F.E.R.C. No. 20.0.0
Cancels F.E.R.C. No. 8

KUPARUK TRANSPORTATION COMPANY
LOCAL PIPELINE TARIFF

Containing the

QUALITY BANK METHODOLOGY

GENERAL APPLICATION

This tariff shall apply only to those tariffs which specifically incorporate this tariff, supplements to this tariff and successive issues hereof, by reference.

For rules and regulations other than the Kuparuk Transportation Company Quality Bank [W] Methodology tariff, see ~~F.E.R.C. No. 5~~ F.E.R.C. No. 18.1.0, supplements thereto and reissues thereof.

NOTICES

This tariff is issued pursuant to the Settlement Agreement filed on May 23, 1994 by Kuparuk [W] Transportation Company and ~~This tariff is issued~~ to comply with the Order on Rehearing issued April 24, 1998, by the Federal Energy Regulatory Commission in Docket Nos. OR-2-013 et al. and the Order Changing Effective Date of Use of U.S. Gulf Coast Spot Quote for "Barge" High Sulfur VGO to Value the Gas Oil Component on the Gulf and West Coasts issued April 29, 1998, by the Alaska Public Utilities Commission in Docket Nos. P-89-1 et al.

[N] This is a baseline tariff filing in compliance with FERC Order No. 714, 124 FERC ¶ 61,270 (2008).

The provisions published herein will, if effective, not result in an effect on the quality of the human environment.

ISSUED: April 25, 2011

EFFECTIVE: May 25, 2011

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EXPLANATION OF REFERENCE MARKS

[W] Change in wording only

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Item 1 Quality Bank

I. GENERAL PROVISIONS

A. Quality Bank Administrator

The Kuparuk Transportation Company ("KTC") Quality Bank shall be administered by the Kuparuk Quality Bank Administrator, who shall be appointed by KTC, and by those designated by the Kuparuk Quality Bank Administrator to assist the Administrator (hereinafter collectively referred to as the "Kuparuk Quality Bank Administrator"). The name and address of KTC's designated Quality Bank Administrator will be made available upon written request to KTC.

B. Cost Recovery

1. KTC Quality Bank Operating and Administrative Costs

All reasonable and necessary costs of operating and administering the KTC Quality Bank Methodology, including and without limitation, costs incurred for obtaining, handling and processing samples of the various petroleum streams, assay costs, and costs incurred by the KTC Quality Bank Administrator as a result of administering the KTC Quality Bank, shall be recovered by KTC through the KTC Quality Bank debits and credits in the form of per-barrel charges on a monthly basis. The KTC Quality Bank Administrator will total all such costs incurred for each month and will divide those costs by the number of barrels transported in that month. The resulting per-barrel charge will then be added to all payments into the KTC Quality Bank and subtracted from all payments out of the KTC Quality Bank for that month.

2. Kuparuk River Unit Continuous Sampling Capital Costs

In the event KTC acquires and installs additional continuous sampling equipment to sample the Kuparuk River Unit ("KRU") stream pursuant to Section III.C.1.b. of this tariff, all reasonable and necessary costs relating to such acquisition and installation shall be recovered through per-barrel Quality Bank charges in a similar manner to that set forth in Section I.C.2 above (i.e., the KRU sampling capital costs will be recovered through direct billing of all KTC shippers over a three-month period, with interest at the then-current FERC interest rate on refunds as prescribed in 18 C.F.R. § 340.1, based on each shipper's proportionate share of KTC total throughput over the six-month period immediately preceding the decision to install KRU sampling equipment.)

C. Other General Provisions

1. In the event any payment is made to any shipper hereunder and it is subsequently determined by any Federal or state court, administrative agency or other governmental entity having jurisdiction that no other shipper was liable for the adjustment for which payment was made, the shipper receiving such payment shall upon receipt of an accounting from KTC return the same to KTC or its designee. KTC shall promptly utilize same to reimburse all shippers who made such payments.

2. All payments due from any shipper under the KTC Quality Bank Methodology shall be made by such shipper within 20 days of receipt of each accounting and, for any delay in payment beyond such 20 day period, shall bear interest calculated at an annual rate equivalent to 125% of the prime rate of interest of Citibank N.A. of

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New York, New York, on ninety-day loans to substantial and responsible commercial borrowers as of the date of accounting.

