



# *Louisiana Public Service Commission*

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February 7, 2020

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Executive Secretary

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Deputy Undersecretary

## **TO: All Common Carrier Petroleum Pipelines**

## **RE: Revenue Ruling No. 19-001 and clarification of gross receipt for common carrier petroleum pipelines**

Dear Regulatory Representative,

It has come to the attention of the Louisiana Public Service Commission (“Commission”) Staff that there exists confusion as to the requirements relating to inspection and supervision fee (“ISF”) payments by intrastate common carrier petroleum pipelines regulated by the Commission (“regulated pipelines”). As such, this letter is intended to provide clarification as to the ISF payment requirements of regulated pipelines.

The Commission exercises both constitutional and statutory jurisdiction over regulated pipelines; specifically, La. Constitution Article IV, §21(B) and La. R.S. 45:252, which provides:

All pipe lines through which petroleum is conveyed from one point in this state to another point in the state are declared to be common carriers as defined in R.S. 45:251 and are placed under the control of and subject to regulation by the Louisiana Public Service Commission.

The Commission has also adopted rules and regulations pursuant to its constitutional and statutory jurisdiction of regulated pipelines, specifically General Order dated March 9, 2015 (Docket No. R-33390).

Further, La. R.S. 45:1177 sets forth the requirement that regulated pipelines pay ISF fees. Specifically, R.S. 45:1177(A)(1) provides:

Each motor carrier as defined in R.S. 45:162(12) and public utility doing business in Louisiana and subject to control and jurisdiction of the commission shall pay to the state a fee for the inspection, control, and supervision of the business service and rates of such common carrier and public utility ... The amount of the fees shall be measured by the gross receipts of each public utility from its Louisiana intrastate business. The amount of the fees for each motor carrier as defined in R.S. 45:162(12) shall be measured by the gross receipts of such carrier derived from those activities that are subject to the control and jurisdiction of the commission.

Regulated pipelines are separately defined as common carriers/public utilities by La. R.S. 45:251 and 45:252 and thus, are not considered a motor carrier for purposes of La. R.S. 45:1177. As such, regulated pipelines are required to pay ISF fees measured by the gross receipts of its Louisiana intrastate business.

The Louisiana Department of Revenue (“LDR”) recently analyzed the requirements regarding pipeline ISF payments, specifically as they relate to the movement of product which begins or ends in Foreign Trade Zones located in Louisiana. Ultimately, LDR ruled that “Inspection and Supervision Fees are due by pipe lines *on gross receipts from their business conducted wholly within Louisiana*, including movement of oil which begins or ends in a Foreign Trade Zone located in Louisiana.”<sup>1</sup> [emphasis added]

Based on both the statutory requirements in La. R.S. 45:1177, as well as LDR’s Revenue Ruling No. 19-001, regulated pipelines are required to measure their ISF payments by all intrastate gross receipts. In other words, all regulated pipelines business conducted wholly within Louisiana shall be used to measure the gross receipts for ISF payment calculations.

Given this recent analysis by LDR and the Commission’s clarification of gross receipts as outlined in this letter, please amend your 2019 ISF reports to reflect all gross receipts of such pipeline’s Louisiana intrastate business, including those receipts from Foreign Trade Zone locations within Louisiana, and make any additional ISF payments as a result of the amended ISF report. All future ISF reports and payments by regulated pipelines must be measured by the gross receipts of such pipeline’s Louisiana intrastate business, including the movement of petroleum which begins or ends in a Foreign Trade Zone located within Louisiana.

Any question or concerns may be directed to Justin Bello at (225) 219-9411.

Sincerely,



Brandon M. Frey  
Executive Secretary

BMF:jmb

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<sup>1</sup> Revenue Ruling No. 19-001, April 17, 2019.