

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

Plains Pipeline, L.P.	§ § § § §	Docket No. IS12-362-000 Tariff Nos. 74.6.0, 86.2.0, 104.2.0, and 109.2.0
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**RESPONSE OF PLAINS PIPELINE, L.P. TO
MOTION TO INTERVENE AND PROTEST OF
VALERO MARKETING AND SUPPLY COMPANY**

Pursuant to Rule 343.3(b) of the Procedural Rules Applicable to Oil Pipeline Proceedings of the Federal Energy Regulatory Commission (“FERC” or “Commission”)¹ and Rule 213 of the Procedural Rules of the Commission,² Plains Pipeline, L.P. (“Plains”) hereby submits its response to the Motion to Intervene and Protest of Valero Marketing and Supply Company (“Valero”) filed on June 14, 2012 (“Protest”). In the Protest, Valero challenges the rate increases that Plains made in Tariff Nos. 74.6.0, 86.2.0, 104.2.0, and 109.2.0 on May 30, 2012 pursuant to the Commission’s indexing methodology (“2012 Index”).³ As shown below, the Protest is without merit and should be dismissed.

**I.
CORRESPONDENCE AND COMMUNICATIONS**

Pursuant to Rule 2010 of the Commission’s Rules of Practice and Procedure, the names and mailing addresses of the persons designated to receive service and to whom

¹ 18 C.F.R. § 343.3(b) (2012).

² 18 C.F.R. § 385.213 (2012).

³ In addition to the Tariffs challenged by Valero in the Protest, Plains also filed Tariff Nos. 72.4.0, 73.5.0, 75.2.0, 78.5.0, 79.3.0, 80.2.0, 81.2.0, 83.5.0, 85.2.0, 87.2.0, 88.4.0, 89.2.0, 92.2.0, 94.2.0, 95.5.0, 96.2.0, 97.3.0, 98.2.0, 100.2.0, 101.2.0, 102.2.0, 106.2.0, 111.2.0, 112.3.0, 118.1.0, 119.1.0, and 121.2.0 on May 30, 2012 in Docket No. IS12-362-000 to, *inter alia*, apply the Commission’s 2012 index adjustment to its rates. No party protested any of those tariffs, and thus they are not addressed by Plains in this Response.

correspondence and communications concerning this proceeding should be addressed are as follows:

Michael L. Jones
Plains Pipeline, L.P.
P. O. Box 4648
Houston, TX 77210-4648
713.646.4335
mljones@paalp.com

John E. Kennedy
Elizabeth B. Kohlhausen
Vinson & Elkins L.L.P.
First City Tower
1001 Fannin Street, Suite 2500
Houston, TX 77002-6760
713.758.2550
jkennedy@velaw.com
ekohlhausen@velaw.com

II. ANSWER

A. **Plains Is Entitled to Apply the Commission's 2012 Index Adjustment to its Rates Under Commission Precedent.**

Plains' application of the 2012 Index to its rates is justified under the Commission's well-established standard for evaluating protests to indexing adjustments. The Commission's regulations state that a protest to an index rate filing "must allege reasonable grounds for asserting that the rate violates the applicable ceiling level, or that the rate increase is so substantially in excess of the actual cost increases incurred by the carrier that the rate is unjust and unreasonable" ⁴ When determining whether a protest meets the second prong of the Section 343.2(c)(1) standard, the Commission has held that:

[t]o maintain the relative simplicity of the oil indexing process, the Commission evaluates a protest to an index-based tariff filing using the data reported in the carrier's FERC Form No. 6, page 700 data in a "percentage comparison test." The percentage comparison test is a very narrow test that "compare[s] the Page 700 cost data contained in the company's annual FERC Form No. 6 to the data that is reflected in the index filing for a given year with the data for [the] prior year" This test is the "preliminary screening tool for pipeline [index-based] rate filings," and is the sole means by which the Commission determines whether a protest meets the section 343.2(c)(1) standard. ⁵

⁴ 18 C.F.R. § 343.2(c)(1) (2012).

⁵ *SFPP, L.P.*, 135 FERC ¶ 61,274, at P 9 (2011) (footnotes omitted).

In other words, under the percentage comparison test, the Commission compares the percentage increase in the Commission's index for the year at issue to the percentage change in the pipeline's cost of service for the relevant years to determine whether the pipeline's index-based rate increases are unjust and unreasonable. This percentage change comparison test has been continually and consistently applied by the Commission when considering protests to index-based rate increases.⁶ The Commission has stressed that the percentage change comparison test is "normally limited to matters that appear on the face of page 700" of the pipeline's FERC Form No. 6, and that this approach "recognizes that simplicity is the hallmark of the Commission's indexing procedure."⁷

The first prong of the Section 343.2(c) standard is inapplicable here because Valero does not claim that Plains incorrectly computed its ceiling levels or that any of the rates in Plains' tariff filing exceed their properly computed ceiling levels. With respect to the second prong of the Section 343.2(c) standard, application of the Commission's percentage comparison test to the facts here demonstrates that the change in Plains' rates is not so substantially in excess of the change in its actual costs that it results in Plains' proposed rates being either unjust or unreasonable. Indeed, while the change in the 2012 Index is 8.6011 percent, Plains' actual interstate cost of service, as shown on Page 700 of its FERC Form No. 6, increased from \$355,672,008 in 2010 to \$374,104,132 in 2011 (an increase of \$18,432,124) or about 5.1823 percent. As Mr. Robert Van Hoecke shows in his affidavit

⁶ See, e.g., *Calnev Pipe Line LLC*, 135 FERC ¶ 61,273, at P 5 (2011); *Belle Fourche Pipeline Co.*, 127 FERC ¶ 61,311, at P 13 (2009); *SFPP, L.P.*, 123 FERC ¶ 61,317, at PP 6-7 (2008).

⁷ *BP West Coast Products, LLC v. SFPP, L.P.*, 118 FERC ¶ 61,261, at P 8 (2007).

attached hereto as Exhibit No. RGV-1 (“Van Hoecke Affidavit”), the deviation between these two amounts is only 3.42 percentage points.⁸

This deviation is below the threshold level used by the Commission for determining when it will accept a protest to an index-based rate filing. As Valero itself recognizes, and as Mr. Van Hoecke confirms, the Commission has only rejected, or set for investigation, index-based rate increases when the deviation between the change in the carrier’s cost of service and its proposed indexing adjustment approximately equals or exceeds positive ten percentage points.⁹ For example, in *Shell Pipe Line Company*,¹⁰ the Commission rejected a protest to an index-based rate increase filing when the deviation between the change in the index and the change in the pipeline’s costs was 5.75 percentage points—a deviation that is higher than the deviation in this proceeding.¹¹ Furthermore, in Order No. 561,¹² which is the order in which the Commission established the filing requirements for oil pipelines seeking rate changes under the indexing methodology, the Commission held that a pipeline’s percentage change in costs does not have to exactly match the percentage change in the index for an indexing adjustment to be appropriate.¹³

Plains is also entitled to apply the 2012 Index to its rates because it was under-recovering its cost of service at the time it applied the index to its rates. The Commission has

⁸ Van Hoecke Affidavit at P 13.

⁹ Protest at P 8.

¹⁰ 102 FERC ¶ 61,350 (2003).

¹¹ *Id.* at P 10. In that proceeding, the pipeline had experienced a 3.00 percent cost decrease while the change in the index was 2.75 percent.

¹² *Revisions to Oil Pipeline Regulations Pursuant to the Energy Policy Act of 1992*, FERC Stats. & Regs. [Regs. Preambles, 1991-1996] ¶ 30,985 (1993), (“Order No. 561”), *on reh’g*, FERC Stats. & Regs. [Regs. Preambles, 1991-1996] ¶ 31,000 (1994), (Order No. 561-A), *aff’d sub nom.*, *Association of Oil Pipe Lines v. FERC*, 83 F.3d 1424 (D.C. Cir. 1996); *aff’d Association of Oil Pipe Lines v. FERC*, 281 F.3d 239 (D.C. Cir. 2002), *order on remand*, *Five-Year Review of Oil Pipeline Pricing Index*, 102 FERC ¶ 61,195 (2003).

¹³ Order No. 561 at p. 30,949.

previously permitted a pipeline to apply the full index to its rates if it was not recovering its costs at the time the index was applied because the resulting rate could not be unjust and unreasonable since the pipeline was not recovering its cost of service.¹⁴ A review of Plains' Page 700 data shows this to be the case here. At the time Plains applied the 2012 Index, it had a total cost of service of \$374,104,132 and operating revenues of \$290,029,066, meaning that it was under-recovering its cost of service by \$84,075,066 or 28.99 percent. Therefore, under established Commission precedent, Plains should automatically be entitled to apply the 2012 Index to its rates.

B. Plains Correctly Calculated Page 700 of its FERC Form No. 6.

Valero alleges in the Protest that the deviation between the change in Plains' cost of service and its proposed index-based rate increases is approximately positive 11.00 percentage points, and therefore Plains is not entitled to apply the 2012 Index to its rates.¹⁵ In order to make these claims, however, Valero first had to make a number of "adjustments" to the information presented on Page 700 of Plains' FERC Form No. 6. Specifically, Valero contends (based on the recommendation of its expert, Dr. Daniel S. Arthur) that Plains should have (i) credited the revenues it posted in Account 230—Allowance Oil Revenues against the expenses associated with the physical inventory gains and losses recorded in Account 340—Oil Losses and Shortages, and (ii) added the alleged interstate portion of Plains' Account 240—Storage and Demurrage Revenues and its Account 260—Incidental

¹⁴ See, e.g., *BP West Coast Products LLC v. SFPP, L.P.*, 119 FERC ¶ 61,241, at P 10 (2007) (stating that "if a pipeline is not recovering its cost of service, the Commission permits the carrier to apply the full increase allowed under the index methodology even if its costs declined"); *Rocky Mountain Pipeline Sys.*, 115 FERC ¶ 61,390, at PP 17, 20 (2006) (accepting the pipeline's index-based rate increases when the pipeline was under-earning its costs by \$11.6 million in the year in which the index-based rate increase was taken); *Shell Pipe Line Co.*, 102 FERC ¶ 61,350 (2003).

¹⁵ Protest at PP 7-9.

Revenues to its operating revenues listed on line 10 of Page 700.¹⁶ A proper reading of prior Commission orders, the Commission’s Uniform System of Accounts (“USoA”), and the instructions to the FERC Form No. 6 shows that Valero’s “adjustments” are erroneous and contrary to the Commission’s intent.

- i. *Plains properly calculated the cost of service listed on line 9 of Page 700 of its FERC Form No. 6.*

Contrary to Valero’s claims, Plains correctly calculated the entries on Page 700 of its FERC Form No. 6. Valero’s first error is to claim (based on the recommendation of Dr. Arthur) that Plains should have credited a percentage of the *revenues* it collected pursuant to the pipeline loss allowance (“PLA”) provision of its tariffs, which it properly recorded in Account 230—Allowance Oil Revenue, against the *expenses* associated with the gains and losses it experienced in its physical inventory, which it properly recorded in Account 340—Oil Losses and Shortages. The end result of Valero’s proposed “adjustment” is a net reduction in Plains’ Account 340, as well as in the cost of service listed on line 9 of Plains’ Page 700.¹⁷ As Mr. Van Hoecke explains, Valero’s proposed “adjustment” is erroneous because Dr. Arthur has conflated the basic accounting principles of *revenues* and *expenses*.¹⁸

Dr. Arthur argues that Section 340 of the USoA requires Plains to make this adjustment.¹⁹ Dr. Arthur has misinterpreted the requirements of Section 340. Section 340 of the USoA requires, in relevant part, that “[t]he value of oil gains from operations shall be credited to this account at current value at the time of determination of gain and charged to

¹⁶ *Id.* at PP 7-14.

¹⁷ Van Hoecke Affidavit at P 17.

¹⁸ *Id.* at PP 21-23.

¹⁹ Protest at P 8.

oil inventory or operating supply.”²⁰ As Mr. Van Hoecke explains, Section 340 addresses the proper classification of *expenses* associated with the physical oil losses or gains “due to operating causes during the course of transportation,” a fact that is evidenced by the title of this section—“OPERATING EXPENSES – OPERATIONS AND MAINTENANCE.”²¹ Section 340 is not, as Dr. Arthur incorrectly maintains, intended to address the classification of *revenues* the pipeline collected through its PLA during the year.²²

Dr. Arthur’s confusion on this issue apparently stems from his lack of understanding that actual, physical losses and gains experienced by the pipeline are different from the PLA revenues the pipeline collects in a year. Mr. Van Hoecke explains that physical inventory losses (or gains) caused by pipeline operations can occur for several reasons, such as measurement tolerances, temperature corrections, unintended releases, maintenance, product interfaces and the over/under delivery of product.²³ During the course of operation, carriers routinely perform a physical inventory of their system and compare the results to the book inventory levels recorded in each shipper’s account.²⁴ The value of the inventory discrepancies (both losses and gains) is reflected as an *expense* in Account 340—Oil Losses and Shortages. Plains complied with the requirement of Section 340 and recorded its actual, physical gains as an expense in this account, as evidenced by the fact that it showed a gain in Account 340 for both 2010 and 2011 on Page 302 of its FERC Form No. 6.²⁵

²⁰ 18 C.F.R. Part 352, Section 340(b).

