

## *Report of the Committee on Oil Pipeline Regulation*

### *A. Status of Major Cases Pending Before the Federal Energy Regulatory Commission*

The *Trans Alaska Pipeline System* ("TAPS") case, Docket No. OR78-1 and the *Williams* case, Docket No. OR79-1, following completion of hearings and briefs in the first phase of each, are now awaiting decision by the Federal Energy Regulatory Commission. Internal Commission management reports project a decision by the Commission in *Williams* later this year. No timetable has been set for *TAPS*.

With respect to *Williams*, no activity on Phase II has been undertaken or planned pending decision on Phase I issues by the Commission. Resolution by the Commission of the many unresolved ratemaking methodology issues is a prerequisite to embarking upon Phase II.

With respect to TAPS, the Phase I hearings addressed only a portion of the issues required to be addressed in order to determine the lawfulness of the rates filed by the various TAPS carriers. The Administrative Law Judge responsible for TAPS has initiated Phase II activities. These include substantial discovery with respect to the "prudent investment" issue as well as discovery relating to all remaining issues bearing on the setting of final rates. Document discovery on "prudent investment" is complete; remaining discovery is to be completed by this summer. All parties will then submit prepared direct testimony and hearings will begin on November 16, 1981. It is anticipated that the hearings, especially with regard to the prudent investment issue, will be extensive.

The Administrative Law Judge in TAPS has also scheduled a separate hearing to deal with certain proposed adjustments between shippers said to be necessary to compensate the various shippers for differences in the quality of oil they receive in comparison with that they tender for shipment. The problem arises because TAPS is a "common stream" pipeline, in which all shipments are commingled, rather than operating on a "batched" basis which preserves the identity of individual shipments. The hearing on these "quality bank" issues is scheduled to begin on June 15, 1981.

### *B. Activities of the Oil Pipeline Board*

Shortly after jurisdiction over oil pipeline rates was transferred from the Interstate Commerce Commission, the Federal Energy Regulatory Commission established an "Oil Pipeline Board," composed of Commission staff employees, and delegated to the Board the Commission's authority to act upon matters such as the acceptance of tariff filings, suspensions of tariffs, long haul/short haul relief under so-called "Section 4" requests, and various other matters relating to oil pipelines. The Oil Pipeline Board, unlike the Commission itself, does not meet in public. Its orders with respect to tariff suspensions and other matters are typically couched in conclusory terms which, in many cases, merely recite statutory language with respect to reasonableness of rates. The Oil Pipeline Board has

routinely suspended proposed tariff increases, mostly in instances in which no shipper or other person has objected to the proposed tariff increases in question.

The oil pipeline industry, acting through the Association of Oil Pipelines (AOPL), has vigorously protested the procedures followed by the Oil Pipeline Board. Specifically, the AOPL has suggested that, until new standards are established by the Commission itself, the Oil Pipeline Board should follow guidelines said to have been developed by the Interstate Commerce Commission for measuring the reasonableness of oil pipeline rates. In addition, the AOPL has sought to have the Oil Pipeline Board hold open meetings and provide reasoned explanations of its various decisions. A petition seeking modification of Oil Pipeline Board procedures is currently pending with the Commission.

#### *C. Suspension Policy in Oil Pipeline Rate Cases*

After the Commission's order in *Valley Gas Transmission, Inc.*, Docket No. RP80-98, issued August 22, 1980, the Oil Pipeline Board adopted a general policy of ordering seven month suspensions, the maximum allowed by the Interstate Commerce Act, in oil pipeline rate increase filings. On December 24, 1980, in *Buckeye Pipeline Company*, Docket Nos. IS80-76 and IS80-74, *et al.*, the Commission determined that in oil pipeline rate filings the normal suspension period shall be one day.

#### *D. Legislation*

President Reagan's Department of Energy transition team recommended that regulation of oil pipelines be ended or, in the alternative, that oil pipelines be regulated using the ICC valuation methodology to which they were subjected prior to transfer of oil pipeline jurisdiction to FERC. A number of interested parties are pursuing the matter, but no legislation has been introduced.

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