3. If any shipper fails to make payment due hereunder within 30 days of issuance of each accounting, KTC shall have the right to sell at public auction either directly or through an agent at any time after such 30 day period any Petroleum of the shipper in its custody. Such auction may be held on any day, except a legal holiday, and not less than 48 hours after publication of notice of such sale in a daily newspaper of general circulation published in the town, city or general area where the sale is to be held, stating the time and place of sale and the quality and location of Petroleum to be sold. At said sale KTC shall have the right to bid, and, if it is the highest bidder, to become the purchaser. From the proceeds of such sale, KTC will deduct all payments due and expenses incident to said sale, and the balance of the proceeds of the sale remaining, if any, shall be held for whomsoever may be lawfully entitled thereto.

4. KTC and its designee are authorized to receive through measurement, connecting carriers or otherwise all information and data necessary to make the computations under the KTC Quality Bank Methodology. All shippers will furnish KTC or its designated Quality Bank Administrator, and consents to KTC or its designated Quality Bank Administrator acquiring from other carriers or other persons, any additional information and data necessary to make the computations under this Methodology. Shippers also consent to KTC or its agents disclosing to the designated Quality Bank Administrator all information and data necessary to make the computations under this Methodology.

5. Adjustment payments and administrative costs in this Methodology are not a part of KTC's transportation tariff rates, and such shall not be an offset or other claim by any shipper against sums due KTC for transportation or other charges, costs, or fees due or collected under KTC's rate tariff.

II. QUALITY BANK PROCEDURES

A. Overview

A Distillation-based methodology consistent with the TAPS Pump Station No. 1 Quality Bank Methodology shall be implemented for KTC. This methodology for calculation of the KTC Quality Bank debits and credits is based on valuations of petroleum components. This methodology shall apply to the specific petroleum (as defined in the tariffs) streams identified in Section II.B. and also shall be applied to any streams tendered to KTC through a new connection. The Quality Bank value of each petroleum stream shall be the volume-weighted sum of the Quality Bank values of its components. The characteristics and volumes of components for each separate petroleum stream are based on assay information obtained using a defined set of testing procedures as set forth in Section II.C. Quality Bank credits and debits are determined by comparing the Quality Bank value of each petroleum stream to the appropriate KTC reference stream Quality Bank value.

B. KTC Quality Bank Streams

1. The KTC Quality Bank assesses the following streams: (1) the Kuparuk River Unit ("KRU") stream which results from the combined output of Central Processing Facility-1 ("CPF-1") and Central Processing Facility-2 ("CPF-2") within the KRU; (2) the Milne Point

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Item 1 Quality Bank (continued)

stream, which is blended with the KRU stream at the interconnection of KTC and the Milne Point Pipeline; and (3) any new streams introduced into KTC.

2. The KTC Quality Bank reference stream is the blended common stream downstream of the KTC-Milne Point Pipeline interconnection point.

C. KTC Quality Bank Methodology

1. Assay Methodology – Sampling Procedure

a. Subject to Section II.C.1.b. below, the Kuparuk Quality Bank Administrator will sample the Milne Point stream, as well as any new streams, using continuous monthly composite samplers on a flow rate dependent basis, and assays of these continuously collected samples shall be performed monthly by the Kuparuk Quality Bank Administrator. The assay data regarding the KTC reference stream as received at TAPS Pump Station No.1used by the TAPS Quality Bank Administrator in the calculation of the TAPS Quality Bank adjustments shall be used by the Kuparuk Quality Bank Administrator for the KTC reference stream. Composition of the KRU stream will be determined by the Kuparuk Quality Bank Administrator based on the difference between the sample stream assay results and the KTC reference stream assay results. An illustration of this calculation appears in Attachment 1A hereto. Once the composition of the KRU stream is thus calculated, the Quality Bank Value of the KRU stream will be determined as if the assay values had been measured directly.