²¹ Van Hoecke Affidavit at P 20.

²² *Id.*

²³ *Id.*

²⁴ *Id.*

²⁵ *Id.* at P 20 n.24.

Mr. Van Hoecke further explains that in contrast to the balance in Account 340—Oil Losses and Shortages, the balance in Account 230—Allowance Oil represents a tender deduction, *i.e.*, a small amount of oil extracted from the shipper’s nomination at the point of receipt.²⁶ It does not represent a physical loss due to operation. The amounts recorded in Account 230 arise from a contractual obligation provided for in the carrier’s tariff, typically in the PLA provision. For example, Mr. Van Hoecke explains that if a carrier’s tariff provides for a PLA of two-tenths of one percent (0.20%) per tender, a shipper that tenders 10,000 barrels of product at an origin point will receive a book inventory credit in its account of only 9,980 barrels for the shipment.²⁷ The balance, 20 barrels, is retained by the pipeline in the carrier’s inventory account. Pursuant to the USoA, and as confirmed by Mr. Van Hoecke, the carrier records the current value of this allowance oil as *revenue* in Account 230—Allowance Oil Revenue.²⁸

If Dr. Arthur’s contention were correct, and Plains’ PLA revenues should have been recorded as a credit against Account 340, then Account 230—Allowance Oil Revenue would have no purpose. Clearly this cannot be the case. If the Commission had intended for the balances of Account 340 and Account 230 to be netted as Dr. Arthur claims, the Commission would have presumably either (i) created one account that reflected a net of these two numbers, rather than creating two separate accounts, or (ii) specified in the instructions to Page 700 that the pipeline should make such an adjustment. The Commission did neither.

²⁶ *Id.* at P 21.

²⁷ *Id.*

²⁸ See 18 CFR Part 352, Section 230—Allowance Oil Revenue. This account shall include the current value of oil acquired through tariff allowances taken into inventory or retained in the line for operating oil supply. Van Hoecke Affidavit at P 21 n.27.

The Commission's different treatment of physical gains and losses, as recorded in Account 340, and PLA revenues, as recorded in Account 230, makes sense from a policy perspective. The physical gains and losses in Account 340 result from measurement discrepancies and physical losses during operations. PLA revenues, in contrast, are based on a contractual commitment and can be much more volatile than physical gains and losses because they will depend entirely on the market value of crude oil. As Mr. Van Hoecke demonstrates in his affidavit, crude oil prices in 2011 were significantly higher than crude oil prices in 2010, resulting in one-time gain in the balance of many carriers' (including Plains') Account 230—Allowance Oil Revenues.²⁹ Because of this volatility, the amount of PLA revenues in one year is not a good predictor of the amount of such revenues in the next year. Accordingly, while it might be appropriate to consider PLA revenue in a full-blown cost-of-service rate proceeding, it is inappropriate to include that revenue in the calculation of Page 700. Inclusion of such revenues in the calculation of Page 700 would distort the results and greatly diminish the Commission's intended purpose for Page 700—to serve as a simplified screening device to compare the percentage change in a pipeline's cost of service against the percentage change in the index.³⁰

For these reasons, Dr. Arthur's claim that Plains calculated its Page 700 incorrectly because it did not credit the *revenues* it posted in Account 230—Allowance Oil Revenues against the *expenses* associated with the physical inventory gains and losses it recorded in Account 340—Oil Losses and Shortages is incorrect, without basis and should be rejected.

²⁹ Van Hoecke Affidavit at P 22.

³⁰ See *SFPP, L.P.*, 135 FERC ¶ 61,274, at P 9 (2011).

- ii. *Plains properly calculated the Interstate Operating Revenues listed on Line 10 of Page 700 of its FERC Form No. 6.*

Valero's second claim is that Plains should have added a portion of its Account 240—Storage and Demurrage Revenues and its Account 260—Incidental Revenues to its operating revenues listed on line 10 of Page 700.³¹ Again, there is no merit to this claim. In Order No. 620, the Commission specified that the “revenues reported on Line No. 10 of Page 700 should reflect only jurisdictional revenues, not non jurisdictional revenues.”³² The Commission's instructions for preparing Page 700 are consistent with this order. Instruction 3 reads “Enter on line 10, columns (b) and (c), total interstate operating revenues, as reported on Page 301, for the current and previous calendar years.”³³ On Page 301, the instructions require the company to present its operating revenues in two tables: the first table containing all revenues classified in accordance with the Commission's USoA accounting standards (“Table One”) and the second table containing transportation revenues broken down by the nature of the movement, interstate or intrastate (“Table Two”).³⁴ In Table Two, the total interstate operating revenues are found on line 4, column (b) (for the prior year) and column (c) (for the current year), which are entitled “TOTAL: Interstate Previous Year” and “TOTAL: Interstate Current Year,” respectively.³⁵ The operating revenues in Table Two only include accounts with jurisdictional revenues (*i.e.*, the gathering, trunk, and delivery revenue accounts); accounts that may contain non-jurisdictional revenues, such as storage,

³¹ Protest at PP 15-19.

³² *Revisions to and Electronic Filing of the FERC Form No. 6 and Related Uniform System of Accounts*, FERC Stats. & Regs. [Regs. Preambles 1996-2000] ¶ 31,115, at p. 31,959 (2000), *on reh'g*, 94 FERC ¶ 61,130 (2001) (“Order No. 620”).

³³ Van Hoecke Affidavit at P 18.

³⁴ *Id.*

³⁵ *Id.*

rental and incidental revenues are excluded from the calculation.³⁶ Based on these facts and his review of Plains' FERC Form No. 6, Mr. Van Hoecke has concluded that Plains correctly followed the instructions of the Commission when it reported its total interstate operating revenue on line 10 of its Page 700, by matching the amounts reported on Page 700 to the amounts listed on columns (b) and (c) of line 4 of Table Two.³⁷

Plains further notes that the Commission's electronic filing software package for FERC Form No. 6 confirms that its interpretation of the instructions on Page 700 is correct and that Dr. Arthur's proposed "adjustment" is incorrect. As Mr. Van Hoecke shows, the Commission's filing package produces an error message if a pipeline attempts to report total interstate operating revenues on line 10 of Page 700 that differ from the total interstate operating listed in columns (b) and (c) of line 4 of Table Two.³⁸ In other words, if Plains had attempted to include its Account 240—Storage and Demurrage Revenues or its Account 260—Incidental Revenues in its calculation of total interstate operating revenues on line 10 of its Page 700, as Dr. Arthur advocates, the Commission's FERC Form No. 6 electronic filing software package would have produced an error message.³⁹

For these reasons, Valero's claim that Plains incorrectly calculated its Page 700 by failing to add the interstate portion of its Storage and Demurrage Revenues in Account 240 and its Incidental Revenues in Account 260 to its operating revenues is incorrect and should be rejected.

³⁶ *Id.*

³⁷ *Id.*

³⁸ *Id.* at P 19.

³⁹ See Exhibit No. RGV-3 for an example of such an error message.

C. Valero's Calculation of its Proposed "Adjustments" is Flawed.

As noted above, Valero alleges that Plains should have (i) credited the revenues it posted in Account 230—Allowance Oil Revenues against its expenses associated with the physical inventory gains and losses it recorded in Account 340—Oil Losses and Shortages, and (ii) added the alleged interstate portion of its Account 240—Storage and Demurrage Revenues and its Account 260—Incidental Revenues to its operating revenues listed on line 10 of Page 700. Plains denies that these “adjustments” are proper for the reasons discussed in Section II(B) above. However, even if the Commission were to determine that such “adjustments” were proper, the Commission must reject Valero’s proposed “adjustments” because Valero has calculated the adjustments in an incorrect and inconsistent manner.

i. *Valero calculated its “adjustments” in an incorrect and inconsistent manner.*

Valero makes several “adjustments” to Plains’ Page 700 because it claims that Account 230—Oil Allowance Revenue, Account 240—Storage and Demurrage Revenue and Account 260—Incidental Revenue must be accounted for in the calculation of Page 700. Even if the Commission agreed with the theory behind Valero’s “adjustments,” it must reject those adjustments because Valero calculated them in a self-serving, inconsistent manner. As Mr. Van Hoecke points out, although there are four non-transportation revenue accounts listed on Page 301 (lines 4-7 of the Table One), Dr. Arthur only suggests that one of these account should be used to offset operating expenses—Account 230 (Allowance Oil Revenues).⁴⁰ He does not propose that storage and rental revenues (Account Nos. 240 and 250) should be credited against rental expenses (Account Nos. 350 and 530), nor does he claim that incidental revenue (Account 260) should be credited against “other expenses”

⁴⁰ Van Hoecke Affidavit at P 24.

(Account Nos. 390 and 590).⁴¹ Rather, Dr. Arthur claims that the revenues in these accounts should be added to interstate operating revenues on Page 700 (albeit for 2011 only). As shown in Section II(C)(ii) below, the inconsistency in Dr. Arthur's approach is presumably due to the fact that calculation of his proposed "adjustments" in a consistent manner would have rendered results that support Plains' proposed index-based rate increases.

Mr. Van Hoecke notes that another flaw in Dr. Arthur's proposed "adjustments" is Dr. Arthur's recommended allocation methodology. Dr. Arthur uses a per-barrel allocation method to allocate a portion of the revenues in Accounts 240 and 260 to Plains' operating revenues. This methodology is inherently flawed, however, and must be rejected because Dr. Arthur presented no factual basis on which to determine if Plains actually derived the allocated amounts from jurisdictional activity or not. As Mr. Van Hoecke confirms, the allocation of such revenues in a cost-of-service rate case would be the source of a heated debate, with all sides providing extensive testimony on what is the proper allocation method, yet here, Dr. Arthur has no reasonable basis, factual or otherwise, on which to make his proposed allocation.⁴²

- ii. *If Valero had calculated its proposed "adjustments" in an accurate and consistent manner, its "adjusted Page 700" would have shown that Plains is entitled to apply the 2012 Index to its rates.*

Mr. Van Hoecke testifies that if the inconsistencies in Dr. Arthur's calculations were corrected, then the "adjusted Page 700" that is produced would still show that Plains experienced an increase in costs between 2010 and 2011.⁴³ For example, Mr. Van Hoecke explains that if he assumes *arguendo* that the following of Dr. Arthur's assertions are correct:

⁴¹ *Id.*

⁴² *Id.* at P 25.

⁴³ *Id.* at P 27.

(i) that non-transportation revenues are jurisdictional, (ii) that these revenues need to be credited against Plains' interstate cost-of-service reported on Page 700, and (iii) that the appropriate method to allocate these revenues is on a per-barrel basis, the resulting "adjusted cost-of-service" would still indicate that Plains has experienced a cost increase of approximately 4.19 percent between 2010 and 2011.⁴⁴ This increase, when combined with the 2012 Index increase of 8.6011 percent, results in a deviation of approximately 4.41 percentage points. As discussed in Section II.B above, the Commission has typically rejected protests in cases where the deviation was less than ten percentage points. Thus, if Valero's theory were applied in a consistent manner, rather than in the self-serving manner advocated by Dr. Arthur, Plains would still be entitled to apply the 2012 Index to its rates.

D. Valero's Protest is an Improper Collateral Attack on the instructions in Commission's FERC Form No. 6, Page 700.

Valero's Protest is an improper collateral attack on the Commission's FERC Form No. 6, Page 700. The "adjustments" that Valero has alleged Plains should have made are not required by the USoA or the instructions to the FERC Form No. 6. Moreover, they are not permitted by the Commission's electronic software package for creating the FERC Form No. 6. Plains calculated its Page 700 in precisely the manner previously approved by the Commission, a fact that Valero never directly contests. Indeed, it is Valero who, through the testimony of its expert Dr. Arthur, puts forward an "adjusted cost of service" and operating revenue calculation that fail to comply with the Commission's instructions for preparing Page 700.

In effect, Valero's position is that the instructions in the FERC Form No. 6 should be revised to require that certain adjustments be made to the entries on Page 700. Valero should

⁴⁴ *Id.*

raise these concerns in a petition for a rulemaking proceeding, not in a protest to an index-based rate filing that complies with the Commission's existing requirements. By raising the issue here, rather than in the proper proceeding for seeking such changes, Valero is attempting to turn the review of Plains' index filing into a full-blown cost-of-service rate proceeding. Valero's attempt to do so must be rejected. The Commission ruled in Order No. 561 that "the hallmark of an indexing system is simplicity." It went on to explain that simplicity is reflected in the fact that "there is no need to present and examine the costs of each individual pipeline each time a rate change in compliance with the ceiling rate is proposed."⁴⁵ Valero itself reiterated the importance of the Commission's ruling on this point in an index proceeding last year.⁴⁶ Permitting Valero to make the "adjustments" proposed by Dr. Arthur would necessarily turn this proceeding into a cost-of-service-based rate proceeding, thereby undermining the Commission's intent to establish a simplified indexing process.

Moreover, Plains notes that by attacking the calculation of Page 700 in protests to individual pipelines' index filings, rather than by raising the issue in a petition for rulemaking, Valero has been able to take inconsistent positions on what it believes to be the proper way to calculate Page 700. For example, in this case, Valero advocates using barrels, rather than barrel-miles, to add a percentage of Account 240—Storage and Demurrage Revenue and Account 260—Incidental Revenue to the interstate operating revenues listed on Page 700. In a protest filed one day before the Protest in this proceeding, Valero proposed a

⁴⁵ Order No. 561 at pp. 30,948-49.

