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AOPL URGES FERC STAY THE COURSE WITH OIL PIPELINE RATE INDEX

WASHINGTON, DC – Today, the Association of Oil Pipe Lines (AOPL) issued this statement in advance of the U.S. Federal Energy Regulatory Commission (FERC) consideration of changing oil pipeline index rates at its January 20 open meeting. The oil pipeline index governs the prices many pipeline operators may charge for delivering products on their pipelines. FERC reset the oil pipeline index rate, which it does every 5 years, just a little over a year ago in December 2020, but now is considering changing the index rate again with new commission members in place.

"AOPL urges FERC stay the course of an oil pipeline rate index that reflects actual operating costs, incentivizes efficiencies to the benefit of both the environment and consumers over the long term, and does not threaten energy availability," said Andy Black, AOPL President and CEO.

Proposals under FERC consideration ignore FERC's past recognition that pipeline costs with their maintenance and safety operations are increasing faster than inflation. FERC also has a history through the rate index of incentivizing efficiency savings producing benefits to both the environment through lower energy use and emissions output, and to consumers through lower costs and rates over the long term. A FERC rate index that is too low and forces pipeline operators to switch to a cost-of-service model deprives the public and environment of these benefits.

FERC proposals under consideration assume master limited partnership oil pipeline operators received a decrease in income tax costs that never actually occurred for them. Adopting such proposals would undermine FERC's regulatory goals by not allowing the index to keep pace with industry cost changes.

Lastly, if FERC were to lower the oil pipeline rate index to not keep up with inflation or reflect actual pipeline costs, it would threaten to force a pullback of pipeline services. Operators could face the impossible situation of newly uneconomic operations at certain locations. Now is not the time to hurt energy reliability or availability to customers.

AOPL represents liquids pipeline owners and operators transporting crude oil, petroleum products like gasoline, diesel fuel, jet fuel, home heating oil, industrial feedstocks like ethane and rural fuels like propane. AOPL represents over 50 pipeline companies with over 200,000 miles of pipelines across America delivering affordable, reliable and plentiful energy to American drivers, families, farmers, workers and shoppers.

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