



Louisiana Public Service Commission

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May 1, 2018

Re: Solicitation for under \$50K bids from outside consultant to assist Staff in Performing a Rate Review in Docket No. T-34695 – Crimson Gulf, LLC (Denver, Colorado), ex parte, In re: Application for a rate increase on service originating at Grand Isle and Terminating at St. James for Crude Petroleum as currently outlined in LPSC Tariff No. 75.2.

Dear Qualified Consultants:

Crimson Gulf, LLC (“Crimson Gulf” or “the Company”), a Common Carrier petroleum pipeline regulated by the Louisiana Public Service Commission (“LPSC” or “Commission”) filed a request with the Commission on October 31, 2017 seeking to increase the crude petroleum transportation rate for service originating at Grand Isle in Jefferson Parish, Louisiana and terminating at St. James in St. James Parish, Louisiana. By way of this bid solicitation letter, the Commission is seeking bids from independent technical consultants to assist the Commission’s Transportation Staff in this litigated proceeding.

Bidders who reply should demonstrate their familiarity with Commission General Order No. R-33390 dated March 9, 2015 in Docket No. R-33390 Louisiana Public Service Commission, ex parte, In re: Rules Applicable to Common Carrier Petroleum Pipelines. Section 4 of the aforementioned General Order requires just and reasonable, and not unreasonably discriminatory rates and sets forth guidelines for approval of rate applications. Section 4(D) allows Common Carrier Petroleum Pipelines to increase rates through Indexing, Commission Approval, or a Limited Temporary Surcharge.

Crimson Gulf is requesting Commission Approval to increase its rates by 109.65%, from its current rate of \$0.6942 to a proposed rate of \$1.4554 per barrel. According to Crimson Gulf, the increase is necessary as a result of decreases in the volume of crude petroleum transported and increasing expenses associated with providing the Grand Isle Service. Crimson Gulf states that its current rate is insufficient to cover operating expenses and provides no return on invested

capital. The Company reports a revenue shortfall of \$3.483 million over the next 12 months without the increase and anticipates additional reduction in volume making an even larger than requested increase warranted¹

The application is contested by Energy XXI GOM, LLC, who, according to the *Motion to Intervene, Motion for Rejection and Notice of Protest of Energy XXI GOM, LLC*, will bear approximately \$2.8 million of the requested \$3.483 million increase. A litigated hearing schedule was set April 25, 2018 requiring Commission Staff and Intervenor testimony no later than July 30, 2018 and a 2-day hearing will be held November 14-15, 2018. Additional filings in this matter, including the direct testimony of Crimson Gulf witnesses can be viewed on the Commission's website through the Commission's Document Access.

Bidders should be prepared to conduct discovery and sponsor expert testimony, assist the Transportation division in preparing for the hearing, assist with the filing of pre- and post-hearing pleadings as necessary, and testifying before the Commission at a public meeting on the issues involved in this proceeding. It is anticipated that testimony will include, but is not limited to a discussion of whether cost of service is an appropriate methodology to be used in determining whether Crimson Gulf's requested rates are just and reasonable.

In accordance with the November 10, 2014 General Order governing contract employees, bidders should be qualified to render expert testimony with respect to rate making methodologies applicable to Common Carrier oil pipelines. In addition, bidders shall disclose all previous, current, and anticipated future representation of clients, through testimony or otherwise, before the LPSC or other similar local, state, or federal bodies involving any matter that arises out of or is substantially related by common factual, legal, or regulatory issues to a matter for which the consultants are seeking to be retained, regardless of whether this representation would be considered a conflict of interest.

The Commission Staff anticipates that the consultant hired in this proceeding will be able to satisfactorily perform the services described herein for a bid amount less than \$50,000.00 and, thus, an RFP is not mandated by the 2014 General Order, which states in pertinent part.

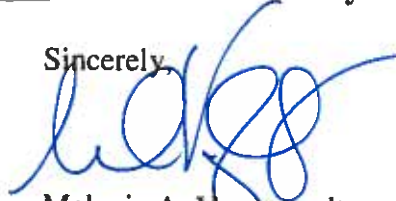
Contracts for consulting and/or legal services which are anticipated to result in a maximum bid amount of compensation, including all professional fees but excluding expenses, to not exceed fifty thousand dollars (\$50,000.00), may be considered and approved by the Commission without the necessity of an RFP. The expenses allowed for such services shall be limited to twenty percent (20%) of the total bid amount, unless the Commission specifically authorizes a greater amount.

The successful bidder shall submit detailed bills, including supporting documentation for all expenses, which are only allowed to be billed at cost and in accordance with the State Travel Guidelines in effect at the time the expenses are incurred.

¹ Please note that these numbers are merely indicative of the Company's request, as there is testimony regarding the impacts of the Tax Cuts and Jobs Act, which may result in a modification of the requested increase in this case, and the Company's testimony was not review in depth for the purposes of this bid solicitation letter.

Staff intends to place conforming bids on the agenda for the Commission's May 16, 2018 Business and Executive Session. If you would like to submit a bid, please do so electronically to melanie.v@la.gov and kim.trocsclair@la.gov on or before **Thursday May 10, 2018**.

Sincerely,



Melanie A. Verzwylt
LPSC Staff Attorney