⁴⁶ Reply Brief of the Shippers Regarding the Scope of This Proceeding and Opposition to Any Stay or Abeyance of This Case at 2-6, Docket No. IS11-444-001 (Oct. 26, 2011) (emphasizing that "the Commission regards index rate cases as having a very simple and narrow scope that is not to be confused with base rate cases" and that "every Commission decision that discusses index rate cases underscores the need for simplicity and emphasizes the use of the pipeline's Form No. 6 cost data to analyze the validity of the increased rate").

different approach—using barrel-miles, rather than barrels, to make this allocation.⁴⁷ In two other protests filed one day after the Protest in this proceeding, Valero did not propose to make any adjustments for any of the revenue accounts it proposes to adjust here.⁴⁸ Presumably Valero has taken these varying approaches because doing so was most favorable to Valero’s position in each of the cases. If Valero believes adjustments should be made to how the Page 700 entries are calculated, it should advocate for those adjustments in a rulemaking proceeding, where it would be required to take one position on the proper way to calculate the Page 700 entries.⁴⁹ The Commission should not, however, permit Valero to advocate varying adjustments in varying proceedings, depending on which adjustments are most beneficial to Valero.

E. Valero Does Not Have Standing to Challenge Plains’ Tariff No. 109.2.0.

The Protest should be dismissed to the extent it challenges FERC Tariff No. 109.2.0 because Valero lacks standing to protest this tariff. Section 343.2(b) of the Procedural Rules Applicable to Oil Pipeline Proceedings provides that “[o]nly persons with a substantial economic interest in the tariff filing may file a protest to a tariff filing.”⁵⁰ The “substantial economic interest” test was adopted by the Commission in Order No. 561 to ensure that only those who have an economic stake in the rates could protest a pipeline’s tariff filing and

⁴⁷ See Motion to Intervene and Protest of Valero Marketing and Supply Company at PP 13-15, Docket No. IS12-314-000 (June 13, 2012).

⁴⁸ See Joint Motion to Intervene and Protest of the Airlines, Chevron Products Company and Valero Marketing and Supply Company, Docket No. IS12-388-000 (June 15, 2012); Joint Motion to Intervene and Protest of Chevron Products Company, Southwest Airlines Co., US Airways, Inc., and Valero Marketing and Supply Company, Docket No. IS12-390-000 (June 15, 2012). Plains notes that Dr. Arthur did not submit an affidavit in support of Valero’s protests in those proceedings.

⁴⁹ Indeed, a rulemaking proceeding addressing the calculation of Page 700 is currently pending before the Commission. See *Notice of Proposed Rulemaking: Revision to Form No. 6*, 136 FERC ¶ 61,067 (2011). Plains notes that although Valero has submitted multiple sets of comments in that proceeding, the precise issues raised by Valero in the Protest are not currently before the Commission in that rulemaking.

⁵⁰ 18 C.F.R. § 343.2(b) (2012).

trigger an investigation.⁵¹ The Commission analogized this requirement to the procedure used in federal courts where only a person aggrieved may appropriately bring a cause of action.⁵² Thus, persons wishing to protest a pipeline's tariff filing must plead their interest with specificity, not generally, in order to establish that they have a substantial economic interest in the tariff for which they are protesting.⁵³

In the Protest, Valero states that it has a substantial economic interest in FERC Tariff No. 109.2.0 because it “purchases interstate transportation service for crude oil on Plains’ facilities, including the interstate crude oil governed by Tariff Nos. 74.6.0, 86.2.0, 104.2.0, and 109.2.0”⁵⁴ Moreover, attached to the Protest is a “Verified Statement of Counsel” signed by Valero’s counsel purporting to “verify that Valero has a substantial economic interest in the captioned proceeding” and that Valero is the “subject of the instant index-based rate increase proposal associated with Plains’ FERC Tariff Nos. 74.6.0, 86.2.0, 104.2.0 and 109.2.0.”⁵⁵ As explained below, these representations are untrue with respect to FERC Tariff No. 109.2.0. Thus, the Protest should be rejected to the extent it includes FERC Tariff No. 109.2.0 because Valero lacks standing under Section 343.2(b) to challenge this tariff.

Plains’ records for 2010, 2011, and thus far in 2012, do not record a single instance in which Valero has been a shipper of record for crude oil under FERC Tariff No. 109.2.0.⁵⁶ Accordingly, Valero is left without any alleged, much less proven, basis for a finding by the Commission that Valero has a “substantial economic interest” in FERC Tariff No. 109.2.0.

⁵¹ Order No. 561 at p. 30,964.

⁵² *Id.* (“The key factor in determining standing should be the magnitude of the economic stake of the person seeking standing to challenge a proposed rate.”).

⁵³ *Shell Pipe Line Co.*, 104 FERC ¶ 61,021, at P 6 (2003).

⁵⁴ Protest at P 4.

⁵⁵ *Id.* at P 16.

⁵⁶ See Affidavit of James Pinchback, attached hereto as Exhibit 1.

Under such circumstances, dismissal of the protest is required by Commission precedent. For example, in *Shell Pipe Line Co.*, the Commission rejected a protest to an index-based rate increase because the protestant failed to establish that it had shipped on the pipeline's system in any of the years at issue and therefore "failed to show that it had a substantial economic interest in the tariff filing and, thus, to meet the requirements to file a protest."⁵⁷ In *Rocky Mountain Pipeline System LLC*,⁵⁸ the Commission rejected a protest on the ground that the protestants were not shippers under the proposed rate, notwithstanding the fact that the same protestants were shippers of crude oil under some of the pipeline's other tariffs.⁵⁹ Accordingly, the Commission should reject the Protest for lack of standing to the extent it challenges FERC Tariff No. 109.2.0.

III. CONCLUSION

The increase in Plains' rates is not so substantially in excess of the actual cost increases incurred by Plains between 2010 and 2011 that it renders Plains' proposed rates unjust and unreasonable. Moreover, Plains was under-recovering its cost of service at the time it sought to apply the 2012 Index to its rates, and therefore, under Commission precedent, Plains should automatically be entitled to apply the 2012 Index to its rates. For these reasons, the Protest should be rejected, and Plains' tariff filing should be accepted.

⁵⁷ 102 FERC 61,350, at P 10 (2003).

⁵⁸ 101 FERC ¶ 61,269 (2002)

⁵⁹ *Id.* at P 34; *see also Equilon Pipeline Co., LLC*, 91 FERC 61,210 (2000).

Michael L. Jones
Plains Pipeline, L.P.
P. O. Box 4648
Houston, TX 77210-4648
713.646.4335
mljones@paalp.com

Respectfully submitted,

/s/ John E. Kennedy
John E. Kennedy
Elizabeth B. Kohlhausen
Vinson & Elkins L.L.P.
First City Tower
1001 Fannin Street, Suite 2500
Houston, TX 77002-6760
713.758.2550
jkennedy@velaw.com
ekohlhausen@velaw.com

June 19, 2012

Exhibit 1

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Plains Pipeline, L.P.

§
§
§
§

Docket No. IS12-362-000
Tariff Nos. 74.6.0, 86.2.0, 104.2.0,
and 109.2.0

VERIFIED STATEMENT OF JAMES PINCHBACK

James Pinchback, being first duly sworn, deposes and states as follows:

1. I am the Managing Director of Pipeline Commercial Operations for Plains Pipeline, L.P. ("Plains").
2. Plains purchased its interest in the Clovelly Storage Dome & Alliance Refinery Pipeline (the "CAM Pipeline") in 2006. Movements on Plains' interest in the CAM Pipeline are currently tariffed in Plains' Federal Energy Regulatory Commission ("FERC") Tariff No. 109.2.0. Valero Marketing and Supply Company is not and has never been a shipper on Plains' interest in the CAM Pipeline, under Plains FERC Tariff No. 109.2.0 or any previous version of this tariff.



James Pinchback

Harris County
State of Texas

Sworn to and Subscribed before me
this 19 day of June, 2012.



Notary Public in and for the State of Texas



Exhibit No. RGV-1

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Plains Pipeline, L.P.

§
§
§
§
§

Docket No. IS12-362-000
Tariff Nos. 74.6.0, 86.2.0, 104.2.0,
and 109.2.0

Verified Statement of Robert G. Van Hoecke

On Behalf of Plains Pipeline, L.P.

Dated: June 19, 2012

Table of Contents

I. Purpose, General Background, and Summary of Conclusions	3
II. Plains' Page 700 Fully Justifies the Index Filing.....	6
III. Plains' Page 700 Complies with the Commission's Regulations	10
IV. Dr. Arthur Confuses Revenues and Expenses	12
V. Dr. Arthur's Analysis is Inconsistent.....	16
VI. Accepting Dr. Arthur's Approach But Correcting His Inconsistencies Still Results in Plains Being Entitled to Apply the 2012 Index to its Rates.	17
VII. Conclusions.....	18

**VERIFIED STATEMENT OF ROBERT G. VAN HOECKE
ON BEHALF OF PLAINS PIPELINE, L.P.**

I. PURPOSE, GENERAL BACKGROUND, AND SUMMARY OF CONCLUSIONS

1. My name is Robert G. Van Hoecke. I am a Principal with Regulatory Economics Group, LLC ("REG"), a firm specializing in economic, financial, and regulatory consulting for the pipeline industry. My office is at 2325 Dulles Corner Blvd., Ste. 470, Herndon, Virginia 20171-4675. I have approximately 28 years of experience working either directly for or as a consultant to major companies in the pipeline industry. I have prepared testimony regarding the regulation of oil and gas pipelines on numerous occasions before the Federal Energy Regulatory Commission ("FERC" or "Commission"), the Surface Transportation Board, various state regulatory agencies, federal and state courts, and domestic and international arbitration tribunals. A detailed statement of my qualifications is attached hereto as Exhibit No. RGV-2.
2. Plains Pipeline, L.P. ("Plains") is a common carrier oil pipeline that transports crude oil and refined petroleum products in interstate commerce in Texas, Mississippi, Louisiana, New Mexico, Oklahoma, Illinois, Alabama, Montana, California, Colorado, Nebraska, North Dakota, Kansas and South Dakota.
3. On May 30, 2012, Plains made a tariff filing at FERC ("Index Filing") wherein it proposed to apply the Commission's 2012 index adjustment of 8.6011 percent ("2012 Index") to its transportation rates on a system-wide basis pursuant to the Commission's

indexation methodology (18 C.F.R § 343.2 (2012)).¹ It also proposes to make certain other changes to its tariffs, including cancelling expired contract rates, removing references to rail car loading and unloading where that service is not provided, adding an oil spill contingency fee to FERC No. 79.3.0, and other wording and regulatory changes.

4. On June 14, 2012, Valero Marketing and Supply Company ("Valero") filed a Motion to Intervene and Protest ("Protest") to the Index Filing, asserting that certain index increases included in the Index Filing should be rejected or alternatively suspended and set for investigation.² Valero limited its Protest to only Plains' FERC Tariff Nos. 74.6.0, 86.2.0, 104.2.0 and 109.2.0 because it did not ship on the other tariffs in the Index Filing.³ Valero also acknowledged in the Protest that it was not protesting any of the non-index proposed changes (*e.g.*, contract, wording and other changes) in the Index Filing.⁴
5. Valero relies on Dr. Daniel S. Arthur's testimony and analysis ("Arthur Affidavit") as support for the Protest. Dr. Arthur claims that Plains incorrectly reported its revenues on its FERC Form No. 6, Page 700 because it excluded certain non-transportation revenues that are reflected on Page 301 of Plains' FERC Form No. 6 report (specifically non-transportation revenues reflected in Account Nos. 240 Storage and Demurrage Revenue, and 260 Incidental Revenues) from the Total Interstate Operating Revenues it presents on Line 10 of Page 700.⁵ In addition, Dr. Arthur argues that Plains fails to correctly record

¹ Plains' FERC Tariff Nos. 72.4.0, 73.5.0, 74.6.0, 75.2.0, 78.5.0, 79.3.0, 80.2.0, 81.2.0, 83.5.0, 85.2.0, 86.2.0, 87.2.0, 88.4.0, 89.2.0, 92.2.0, 94.2.0, 95.5.0, 96.2.0, 97.3.0, 98.2.0, 100.2.0, 101.2.0, 102.2.0, 104.2.0, 106.2.0, 109.2.0, 111.2.0, 112.3.0, 118.1.0, 119.1.0 and 121.2.0.

² Protest at P 27.

³ *Id.* at page 1, n.1.

⁴ *Id.* at P 2.

