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STATE OF ALASKA

THE REGULATORY COMMISSION OF ALASKA

Before Commissioners:

Kate Giard, Chairman  
Dave Harbour  
Mark K. Johnson  
Anthony A Price  
James S. Strandberg

In the Matter of the Filings by BP PIPELINES )  
(ALASKA) INC.; EXXONMOBIL PIPELINE )  
COMPANY; CONCOOPHILLIPS )  
TRANSPORTATION ALASKA, INC.; UNOCAL )  
PIPELINE COMPANY; and KOCH ALASKA )  
PIPELINE COMPANY, LLC of TAPS Settlement )  
Methodology Tariff Rates to be Effective )  
January 1, 2005, for the Intrastate )  
Transportation of Petroleum over the Trans )  
Alaska Pipeline System )

P-05-1  
ORDER NO. 1

**ORDER REJECTING 2005 INTRASTATE  
TAPS SETTLEMENT METHODOLOGY RATES**

BY THE COMMISSION:

Summary

We reject the intrastate tariff revisions filed by the TAPS Carriers<sup>1</sup> to revise their transportation rates, effective January 1, 2005. We do so because the filings do not contain the supporting information required by our regulations.

<sup>1</sup>The TAPS Carriers are BP Pipelines (Alaska), Inc. (BP); ExxonMobil Pipeline Company (ExxonMobil); ConocoPhillips Transportation Alaska, Inc. (CPTAI); Unocal Pipeline Company (Unocal); and Koch Alaska Pipeline Company, LLC (KAPCO).

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Background

In late November and early December the TAPS Carriers filed revisions to their intrastate tariff rates with a proposed effective date of January 1, 2005.<sup>2</sup> Each of the tariff filings was made in accordance with the TAPS Settlement Methodology (TSM) embodied in the Intrastate Settlement Agreement signed by the TAPS Carriers and the State Alaska on April 7, 1986 (Intrastate Settlement Agreement).<sup>3</sup> The TAPS Carriers made similar filings on an annual basis since 1986. The TAPS Carriers' TSM filings for rates to be effective for 2005 each included a computer diskette with the calculations of the proposed rates. Each filing was submitted under confidential seal pursuant to Section I-7 of the Intrastate Settlement Agreement.

The State of Alaska (State) protested the rates.<sup>4</sup> Tesoro Alaska Company (Tesoro) asked us to reject the proposed rates.<sup>5</sup>

Discussion

In 1993 our predecessor agency, the Alaska Public Utilities Commission, accepted TSM for the calculation of intrastate rates.<sup>6</sup> However, after a lengthy investigation beginning in 1997, initiated by a protest from Tesoro, we determined that

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<sup>2</sup>BP filed TL104-311; CPTAI filed TL106-301; ExxonMobil filed TL119-304; Unocal filed TL95-312; and KAPCO filed TL103-308. With the exception of Unocal's filing which was submitted on November 30, 2004, all filings were submitted on December 1, 2004.

<sup>3</sup>The TAPS Carriers also file interstate rates each December to be effective for the following calendar year. Those rates are also calculated under TSM as required by their interstate settlement with the State.

<sup>4</sup>*State of Alaska's Protest of the Proposed 2005 Pipeline Tariffs and Petition to Intervene in any Subsequent Proceedings*, filed December 20, 2004.

<sup>5</sup>*Tesoro Alaska Petroleum Company's Request to Reject 2005 TSM Filings*, filed December 20, 2004.

<sup>6</sup>Order P-86-02(41), dated October 29, 1993.

1 TSM does not produce just and reasonable intrastate rates.<sup>7</sup> We established  
 2 permanent just and reasonable rates for the years 1997-2000 using a depreciated  
 3 original cost methodology.<sup>8</sup> In a proceeding concerning the filed 2001, 2002, and 2003  
 4 TAPS rates, we determined that the just and reasonable rates we established for the  
 5 year 2000 remained just and reasonable for the years 2001, 2002, 2003, and forward  
 6 until different rates are established by tariff filing or Commission action.<sup>9</sup>

7 The TAPS Carriers propose to revise their current intrastate rates,  
 8 effective January 1, 2005. The proposed 2005 TSM rates compared to the just and  
 9 reasonable rates established by Order P-03-4(34) are:

