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ENTERED
Office of Proceedings

AUG 21 2003

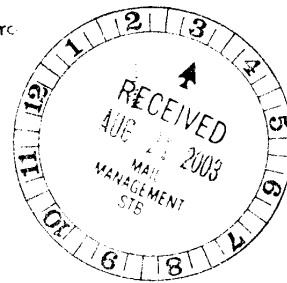
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Public Record

August 21, 2003

VIA HAND DELIVERY

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423-0001

208754



Re: STB Docket No. NOR 42084
CF Industries, Inc. v. Kaneb Pipe Line Partners, L.P. and
Kaneb Pipe Line Operating Partnership, L.P.

Dear Secretary Williams:

Enclosed for filing in the above-referenced proceeding please find an original and ten copies of the Motion to Dismiss Complaint or, in the Alternative, for Summary Judgment of Kaneb Pipe Line Partners, L.P. and Kaneb Pipe Line Operating Partnership, L.P. A diskette containing the text of the Motion to Dismiss in Microsoft Word and applicable exhibits in Adobe Acrobat is also enclosed.

Please acknowledge receipt of the enclosed by stamping and returning to our Paralegal the enclosed duplicates of this filing.

Sincerely,

Kathrine L. Henry
Kathrine L. Henry

Enclosures

V.

Docket No. NOR 42084

Office ENTERED
of Proceedings

AUG 21 2003

Part of
Public Record

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2. Even assuming, arguendo, that Kaneb was required to seek prior approval from the Board, the Board should vacate the rate prescription imposed in its May 9, 2000 decision in STB Docket No. 41685, CF Indus., Inc. v. Koch Pipeline Co., L.P. (“Koch decision”) and allow Kaneb’s rates to go into effect.

I. STATEMENT OF FACTS

On September 17, 2002, Koch Pipeline Company, L.P. (“Koch”) and Kaneb entered into an Asset Purchase and Sale Agreement (“Purchase Agreement”), whereby Kaneb agreed to purchase Koch’s anhydrous ammonia (“AH”) pipeline effective November 1, 2002.¹ On October 30, 2002, and effective November 1, Kaneb issued its tariff adoption notice applicable to the AH pipeline.

Kaneb published new tariff sheets on March 10, 2003, to become effective on April 1. Kaneb sent the new tariff sheets with an accompanying transmittal letter to the Board (“Transmittal Letter”).² In the Transmittal Letter, Kaneb explained that its new tariff reflected a general increase of 7% to interstate tariff movements on the AH pipeline system and eliminated all references and incentive rates previously given to “industrial” shippers. In addition, Kaneb had revised the capacity allocation policy in order to allocate capacity on a more equitable basis for all shippers. Kaneb mailed copies of the Transmittal Letter to all subscribers of Kaneb’s AH tariff, including CF Industries.

The Board received the Transmittal Letter on March 11, 2003. Shortly thereafter, the Board contacted Kaneb by telephone to inform the company that pipeline carriers are

¹ Kaneb Pipe Line Partners, L.P. is a publicly-traded company, which owns Kaneb Pipe Line Operating Partnership, L.P. Kaneb Pipe Line Operating Partnership, L.P. owns and operates the AH pipeline at issue.

² Exhibit A hereto

no longer required to file tariffs with the Board. Subsequently, the Board mailed the March 10, 2003 tariff and Transmittal Letter back to Kaneb as unrecorded.

Since March 2003, Kaneb has further amended its tariff on two occasions. Kaneb transmitted the first of these amendments to the Board on June 26, 2003. On June 30, 2003, the Board's Office of Compliance and Enforcement returned the tariff to Kaneb as unrecorded, stating that the former requirement to file tariffs was eliminated by the ICC Termination Act of 1995 ("ICCTA"), Pub. L. No. 104-88, 109 Stat. 803 (Dec. 29, 1995).³

On August 1, 2003, CF Industries filed its Complaint with the Board, alleging that Kaneb is charging illegal rates in excess of the prescribed rates for its pipeline. CF Industries alleges that the rates were prescribed in the Koch decision referenced above.