b. Upon the written request of any KTC shipper, KTC will promptly undertake to acquire and install the necessary equipment and facilities to permit continuous monthly composite sampling on a flow rate dependent basis of the KRU stream. KTC will exercise its best judgment in determining what facilities are necessary to sample the KRU stream on the most cost-effective and reliable basis. KTC shall notify the APUC and the FERC of the date on which all facilities and technical arrangements are in place to permit such sampling, which shall be the “KRU Sample Implementation Date.” From and after the KRU Sample Implementation Date, the Kuparuk Quality Bank Administrator will sample the KRU stream using continuous monthly composite sample[s] on a flow rate dependent basis, and assay[s] of these continuously collected sample[s] will be performed monthly by the Kuparuk Quality Bank Administrator. This assay data will be used thereafter to determine the Quality Bank value of the KRU stream, and the KTC reference stream value will thereafter be calculated using the volume weighted average of the KRU, Milne Point, and any new streams, rather than the data collected by the TAPS Quality Bank Administrator at TAPS Pump Station No. 1.

2. Assay Analysis Procedure

a. Except as specified in paragraph b. below, the assays will include a true boiling point (“TBP”) distillation and, as applicable, gas chromatograph analysis of each Quality Bank stream. Specifically, the TBP procedure will employ ASTM 2892 up to 650 F and ASTM 5236 for the 650 to 1050+ F range for the petroleum samples. The light ends (175 F minus) from

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the petroleum streams will be subject to gas chromatograph analysis to determine the volumes of the propane ("C3"), Iso-butane ("iC4"), and normal butane ("nC4"), with the light straight run ("LSR") (sometimes referred to as natural gasoline) volume determined by difference between the total of the three components and the measured 175 F minus volume.

b. The specific gravities of C3, iC4, and nC4 will be derived from GPA Standard 2145.

3. Assay Data

a. The following volume and quality data will be determined for each stream.

Component	TBP Boiling Range	% Vol.	Specific Gravity
Propane (C3)		X	X
I-Butane (iC4)		X	X
N-Butane (nC4)		X	X
LSR	C5-175	X	X
Naphtha	175-350	X	X
Light Distillate	350-450	X	X
Heavy Distillate	450-650	X	X
Gas Oil	650-1050	X	X
Resid	1050+	X	X
Full Petroleum Stream			X

b. The total volume must add to 100% and the total component weighted mass must be checked against the mass of the full petroleum stream. These weight balances must be the same within calculation and assay precision. If the assay fails this threshold test of validity, a second assay shall be performed on the sample. An example of assay data required is presented in Attachment 1. These data are the basis for all calculations in this Quality Bank methodology. The KTC Quality Bank will operate on a calendar month basis, with the continuous samples retrieved for analysis on the last day of each month.

c. The Kuparuk Quality Bank Administrator shall investigate the validity of a sample that it takes or determines by difference (as opposed to the one taken by TAPS) if each of the following two tests is met.

(i) If one or more of an individual stream's reported component percentages for a month varies by more than the ranges indicated in the following table as compared to the prior month's assay.

Component	Variation in % of Stream Relative to Prior Month
Propane	+0.1
I-Butane	+0.1
N-Butane	+0.25
LSR	+0.5
Naphtha	+1.0
Light Distillate	+1.0
Heavy Distillate	+1.0
Gas Oil	+1.5
Resid	+1.0

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As an example, if a petroleum stream's heavy distillate volume percent is 23% for the prior month, a heavy distillate volume percent less than 22% or greater than 24% (exceeding the +1% range) shall cause the Kuparuk Quality Bank Administrator to check the second test.

(ii) The second test is whether the volume change in the specific component has resulted in a significant change in the stream's relative value when compared to the prior month's relative value using the prior month's prices. If the change results in a price movement of more than +15 cents per barrel, then the sample's validity must be investigated.

(iii) The Kuparuk Quality Bank Administrator shall ascertain from the tendering shipper(s) possible causes for the change in the stream's assay. The Kuparuk Quality Bank Administrator may have a second assay performed for any sample it has taken. The Kuparuk Quality Bank Administrator may decide that the first assay is valid, that the second assay is valid, or that the sample is invalid.

(iv) Should the Kuparuk Quality Bank Administrator determine that a sample is invalid, the last assay results accepted and used in the KTC Quality Bank for the stream will be used instead of the invalid sample in the Quality Bank calculation.

d. If, prior to the KRU Sample Implementation Date, the TAPS Quality Bank Administrator makes any changes to the assay results initially reported for the KTC stream as received at TAPS Pump Station No.1, or is ordered to make any such changes as the result of any order of the APUC or FERC or any court of competent jurisdiction, the Kuparuk Quality Administrator will reflect any such changes in the KTC Quality Bank debits and credits, including making any retroactive readjustments necessary to maintain consistency with the TAPS Pump Station No. 1 Quality Bank for the period from May 1, 1994 forward.