⁵ Arthur Affidavit at PP 13-16.

its gains and losses in Account 340—Oil Losses and Shortage Expense.⁶ Dr. Arthur asserts that Plains should have recorded the revenues it collected through its pipeline loss allowance, as an expense (*i.e.*, negative expense) in Account 340 rather than as revenue in Account No. 230—Allowance Oil Revenue. Dr. Arthur states that if these “adjustments” were made to “correct” Plains’ 2011 Page 700, Plains would have experienced a 2.4 percent decrease in costs between 2010 and 2011, which when combined with the proposed 8.6011 percent index increase, would result in an estimated deviation between costs and the proposed index adjustment of approximately 11.00 percentage points, which is slightly over the Commission’s apparent threshold of acceptability.⁷ On this basis, Dr. Arthur concludes that the rates in the Index Filing are not just and reasonable.⁸

6. Counsel for Plains has asked me to review the Protest and the relevant attachments, including the Arthur Affidavit. Counsel also asked me to analyze the reasonableness of Dr. Arthur’s analysis in view of the Commission’s established method for computing the change in a carrier’s annual costs when evaluating an index-based tariff filing.
7. For the reasons I discuss in the remainder of my statement, after conducting a thorough analysis, I conclude that (i) Plains has fully supported its proposed rate increases in the Index Filing under the Commission’s established method for evaluating index-based rate changes, (ii) Plains has complied with the Commission’s instructions regarding the reporting of Total Interstate Operating Revenues on Line 10 of its Page 700, (iii) Plains

⁶ *Id.* at P 9.

⁷ *Id.* at P 23.

⁸ *Id.* at P 4.

accurately reported its expenses in Account 340—Oil Losses and Shortage Expense, and (iv) contrary to Dr. Arthur’s recommendation, it would be a violation of the Uniform System of Accounts (“USoA”) to record the revenue acquired from the sale of allowance oil, recorded in Account 230—Allowance Oil Revenue, as a *negative* expense in Account 340—Oil Losses and Shortage Expense. Moreover, I conclude that the Commission cannot rely on Dr. Arthur’s analysis because it is flawed, lacks consistency, violates the Commission’s prior indexing orders, and incorrectly attempts to reclassify revenue as expense. Finally, I will show that even if one were to accept Dr. Arthur’s assertions *arguendo* but apply them consistently, the results would still indicate that Plains’ Index Filing should be accepted. For these reasons, I believe the Commission should accept Plains’ Index Filing and reject Valero’s Protest.

II. PLAINS’ PAGE 700 FULLY JUSTIFIES THE INDEX FILING

8. The Commission’s indexing regulations allow oil pipelines to change their rates to account for inflation-driven cost increases (or decreases) without having to file a traditional cost-of-service rate case. Section 343.2(c)(1) of the Commission’s regulations establishes the standard for challenging a proposed index rate increase.⁹ This regulation specifies that a challenge to a proposed indexed rate increase must either demonstrate that (i) the proposed rate exceeds the ceiling level for that rate, or (ii) the proposed rate increase is so substantially in excess of the pipeline’s actual cost increases that it renders the resulting rate unjust and unreasonable.
9. Valero does not claim that Plains incorrectly computed its ceiling rates, or that any of the rates in the Index Filing exceed their properly computed rate ceilings.

⁹ 18 C.F.R. § 343.2(c)(1) (2012).

10. Regarding the second criterion, the Commission has mandated the use of a narrow test when reviewing index protests. Specifically, it has held that:

[t]o maintain the relative simplicity of the oil indexing process, the Commission evaluates a protest to an index-based tariff filing using the data reported in the carrier's FERC Form No. 6, Page 700 data in a "percentage comparison test." The percentage comparison test is a very narrow test that "compare[s] the Page 700 cost data contained in the company's annual FERC Form No. 6 to the data that is reflected in the index filing for a given year with the data for [the] prior year" This test is the "preliminary screening tool for pipeline [index-based] rate filings," and is the sole means by which the Commission determines whether a protest meets the section 343.2(c)(1) standard.¹⁰

11. In order to perform the percentage comparison test, the Commission first determines the carrier's actual cost increase (or decrease) for the years at issue. It does this by comparing the carrier's prior year's cost of service to its current cost of service, as reported on line 9 of Page 700 of the carrier's most recent FERC Form No. 6. The Commission then compares the percentage change in the carrier's cost of service to the proposed index adjustment.¹¹ As Valero recognizes, the Commission has only rejected, or set for investigation, index-based tariff increases when the deviation between the change in the carrier's cost-of-service and its proposed index adjustment equals or exceeds approximately positive ten percentage points.¹²
12. The Commission has repeatedly made clear that it looks exclusively at the annual change in the carrier's cost of service, as reported on the carrier's Page 700, when evaluating an index-based tariff protest. In Order No. 620, the Commission indicated that "page 700

¹⁰ SFPP, L.P., 135 FERC ¶ 61,274, at P 9 (2011) (footnotes omitted).

¹¹ See attached Exhibit No. RGV-3 that summaries the cost change calculation, proposed index increase, divergence and resulting outcome associated with several protested index-based filings over the past ten years. At no time has the Commission ever incorporated the adjustments that Dr. Arthur recommends.

¹² Protest at P 8.

was designed as a preliminary screening tool for pipeline rate filings. It provides a means for a shipper to determine whether a pipeline's cost of service or per-barrel/mile cost is so substantially divergent from the revenues produced by its rates to warrant a challenge that requires the pipeline to justify its rates.”¹³

13. As demonstrated in the figure below, Page 700 of Plains’ FERC Form No. 6 reflects a 5.1823 percent increase in Plains’ interstate cost of service between 2010 and 2011. Accordingly, the deviation between the change in Plains’ cost for the years at issue (5.1823 percent) and the change in the 2012 Index (8.6011 percent) is approximately positive 3.4188 percentage points. This is well below the positive ten percentage point threshold historically applied by the Commission. Accordingly, the Commission should find that Plains’ proposed index-based rate increases in the Index Filing are in compliance with the Commission’s regulations and accept all of its proposed tariffs, including the four that Valero has protested.

Figure 1

	Source	2010	2011	Change
Cost-of-Service	Page 700, Line 9	\$355,672,008	\$374,104,132	5.1823%

14. Valero asserts in the Protest that the deviation between the change in Plains’ cost of service and its proposed index-based rate increases is approximately positive 11.00 percentage points. However, in order to reach this conclusion, Valero had to make multiple “adjustments” to Plains’ Page 700. Specifically, Valero argues (based on the

¹³ *Revisions to and Electronic Filing of the FERC Form No. 6 and Related Uniform System of Accounts*, FERC Stats. & Regs. [Regs. Preambles 1996-2000] ¶ 31,115, at p. 31,959 (2000), *on reh’g*, 94 FERC ¶ 61,130 (2001) (“Order No. 620”).

recommendations of its expert Dr. Arthur) that the Commission must “adjust” the cost of service and operating revenues reported on Plains’ Page 700 in order to reflect certain non-transportation revenues. Valero’s Protest does not conform to the Commission’s regulations, and it is not consistent with the Commission’s prior index-based tariff rulings. The “narrow test” articulated by the Commission does not examine non-transportation revenues when evaluating the reasonableness of an index-based change in the transportation tariffs.

15. The Commission has never performed the type of manipulations that Dr. Arthur proposes. As I explain below, there is no basis for making these “adjustments,” nor is there sufficient evidence to support Dr. Arthur’s assertions that (i) the non-transportation revenues he proposes to include are jurisdictional, (ii) Account 230—Allowance Oil Revenues are actually an expense, or (iii) his proposed cost and revenue allocations are appropriate. Moreover, the Commission ruled in Order No. 561¹⁴ that “the hallmark of an indexing system is simplicity.” It went on to explain that simplicity is reflected in the fact that “there is no need to present and examine the costs of each individual pipeline each time a rate change in compliance with the ceiling rate is proposed.”¹⁵ Dr. Arthur’s proposal extends his analysis well beyond Plains’ Page 700 and diverges from the simplicity of indexing toward the complexity of a rate case, where issues such as cost allocation are typically addressed. Consequently, Valero’s Protest, which attempts to raise arguments beyond the percentage comparison test, should be rejected.

¹⁴ *Revisions to Oil Pipeline Regulations Pursuant to the Energy Policy Act of 1992*, FERC Stats. & Regs. [Regs. Preambles, 1991-1996] ¶ 30,985 (1993), (“Order No. 561”), *on reh’g*, FERC Stats. & Regs. [Regs Preambles, 1991-1996] ¶ 31,000 (1994), (Order No. 561-A), *aff’d sub nom.*, *Association of Oil Pipe Lines v. FERC*, 83 F.3d 1424 (D.C. Cir. 1996); *aff’d Association of Oil Pipe Lines v. FERC*, 281 F.3d 239 (D.C. Cir. 2002), *order on remand*, *Five-Year Review of Oil Pipeline Pricing Index*, 102 FERC ¶ 61,195 (2003).

¹⁵ Order No. 561 at pp. 30,948-49.

III. PLAINS' PAGE 700 COMPLIES WITH THE COMMISSION'S REGULATIONS

16. Dr. Arthur acknowledges that the Commission has determined that “the cost data reported on Page 700 of Form No. 6 is to be used to form the basis of a challenge to a proposed rate increase contained in an index filing.”¹⁶ However, he quickly abandons this mandate and begins to make adjustments to incorporate revenues and expenses not properly found on Page 700. He attempts to justify his actions by arguing that “Plains’ unadjusted 2011 Form No. 6, Page 700 does not appear to provide an accurate reflection of costs and revenues for evaluating the reasonableness of its proposed index rate increase.”¹⁷ He goes on to “recommend that the Commission direct Plains to file a corrected Form No. 6, Page 700 to properly account for the improperly excluded Page 700 costs and revenue so that a complete and accurate analysis of its proposed index rate increase can be accomplished.”¹⁸ Nowhere in his testimony, however, does Dr. Arthur demonstrate that Plains failed to follow the Commission regulations or instructions when it prepared its Page 700. In fact, it is Dr. Arthur who puts forward an “adjusted cost of service” and revenue which fails to comply with the instructions for preparing Page 700.
17. To reach his conclusion that the index-based rates increases in the Index Filing are unjust and unreasonable, Dr. Arthur incorrectly eliminates certain expenses that Plains properly included on Page 700. Specifically, Dr. Arthur asserts that Plains’ 2011 interstate operating revenues presented on line 10 of Page 700 must be increased to include Account 240—Storage and Demurrage Revenue and Account 260—Incidental

¹⁶ Arthur Affidavit at P 7, citing Order No. 561, FERC Stats. and Regs., ¶ 30,985 (1993).

¹⁷ *Id.* at P 3.

¹⁸ *Id.* at P 4.

Revenue.¹⁹ In addition, Dr. Arthur states that Plains must credit revenues posted in Account 230—Allowance Oil Revenues against the expenses associated with physical inventory gains and losses recorded in Account 340—Oil Losses and Shortages. The end result of this manipulation is a net reduction in Account 340, as well as in the cost of service listed on Plains’ Page 700.²⁰

18. Dr. Arthur’s assertions are misplaced. With respect to Dr. Arthur’s first claim—that Plains’ 2011 interstate operating revenues presented on line 10 of Page 700 must be increased to include Account 240—Storage and Demurrage Revenue and Account 260—Incidental Revenue—in Order No. 620, the Commission specified that the “revenues reported on Line 10 of Page 700 should reflect only jurisdictional revenues, not nonjurisdictional revenues.”²¹ The Commission’s instructions for preparing Page 700 are consistent with this order. Instruction 3 reads “Enter on line 10, columns (b) and (c), total interstate operating revenues, as reported on page 301, for the current and previous calendar years.” On Page 301, the instructions require the company to present its operating revenues in two tables: the first table containing all revenues classified in accordance with FERC’s USoA accounting standards, and the second table containing *transportation revenues* broken down by the nature of the movement, interstate or intrastate. In the second table, the total interstate operating revenues are found on line 4, column (b) (for the prior year) and column (c) (for the current year). The operating revenues in table two include only accounts with jurisdictional revenues (*i.e.*, the gathering, trunk, and delivery revenue accounts); accounts that may contain non-

¹⁹ Arthur Affidavit at P 13.

²⁰ Dr. Arthur refers to this as his “Adjusted Cost of Service.” Arthur Affidavit at P 17.

²¹ Order No. 620 at p. 31,959.

jurisdiction revenues, such as storage, rental and incidental revenues are excluded from the calculation.²² Plains correctly followed the instructions of the Commission when it reported its total interstate operating revenue on line 10 of its Page 700, by matching the amounts reported on Page 700 to the amounts listed on line 4, columns (b) and (c) of the second table presented on Page 301.

19. Proof of Plains' compliance with the Commission's instructions can be found by examining the Commission's own electronic software package for the FERC Form No. 6. In Order No. 620, the Commission required carriers to file their FERC Form No. 6 reports electronically. To facilitate this filing, the Commission has provided oil pipeline companies with software that they can use to electronically file their FERC Form No. 6's. The Commission included a set of data validation checks with this software package. One such check verifies that the amount reported by the carrier on column (b) of Line 10 of Page 700 matches the amount listed by the carrier in column (c) of Line 4 of Page 301 in the second table. If these values do not match, the software generates an error message warning the user of the problem, as shown in Exhibit No. RGV-4. Plains used the Commission's software package to file its FERC Form No. 6 and it is my understanding that it did not receive this error message at filing, meaning that it correctly reported its interstate operating revenues on Page 700.