II. STATUTORY AUTHORITY

According to the provisions of 49 U.S.C. § 14701(b), the Board may dismiss a complaint that it determines "does not state reasonable grounds for investigation and action." The Board has implemented this provision, stating that a complaint will be dismissed where the Board finds that there is no basis on which the relief sought can be granted.⁴ Furthermore, the Interstate Commerce Commission ("ICC"), the Board's predecessor agency, established a precedent that the Board has adopted that "a complaint may be dismissed without holding an evidentiary hearing where the issues involved are

³ A copy of the Board's letter is attached hereto as Exhibit B. Notice of the second tariff amendment was sent to all subscribers on August 1, 2003.

⁴ Grain Land Coop. v. Canadian Pac. Ltd., et al., STB Docket No. 41687, 1999 STB LEXIS 694, at *4 (Dec. 8, 1999). Accord Nancy Hall v. Aloha Int'l Moving Serv., Inc., et al., STB Docket No. 42048, 2001 STB LEXIS 252, at *8 (Mar. 14, 2001).

essentially legal.”⁵ When there are no issues of material fact to be resolved, the Board has granted motions to dismiss.⁶

As demonstrated below, CF Industries’ Complaint fails to meet the Board’s standard for providing a basis for the relief requested. The Complaint does not state reasonable grounds for investigation and action, there are no material issues of fact to be resolved and the issues involved in the Complaint are essentially legal. Therefore, Kaneb requests that the Board dismiss CF Industries’ Complaint.

In the alternative, Kaneb requests that the Board grant summary judgment in its favor. Although summary judgment is available under the miscellaneous relief provision of 49 C.F.R. § 1117.1 (2002) of the Board’s Rules of Practice, the Board’s regulations do not contain decisional standards.⁷ However, the ICC has allowed parties to rely on Rule 56(c) of the Federal Rules of Civil Procedure and federal case law to supply appropriate summary judgment standards.⁸

Summary judgment is appropriate if “there is no genuine issue as to any material fact and . . . the moving party is entitled to a judgment as a matter of law.”⁹ In determining whether a genuine issue of material fact exists, an adjudicative body must

⁵ DHX, Inc. v. Matson Navigation Co., STB Docket No. WCC-105, 2003 STB LEXIS 269, at *9-10 (May 14, 2003); see also, Zone Skip, Inc. v. UPS, Inc., 8 I.C.C. 2d 645, 1992 ICC LEXIS 151, at *10 (July 10, 1992), affd. mem., 998 F. 2d 1007 (3d Cir. 1993).

⁶ Gov’t of the Territory of Guam v. Sea-Land Serv., et al., STB Docket No. WCC-101, 2001 STB LEXIS 863, at *6 (Nov. 15, 2001); Trailer Bridge, Inc. v. Sea Star Lines, LLC, STB Docket No. WCC-104, 1999 STB LEXIS 703, at *3 (Dec. 10, 1999); Ocean Logistics Mgmt., Inc. v. NPR, Inc., et al., STB Docket No. WCC-102, 1999 STB LEXIS 453, at *4 (July 27, 1999); Caribbean Shippers Ass’n, Inc. v. NPR, Inc., STB Docket No. WCC-100, 1997 STB LEXIS 58, at *8 (Mar. 25, 1997); appeal denied, 145 F. 3d 1362 (D.C. Cir. 1998).

⁷ Farmland Industries, Inc. v. Gulf Central Pipeline Co., et al., STB Docket No. 40411, 1993 MCC LEXIS 222, at *7 n.6 (Dec. 27, 1993).

⁸ Id.

⁹ Fed. R. Civ. P. 56(c); see Farmland, 1993 MCC LEXIS 222, at *6-7; National Grain and Feed Assn. v. Burlington Northern Railroad Co. et al., STB Docket No. 40169, 1990 ICC LEXIS 158, at *10 n.4 (May 23, 1990); Anderson, et al. v. Liberty Lobby, Inc., et al., 477 U.S. 242, 247 (1986); Lathram v. Snow, No. 02-5015, 2003 U.S. App. LEXIS 15404, at *4 (D.C. Cir. 2003); Alyeska Pipeline Serv. Co. v. U.S. Environmental Protection Agency, et al., 856 F.2d 309, 313 (D.C. Cir. 1988).

