent with prior precedent.

B. Applicability of Initial Rate Regulations

1. Petitioners' Argument

23. Petitioners assert that because their proposed tariff structure is a joint rate structure, the Commission's initial rate regulations in section 342.2 do not apply to the uncommitted rate. Accordingly, Petitioners contend that the rates for committed service on the Expansion should be treated as a change of existing rates via settlement pursuant to section 342.4(c).[36]

---

opting to pay the firm rate for certain volumes will not be subject to prorationing for those volumes (Exempt Volumes). Committed Shippers that do not elect firm service, Committed Shippers shipping quantities in excess of their Exempt Volumes, and Uncommitted Shippers that have shipped volumes during each month of the previous eighteen (18) months will be treated equally; Uncommitted Shippers that have not shipped crude oil during each month of the previous eighteen (18) months will have the lowest priority during times of prorationing. Petition at 16 n.28. When the Committed Shipper makes such an election, its rates will be at a minimum one cent per barrel above the rates for Uncommitted Shippers for the same origin and destination points. If a Committed Shipper produces volumes in excess of the then-effective Shipper MDQs, the Committed Shipper must nominate the excess volumes as uncommitted volumes and such volumes will not be eligible for Priority Service. *Id.* at 16-17.

[34] *Cactus II Pipeline LLC*, 167 FERC ¶ 61,205, at P 31 (2019); *Bayou Bridge Pipeline, LLC*, 153 FERC ¶ 61,322, at PP 4, 27 (2015); *CenterPoint Energy Bakken Crude Services, LLC*, 144 FERC ¶ 61,130, at P 29 (2013).

[35] *Tesoro High Plains Pipeline Co. LLC*, 148 FERC ¶ 61,160, at PP 18, 22 (2014) (approving TSA provision allowing committed shippers the ability to increase their minimum volume commitment by up to 25 percent if space is available); *BridgeTex Pipeline Co., LLC*, 156 FERC ¶ 61,121, at P 18 (2016) ("The Commission finds that the rate adjustments for Expansion Committed Shippers, the option to increase their volume commitments, the right of first offer, the term extension options, and assignment rights are consistent with Commission precedent and are approved.").

[36] Petition at 12-13.

24. Petitioners explain that Commission precedent provides that a joint rate is treated as a rate change and a joint rate is just and reasonable "if it does not exceed the sum of the local rates."[37] They further assert that both the Committed Shipper's discounted rate and the firm rate (should the shipper exercise its option to use firm service) are joint tariff rates that can be justified by the combination of Delaware Express and Medallion's local rates. First, Petitioners state that the discounted committed rates are below the sum of the Delaware Express and Medallion local uncommitted rates, and Petitioners state that the Commission has approved similarly discounted joint rates.[38] Second, Petitioners state that the optional monthly firm rate does not exceed the sum of (a) a firm committed rate on Medallion and (b) a proxy firm committed rate for Delaware Express (which has no firm committed service) consisting of Delaware Express's uncommitted rate plus one penny.[39] Petitioners emphasize that in *Medallion 2018*, the Commission affirmed as consistent with its joint rate policy a rate structure that is identical to the rate structure proposed in this Petition.[40] Petitioners state that in *Medallion 2018*, the Commission also held that the joint rates addressed in that proceeding "will be treated as settlement rates pursuant to 18 C.F.R. § 342.4(c), and will not be subject to modification or revision except as provided by the open season TSAs,"[41] and Petitioners request similar treatment here.[42]

2. <u>Commission Determination</u>

25. We disagree that the proposed joint rate tariff structure should be treated as a change of existing rates under 18 C.F.R. § 342.4(c) instead of an initial rate for new service under 18 C.F.R. § 342.2. Each new open season for newly created capacity establishes a new committed service requiring a new initial rate.[43] This applies whether

---

[37] *Id.* at 15 (citing *Big West Oil Co. v. Frontier Pipeline Co.*, 119 FERC ¶ 61,249, at P 5 (2007)).

[38] *Id.* at 14-15 n.24 (citing *Belle Fourche Pipeline Co.*, 156 FERC ¶ 61,063, at P 42 (2016)).

