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Petition for a Rulemaking
Revision of Page 700 of Form No. 6

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FERC Form No. 6, Page 700: Current Reporting Requirements

Current Reporting Requirements Under Form No. 6

- The Federal Energy Regulatory Commission (Commission) requires crude oil and petroleum product pipelines to file a Form No. 6, which provides a summary of accounting information relating to, among other things, carrier property, operating revenue, operating expenses, and throughput.

- Page 700 of Form 6 requires that each regulated crude oil and petroleum product pipelines provide certain annual information relating to cost of service and revenues.

- Page 700 provides the Commission with essential data for the end of the reporting year and for the immediately preceding year, including:
    - Annual Cost of Service (as calculated under the Opinion No. 154-B methodology)
    - Operating revenues
    - Throughput in barrels and barrel-miles

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Current Reporting Requirements Under Form 6

- Page 700 currently allows crude oil and petroleum product pipelines to provide information about cost, revenue, and throughput data on an **aggregated** or **system-wide** basis.

- As a result of the aggregated or system-wide Page 700 reporting structure, neither shippers nor the Commission can gather information on individual crude oil and petroleum product pipelines system segments to be able to properly evaluate the reasonableness of rates.

- In the petition filed April 20, 2015 The Liquids Shippers Group, Airlines For America, and The National Propane Gas Association requested that the Commission issue a Notice of Proposed Rulemaking (NOPR) in which it proposes to revise Form No. 6, Page 700 so that the form (1) requires oil companies to file a separate Page 700 schedule for each established system or segment, and (2) requires such companies to make their Page 700 workpapers available to shippers and interested persons upon request, not just the Commission.

Proposed Revision 1:
Filing Requirements

The Commission should propose to require every carrier that files a single Form No. 6 report to file a separate Page 700 for each individual system or segment.

Shortcomings Under Current Filing Requirements

- Page 700 only provides cost, revenue, and throughput data on an aggregated or system-wide basis.

- Where a pipeline has both crude oil and petroleum product operations or has rates established on a segment-specific basis, total company data combines this information, resulting in the inability to be able to properly evaluate the reasonableness of segment or system-specific rates.

- Such data does not provide a shipper or the Commission with necessary information because it is not possible to break out the costs and revenues for these separate operations.

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Shortcomings Under Current Filing Requirements

- Because aggregated total-system cost and revenue information does not allow for a system- or segment-specific breakdown, the information does not permit an evaluation of whether a pipeline is over-recovering its costs on its systems.

- Shippers and FERC cannot evaluate whether there is inappropriate cross-subsidization among crude oil and petroleum product operations nor between established and distinct systems.

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Shortcomings Under Current Filing Requirements

- The Commission has found aggregated data reported on Page 700 insufficient to evaluate the reasonableness of rates where a pipeline has distinct pipeline segments:

> *"Because SFPP's cost-of-service data is reported on page 700 of FERC Form 6 on a consolidated system-wide basis, the existing record in this proceeding is insufficient to allow the Commission to determine, with respect to SFPP's rates for its individual segments, whether the Complainants have shown each of SFPP's rates may be unjust and unreasonable."*
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> *ConocoPhillips Co. v. SFPP, L.P.*, 137 FERC ¶ 61,005 at P 31 (2011).

Shortcomings Under Current Filing Requirements

- FERC has found that pipelines that have both crude oil and petroleum product pipeline operations must maintain separate cost and revenue amounts because of the differences between the two operations. The separate reporting of cost of revenue data for crude oil and petroleum product operations has unreasonably not been translated to the Page 700 reporting requirements.

> *"[T]hat there are significant differences between crude and product lines in the way they operate, the markets they serve, and the costs they incur, necessitates the reporting of such revenues separately… The Commission believes that it is essential for a shipper who is trying to allocate costs and revenues to specific facilities, and match those facilities with a pipeline's different services (gathering, trunk or delivery, crude or product), to know what functions the facilities serve."*
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> FERC Order No. 620 at p. 31,957 (2000).

Examples of Challenges in Preliminarily Evaluating the Reasonableness of Rates Due to Aggregated Data Reporting

