

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Phillips 66 Pipeline LLC)	
)	
)	Docket No. 13-0602
Application for issuance of Certificate in)	
Good Standing as a common carrier by)	
pipeline pursuant to the Illinois Common)	
Carrier by Pipeline Law)	
)	

DRAFT JOINT PROPOSED ORDER

February 20, 2014

Introduction

In this proceeding, Phillips 66 Pipeline LLC (“Applicant” or “LLC”) filed a verified Application (“Application”) with the Illinois Commerce Commission (“Commission”). Applicant seeks a Certificate in Good Standing (“Certificate”), pursuant to Section 15-401 of the Public Utilities Act (“Act”), 220 ILCS 5/15-401, certifying that the public convenience and necessity require the operation and maintenance by Applicant of pipeline systems as described in the Application and as shown on LLC Exhibit (“Ex.”) 1.01 Corrected, and the transportation of raw and finished petroleum products through those facilities. Article XV of the Act, 220 ILCS 5/15-100 et seq., is known as the “Common Carrier by Pipeline Law.”

Applicant is a limited liability company organized under Delaware law in 2012. Applicant is authorized to do business in Illinois. Its designated “entity type” in Illinois is “LLC” or limited liability company. Applicant’s assets were formerly held by Phillips Pipe Line Company and then by ConocoPhillips Pipe Line Company. These corporate predecessors were certificated to own and operate pipeline systems in Illinois for the conveyance of petroleum products pursuant to Docket No. 84-0453 and activation on July 8, 2005, respectively.

Pursuant to due notice, prehearing conferences and hearings were held in this matter before a duly authorized Administrative Law Judge, at the Commission’s offices in Springfield, Illinois. Applicant appeared through counsel and presented the testimony of Todd Denton and various exhibits. Brett Seagle, a Gas Engineer in the Engineering Department of the Energy Division of the Commission, appeared on behalf of the Commission Staff (“Staff”). Janis Freetly, a Senior Financial Analyst in the Finance Department of the Financial Analysis Division of the Commission also analyzed the Application on behalf of Staff. Mr. Seagle and Ms. Freetly found no reason to oppose the requested relief. No other appearances were entered. At the conclusion of the hearings, the record was marked “Heard and Taken.”

Statutory Authority

Among other things, “Common carrier by pipeline” means “a person or corporation that owns, controls, operates, or manages, within this State, directly or indirectly, equipment, facilities, or other property, or a franchise, permit, license, or right, used or to be used in connection with the conveyance of gas or any liquid other than water for the general public in common carriage by pipeline” 220 ILCS 5/15-201.

Section 15-401 of the Act is entitled “Licensing” and governs this proceeding. That Section states in part:

(a) No person shall operate as a common carrier by pipeline unless the person possesses a certificate in good standing authorizing it to operate as a common carrier by pipeline. No person shall begin or continue construction of a pipeline or other facility, other than the repair or replacement of an existing pipeline or facility, for use in operations as a common carrier by pipeline unless the person possesses a certificate in good standing.

(b) Requirements for issuance. The Commission, after a hearing, shall grant an application for a certificate authorizing operations as a common carrier by pipeline, in whole or in part, to the extent that it finds that the application was properly filed; a public need for the service exists; the applicant is fit, willing, and able to provide the service in compliance with this Act, Commission regulations, and orders; and the public convenience and necessity requires issuance of the certificate.

220 ILCS 5/15-401(a) and (b).

Section 15-301 of the Act requires that each common carrier by pipeline keep its accounts and records in the State of Illinois, unless otherwise ordered by the Commission. 220 ILCS 5/15-301(b).

Nature of and Need for Proposed Certificate and Services; Other Issues

The pipeline system owned and operated by LLC (the “LLC System”) consists of over 11,000 miles of pipeline throughout the United States (including two pipelines called the Blue Line and the Gold Line which originate at a refinery located near Borger, Texas and end at a terminal located near East St. Louis). The LLC System transports both raw and finished petroleum products including crude oil, gasoline, diesel fuel, jet fuel, propane, butane and y-grade. LLC is the operator for Phillips 66 Company of 37 finished product terminals with transport loading racks, five liquefied petroleum gas terminals with transport loading racks, nine crude oil terminals and one petroleum coke exporting facility. LLC also operates certain facilities owned by an affiliated company, Phillips 66 Partners LP (“Partners”). These facilities include two finished product systems and one crude oil system (collectively the “Partners System”). *See* Application at 2.

The Illinois portion of the LLC System consists of the Illinois portions of the Blue Line

and the Gold Line. The Illinois portion of the Blue Line covers a distance of 6.24 miles from the Mississippi River to the LLC's East St. Louis terminal and consists of an 8" diameter pipeline that carries liquid petroleum gas. The Illinois portion of the Gold Line covers a distance of 6.24 miles from the Mississippi River to the LLC's East St. Louis terminal and consists of a 10" diameter pipeline that carries refined petroleum products. The Illinois portion of the Partners System, known as the Hartford Connector Products System, consists of a finished products terminal at Hartford and two pipeline segments. The first pipeline segment is a 12" diameter pipeline approximately three miles in length and connects the Wood River refinery located in Roxana, Illinois to the Hartford terminal located in Hartford, Illinois. The first pipeline segment has a capacity of 80,000 barrels per day. The second pipeline segment, connecting the Hartford terminal to the Explorer Pipeline, is a 24" pipeline with a capacity of 430,000 barrels per day, and runs approximately one mile in length. Both segments of the pipeline handle refined petroleum products. The Hartford Connector Products System distributed 17% of all diesel and gasoline volumes produced at the Wood River refinery in 2012, up from 11% the previous year. *See Application at 2-3.*