[39] *Id.* Petitioners justify their development of the proxy based upon the Commission's policy of approving firm committed rates that are at least one cent above the uncommitted rate. *Id.*

[40] *Medallion 2018*, 163 FERC ¶ 61,170 at P 18.

[41] *Id.* P 13. *See also id.* P 17.

[42] *Id.* PP 12-13.

[43] *EnLink NGL Pipeline, LP*, 167 FERC ¶ 61,024, at P 18 n.22 (2019) ("While it appears EnLink offered the same committed rates for service on the Expansion Project's

the service is on one pipeline or, as is the case here, two pipelines. As described in the Petition, the instant TSA for committed service applies to new capacity and resulted from a new open season held April 12, 2019 – May 10, 2019.

26. Further, a joint rate is treated as a rate change, as opposed to an initial rate, only if the joint rate is based upon pre-existing local rates on file for the same services.[44] Petitioners concede there is no firm service on the Delaware Express pipeline for the optional monthly firm service rate.[45] Although Petitioners argue that a proxy can be developed for the firm rate on the Delaware Express pipeline,[46] the fact remains that no such firm service is available in Delaware Express pipeline's tariff.[47] Accordingly, the joint firm rate proposed by this Petition is for a new service.

27. Similarly, regarding the discounted volume incentive rate, the Commission has approved as a rate change joint rates that are below the sum of the underlying local uncommitted rates. However, these approvals applied to service that, aside from the discounted rate, was the same as the underlying uncommitted local rates.[48] Here, the joint tariff committed service is a new service that materially differs from the service provided by the underlying uncommitted local rates on Medallion and Delaware Express. These differences include the Committed Shipper's option to use firm service on a monthly basis and the determination of volumes using an acreage dedication. Neither

---

capacity as are already in effect for the Base System Committed Shipper, EnLink should comply with 18 C.F.R. § 342.2 concurrent with its filing to amend its tariff to reflect the 2018 open season and additional Committed Shippers on the Expansion Capacity.").

[44] *See Belle Fourche Pipeline Co.*, 156 FERC ¶ 61,063 at P 27; *see also id.* P 29 ("While a joint rate itself may be a 'new' rate, it is not an 'initial rate for new service' when the underlying local services are not new. The Commission has consistently held that while the overall rates may differ between joint rates and the underlying local rates, the service provided is the same."); *Texaco Pipeline Inc.*, 72 FERC ¶ 61,313, at 62,310-11 (1995) (treating the joint rate proposal as a rate change under section 342.3(a) so long as it is less than the rates on file with the Commission).

[45] Petition at 14-15 n.24.

[46] *Id.*

[47] Firm service is not the same as uncommitted service currently available on Delaware Express. *CCPS Transp.*, 121 FERC ¶ 61,253 at P 19 (stating "premium rate firm shippers are not similarly situated with the pipeline's non-firm shippers").

[48] *Belle Fourche Pipeline Co.*, 156 FERC ¶ 61,063 at P 27.

option is available for shippers using the uncommitted local rates.[49] Moreover, in order to obtain the discount rate, shippers must make a long-term volume commitment that is not required for shippers using the uncommitted local rate.[50]

28. We are also not persuaded by Petitioners' reliance upon *Medallion 2018*. In *Medallion 2018*, the Commission granted Petitioners' request to treat similarly structured committed rates for a joint movement "as settlement rates pursuant to 18 C.F.R. § 342.4(c)."[51] However, as the Commission recently reaffirmed in *Targa* and other decisions, pipelines must comply with the Commission's initial rate regulations under section 342.2 even if subsequent rate changes may be treated as settlement rates under section 342.4(c).[52] To the extent *Medallion 2018* could be construed otherwise, it was inconsistent with the Commission's subsequent holding in *Targa*.[53]

29. Furthermore, *Medallion 2018* did not directly address the arguments advanced in that proceeding, and renewed by Petitioners here, claiming that the committed rate was derived from the pre-existing local rates as discussed above. Rather, the Commission's statement in *Medallion 2018* that "the request to treat the committed rates as settlement rates [is] consistent with Commission precedent"[54] relied upon the Commission's pre-*Targa* precedent involving committed rates. Accordingly, the Commission in

---

[49] We further note that the Commission has only treated a joint rate as a rate change under the Commission's indexing regulations in section 343.3 where the joint rate was below the combined ceiling levels of the underlying local rates. *E.g.*, *Belle Fourche*, 156 FERC ¶ 61,063 at P 27. The Commission has not previously approved such a settlement as a rate change under section 342.4(c), particularly where the settlement includes terms that are different than those included in the underlying service.