“view the evidence in the light most favorable to [the Complainant] and draw all reasonable inferences in [its] favor.”¹⁰ Moreover, the body must “eschew making credibility determinations or weighing the evidence.”¹¹ Neither “unsupported speculation”¹² nor “a bare opinion or unaided claim that a factual controversy persists” can defeat a motion for summary judgment.¹³

As established below, the Complaint does not contain any genuine issues of material fact, and Kaneb is entitled to judgment as a matter of law. Indeed, the Complaint itself asserts that because this case presents a narrow legal issue, it is suitable for summary judgment.¹⁴

III. ARGUMENT

A. Kaneb Implemented Its Tariff Changes in Accordance with the Board’s Regulations

As outlined above, in implementing the April 1, 2003 tariff changes, Kaneb adhered to the Board’s regulatory requirements as contained in 49 C.F.R. Part 1305 (2002), concerning tariff filings for disclosure and notice of change of rates and other service terms for pipeline carriers. 49 C.F.R. § 1305.4(a) provides that “a pipeline carrier may not increase any rates or charges, or change any service terms (except for changes that are equivalent to rate reductions) unless 20 days have expired after written or electronic notice” has been provided to certain persons, including affected shippers. As required by the regulations, which implement the provisions of 49 U.S.C. § 15701, Kaneb provided notice to all categories of persons listed therein, including CF Industries, on

¹⁰ Waterhouse v. District of Columbia, 298 F.3d 989, 991 (D.C. Cir. 2002) (citing Reeves v. Sanderson Plumbing Prods., 530 U.S. 133, 152 (2000)).

¹¹ Lathram, 2003 U.S. App. LEXIS 15404, at *5 (citing Reeves, 530 U.S. at 150).

¹² Ash v. United Parcel Serv., et al., 800 F.2d 409, 411-12 (4th Cir. 1986).

¹³ Alyeska, 856 F.2d at 314.

¹⁴ Complaint, ¶ 17.

March 10, 2003, more than 20 days before the rate changes were effective. In addition, Kaneb complied with the requirement in 49 C.F.R. § 1305.4(d), which requires that the notice “clearly identify the increase in rates or charges or the change in service terms.” In fact, Kaneb went beyond the regulatory requirements and transmitted the tariff changes with a detailed explanation to the Board, which returned the tariff as unrecorded to Kaneb. Thus, because Kaneb complied with the Board’s regulations governing changes of rates and other service terms for pipeline carriers, Kaneb was not precluded from increasing its rates for the pipeline.¹⁵

In its Complaint, CF Industries claims that Kaneb is precluded from changing the rates prescribed by the Board for the pipeline in the Koch decision, which was issued prior to Kaneb’s purchase of the pipeline.¹⁶ CF Industries principally relies on the language of 49 U.S.C. § 15503(a) and the Supreme Court decision in Arizona Grocery¹⁷ to support its claim.

49 U.S.C. § 15503(a) provides that when the Board prescribes a rate, classification or rule after a hearing, the affected carrier may not publish, charge or collect a different rate and shall adopt the classification and observe the rule or practice prescribed by the Board. The statutory provision means that the affected carrier may no longer charge the rate that the Board has determined is unreasonable, but must conform to the prescribed rate. It does not provide that the affected carrier (or its successor) cannot at a later time

¹⁵ See, e.g., Moraine Pipeline Co. v. FERC, 906 F. 2d 5, 7 (D.C. Cir. 1990); U.S. ex. rel. Sierra Land & Water Co. v. Ickes, 84 F. 2d 228, 231 (D.C. Cir. 1936).

¹⁶ Complaint, ¶ 9. The only rates at issue in the Koch decision were the rates that applied to the complainants in that proceeding, CF Industries and Farmland Industries, Inc. All other rates on the pipeline are not subject to a rate prescription.

¹⁷ Arizona Grocery Co. v. Atchison, T. & S.F. Ry. Co., et al., 284 U.S. 370 (1932).

change the prescribed rate unless authorized by further Board order, even if circumstances have changed and the changed rate is reasonable and nondiscriminatory.