IV. DR. ARTHUR CONFUSES REVENUES AND EXPENSES

20. Based on his apparently limited understanding of FERC's accounting standards, Dr. Arthur also asserts that *revenue* associated with oil gains must be recorded as a *negative*

²² The Commission has previously determined that certain storage and incidental related activities are not properly classified as jurisdictional. *TE Products Pipeline Company, LLC*, 130 FERC ¶ 61,257; *Williams Pipe Line Company*, 72 FERC ¶ 61,274.

expense in Account 340—Oil Losses and Shortages Expense, resulting in a reduction in the carrier’s interstate cost of service reflected on line 9 of Page 700.²³ Dr. Arthur cites Section 340 of the Commission’s USoA in support of his position. Dr. Arthur’s position is incorrect. First, the section of the USofA that Dr. Arthur refers to in his affidavit addresses the proper classification of *expenses* associated with the physical oil losses or gains “due to operating causes during the course of transportation.” It is clear by the title of this section “OPERATING EXPENSES – OPERATIONS AND MAINTENANCE” that this provision of the USoA is intended to address the proper posting of operating expenses, not revenues as Dr. Arthur maintains. Physical inventory losses (or gains) caused by the pipeline operations can occur for several reasons, such as measurement tolerances, temperature corrections, unintended releases, maintenance, product interfaces and the over/under delivery of product. During the course of operation, carriers routinely perform a physical inventory of their system and compare the results to the book inventory levels recorded in each shipper’s account. The value of the inventory discrepancies (both losses and gains) is reflected as an *expense* in Account 340—Oil Losses and Shortages.²⁴

21. In contrast, the balance in Account 230—Allowance Oil represents a tender deduction, *i.e.*, a small amount of oil extracted from the shipper’s nomination at the point of receipt. It does not represent a physical loss due to operation. It is a contractual obligation provided for by the tariff, typically in a provision called the pipeline loss allowance

²³ Arthur Affidavit at P 9 (citing 18 CFR Part 352, Section 340).

²⁴ An examination of Plains’ FERC Form No. 6 Pages 302 and 303, demonstrates that Plains is already crediting the value of operational gains due to physical inventory reconciliation as an expense in Account No. 340 because the annual balance in this account for 2011 reflects an operational loss for refined products and an operational gain for crude oil. The net result is an overall operational gain in 2011. This operational gain is already reflected in the operating expenses used to compute Plains’ cost-of-service on Page 700.

(“PLA”). If a carrier’s tariff provides for a PLA of two-tenths of one percent (0.20%), a shipper that tenders 10,000 barrels of product at an origin point will receive a book inventory credit in its account of only 9,980 barrels for the shipment.²⁵ The balance, 20 barrels, is retained by the pipeline in the carrier’s inventory account. Pursuant to the USoA, the carrier records the current value of this allowance oil as *revenue* in Account 230—Allowance Oil Revenue.²⁶

22. It is improper for Dr. Arthur to deduct the balance of the carrier’s Account 230—Allowance Oil Revenues from expenses to compute an “adjusted cost of service.” Not only do the instructions on Page 700 provide for no such adjustment, but it is also not consistent with the Commission’s USoA regulations. Moreover, such an adjustment is not consistent with the Commission’s prior mandate regarding the narrow percentage change test.

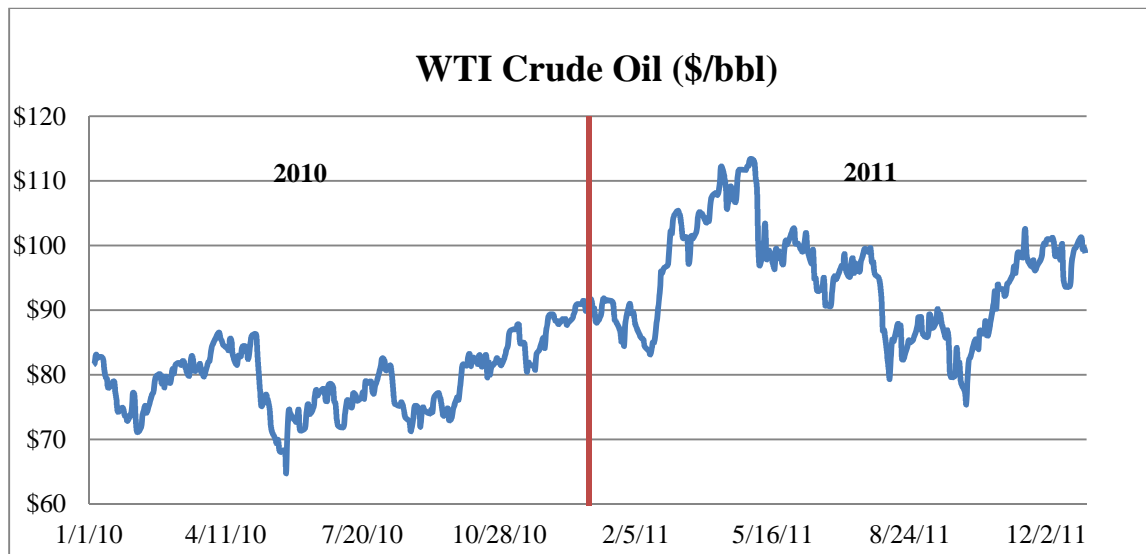
Crude prices in 2011 were significantly higher than crude prices in 2010, resulting in one-time gain in the balance of many carriers’ Account 230—Allowance Oil Revenues between 2010 and 2011.²⁷

²⁵ 10,000 barrels less $(.002 \times 10,000) = 9,980$ barrels.

²⁶ See 18 CFR Part 352, Section 230—Allowance Oil Revenue. This account shall include the current value of oil acquired through tariff allowances taken into inventory or retained in the line for operating oil supply.

²⁷ U.S. Energy Information Agency (“EIA”), http://www.eia.gov/dnav/pet/pet_pri_spt_s1_d.htm.

Figure 2



Presumably, Dr. Arthur recognized that the adjustment he proposes will create the appearance that costs have decreased between 2010 and 2011. But crude prices can be extremely volatile; the gains Dr. Arthur asks the Commission to include in Page 700 2011 to support his position will most likely reverse in 2012, given the recent trends in crude prices. West Texas Intermediate (“WTI”) crude prices are currently in the \$82-\$83/barrel range, similar to their 2010 levels. Accepting Dr. Arthur’s proposed adjustments now could lead to carriers arguing next year that their costs have increased simply because crude prices decreased, irrespective of any change in actual operating costs. The Commission has never credited the change in Account 230—Allowance Oil Revenues against Account 340—Oil Losses and Shortages when performing its five-year review.²⁸ The Commission should not depart from that position here.

23. Moreover, the Index Filing only adjusts the transportation rates proposed for future movements on Plains’ interstate pipelines; Plains has not proposed to apply the 2012

²⁸ *Five-Year Review of Oil Pipeline Pricing Index*, 133 FERC ¶ 61,228 (2010).

Index to its non-transportation fees (Allowance Oil, Storage, Rentals or Demurrage). In other words, items such as Plains' PLA percentage and its demurrage fee remain unchanged. Therefore, the future value of Plains' non-transportation revenues will most likely remain unchanged or, with regard to its Account 230—Allowance Oil Revenues, will most likely decline due to the decrease in crude prices from their peak in 2011. Therefore these items are not properly the subject of a protest.

V. DR. ARTHUR'S ANALYSIS IS INCONSISTENT

24. The adjustments Dr. Arthur proposes to make to Plains' Page 700 are not only flawed, but they are also inconsistent with one another. Of the four non-transportation revenue accounts listed on Page 301 (lines 4-7 of the first table), Dr. Arthur only suggests that one account should be used to offset operating expenses—Account 230 (Allowance Oil Revenues). He does not propose that storage and rental revenues (Account Nos. 240 and 250) should be credited against the rental expenses (Account Nos. 350 and 530), nor does he claim that incidental revenue (Account 260) should be credited against “other expenses” (Account Nos. 390 and 590).²⁹
25. Rather, Dr. Arthur claims that the storage, rental and incidental revenues in Accounts 240, 250, and 260 should be added to interstate operating revenues on Page 700 (albeit for 2011 only), despite having no factual basis from which to determine if Plains actually derived these revenues from jurisdictional activity or not.³⁰ He proposes to use a per-

²⁹ However he does claim that these revenues should be added to interstate operating revenues on Page 700 (for 2011 only), despite having no factual basis from which to determine if this revenue are derived from jurisdictional activity or not.

³⁰ Plains informs me that for the period in question, Account 240 only contains storage revenues and does not reflect any demurrage. Incidental revenues includes a variety of miscellaneous activities including line leases, additive fees and deficiency payments. There is a high likelihood that a significant portion of this activity is non-jurisdictional.

barrel allocation method to assign these revenues to Page 700. Dr. Arthur has no reasonable basis, factual or otherwise, from which to make this allocation. As mentioned above, this type of allocation is often the source of heated debate in rate cases. I will note that on the day prior to filing his affidavit in this proceeding, Dr. Arthur filed a sworn affidavit in another Valero index protest in which he recommends that the Commission allocate non-transportation revenues on a barrel-mile basis.³¹ He provides no explanation for his inconsistent positions in these proceedings.

26. Moreover, Dr. Arthur ignores the footnote referenced in Plains' FERC Form No. 6 that indicates, with respect to the amount listed in column (c) of Line 4 of Page 301, that "[c]ertain items were reclassified from Incidental Revenue to Allowance Oil Revenue within the current year presentation." In other words, some of the items that Plains posted to Account 230—Allowance Oil Revenue in 2011 were posted to Account 260—Incidental Revenues in 2010. By ignoring this footnote and taking an inconsistent approach to treating Account 230—Allowance Oil Revenue and Account 260—Incidental Revenue, Dr. Arthur has created an apples to oranges comparison.

VI. ACCEPTING DR. ARTHUR'S APPROACH BUT CORRECTING HIS INCONSISTENCIES STILL RESULTS IN PLAINS BEING ENTITLED TO APPLY THE 2012 INDEX TO ITS RATES.

27. If we assume for the sake of argument that the following of Dr. Arthur's assertions are correct: (i) that non-transportation revenues are jurisdictional, (ii) that these revenues need to be credited against Plains' interstate cost-of-service reported on Page 700, and (iii) that the appropriate method to assign these revenues is on a per-barrel basis, the resulting "adjusted cost-of-service" would still indicate that Plains has experienced a cost

³¹ See Motion to Intervene and Protest of Valero Marketing and Supply Company at PP 13-15, Docket No. IS12-314-000 (June 13, 2012).

increase in excess of four percent between 2010 and 2011. As Figure 3 below demonstrates once Dr. Arthur's internally inconsistent assumptions are eliminated, Plains still meets the Commission's percentage change test.

Figure 3

	<u>Source</u>	<u>2010</u>	<u>2011</u>	<u>Change</u>
1 Cost-of-Service	Page 700, Line 9	\$ 355,672,008	\$ 374,104,132	
2 Allowance Oil Revenue	Account 230, Page 301, Line 4	\$ 72,007,107	\$ 108,341,723	
3 Storage and Demurrage Revenue	Account 240, Page 301, Line 5	\$ 5,889,027	\$ 6,717,738	
4 Rental Revenue	Account 250, Page 301, Line 6	\$ 299,700	\$ -	
5 Incidental Revenue	Account 260, Page 301, Line 7	\$ 31,725,041	\$ 7,782,065	
6 Total Non-Transportation Revenue	Line (2+3+4+5)	\$ 109,920,875	\$ 122,841,526	
7 Dr. Arthur's Interstate Allocation	Arthur Affidavit at Figure 2	77.69%	75.31%	
8 Revised Dr. Arthur's "Adjusted COS"	Ln. 1 - (Ln. 6 *Ln.7)	\$ 270,274,480	\$ 281,592,179	4.1875%

28. On the other hand, if Valero had added a percentage of all non-transportation revenue accounts to Plains' interstate operating revenues on Line 10 of its Page 700, the cost of service reflected on Plains' filed Page 700 would remain unchanged and the deviation between the changes in Plains' costs between 2010 and 2011 and the change in the index would still be 3.4188 percent.

VII. CONCLUSIONS

29. For the reasons discussed above, I conclude that: (i) Plains has fully supported the Index Filing under the Commission's established method for evaluating index-based rate changes, (ii) Plains has complied with the Commission's instructions regarding the reporting of Total Interstate Operating Revenues on Line 10 of its Page 700, (iii) Plains

accurately reported its expenses in Account 340—Oil Losses and Shortage Expense, (iv) contrary to Dr. Arthur’s recommendation, it would be a violation of the USoA to record the revenue acquired from the sale of allowance oil, recorded in Account 230—Allowance Oil Revenue, as a *negative* expense in Account 340—Oil Losses and Shortage Expense. Moreover, I conclude that the Commission cannot rely on Dr. Arthur’s analysis because it is flawed, lacks consistency, violates the Commission’s prior indexing orders and incorrectly treats revenue as an expense. Even if one were to accept Dr. Arthur’s assertions *arguendo* but apply them consistently, the results would still indicate that Plains’ Index Filing should be accepted. For these reasons, I believe the Commission should accept Plains’ Index Filing and reject Valero’s Protest.