D. Component Unit Value Procedure

The Kuparuk Quality Bank Administrator will obtain from the TAPS Quality Bank Administrator all of the adjusted component unit values necessary to determine the Kuparuk Quality Bank stream values in accordance with the distillation methodology used at TAPS Pump Station No. 1. The KTC Quality Bank will employ the same product prices, the same adjustments, and the same weightings as the TAPS Pump Station No. 1 Quality Bank, as set forth in FERC No. 44.1.0 (BP), FERC No. 21.2.0 (ConocoPhillips), FERC No. 404.1.0 (ExxonMobil), FERC No. 19.1.0 (Koch), and FERC No. 317.1.0 (Unocal)~~Tariff FERC No. 33 (Amerada), FERC No. 7 (ARCO), FERC No. 11 (BP), FERC No. 420 (Exxon), FERC No. 11 (Mobil), FERC No. 26 (Phillips) and FERC No. 73 (Unocal), issued June 13, 1994~~, as well as supplements thereto and successive issues thereof, effective on the later of May 1, 1994 or the effective date on TAPS, for as long as a distillation methodology is maintained at TAPS Pump Station No. 1. [W]

E. Quality Bank Stream Component Calculation Procedure

After all volume, quality, and pricing data are collected, the Kuparuk Quality Bank Administrator will establish quality differentials for each stream identified in Section III.B.

F. Quality Bank Calculation Procedures

Item 1 Quality Bank The assay data and calculation procedures required by this

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(continued)

Methodology are summarized in the Attachments. The Attachments are for reference purposes only and are not intended to predict the impact of this procedure on any specific petroleum stream or any specific company. In the event of a conflict between the provisions of this Methodology as set forth above and the Attachments, the provisions of this Methodology shall control.

ATTACHMENT 1:	Yield Data for Example Streams
ATTACHMENT 1A:	Calculation of Unsampled Stream
ATTACHMENT 2:	Component Unit Value Pricing Basis
ATTACHMENT 3:	Example Component Unit Values in $/Bbl
ATTACHMENT 4:	Example Stream Values in $/Bbl
ATTACHMENT 5:	Quality Bank Calculation Example

G. Unanticipated Implementation Issues

This Methodology is intended to contain a comprehensive treatment of the subject matter. However, unanticipated issues concerning implementation of this Methodology may arise. If so, the Kuparuk Quality Bank Administrator is authorized to resolve such issues in accordance with the goal of maintaining consistency with the distillation methodology applied by the TAPS Carriers at TAPS Pump Station No. 1. The Kuparuk Quality Bank Administrator's resolution of any such issue shall be final unless and until changed prospectively by orders of the FERC and APUC.

ATTACHMENT 1

YIELD DATA FOR EXAMPLE STREAMS[1]

COMPONENT	DEFINITION BOILING RANGE (°F)	STREAM A	STREAM B [2] [3]
PROPANE (C_3)	**-----**	**0.00**	**0.22**
ISOBUTANE (iC_4)	**-----**	**0.02**	**0.13**
NORMAL BUTANE (nC_4)	**-----**	**0.10**	**0.67**
LSR	**C5-175**	**3.50**	**4.93**
NAPHTHA	**175-350**	**11.00**	**14.57**
LIGHT DISTILLATE	**350-450**	**9.00**	**9.00**
HEAVY DISTILLATE	**450-650**	**22.00**	**20.57**
GAS OIL	**650-1050**	**30.38**	**31.62**
RESID	**1050+**	**24.00**	**18.29**
TOTAL		**100.00**	**100.00**
EXAMPLE VOLUME, Thousand Barrels per Month		**900**	**2,100**

(1) In this example, hypothetical streams are used to demonstrate the KTC Quality Bank calculations.

(2) If Stream B is not sampled directly, its yield data are calculated by difference, as demonstrated in Attachment 1A

(3) If Stream B is sampled via two samplers, installed at Kuparuk, its yield data are calculated as a volume weighted average of the two sample results.

