1808 Eye Street, NW
Washington, DC 20006

Association of Oil Pipe Lines

Contact: John Stoody
202-292-4509
jstoody@aopl.org
http://www.aopl.org

FOR IMMEDIATE RELEASE
February 4, 2016

# PIPELINE OPERATORS WELCOME FERC DECISION ON RATE AGREEMENTS

*WASHINGTON, DC* – This week, the Association of Oil Pipe Lines (AOPL) welcomed a February 1 order issued by the U.S. Federal Energy Regulatory Commission (FERC) reaffirming its policy of upholding the sanctity of rates negotiated by pipeline project sponsors and potential users of a proposed pipeline. The ruling prevents a potential hurdle to financing new pipeline projects.

"We commend FERC for reaffirming its policy of protecting the ability of pipeline project sponsors and potential customers to reach agreement on pipeline rates, which is essential for project sponsors to secure financing for new pipeline construction projects," said Andy Black, President and CEO of AOPL.

Financing new pipeline construction depends upon a guaranteed stream of revenue based on rates charged for using the pipeline. Prospective shippers and pipeline project sponsors enter into contracts to deliver crude oil, gasoline, diesel and other products at agreed upon rates. These committed rate agreements give confidence to shippers that the infrastructure they need to deliver their production to market will be there when they need it. These agreements also give confidence to companies and investors ready to fund new pipeline projects that their investments will be repaid. FERC's February 1 order preserves this mutually beneficial system that results in financing necessary to build pipelines.

FERC's February 1 Order on Initial Decision on Remand in *Seaway Crude Pipeline Company LLC (Seaway II)* addressed agreements reached between sponsors of a project to reverse an existing crude pipeline's flow between Cushing, OK and the Gulf Coast and potential shippers of crude oil on the repurposed pipeline. Owners of the Seaway pipeline argued they reached fair agreements during a public open-season process with shippers of crude oil willing to commit contractually to use the pipeline. A separate group of potential pipeline shippers that elected not to commit to using the pipeline challenged the rates negotiated in committed rate agreements.

The FERC order represented a reiteration by FERC of its policy to honor pipeline rates reached by agreement between project sponsors and prospective shippers willing to commit to pipeline shipping rates. An Administrative Law Judge (ALJ) hearing the case twice reached a different conclusion and FERC has now twice reversed that ALJ on this committed shipper contract issue. FERC's order provides certainty regarding contract rates that will enable pipelines to attract capital in order to build new infrastructure.

####