VERIFICATION

STATE OF VIRGINIA
COUNTY OF FAIRFAX


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§
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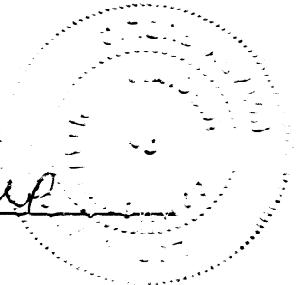
Docket No. IS12-362-000
Tariff Nos. 74.6.0, 86.2.0, 104.2.0,
and 109.2.0

Robert G. Van Hoecke, being first duly sworn, on oath states that he is the same Robert G. Van Hoecke whose Verified Statement is attached herein; that such testimony was prepared by him; that he is familiar with the contents thereof; and that the facts set forth in the Verified Statement are true and correct to the best of his knowledge, information, and belief.


Robert G. Van Hoecke

SUBSCRIBED AND SWORN TO before me, a Notary Public in and for the State of Virginia, County of Fairfax, this 19th day of June, 2012.


Notary Public



My Commission Expires: Jan. 31st 2013

Notary Reg. # 255205

Exhibit No. RGV-2

ROBERT G. VAN HOECKE

Regulatory Economics Group, LLC.

Principal

Mr. Van Hoecke has over twenty five years of experience in the oil pipeline business. For over twelve years Bob held various positions with Williams Pipe Line Company (WPL), including Operations Supervisor, Health and Safety Supervisor, Strategic Planning and Tariffs Manager, and Tariff and Regulatory Affairs Manager. Since leaving WPL, Bob has provided consulting services to the industry, primarily relating to cost of service, market studies and business planning. Bob has provided expert testimony in numerous matters relating to pipeline tariffs, cost of service and business practices.

Relevant Experience

Pipeline Operation

- ◆ Directed and Managed WPL's Phase II defense in a rate case before the U.S. Federal Energy Regulatory Commission (FERC) in Docket No. IS90-21-000 et al.
- ◆ Managed and supervised preparation of monthly, annual and long-range forecasts of volumes, revenues and related variance comments.
- ◆ Established and supervised system-wide health and safety programs for approximately 700 employees in 10 states.
- ◆ Directed and supervised all day-to-day operational activities of pipeline terminals and pump stations for a three terminal complex transporting and delivering refined petroleum, fertilizer, asphalt and LPG.
- ◆ Carried out various aspects of pipeline operations and administration at terminal, pump station and regional field office levels.

Rates and Regulation

- ◆ For WPL, directed company's Phase II defense in a rate case before the FERC in Docket No. IS90-21-000 et al. Responsible for developing the course of defense and selecting appropriate expert witnesses to testify on the company's behalf. Supervised development of various stages of discovery, direct testimony, rebuttal testimony and case preparation. Served as chief company witness and performed short-run marginal cost analysis of integrated pipeline network containing more than 40,000 distinct routes.
- ◆ Presented testimony in a FERC complaint proceeding to determine whether certain bookkeeping services provided by a common carrier pipeline were jurisdictional.
- ◆ Expert testimony regarding the proper method for determining just and reasonable transportation charges for unregulated carbon dioxide pipelines in two separate class action disputes initiated by royalty interest owners in the Federal District Court of New Mexico and Colorado.
- ◆ Expert testimony regarding the proper method for determining just and reasonable cost-based transportation charges for regulated oil pipelines at the FERC.

- ◆ Expert testimony regarding rate reasonableness and revenue adequacy on behalf of an anhydrous ammonia pipeline at the STB.
- ◆ Expert testimony regarding just and reasonable rates for the Trans Alaska Pipeline Settlement (TAPS) under various alternative cost of service methodologies at the Regulatory Commission of Alaska and the FERC.
- ◆ Expert testimony regarding the application of standards set forth in the 1992 Energy Policy Act (EPAct) for determining whether substantially changed economic circumstances have occurred for rates previously deemed to be just and reasonable under the EPAct.
- ◆ Prepared market evaluation, laid-in cost data, and testimony for market-based rate applications for several oil pipelines seeking market-based rates at the FERC.
- ◆ Prepared market evaluation and laid-in cost analysis to support oil industry mergers and acquisitions at the Federal Trade Commission.

Economics and Finance

- ◆ Assisted in the financial and regulatory evaluation of potential acquisition opportunities.
- ◆ Participated in the development of a historical cost trend analysis for the oil pipeline industry related to the oil pipeline tariff index.
- ◆ Provided expert testimony regarding the reasonableness of certain decisions made by a majority partner in a joint venture pipeline in a dissolution action initiated by a minority partner before the Federal District Court of Missouri.

Commercial Analysis

- ◆ Market evaluations and determining appropriate competitive tariff structures to maximize a pipeline's profitability. Conducting competitive analysis of potential market encroachments and assisting pipeline clients in developing a series of strategic and tactical responses. Developing the data and testimony required for market-based rate applications at the FERC.
- ◆ Performing economic analysis of proposed business development projects to assist pipeline management in evaluating various business strategies.
- ◆ While with WPL, responsible for performing market evaluations and establishing competitive tariff rates and ancillary fees to maximize profitability. Worked closely with Marketing and Business Development groups to develop and implement market-based, negotiated rates with strategic shippers and joint pipeline carriers.

Testimony

June 13, 2012	Filed Affidavit on behalf of Black Lake Pipeline Company at the FERC in response to complaint filed by Regency Field Services LLC regarding product specification penalties in Docket Nos. OR12-15-000.
Apr. 9, 2012	Filed Affidavit on behalf of TEPPCO at the FERC in support of their March 16, 2012 cost-of-service rate filing in Docket No. IS12-203-000.
Aug. 9, 2011	Filed Second Affidavit on behalf of SFPP at the FERC in response to complaint filed by ConocoPhillips Company and Chevron Products Company regarding grandfathered rates and substantial change in Docket Nos. OR11-13-000 and OR11-16-000.
July 5, 2011	Filed Affidavit on behalf of SFPP at the FERC in response to complaint filed by ConocoPhillips Company and Chevron Products Company regarding grandfathered rates and substantial change in Docket Nos. OR11-13-000 and OR11-16-000.
Feb. 25, 2011	Presented Oral Testimony and Cross Examination before an Arbitral Tribunal at the International Chamber of Commerce in relation to forecasted transportation revenues, cost recovery mechanisms, and quantum meruit for historical losses incurred by international crude oil pipeline. (c. 15 898/VRO)
Jan. 17, 2011	Submitted a Third Expert Report in a matter of Arbitration at the International Chamber of Commerce presenting alternative forecasted transportation revenues under various scenarios relating to the operation of an international crude oil pipeline. (c. 15 898/VRO)
Dec. 22, 2011	Submitted a Second Expert Report in a matter of Arbitration at the International Chamber of Commerce presenting forecasted transportation revenues under various scenarios, cost recovery mechanisms, and quantum meruit for historical losses relating to the operation of an international crude oil pipeline. (c. 15 898/VRO)
Dec. 21, 2011	Submitted a Joint Expert Statement in a matter of Arbitration at the International Chamber of Commerce regarding forecasted transportation revenues and quantum meruit for historical losses incurred by international crude oil pipeline. (c. 15 898/VRO)
Nov. 5, 2011	Submitted Expert Report in a matter of Arbitration at the International Chamber of Commerce presenting forecasted transportation revenues under various scenarios, cost recovery mechanisms and quantum meruit for historical losses relating to the operation of an international crude oil pipeline. (c. 15 898/VRO)
Nov. 2-3, 2010	Presented Oral Testimony and Cross Examination at the FERC on BP Pipelines (Alaska) Inc. in Docket Nos. IS-09-348 et al. in support of BPPA's cost pooling mechanism which properly allocates costs among Trans Alaska Pipeline System Carriers based on usage.

Jun. 18, 2010	Submitted Answering Testimony at the FERC on behalf of BP Pipelines (Alaska) Inc. in Docket Nos. IS-09-348 et al. responding to testimony presented by CPTAI regarding proper cost pooling mechanism.
Apr. 16, 2010	Submitted Direct Testimony at the FERC on behalf of BP Pipelines (Alaska) Inc. in Docket Nos. IS-09-348 et al. in support of BPPA's cost pooling mechanism which properly allocates costs among Trans Alaska Pipeline System Carriers based on usage.
Mar. 22, 2010	Filed Affidavit in Docket No. IS01-160 regarding the jurisdictional nature of terminals.
Feb. 8, 2010	Submitted Rebuttal Testimony at the California Public Utility Commission on behalf of San Pablo Bay Pipeline LLC in support of the company's application for market based rates.
Apr. 1, 2009	Filed Direct Testimony at the California Public Utility Commission on behalf of San Pablo Bay Pipeline LLC in support of the company's application for market based rates.
May 2, 2008	Cross examination in <i>BP West Coast Products et al. v. SFPP</i> Docket No. OR03-5-001 at the FERC.
Mar. 3, 2008	Filed supplemental Affidavit on behalf of Calnev Pipe Line LLC at the FERC in response to complaint filed by ExxonMobil Oil Corporation in Docket No. OR07-5-000.
Feb. 27, 2008	Submitted Prepared Answering Testimony on behalf of SFPP, L.P. at the FERC in response to complaint filed by BP West Coast Products, LLC, ExxonMobil Oil Corporation, and ConocoPhillips Co. in Docket No. OR-03-5-001
Nov. 27, 2007	Filed Affidavit on behalf of Calnev Pipe Line LLC at the FERC in response to complaint filed by ExxonMobil Oil Corporation in Docket No. OR07-5-000.
Jul. 20, 2007	Submitted Affidavit on behalf of the Petition for Declaratory Order of Enbridge Pipelines (Southern Lights) LLC at the FERC supporting an innovative rate structure for the new pipeline in Docket No. OR07-15.
Mar. 22, 2007	Submitted Expert Designee Report on behalf of Cortez Pipeline Company under the terms of the Arbitration Agreement established in <i>CO₂ Committee, Inc v. Shell Oil Company</i> , Shell CO ₂ Company, Ltd., aka Kinder Morgan CO ₂ Company, L.P., Shell Western E&P, Inc., Mobil Producing Texas and New Mexico, Inc., and Cortez Pipeline Company.
Nov. 28-30, 2006	Presented Oral Testimony on behalf of Trans Alaska Pipeline System Carriers at the FERC regarding an investigation of interstate transportation rates in Docket Nos. IS05-82 and IS06-01 et al.
Aug. 11, 2006	Filed Prepared Rebuttal Testimony at the FERC on behalf of the Trans Alaska Pipeline System Carriers in an investigation of interstate transportation rates in Docket Nos. IS05-82 and IS06-01 et al.

Jun. 29, 2006	Presented Direct Oral Testimony and Cross Examination on behalf of Cortez Pipeline in Arbitration by Agreement involving <i>CO2 Committee, Inc. v. Shell Oil Company, Shell CO2 Company, Ltd.</i> , aka Kinder Morgan CO2 Company, L.P., Shell Western E & P, Inc., Mobil Producing Texas and New Mexico, INC., and Cortez Pipeline Company.
May 30, 2006	Filed Expert Report on behalf of Cortez in Arbitration by Agreement involving <i>CO2 Committee, Inc. v. Shell Oil Company, Shell CO2 Company, Ltd.</i> , aka Kinder Morgan CO2 Company, L.P., Shell Western E & P, Inc., Mobil Producing Texas and New Mexico, Inc., and Cortez Pipeline Company.
May 26, 2006	Filed Prepared Answering Testimony at the FERC on behalf of the Trans Alaska Pipeline System carriers in an investigation of interstate transportation rates effective January 1, 2006 in Docket Nos. IS05-82 et al. and IS06-01 et al.
Apr. 4, 2006	Filed Prepared Supplemental Direct Testimony at the FERC on behalf of the Trans Alaska Pipeline System Carriers in an investigation of interstate transportation rates effective January 1, 2006 in Docket No. IS06-01 et al.
Mar. 31, 2006	Filed Affidavit at the Surface Transportation Board (STB) on behalf of Valero, L.P. supporting its claim of materially changed circumstances which would permit the STB to vacate its prior rate prescription in Koch and thus restore ratemaking initiatives to Valero in Docket No. 42084.
Dec. 7, 2005	Filed Prepared Direct Testimony at the FERC on behalf of the Trans Alaska Pipeline System Carriers in an investigation of interstate transportation rates effective January 1, 2005 in Docket No. IS05-82 et al.
Jul. 18, 2005	Filed Affidavit in support of Sunoco's answer to ConocoPhillips's protest of Sunoco's application for authority to charge market-based rates in Docket No. OR05-7-000.
Apr. 12, 2005	Filed Prepared Direct Testimony on behalf of Sunoco Pipelines L.P. supporting Sunoco's application for authority to charge market-based rates in Docket No. OR05-7-000.
Feb. 25 – Mar. 2, 2005	Presented Oral Testimony and Cross Examination on behalf of SFPP in response to protest and complaint in Texaco Refining and Marketing et al. SFPP Docket Nos. OR96-2-000 et al. and IS98-1-000.
Jan. 28, 2005	Filed Prepared Rebuttal Testimony on behalf of SFPP in response to protest and complaint in Texaco Refining and marketing et al. SFPP LP Docket Nos. OR96-2-000 et al. and IS98-1-000.
Dec. 10, 2004	Filed Affidavit at the FERC in support of Petition for Declaratory Order filed by Enbridge Energy Company, Inc. regarding initial rates and determination of rate base for a proposed crude oil pipeline system between Chicago, IL and Cushing, OK. Docket No. OR05-1-000.