Similarly, in Arizona Grocery, the U.S. Supreme Court held that where the ICC has, upon complaint and after hearing, declared the maximum reasonable rate to be charged by a carrier, it may not, at a later time, and upon the same or additional evidence, “by declaring its own finding as to reasonableness erroneous, subject a carrier which conformed thereto to the payment of reparation measured by what the [ICC] now holds it should have decided in the earlier proceeding to be a reasonable rate.”¹⁸ CF Industries cites to pages 387-88 of the decision, which contains language stating that a carrier cannot change a prescribed rate and must conform to the order of the ICC. When taken in context, the Court held, even if the ICC later determines that its prescribed rate was erroneous, the carrier had no choice but to implement the prescribed rate at the time it was prescribed; therefore, the ICC could not later require the carrier to pay reparations based on the difference between the previous erroneous prescribed rate and the new, lower, correct prescribed rate. The decision does not stand for the proposition advanced by CF Industries, that is, once the Board has prescribed a rate, the carrier (or its successor) cannot change that rate at a later time without further order, even if circumstances have changed and the new rate is reasonable and nondiscriminatory.

Arizona Grocery simply stands for the principle that once the ICC prescribes a rate, the carrier is not free to decide on its own that the prescribed rate is erroneous and enact a different rate. In this case, Kaneb has not presumed to change its rates and rate design because it believes that the Koch decision was erroneous. Instead, as explained in the Transmittal Letter accompanying the March 10, 2003 tariff sheets, Kaneb has

¹⁸ Id. at 390.

appropriately changed the rates to eliminate incentive rates given to industrial shippers, in order to put them on an equal basis with non-industrial shippers. In addition, Kaneb enacted a general rate increase of 7% to interstate tariff movements on the system. As a new owner of the pipeline, Kaneb was entitled to make these changes in order to make the system more equitable for all shippers and to ensure adequate revenues to cover Kaneb's costs, provide an acceptable rate of return on Kaneb's investment in the pipeline and enable Kaneb to compete equally with other firms for available financing to maintain and/or replace its facilities, as required.

CF Industries also attempts to use several other cases to support its argument that carriers are powerless to alter rates prescribed by the Board.¹⁹ For example, CF Industries quotes language from the West Texas decision,²⁰ which states that a rail carrier cannot change a prescribed rate without receiving permission from the Board. However, in that decision, in which the shippers and the carrier determined which rates were prescribed, the Board determined that the carrier was not precluded from increasing its rates. In addition, CF Industries relies on the Wheat decision.²¹ The language quoted by CF Industries appears in a footnote in the Wheat decision, which states:

A rate is prescribed under a section 10704 order. This order remains in effect unless modified. To modify a prescribed rate, a carrier must first petition for permission to change the rate level. This petition is subject to opposition, reopening of the administrative proceeding and possible court appeal. See Atchison, T. & S.F. Ry. Co. v. United States, 284 U.S. 248 (1932).²²

¹⁹ Complaint ¶ 11, footnotes 4 and 5.

²⁰ West Texas Util. Co. v. Burlington N.R.R. Co., STB Docket No. 41191, 2000 WL 1665124 (Nov. 3, 2000).

²¹ Wheat, Okla. And Kan. To Tex. Gulf Ports, 359 ICC 592 (1979).

²² Id. at 599 n. 9.

The language in the above quote does not appear in the Atchison decision, nor does the Atchison decision support CF Industries' argument that Kaneb is precluded from changing its rates. In that case, the rail carrier filed a petition for rehearing of a general investigative order issued by the ICC in 1930, which prescribed maximum industry-wide rates for the transportation of grain and grain products. The ICC denied the petition. A year later, and three years after the record had closed, the rail carrier filed a second petition for rehearing, alleging a material change in economic conditions, i.e. the Depression. The ICC also denied the second petition for rehearing based on the existing record. That decision was reviewed by the U.S. Supreme Court. The Court held that the ICC erred in denying the second petition for rehearing, which was "of the nature of a supplemental bill"²³ and which presented a changed economic situation that warranted reopening the record and a fair hearing. Thus, the Atchison decision does not support CF Industries' contention that a carrier must petition the Board to change prescribed rates. An entirely different issue was before the Supreme Court in that case.