[50] *E.g.*, *Express Pipeline P'ship*, 76 FERC ¶ 61,245, at 62,254 (1996) (explaining that "[t]erm shippers are not similarly situated with uncommitted shippers because in any given month, uncommitted shippers may choose to ship on Express or not").

[51] *Medallion 2018*, 163 FERC ¶ 61,170 at P 13. *See also id.* P 17 (citing *Shell*, 146 FERC ¶ 61,051 at PP 13, 21 (approving committed rates as settlement rates pursuant to 18 CFR § 324.4(c))).

[52] *Targa NGL Pipeline Co. LLC*, 166 FERC ¶ 61,179 at P 20.

[53] *Id.*; *Magellan Pipeline Co., L.P.*, 166 FERC ¶ 61,181 at P 34; *Sunoco*, 167 FERC ¶ 61,159 at P 14; *Enterprise TE Prods.*, 166 FERC ¶ 61,180 at P 11.

[54] *Medallion 2018*, 163 FERC ¶ 61,170 at P 17 (citing *Shell*, 146 FERC ¶ 61,051, which involved the Commission's committed rate policy generally and did not involve joint rates).

Medallion 2018 did not reach Petitioners' additional arguments that the rate could be justified under section 342.4(c) as a joint rate.[55] *Medallion 2018* does not establish Commission precedent regarding joint rate issues.[56]

30. Therefore, we find that the Commission's initial rate regulations in section 342.2 apply to the Petitioners' proposed rate structure. Accordingly, we grant Petitioners' requested rulings subject to Petitioners providing, at the time the tariff is filed, (1) a sworn affidavit that the rate is 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) cost, revenue, and throughput data supporting the rate as required by part 346 of the Commission's regulations, in accordance with 18 C.F.R. § 342.2(a).[57] Any subsequent rate adjustments pursuant to the TSA will be treated as settlement rates under 18 C.F.R. § 342.4(c).

---

[55] Moreover, in *Plantation*, when the Commission directly addressed a joint rate tariff filing involving committed service, the Commission specified that the pipeline needed to comply with the initial rate regulations. *Plantation Pipe Line Co*., 98 FERC ¶ 61,219, at 61,866-67 (2002) ("What we are approving here is Plantation's joint rate *methodology* . . . . However, the Commission cannot make a finding that the proposed joint rates are just and reasonable at this time. In order to provide the proposed joint service . . . , Plantation or its proposed affiliated pipeline must submit a joint tariff including joint rates that will be applicable . . . . At that time, the Commission can determine whether the joint rates are just and reasonable . . . ." (emphasis added)).

[56] Subsequent to *Medallion 2018*, tariffs and joint tariffs implementing the services and rates were filed by Medallion Delaware Express in Docket No. IS18-661 on July 1, 2018, and Medallion Pipeline Company LLC in Docket No. IS18-664 on July 11, 2018. These tariffs became effective by operation of law without a Commission order, and thus, do not establish Commission policy. *Gas Transmission Northwest Corp. v. FERC*, 504 F.3d 1318, 1320 (2007) (explaining "[the Commission]'s acceptance of a pipeline's tariff sheets does not turn every provision of the tariff into 'policy' or 'precedent'").

[57] In the instant case, Petitioners have stated that the only committed shipper is an affiliate of Medallion Delaware Express. Based on the representations in the Petition, Petitioners would be unable to meet the requirements of section 342.2(b) upon filing the initial rates and instead would be required to file the data required under section 342.2(a). *Targa*, 166 FERC ¶ 61,179 at P 21.

The Commission orders:

Petitioners' requested rulings are 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.