Dec. 10, 2004	Filed Prepared Answering Testimony on behalf of SFPP in response to protest and complaint in <i>Texaco Refining and Marketing, et al. v. SFPP, LP</i> Docket Nos. OR96-2-000 et al. and IS98-1-000.
Oct. 14, 2004	Filed Affidavit at the STB on behalf of Kaneb Pipe Line Partners, L.P. rebutting certain statements and allegations contained in the verified statement of Complainant witnesses in Docket No. 42084.
Sept. 13, 2004	Filed Affidavit at the STB on behalf of Kaneb Pipe Line Partners, L.P. supporting its claim of materially changed circumstances which would permit the STB to vacate its prior rate prescription in Koch and thus restore ratemaking initiatives to Kaneb in Docket No. 42084.
Apr. 6, 2004	Filed Affidavit at the FERC discussing entitlement of third party shippers to reparations. <i>Big West v. Frontier</i> , Docket No. OR01-3.
Apr. 5, 2004	Filed Affidavit at the FERC supporting the response of Frontier Pipeline Company to the request for rehearing of Big West Oil Company and Chevron Products Company. Docket Nos. OR01-02-000 and OR01-04-000.
Dec. 11, 2003	Presented Oral Testimony and Cross Examination on behalf of the Trans Alaska Pipeline System Carriers in the matter of Tariff Rates To Be Effective January 1, 2003 for the Intrastate Transportation of Petroleum over the Trans Alaska Pipeline System and the Investigation Into the 2001 and 2002 Tariff Rates for the Intrastate Transportation of Petroleum over the Trans Alaska Pipeline System before the Regulatory Commission of Alaska. P-03-4.
Oct. 15, 2003	Submitted Rebuttal on behalf of the Trans Alaska Pipeline System Carriers in the matter of Tariff Rates To Be Effective January 1, 2003 for the Intrastate Transportation of Petroleum over the Trans Alaska Pipeline System and the Investigation Into the 2001 and 2002 Tariff Rates for the Intrastate Transportation of Petroleum over the Trans Alaska Pipeline System before the Regulatory Commission of Alaska. P-03-4.
Sep. 10, 2003	Filed Affidavit at the FERC in support of Shell Pipeline Company LP's motion to compel discovery in Docket No. OR02-10.
Aug. 29, 2003	Submitted Prepared Direct Testimony at the FERC on behalf of Shell Pipeline Company LP in support for its application for authority to charge market-based rates. Docket No. OR02-10.
Jul. 24, 2003	Filed Affidavit at the FERC in support of Shell Pipeline Company LP's motion to extend the procedural schedule in Docket No. OR02-10.
Jun. 10, 2003	Submitted Prepared Answering and Rebuttal Testimony at the FERC supporting Platte FERC Tariff No. 1474 in Docket Nos. IS02-384-000 et al.
Jun. 3, 2003	Submitted Prepared Direct Testimony on behalf of the Trans Alaska Pipeline System Carriers in the matter of Tariff Rates To Be Effective January 1, 2003 for the Intrastate Transportation of Petroleum over the Trans Alaska Pipeline System and the Investigation Into the 2001 and 2002 Tariff Rates for the Intrastate

	Transportation of Petroleum over the Trans Alaska Pipeline System before the Regulatory Commission of Alaska. P-03-4.
Dec. 20, 2002	Submitted Prepared Direct Testimony at the FERC supporting Platte FERC Tariff No. 1474 in Docket No. IS02-384-0000 et al.
Oct. 28, 2002	Submitted Reply Testimony at the FERC on behalf of Shell Pipeline Company in response to protest by Phillips Petroleum Co., Tosco Corporation, and ToscoPetro Corp. Docket No. OR02-10-000.
Aug. 9, 2002	Submitted Testimony at the FERC in support of reparations calculations proposed by Frontier Pipeline Company in Docket Nos. OR01-2-00 and OR01-4-000.
Jul. 9, 2002	Submitted Testimony at the FERC on behalf of Shell Pipeline Company in support for its application for authority to charge market-based rates. Docket No. OR02-10-000.
Jan. 11-31, 2002	Cross-examination in complaint of <i>ARCO Products Company et al. v. SFPP, LP</i> in Docket Nos. OR96-2-000, et al. before the FERC.
Nov. 2, 2002	Filed Affidavit at the FERC supporting Plantation Pipe Line Company's Petition for Declaratory Order regarding initial rates for proposed new pipeline service from Bremen, Georgia to Chattanooga and Knoxville, Tennessee. Docket No. OR02-1-000.
Jul. 31, 2001	Filed Prepared Reply Testimony on behalf of SFPP at the FERC in response to complaint of ARCO Products Company et al. in Docket Nos. OR96-2-000, et al.
May 15, 2001	Filed Prepared Answering Testimony on behalf of SFPP in response to complaint of ARCO Products Company et al. in Docket Nos. OR96-2-000, et al.
Apr. 23-26, 2001	Presented Oral Testimony on behalf of Trans Alaska Pipeline System Carriers in the matter of the correct calculation and use of acceptable input data to calculate the 1997, 1998, 1999, and 2000 tariff rates for the intrastate Transportation of Petroleum over the Trans Alaska Pipeline System before the Regulatory Commission of Alaska P97-4 and P97-7.
Apr. 2, 2001	Filed Affidavit with the Superior Court of Arizona, Tax Court discussing Commission regulations regarding the concept of Original Cost in <i>SFPP, L.P. v. Arizona Department of Revenue</i> No. TX 1999-00532.
Mar. 29, 2001	Filed Rebuttal Report on behalf of Cortez Pipeline Company in <i>CO₂ Claims Coalition, et al., v. Shell Oil Company, et al.</i> in the United States District Court for the State of Colorado CIV No. 96-Z-2451.
Mar. 26, 2001	Filed Affidavit at the FERC supporting the response of Anschutz Ranch East Pipeline to the complaint made by Chevron Products Company. Docket No. OR01-05-000.

Mar. 20, 2001	Submitted Testimony at the FERC on behalf of West Shore Pipe Line Company in support for its application for authority to charge market-based rates. Docket No. OR01-06-000.
Mar. 14, 2001	Filed Affidavit at the FERC supporting the response of Frontier Pipeline Company to answer of complaint made by Chevron Products Company. Docket No. OR01-04-000.
Mar. 13, 2001	Filed Affidavit at the FERC supporting the response of Anschutz Ranch East Pipeline Inc. to the amended complaint made by Big West Oil Company. Docket No. OR01-03-000.
Mar. 5, 2001	Filed Affidavit at the FERC supporting the response of Frontier Pipeline Company to answer a complaint made by Big West Oil Company. Docket No. OR01-02-000.
Feb. 26, 2001	Rebuttal Testimony on behalf of Trans Alaska Pipeline System Carriers in the matter of the correct calculation and use of acceptable input data to calculate the 1997, 1998, 1999 and 2000 tariff rates for the Intrastate Transportation of Petroleum over the Trans Alaska Pipeline System before the State of Alaska, Regulatory Commission of Alaska, P-97-4.
Feb. 6, 2001	Filed Affidavit at the FERC supporting the response of Anschutz Ranch East Pipeline Inc. to the complaint made by Big West Oil Company. Docket No. OR01-03-000.
Jan. 29, 2001	Filed Affidavit at the FERC supporting the response of Frontier Pipeline Company to the complaint made by Big West Oil Company. Docket No. OR01-02-000.
Dec. 20, 2000	Prepared Direct Testimony, filed with the FERC, in support of Chase Transportation Company's application for authority to charge market-based rates in Docket No. OR01-1-000.
Nov. 14, 2000	Presented oral testimony on behalf of Kinder Morgan Energy Partners, L.P. before the State of Arizona, Board of Equalization regarding the proper valuation of SFPP's pipeline assets in the State of Arizona.
Jul. 12, 2000	Second Prepared Direct Testimony on behalf of Trans Alaska Pipeline System Carriers in the matter of the correct calculation and use of acceptable input data to calculate the 1997, 1998, 1999 and 2000 tariff rates for the Intrastate Transportation of Petroleum over the Trans Alaska Pipeline System before the State of Alaska, Regulatory Commission of Alaska, P-97-4.
May 9, 2000	Submitted second report to the American Arbitration Association (AAA) regarding oil pipeline tariff regulations rebutting testimony of Marcum Midstream-Farstad, LLC in the arbitration between <i>Marcum Midstream-Farstad, LLC et .al. v. Amoco Oil Company</i> . Case No. 70 198 00294-99.
May 5, 2000	Filed Affidavit at the FERC supporting the Response of ExxonMobil Pipeline Company to the Motion to Intervene of BP Exploration & Oil, Inc. in Opposition

to ExxonMobil Pipeline Company's Petition for Declaratory Order and Petition for Discovery regarding initial transportation rates on the Hoover Offshore Oil Pipeline System (HOOPS) in Docket No. OR00-2-000.

- May 2, 2000 Submitted Testimony at the FERC on behalf of Equilon Pipeline Company, LLC in support of its cost-of-service filing in Docket No. IS00-208-000.
- Mar. 20, 2000 Submitted report to the AAA regarding oil pipeline tariff regulations in support of Amoco Oil, Company's position in the arbitration between *Marcum Midstream-Farstad, LLC et al. v. Amoco Oil Company*. Case No. 70 198 00294-99.
- Mar. 9, 2000 Filed Affidavit at the FERC supporting ExxonMobil Pipeline Company's Petition for Declaratory Order regarding initial transportation rates on the HOOPS in Docket No. OR00-2-000.
- Feb. 15, 2000 Submitted Testimony at the FERC on behalf of Marathon Ashland Pipe Line LLC in support of its application for the authority to charge Market-Based Rates in Docket No. OR00-1-000.
- Jun. 16, 1999 Submitted Testimony at the FERC on behalf of Amoco Pipeline Company in support of its cost-of-service filing in Docket No. IS99-268-000.
- Apr. 30, 1999 Supplemental Testimony on behalf of Cortez Pipeline Company in *CO₂ Claims Coalition, et al., v. Shell Oil Company, et al.* in the United States District Court for the State of Colorado CIV No. 96-Z-2451.
- Feb. 19, 1999 Supplemental Testimony on behalf of Explorer Pipeline Company as part of its Motion for Summary Disposition in its Application for Market-Based Rates at the FERC, OR99-1-000.
- Jan. 29, 1999 Oral Testimony and cross-examination in *Conoco Pipeline Company, Inc. v. Transmontaigne Pipeline, Inc.* in the United States District Court for the Western District of Missouri, Southwest Division, Case No. 97-5085-CV-SW-1.
- Jan. 13, 1999 Deposition in *CO₂ Claims Coalition, et al., v. Shell Oil Company, et al.* in the United States District Court for the State of Colorado CIV NO. 96-Z-2451.
- Nov. 23, 1998 Prepared Testimony on behalf of Cortez Pipeline in *CO₂ Claims Coalition, et al., v. Shell Oil Company, et al.* in the United States District Court for the State of Colorado CIV NO. 96-Z-2451.
- Oct. 15, 1998 Submitted Testimony on behalf of Explorer Pipeline Company as part of its Application for Market-Based Rates at the FERC in Docket No. OR99-1-000.
- Oct. 8, 1998 Prepared Direct Supplemental Testimony on behalf of the Trans Alaska Pipeline System Carriers in the Alaska Public Utilities Commission Docket No. P-97-4, the protest of the 1997 and 1998 Tariff Rates for the Intrastate Transportation of Petroleum over the Trans Alaska Pipeline System (revised Oct. 15, 1999).

Sep. 25, 1998	Deposition in <i>Conoco Pipeline Company, Inc. v. Transmontaigne Pipeline, Inc.</i> in the United States District Court for the Western District of Missouri, Southwest Division, Case No. 97-5085-CV-SW-1.
Aug. 14, 1998	Testimony in <i>Conoco Pipeline Company, Inc. v. Transmontaigne Pipeline, Inc.</i> in the United States District Court for the Western District of Missouri, Southwest Division, Case No. 97-5085-CV-SW-1.
Mar. 2, 1998	Rebuttal Testimony in <i>CF Industries, et al., v. Koch Pipeline Company, LP.</i> at the STB, Docket No. 41685.
Dec. 17, 1997	Deposition in <i>Doris Feerer, et al., v. AMOCO Production Company</i> in the United States District Court for the State of New Mexico CIV NO. 95-00012-JC/WWD.
Nov. 10, 1997	Direct Testimony in <i>CF Industries v. Koch Pipeline Company, LP.</i> at the STB in Docket No. 41685.
May 5, 1997	<i>Doris Feerer, et al., v. AMOCO Production Company</i> in the United States District Court for the State of New Mexico CIV NO. 95-00012-JC/WWD.
Dec. 1995	Cross-examination in Phase II of Williams Pipe Line Company, Docket No. IS90-21-000 et al., before the FERC.
Oct. 26, 1995	Rebuttal Testimony in Phase II of Williams Pipe Line Company, Docket No. IS90-21-000 et al., before the FERC.
Jul. 21, 1995	Supplemental Direct Testimony in Phase II of Williams Pipe Line Company, Docket No. IS90-21-000 et al., before the FERC.
Jul. 1995	Deposition in Phase II of Williams Pipe Line Company, Docket No. IS90-21-000 et al., before the FERC.
Jan. 23, 1995	Direct Testimony in Phase II of Williams Pipe Line Company, Docket Nos. IS90-21-000 et al., before the FERC.
Jul. 30, 1993	Verified Statement in <i>Kerr-McGee Refining Corporation and Texaco Refining and Marketing, Inc. v. Williams Pipe Line Company</i> , Docket No. OR91-01-000, before the FERC.