In addition, there are no regulatory procedures in the Board's rules that require or describe a process for pipelines to petition to change prescribed rates. The purpose of procedural regulations is not simply to create a process that protects affected parties, but also to place regulated businesses on notice as to requirements with which they must comply.²⁴ The only procedures for changing pipeline carrier rates are contained in 49 C.F.R. Part 1305, which are discussed above and with which Kaneb complied. As noted above, Kaneb transmitted its tariff changes to the Board with a complete explanation for

²³ 284 U.S. 248, 260 (1932).

²⁴ See, e.g. Alaska Prof'l Hunters Ass'n., et al. v. FAA, 177 F.3d 1030, 1035 (D.C. Cir. 1999), citing Holmes, Holdsworth's English Law, 25 Law Quarterly Rev. 414 (1909) ("Those regulated by an administrative agency are entitled to 'know the rules by which the game will be played.'")

its tariff changes on two recent occasions. The second time, the Board's Office of Compliance and Enforcement returned the tariff to Kaneb as unrecorded and stated that Kaneb should follow the procedures in 49 C.F.R. Part 1305. Had the Board required a petition from Kaneb, its Office of Compliance and Enforcement would have presumably notified Kaneb of this requirement or treated the filing as a petition, rather than simply return the tariff unrecorded.²⁵

The statutory and regulatory history of the rate requirements for pipeline carriers supports Kaneb's position. Prior to enactment of the ICCTA, pipelines and other common carriers were required to file their tariffs and any tariff changes with the ICC. The ICCTA eliminated this requirement. The Conference Report stated that the statutory changes for pipelines were intended to "streamline pipeline regulation," and that "the Conference is committed to the elimination of unnecessary regulation."²⁶ In addition, the ICCTA eliminated the former ability of the Board to initiate investigations; an investigation may only begin upon complaint.²⁷ This process has clearly worked to protect the interests of those shippers who are affected by increased pipeline rates; in Kaneb's situation alone, two complaints have been filed. Moreover, if a shipper prevails on a claim that the rate increases are not reasonable, the shipper is fully protected by the requirement that the pipeline pay reparations.²⁸ Therefore, there is no compelling reason to require pipelines to seek Board approval prior to changing their rates, since there are other adequate statutory and regulatory protections in place.

²⁵ 49 C.F.R. § 1117.1(2002) allows carriers to file petitions that seek relief "not provided for in any other rule." Such a general provision that applies to all carriers is not adequate to put pipeline carriers on notice that they must file a petition to change prescribed rates.

²⁶ House Conference Report No. 104-422, H 15052 (December 18, 1995); see also "Surface Transportation - Issues Associated with Pipeline Regulation by the Surface Transportation Board," GAO/RCED-98-99 (April 1998).

²⁷ 49 U.S.C. § 15901(a).

²⁸ 49 U.S.C. § 15904(b); see also, San Antonio, Tex. V. Burlington N., et al., 364 I.C.C. 887, 894 (1981).

B. Even assuming, arguendo, that Kaneb was required to seek affirmatively the Board's approval, the Board should vacate the rate prescription ordered in the Koch Decision and allow Kaneb's rate increase to go into effect.

Even assuming, arguendo, that Kaneb was required to seek affirmatively the Board's approval, in this case the Board should lift the rate prescription ordered in the Koch decision and allow Kaneb's complete rate increase to go into effect. As outlined below, there are several reasons for such action.

As an initial matter, the Board clearly has authority to vacate a prior rate prescription.²⁹ In addition, the ICC stated that, assuming a hearing is required to vacate a prior prescription, the same kind of hearing is not required for vacating a prior prescription as for prescribing a specific prescription in the first place; all that is required is that the parties have an adequate opportunity to be heard.³⁰ In San Antonio, *supra*, the ICC held that where the question is whether to vacate a previously established prescription and thus to restore ratemaking initiative to the carriers, and that issue turns on an assessment of the likelihood that the factual and legal underpinnings of the original prescription continue to have current validity, a full evidentiary hearing is not required.³¹

In this proceeding, CF Industries has raised a single narrow procedural issue. CF Industries has not claimed that Kaneb's rate increase is unreasonable or unduly discriminatory. Thus, it would be unjust and an ineffective use of the Board's resources for Kaneb to have to resubmit its tariff with an affirmative request for approval and for the Board to have to determine whether to grant its approval, when CF Industries does not intend to raise a substantive challenge to the rate increase. Moreover, the question of whether to lift the rate prescription can be decided now in the context of this proceeding.