The products transported on Applicant's systems are refined petroleum products. The public is served as a consumer of these refined products in Illinois and through the connection with Explorer Pipeline to destinations outside of Illinois. These pipelines supply product into the East St. Louis terminal and the Hartford terminal where the product is delivered to trucks for local and regional consumption by the public. The selected mode of transportation for these products depends principally on cost. Although other modes of transportation are available, including but not limited to, trucking, rail, and waterborne facilities, the economics favor pipelines. Without the services offered by the LLC, it would be difficult and more costly for entities to transport these products to and from the terminals. *See LLC Ex. 1.01 Corrected.*

Applicant also addressed its financial, technical, and managerial ability to own and operate the systems at issue and to provide the services. According to Applicant, its assets at year-end 2012 were \$1.7 billion and its operating revenues totaled \$331 million. Financial statements were provided for the record. *See Application, Ex. C.*

Manny Cortez, Division Pipeline Manager for the Central Division of Applicant oversees Applicant's operations in Illinois. Todd Denton, President and Pipelines Manager manages the pipeline assets owned or operated by Applicant, including all 11,000 miles of pipelines in the United States. Applicant asserts that the change in business structure did not change, reduce or impair the oversight or operation of the systems in Illinois in any respect. *Application at 5; LLC Ex. 1.0 at 1-2.*

In addition to the Certificate in Good Standing, the Commission can grant the authority to maintain Applicants books and records in its offices in Houston, Texas as long as Applicant makes available to the Commission, at the Commission's offices in Springfield, Illinois, such documents as the Commission may request of Applicant from time to time in the exercise of the Commission's duties and responsibilities under the Act and Commission rules.

Staff Position

Mr. Seagle and Ms. Freetly reviewed the Applicant's petition, testimony, and

responses to data requests. Among other things, those responses identified entities that ship commodities through the systems, the types of products shipped and annual demand for pipeline services. They also addressed environmental management policies, compliance with federal and state laws and other issues.

Upon completion of their review, Mr. Seagle and Ms. Freetly found no reason to oppose the requested relief. Staff has no objection to the issuance of a Certificate in Good Standing in this Docket.

Commission Conclusions, Findings and Ordering Paragraphs

Having reviewed the record, the Commission finds, with respect to the services herein certificated, that a public need for the service exists; that the applicant is fit, willing and able to provide the service in compliance with this Act, Commission regulations, and orders; and that the public convenience and necessity requires issuance of the certificate within the meaning of Section 15-401 of the Act.

The Commission also grants Applicant the authority to maintain its books and records in its offices in Houston, Texas. Applicant shall make available to the Commission, at the Commission's offices in Springfield, Illinois, such documents as the Commission may request of Applicant from time to time in the exercise of the Commission's duties and responsibilities under the Act and Commission rules.

Accordingly, a Certificate of Good Standing should be issued to Applicant, as a common carrier by pipeline, for the facilities and products described in the Application and the testimony of Todd Denton and exhibits attached thereto.

The Commission, after reviewing the record herein, is of the opinion and finds that:

- (1) Applicant is a Delaware limited liability company that operates a pipeline for the transportation of petroleum products in Illinois; Applicant is a "common carrier by pipeline" as that term is defined in the Act;
- (2) the Commission has jurisdiction over Applicant and the subject matter of this proceeding;
- (3) the recitals of fact set forth in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact;
- (4) Applicant has the managerial, financial and technical capabilities to operate as a common carrier by pipeline;
- (5) with respect to the services herein certificated, a public need for the service exists; the public convenience and necessity requires issuance of the certificate within the meaning of Section 15-401 of the Act;
- (6) Applicant should be authorized to provide the services and charge the rates

set forth in the tariffs to be filed with the Commission in Applicant's name;

- (7) pursuant to Section 15-301(b) of the Act, Applicant should be allowed to maintain its books and records outside of this State, provided that Applicant makes such books and records available to the Staff of the Commission at a convenient location in this State as specified by Staff should the Staff request to review such books and records;
- (8) the certificate to operate as a common carrier by pipeline issued in Docket No. 84-0453 should be cancelled as of the date of this Order.

IT IS THEREFORE ORDERED that a Certificate in Good Standing is hereby granted to Phillips 66 Pipeline LLC to operate and maintain pipeline systems for the transportation of petroleum products as a common carrier by pipeline pursuant to Section 15-401 of the Common Carrier by Pipeline Law.

IT IS FURTHER ORDERED that the Certificate in Good Standing herein granted shall be the following:

CERTIFICATE IN GOOD STANDING

IT IS HEREBY CERTIFIED that the public convenience and necessity require the operation and maintenance by Phillips 66 Pipeline LLC of its pipeline systems in Illinois as shown on LLC Exhibit 1.01, and as described in the Application in Docket No. 13-0602, for the transportation of petroleum products as a common carrier by pipeline pursuant to Section 15-401 of the Common Carrier by Pipeline Law, 220 ILCS 5/15-100 et seq.

IT IS FURTHER ORDERED that pursuant to Section 15-301(b) of the Act, Phillips 66 Pipeline LLC is allowed to maintain its books and records at its offices in Houston, Texas, provided that it promptly makes such books and records available to the Staff of the Commission at a location in the State of Illinois as designated by Staff should Staff request to review such books and records.

IT IS FURTHER ORDERED that the Certificates in Good Standing or similar certifications issued in Docket No. 84-0453 are hereby cancelled as of the date of this Order.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Admin. Code § 200.880, this order is final; it is not subject to the Administrative Review Law.

By order of the Commission this __ day of February, 2014.

(SIGNED) DOUGLAS P. SCOTT

Chairman