Presentations

- ◆ **Grandfathered Rates – FERC’s New Outlook (September 2011).** Association of Oil Pipelines, Annual Business Conference, Denver, Colorado.
- ◆ **Jurisdictional Jeopardy (September 2011).** Association of Oil Pipelines, Annual Business Conference, Denver, Colorado.
- ◆ **Jurisdictional Jeopardy (September 2010).** Association of Oil Pipelines, Annual Business Conference, Atlanta, Georgia
- ◆ **Grandfathered Rates and Changed Circumstances (September 2010).** Association of Oil Pipelines, Annual Business Conference, Atlanta, Georgia
- ◆ **Jurisdictional Jeopardy (September 2009).** Association of Oil Pipelines, Annual Business Conference, San Diego, California
- ◆ **EP Act, Grandfathered Rates and Changed Circumstances (September 2009).** Association of Oil Pipelines, Annual Business Conference, San Diego, California
- ◆ **Grandfathered Rates / Changed Circumstances (September 2008).** Association of Oil Pipelines, Annual Business Conference, Austin, Texas.
- ◆ **FERC Jurisdictional or Not? (September 2008).** Association of Oil Pipelines, Annual Business Conference, Austin, Texas.
- ◆ **Changes in North American Logistics and Regulatory Environment (September 2007).** Association of Oil Pipelines, Annual Business Conference, Los Angeles, California.
- ◆ **FERC Jurisdictional or Not? (September 2007).** Association of Oil Pipelines, Annual Business Conference, Los Angeles, California.
- ◆ **Grandfathered Rates, Changed Circumstances (September 2007).** Association of Oil Pipelines, Annual Business Conference, Los Angeles, California.
- ◆ **FERC Jurisdictional and Non-Jurisdictional Services (May 2006).** Association of Oil Pipelines, Annual Business Conference, Minneapolis, Minnesota.
- ◆ **FERC Jurisdictional and Non-Jurisdictional Services (May 2005).** Association of Oil Pipelines, Annual Business Conference, New Orleans, Louisiana.
- ◆ **FERC Form 6 (May 2004).** Association of Oil Pipelines, Annual Business Conference, St. Petersburg, Florida.
- ◆ **FERC Jurisdictional and Non-Jurisdictional Services (May 2004).** Association of Oil Pipelines, Annual Business Conference, St. Petersburg, Florida.
- ◆ **FERC Jurisdictional and Non-Jurisdictional Services (May 2003).** Association of Oil Pipelines, Annual Business Conference, Baltimore, Maryland.
- ◆ **FERC Form 6 – Page 700 (May 2002).** Association of Oil Pipelines, Accounting and Regulatory Workshop, St. Petersburg, Florida.

- ◆ **FERC Jurisdictional and Non-Jurisdictional Services (May 2002).** Association of Oil Pipelines, Accounting and Regulatory Workshop, St. Petersburg, Florida.
- ◆ **Market-based Rates for Oil Pipelines (May 2001).** Association of Oil Pipelines, Accounting and Finance Workshop, New Orleans, Louisiana.
- ◆ **Market-based Rates for Oil Pipelines (May 2000).** Association of Oil Pipelines, Accounting and Finance Workshop, San Antonio, Texas.
- ◆ **Market-based Rates (May 1999).** Association of Oil Pipelines, Accounting and Finance Workshop, San Antonio, Texas.
- ◆ **FERC Form 6 (May 1998).** Association of Oil Pipelines, Accounting and Finance Workshop, Atlanta, Georgia.
- ◆ **FERC's Indexation of Oil Pipeline Rates (April 1998).** American Petroleum Institute, Pipeline Conference, Houston, Texas.
- ◆ **Applying for Market-based Rates (May 1997).** Association of Oil Pipelines, Accounting and Finance Workshop, Atlanta, Georgia.
- ◆ **Oil Pipeline Rate Regulation (March 1997).** Executive Enterprises, Oil Pipeline Regulation, Houston, Texas.
- ◆ **Pipeline Economics (1992-1996).** American Petroleum Institute, School of Pipeline Technology, Harris College, Houston, Texas.
- ◆ **Overview of Current Oil Pipeline Regulations (May 1996).** Association Of Oil Pipelines, Accounting and Finance Workshop, St. Louis, Missouri.
- ◆ **Oil Pipeline Rate Regulation (October 1995).** Executive Enterprises, Alternative Ratemaking and Gas Price Methodologies, Houston, Texas.
- ◆ **Challenges Facing Oil Pipelines (June 1995).** Executive Enterprises, Oil Pipeline Ratemaking Strategies for the 90s, Houston, Texas.
- ◆ **Recent FERC Rulemakings (May 1995).** Association of Oil Pipelines, Accounting and Finance Workshop, St. Louis, Missouri.
- ◆ **Quantifying Competition in the Quest for Market-Based Rates (May 1994).** Association of Oil Pipelines, Accounting and Finance Workshop, Dallas, Texas.
- ◆ **The Future of Oil Pipeline Ratemaking (May 1993).** Association of Oil Pipelines, Accounting and Finance Workshop, San Antonio, Texas.

Prior Experience

Klick, Kent & Allen, Inc. (1997 – 1998)	<i>Senior Consultant</i> Led client engagements regarding oil pipeline regulatory matters; provided financial and economic consulting services to clients regarding strategic planning, market analysis, ratemaking and litigation support.
Williams Pipe Line Company (1993 – 1997)	<i>Manager, Tariffs and Regulatory Affairs</i> Directed company's Phase II defense in rate case before the FERC (IS-90-21-000 et al.).
Williams Pipe Line Company (1990-1993)	<i>Manager, Strategic Planning and Tariffs</i> Supervised the preparation of monthly, annual and long-range forecasts of volumes, revenues and related variance comments.
Williams Pipe Line Company (1987-1990)	<i>Supervisor, Health and Safety</i> Responsible for establishing system-wide health and safety programs for approximately 700 employees in 10 states.
Williams Pipe Line Company (1986-1987)	<i>Operations Supervisor</i> Responsible for supervising all aspects of pipeline terminal and pump station operations for terminal complex handling refined petroleum, fertilizer, asphalt and LPG.
Williams Pipe Line Company (1984-1986)	<i>Various Positions in Field Operations</i> Responsible for various aspects of pipeline operation and administration at the terminal, station and regional field office level.

Education

<i>Northwestern University</i>	Pipeline Economics and Management Program
<i>University of Kansas</i>	B.S. Business Administration

Exhibit No. RGV-3

Docket	Percentage Change in Costs	Cost Component	Proposed Index Adjustment	Deviation	Comments
<i>SFPP, L.P.</i> , 135 FERC ¶ 61,274 (2011)	4.00% decrease	Page 700, Line 9 Total COS (2009 v. 2010)	6.8819%	10.90%*	Protests accepted by Commission and issue set for hearing
<i>Calnev Pipe Line LLC</i> , 135 FERC ¶ 61,273 (2011)	14.47% increase	Page 700, Line 9 Total COS (2009 v. 2010)	6.8819%	-7.59%	Protests rejected
<i>Calnev Pipe Line LLC</i> , 127 FERC ¶ 61,304 (2009)	19.20% increase	Page 700, Line 9 Total COS (2007 v. 2008)	7.6025%	-11.60%	Protests rejected
<i>Mid-America Pipeline Co., LLC</i> , 127 FERC ¶ 61,303 (2009)	34.50% increase	Page 700, Line 9 Total COS (2007 v. 2008)	7.6025%	-26.90%	Protests rejected
<i>SFPP, L.P.</i> , 127 FERC ¶ 61,312 (2009)	28.08% increase	Page 700, Line 9 Total COS (2007 v. 2008)	7.6025%	-20.48%	Protests rejected
<i>Belle Fourche Pipeline Co., et al.</i> , 127 FERC ¶ 61,311 (2009)	14.00% increase	Page 700, Line 9 Total COS (2007 v. 2008)	7.6025%	-6.40%	Protests rejected
<i>SFPP, L.P.</i> , 123 FERC ¶ 61,317 (2008)	15.87% increase	Page 700, Line 9 Total COS (2006 v. 2007)	5.1653%	-10.70%	Projects rejected
<i>SFPP, L.P.</i> , 119 FERC ¶ 61,330 (2007)	15.30% increase	Page 700, Line 9 Total COS (2005 v. 2006)	4.3186%	-10.98%	Protests rejected
<i>Calnev Pipe Line, L.L.C.</i> , 119 FERC ¶ 61,332 (2007)	5.81% increase	Page 700, Line 9 Total COS (2005 v. 2006)	4.3186%	-1.49%	Protests rejected
<i>SFPP, L.P.</i> , 115 FERC ¶ 61,388 (2006)	6.60% increase	Page 700, Line 9 Total COS (2004 v. 2005)	6.1485%	-0.45%	Protests rejected

Docket	Percentage Change in Costs	Cost Component	Proposed Index Adjustment	Deviation	Comments
<i>Calnev Pipe Line, L.L.C.</i> , 115 FERC ¶ 61,387 (2006)	4.80% decrease	Page 700, Line 9 Total COS (2004 v. 2005)	6.1485%	10.95%*	Protests accepted by Commission and issue set for hearing
<i>Rocky Mountain Pipeline System, LLC</i> , 115 FERC ¶ 61,390 (2006)	18.89% increase	Page 700, Line 9 Total COS (2004 v. 2005)	6.1485%	-12.74%	Protests rejected
<i>SFPP, L.P.</i> , 113 FERC ¶ 61,253 (2005)	0.37% increase	Page 700, Line 9 Total COS (2003 v. 2004)	3.6288%	3.26%	Protests rejected
<i>Calnev Pipe Line, L.L.C.</i> , 111 FERC ¶ 61,505 (2005)	2.40% increase	Page 700, Line 9 Total COS (2003 v. 2004)	3.6288%	1.23%	Protests rejected
<i>SFPP, L.P.</i> , 107 FERC ¶ 61,334 (2004)	11.90% increase	Page 700, Line 9 Total COS (2002 v. 2003)	3.1677%	-8.73%	Protests rejected
<i>Shell Pipe Line Co. LP</i> , 102 FERC ¶ 61,350 (2003)	3.00% decrease	Page 700, Line 9 Total COS	2.7594%	5.76%	Protests rejected
<i>SFPP, L.P.</i> , 102 FERC ¶ 61,344 (2003)	4.80% increase (percentage change in costs from 1999-2001)	Page 700, Line 9 Total COS (1999 v. 2001)	5.79% (percentage change in index from 1999-2001)	0.99%	Protests rejected
<i>Calnev Pipe Line, L.L.C.</i> , 96 FERC ¶ 61,350 (2001)	7.70% increase	Page 700, Line 9 Total COS (1999 v. 2000)	2.7594%	-4.94%	Protests rejected
<i>SFPP, L.P.</i> , 96 FERC ¶ 61,332 (2001)	10.50% increase	Page 700 Total COS (1999 v. 2000)	2.7594%	-7.74%	Protests rejected

* Denotes that the Commission itself calculated the percentage change.

Exhibit No. RGV-4

Form 6

Data Error and Warning Checks

06/15/2012

(Items that did not pass the Checks)

Page 1

Company: [REDACTED]

Year: 2011

The following shaded items reflect critical data "errors" with your Form submission. Critical errors must be corrected prior to filing Form data.

As a courtesy, the data validation review in the Form Submission Software has flagged the remaining items and identified these as data "warnings." While respondents may file their Form data with "warnings" and in some instances the data entry may be correct, we encourage respondents to review the warnings and if necessary resolve any data inconsistencies.

Respondents always have the option to address any special or unique circumstances in footnotes to the respective schedules within the Form.

CheckID:	Description:	
100	Page 1 cell 8 Contact person telephone number must have 10 digits.	Data Error
900	Page 301 (lower section), column C line 4 = page 700, column B, line 10	
1500	Page 110 line 28, column d = Page 213 line 47, column b + Page 215 line 47, column b, (including all supplemental pages)	
2400	Page 113 line 71, column c = Page 254 line 24, column c	
2700	Page 113 line 73, column c = Page 119 line 14, column c	
2800	Page 113 line 73, column d = Page 119 line 14, column d	
3100	Page 114 line 1, column c = Page 301 line 8, column g	
4500	Page 121 line 88, column b = Page 110 line 1, column d + Page 110 line 2, column d + Page 110 line 3, column d	
4600	Page 121 line 90, column b = Page 110 line 1, column c + Page 110 line 2, column c + Page 110 line 3, column c	
5100	Page 301 line 4-lower, column c = Page 700 line 10, column b	

CERTIFICATE OF SERVICE

I hereby certify that I have this 19th day of June, 2012, caused the foregoing document to be served on all parties on the official service list maintained by the Commission Secretary in this proceeding.

/s/ Elizabeth B. Kohlhausen
Elizabeth B. Kohlhausen
VINSON & ELKINS L.L.P.
First City Tower
1001 Fannin Street, Suite 2500
Houston, Texas 77002-6760
713.758.2560