²⁹ San Antonio, Tex. v. Burlington N., et al., 364 I.C.C. at 893.

³⁰ Id.

³¹ Id. at 896.

The parties will have an adequate opportunity to address the issues; CF Industries' complaint reads like a legal brief, and it will have an opportunity to expand on its position in a response to this motion.

The Board should have no difficulty in concluding that the Koch rate prescription should be vacated. The factual underpinnings of the Koch decision do not continue to have current validity. Koch attempted to increase its rates by an average of almost 20% in 1996. The Board held that Koch did not satisfy the revenue adequacy test, based on Koch's reported 1988 acquisition valuation of the pipeline assets. On appeal, Koch challenged, *inter alia*, the Board's use of its reported acquisition cost. However, as the court noted, Koch had numerous opportunities to submit a different figure for its investment base and declined to take advantage of that opportunity.³² Had Koch submitted a different figure for its investment base, the outcome of the case may well have been different.

By contrast, Kaneb purchased the pipeline from Koch in 2002 at a substantially higher acquisition cost than Koch reported in 1988. Moreover, Kaneb's rate increase reflected an across-the-board increase of a modest 7% - the first general rate increase on the pipeline in over 15 years.³³ Economic circumstances, such as volumes shipped on the pipeline, have also changed adversely since the Koch case was decided. Therefore, the Board should vacate the rate prescription and allow all of Kaneb's rate increases to go

³² CF Industries, Inc. v. STB, et al., 255 F.3d 816, 828-29 (D.C. Cir. 2001).

³³ Kaneb notes that other common carriers are authorized to increase their rates without Board approval to reflect, for example, the quarterly rail cost adjustment factor and the zone of reasonable flexibility concept. Kaneb recognizes that pipeline carriers do not have the same statutory authority; however, it appears that there is no legislative history that explains the reason for this distinction among carriers, and the small increase Kaneb has implemented after more than 15 years is far less than other common carriers are allowed on a regular basis.

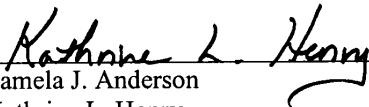
into effect without delay. As stated in the San Antonio decision, supra, under these circumstances, it would simply be unjust to allow the prescription to remain in effect.³⁴

IV. CONCLUSION

WHEREFORE, in consideration of the above and foregoing, Kaneb respectfully requests that the Board:

1. Grant this Motion to Dismiss the Complaint of CF Industries or, in the alternative, for Summary Judgment, with prejudice, finding that the Complaint fails to state a claim upon which relief can be granted;
2. Award Kaneb its costs and fees incurred in defense of this action; and
3. Grant Kaneb such additional relief as it deems proper.

Respectfully submitted,


Pamela J. Anderson
Kathrine L. Henry
Angela Addison Freeman
Van Ness Feldman, P.C.
1050 Thomas Jefferson Street, N.W.
7th Floor
Washington, D.C. 20007-3877
Phone: (202) 298-1800
Fax No.: (202) 338-2416

Attorneys for Kaneb Pipe Line Partners, L.P. and
Kaneb Pipe Line Operating Partnership, L.P.

Dated: August 21, 2003

³⁴ San Antonio, Tex. v. Burlington N., et al., 364 I.C.C. at 894.

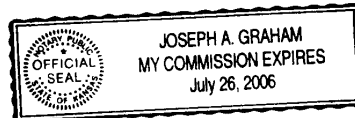
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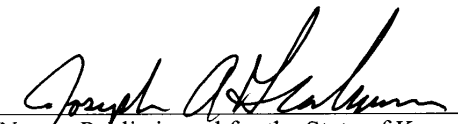
STATE OF KANSAS)
) ss:
COUNTY OF)

Leroy Anderson, being duly sworn, deposes and says that he has read the foregoing Motion to Dismiss, knows the contents thereof, and that the facts stated therein are true and correct to the best of his knowledge, information and belief.


Vice President – Regulatory Affairs
of Kaneb Pipe Line Company, LLC
The Sole General Partner of Kaneb Pipe Line
Operating Partnership, L.P.

Subscribed and sworn to before me
this 20th day of August 2003.