- Mid-America Pipeline, LLC – Mid-America aggregates the costs and revenues of three distinct geographical systems on its Page 700. Mid-America's reporting structure precludes any reasonable evaluation of the carrier's system-specific rates.
- Marathon Pipe Line LLC – Marathon transports both crude oil and petroleum products and reports total-company aggregate cost and revenue information for over a dozen systems on a single Page 700, making it impossible for shippers to perform any preliminary evaluation of the reasonableness of crude oil or petroleum product rates or perform an analysis of whether improper cross-subsidies are taking place.
- Sunoco Pipeline L.P. - Sunoco provides transportation services for crude oil and refined products under dozens of different rate tariffs. Sunoco reports aggregate cost and revenue data for all of these systems on a single Page 700, making it impossible to perform any preliminary evaluation of the reasonableness of its crude oil and petroleum products rates.
- Magellan Pipeline Company, L.P. – Magellan reports aggregate, total-company cost and revenue data for both its crude oil and petroleum product systems, as well as its newly acquired and distinct New Mexico/Texas System and Rocky Mountain System, thereby precluding any shipper or the Commission from performing a preliminary evaluation of the reasonableness of separate crude oil and petroleum product rates.
- Buckeye Pipe Line Co., L.P. – Buckeye reports aggregate total company cost and revenue data on a single Page 700, notwithstanding that it purportedly manages, budgets, tracks costs and revenues, and has rates that correspond to its claimed separate segments. It is not possible to evaluate on a preliminary basis the reasonableness of the segment-specific rates. Rather, it is only when the total cost-of-service substantially diverges from total revenues that a shipper can mount a challenge to the reasonableness of rates.
- Enterprise TE Products Pipeline Company – ETEPPC already internally separates its total-company cost-of-service into two separate costs of service to correspond to its established segments. ETEPPC's reported Page 700 total-system data provides no meaningful information for shippers attempting to monitor and evaluate the reasonableness of rates on the individual segments.

Requiring System of Segment-Specific Page 700s Will Increase Administrative Efficiency

- Whether costs have substantially diverged from revenues to justify a cost-of-service rate increase under 18 C.F.R. § 342.4 (2014) is to be determined by FERC as part of the initial rate filing.

- The lack of system- or segment-specific cost and revenue data at the beginning stage of a rate change or rate establishment proceeding results in wasted resources and decreased administrative efficiency.

- The new requirement would impose a minimal burden on companies, since many companies already internally separate cost and revenue data to correspond to its established segments.

The Pipeline Industry's Opposition to Transparent Page 700s

- The Pipeline industry's historical opposition to more transparent Page 700 reporting based on distinct systems lacks basis and/or segments is exaggerated and conflicts with the purpose of Page 700.

- Contrary to what the pipeline industry claims, the Commission has not previously addressed or denied on the merits requests for requiring pipelines to file system- or segment-specific Page 700s.

The Pipeline Industry's Opposition to Transparent Page 700s

- Past Commission statements provide no basis for declining to address system- and/or segment-specific Page 700s.

- AOPL's claim that the Commission has repeatedly rejected such proposals and that there is no reason to revisit the matter are misleading.

- Simply because the Commission declined to require system- and/or segment-specific Page 700s when it first established the schedule is not a basis for the Commission to decline to reevaluate the need for system- and/or segment-specific Form No. 6, Page 700s.

- This is especially true in light of the recent changes in market dynamics and pipeline ownership.

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The Pipeline Industry's Opposition to Transparent Page 700s

- AOPL's past opposition to system- and/or segment-specific Page 700s based on other Commission rulemakings or Form No. 6 inquiries is similarly without merit.

- Example: Order No. 620. Far from a rejection of system- and/or segment-specific Page 700s, the most that can be said of Order No. 620's treatment of the issue is that it merely deferred consideration of the matter pending experience with the Commission's newly revised Page 700.

The Pipeline Industry's Opposition to Transparent Page 700s

- Page 700 is intended to be the primary screening tool to evaluate carrier rates, assess pipeline rate filings, and inform interested parties as to whether a challenge is warranted that requires a carrier to justify its rates.

- The Commission has never determined that system- and/or segment-specific Page 700s would not be appropriate or necessary.

- Form No. 6, including Page 700, is not a static document. It must be, and has been, continually revised to provide both the Commission and shippers with the necessary data to evaluate the reasonableness of rates.

The Pipeline Industry's Opposition to Transparent Page 700s

- AOPL's past claims of burden and confusion in connection with the reporting system- and/or segment specific Page 700 data lack credibility.
  - Many companies affected by the new reporting requirement already separate total-company cost-of-service into two or more separate systems.

- It is not credible to contend that carriers with rates corresponding to specific segments or systems do not know or do not have the ability to determine the costs and revenues associated with separate systems or segments.

The Pipeline Industry's Opposition to Transparent Page 700s

- Even if a pipeline is unsure of its cost allocations, including costs associated with shared facilities, the Commission has well established allocation methodologies that can be implemented.
  - *i.e.*,: the Massachusetts Formula and the KN Formula.

- Where a pipeline is concerned that its pipeline system creates new or unique circumstances, a pipeline can seek specific guidance from the Commission or its Staff.

- For those pipelines that have a system- or segment-specific basis, such pipelines are already presumably accounting for such system or segment costs and revenues.

Proposed Revision 2:
Information Availability Requirements

The Commission should propose to require crude oil and petroleum product pipelines to make Page 700 workpapers available to shippers and interested parties upon request.

Information Availability Requirement

- There is no logical basis for, and no public interest to be served by, the requirement that carriers provide workpapers only to the Commission and its Staff.

- This requirement would not be unduly burdensome because crude oil and petroleum products pipelines are already required to maintain this information and make it available to the Commission or its Staff upon request.

- If necessary, those receiving the workpapers could be required to execute a confidentiality agreement to allay any concerns that these workpapers contain confidential shipper-specific information, or the workpapers could be redacted to mask shipper names.

Questions/Comments

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