Pipeline Carrier	Filing	Prudhoe Bay to GVEA	Prudhoe Bay to Petrostar	Prudhoe Bay to Valdez Marine Terminal
BPPA	TL104-311	\$ 2.36	\$ 3.83	\$ 3.85
CPTAI <sup>10</sup>	TL106-301	\$ 2.16	\$ 3.50	\$ 3.52
ExxonMobil	TL119-304	\$ 2.21	\$ 3.60	\$ 3.58
Unocal	TL95-312	\$ 2.42	\$ 3.96	\$ 3.98
KAPCO <sup>11</sup>	TL103-308	\$ 2.43	\$ 3.95	\$ 3.97
P-03-04(34) Rates		\$ 1.25	\$ 1.96	\$ 1.96

17  
 18 The TAPS Carriers' proposed 2005 TSM rates are substantially higher than the just and  
 19 reasonable rates established in Order P-03-4(34).

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 21 <sup>7</sup>Order P-97-4(151)/P-97-7(110), dated November 27, 2002.

22 <sup>8</sup>Order P-97-4(171)/P-97-7(130), dated May 14, 2004.

23 <sup>9</sup>Order P-03-4(34), dated June 10, 2004.

24 <sup>10</sup>Order P-04-13(1), dated June 25, 2004, gave conditional approval to Phillips  
 Transportation Alaska, Inc. to amend Certificate of Public Convenience and Necessity  
 No. 301 and change its name to ConocoPhillips Transportation Alaska, Inc.

25 <sup>11</sup>Order P-04-14(1), dated October 20, 2004, transferred Certificate of Public  
 Convenience and Necessity No. 308 from Williams Alaska Pipeline, LLC to Koch Alaska  
 Pipeline Company, LLC.  
 26

1 In 2003 the TAPS Carriers filed 2004 TSM rates to be effective January 1,  
2 2004. At that time we had not yet established just and reasonable rates for the period  
3 beginning 2001. However, we had rejected TSM as an acceptable methodology.  
4 Therefore, the support filed with the 2004 filings (TSM diskette) was insufficient for us to  
5 determine that the rates in those filings were just and reasonable. We rejected the 2004  
6 TSM rate filings because they were not accompanied by the supporting information  
7 specified in 3 AAC 48.275(a), which we need to determine whether to allow filed rates to  
8 go into effect or suspend them for further investigation.<sup>12</sup>

9 After we rejected the 2004 TSM rates, we rescinded the requirement that  
10 the TAPS Carriers file annual and other rates required to be filed under TSM.<sup>13</sup> The  
11 TAPS Carriers nonetheless filed 2005 TSM rate filings.<sup>14</sup>

12 We reject the 2005 TSM intrastate rate filings. We do so for the same  
13 reasons we rejected the 2004 TSM filings—lack of support.<sup>15</sup> A regulated entity is  
14 entitled to initiate a rate change at any time by filing any rate it chooses.<sup>16</sup> However,  
15 AS 42.06.350(a) requires a regulated entity to comply with our regulations.  
16 3 AAC 48.270 and 3 AAC 48.275(a) require that specific information supporting the  
17 proposed rate be filed when a regulated entity proposes a new rate. Without the  
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20 <sup>12</sup>Order P-04-4(1), dated December 19, 2003.

21 <sup>13</sup>We clarified that we were acting to rescind the requirement in Order P-86-2(41)  
22 that the TAPS Carriers file annual and other TSM rates with us. Order P-04-4(2) at 3,  
23 dated January 28, 2004.

24 <sup>14</sup>BP, CPTAI, and KAPCO each stated that it filed its 2005 TSM rates to comply  
25 with its obligation to the State under the Intrastate Settlement Agreement and to protect  
26 its position in superior court appeals of Commission orders (Docket Nos. 3AN-02-13511  
CI, *et al.*, and 3AN-04-8780 CI, appeals of Order P-97-4(151) and Order P-03-4(34),  
respectively.)

<sup>15</sup>See Order P-04-4(1).

<sup>16</sup>AS 42.06.350(a); AS 42.06.390(b).



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3. TL119-304 filed by ExxonMobil Pipeline Company on December 1, 2004 is rejected.

4. TL95-312 filed by Unocal Pipeline Company on November 30, 2004 is rejected.

5. TL103-308 filed by Koch Alaska Pipeline Company LLC on December 1, 2004 is rejected.

DATED AND EFFECTIVE at Anchorage, Alaska, this 30th day of December, 2004.

BY DIRECTION OF THE COMMISSION  
(Commissioners Kate Giard and Anthony A. Price, not participating.)

( S E A L )