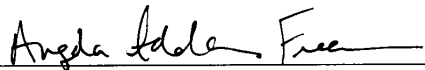

Notary Public in and for the State of Kansas

My Commission expires on 7/26/04.

CERTIFICATE OF SERVICE

Pursuant to Rule 1104.12 of the Surface Transportation Board's Rule on Service of Pleadings and Papers, I hereby certify that I have this day served a copy of the foregoing document by first-class U.S. mail, postage prepaid, on all parties of record in this proceeding, Docket No. NOR 42084.

Dated at Washington, D.C., this 21st day of August 2003.


Angela Addison Freeman

Mitchell F. Hertz
Jeffrey J. Williamson
Kirkland & Ellis LLP
655 Fifteenth Street, N.W.
Suite 1200
Washington, D.C. 20005
Counsel for CF Industries, Inc.

EXHIBIT A



K A N E B
P I P E L I N E
C O M P A N Y



March 10, 2003

Transmittal No. 2

To the Office Of the Secretary
Suite 700
SURFACE TRANSPORTATION BOARD
1925 K. St. N.W.
Washington, D.C. 20423-0001

RE: ANHYDROUS AMMONIA TARIFF FILING NOTICE

The accompanying tariff is being issued by Kaneb Pipe Line Operating Partnership (Kaneb) bearing the following identification:

S.T.B. No. 1, Issued March 10, 2003, Effective April 1, 2003

S.T.B. No. 1 is issued to reflect a general increase of 7% to all interstate tariffs movements on the Ammonia pipeline system. This tariff will eliminate all references and incentive rates previously given to "industrial" shippers of the system and will put them on equal basis with the non-industrial shippers. Old industrial rates were changed to a miles moved based pricing and thus the rates may have either increased or decreased as part of this change. A review of the old rate structures indicated that a couple of other delivery points needed to be adjusted to a miles moved also. Kaneb will establish a minimum tariff rate of \$5.00 per ton for any movement on the system. Kaneb will also revise the capacity allocation policy to follow the changes in pipe size and the allocation base period in order to allocate capacity on a more equitable basis for all shippers and in a manner more closely tracking the actual operation of the pipeline system today.

S.T.B. No. 1 will combine the "Rules and Regulations" and the "Rate" filings into one document for ease of filing and for the convenience of the shippers to have only one document covering movements on the system.

Kaneb has also made the tariff available on our web site www.kanebpipeline.com.

This tariff is issued on a 20 day notice.

I certify that copies of this transmittal page, S.T.B. No. 1 are being mailed concurrently to subscribers of Kaneb's ammonia tariff. An acknowledgment copy is also included with a return self addressed stamped envelope. If you have any questions, please call the undersigned at (316) 773-9000 or fax at (316) 773-9001.

Yours very truly,

Joe Graham
Controller of Kaneb Pipe Line Company
The Sole General Partner of Kaneb Pipe Line Operating Partnership, L.P.

7340 West 21st St. N., Suite 200
Wichita, Kansas 67205
phone 316.773.9000
fax 316.773.9001
www.kanebpipeline.com

EXHIBIT B



Surface Transportation Board
Washington, D.C. 20423-0001

File

June 30, 2003

Office of Compliance and Enforcement
1925 K Street, N.W., Suite 780
Washington, DC 20423-0001

202-565-1573
FAX 202-565-9011

Mr. Joe Graham
Controller
Kaneb Pipe Line Company
7340 W. 21st North Suite 200
Wichita, KS 67205

Dear Mr. Graham:

This is to advise that the enclosed pipeline Tariff designated as S.T.B. No. 2 is being returned unrecorded.

Pursuant to regulations set forth at 49 C.F.R. 1305, the notice and disclosure requirements for pipeline rates and provisions are required by means, as named therein. The former requirement to file tariffs for these purposes was eliminated by the ICC Termination Act of 1995 (ICTTA).

This confirms your conversation of today with Mr. Ronald A. Hall of this office. If you have any further questions, please do hesitate to contact Mr. Hall at (202) 565-1581 or via email at Hallr@stb.dot.gov.

Sincerely,

Lawrence C. Herzig
Lawrence C. Herzig, Chief

Section of Tariffs, Rates and Informal Cases