ATTACHMENT 1A

CALCULATION OF UNSAMPLED STREAM

COMPONENT NAME	REFERENCE STREAM (1)	STREAM A	STREAM B (3)
Propane (C3)	0.15	0.00	0.22
Isobutane (iC4)	0.10	0.02	0.13
Normal Butane (nC4)	0.50	0.10	0.67
LSR (C5 - 175ºF)	4.50	3.50	4.93
Naphtha (175ºF - 350ºF)	13.50	11.00	14.57
Light Distillate (350ºF - 450ºF)	9.00	9.00	9.00
Heavy Distillate (450ºF - 650ºF)	21.00	22.00	20.57
Gas Oil (650ºF - 1050ºF)	31.25	30.38	31.62
Resid (1050ºF and over)	20.00	24.00	18.29
TOTAL	100.00	100.00	100.00
EXAMPLE VOLUME, MBPM	3,000.00 (2)	900.00	2,100.00

(1) KTC PS#1 Reference Stream yield data to be obtained from the TAPS Quality Bank Administrator.
(2) MBPM REFERENCE = MBPM A + MBPM B.
(3) Planned calculation with a single KTC sampler at Milne Point: Stream B calculated by difference.

ATTACHMENT 2

COMPONENT UNIT VALUE PRICING BASIS

PROPANE (C_3)

United States Gulf Coast	United States West Coast
Platt's Mt. Belvieu, TX spot quote for Propane.	OPIS's (weekly) Los Angeles delivered spot quote for Propane.

ISOBUTANE (iC_4)

United States Gulf Coast	United States West Coast
Platt's Mt. Belvieu, TX spot quote for Isobutane.	OPIS's (weekly) Los Angeles delivered spot quote for Isobutane.

NORMAL BUTANE (nC_4)

United States Gulf Coast	United States West Coast
Platt's Mt. Belvieu, TX spot quote for Normal Butane.	OPIS's (weekly) Los Angeles delivered spot quote for Normal Butane.

LIGHT STRAIGHT RUN (C_5 - 175ºF)

United States Gulf Coast	United States West Coast
Platt's Mt. Belvieu, TX spot quote for Natural Non-Warren.	OPIS's (weekly) Bakersfield delivered spot quote for Natural Gasoline.

NAPHTHA (175ºF - 350ºF)

United States Gulf Coast	United States West Coast
Platt's U.S. Gulf Coast spot quote for Waterborne Naphtha.	Platt's U.S. Gulf Coast spot quote for Waterborne Naphtha.

LIGHT DISTILLATE (350ºF - 450ºF)

United States Gulf Coast	United States West Coast
Platt's U.S. Gulf Coast spot quote for Waterborne Jet Kerosene 54 less 0.5082 cents per gallon.	Platt's U.S. West Coast spot quote for Waterborne Jet Fuel less 0.5082 cents per gallon.

HEAVY DISTILLATE (450ºF - 650ºF)

United States Gulf Coast	United States West Coast
Platt's U.S. Gulf Coast spot quote for Waterborne No. 2 less 2.0327 cents per gallon.	Platt's U.S. West Coast spot quote for Waterborne Gasoil less 1.0163 cents per gallon.

GAS OIL (650ºF - 1050ºF)

United States Gulf Coast	United States West Coast
OPIS's U.S. Gulf Coast spot quote for barge High Sulfur VGO.	OPIS's U.S. Gulf Coast spot quote for barge High Sulfur VGO.

RESID (1050ºF and Over)

United States Gulf Coast	United States West Coast
Platt's U.S. Gulf Coast spot quote for Waterborne No. 6 Fuel Oil 3.0% Sulfur less 4.5735 cents per gallon.	Platt's U.S. West Coast spot quote for Pipeline 380 cst at Los Angeles converted to $/Bbl using 6.37 Bbl/MT less 4.5735 cents per gallon.

ATTACHMENT 3
EXAMPLE COMPONENT UNIT VALUES IN $/Bbl

COMPONENT NAME	WEST COAST ($/Bbl)	GULF COAST ($/Bbl)	WEIGHTED AVERAGE ($/Bbl)
Propane (C_3)	19.7925	15.0442	19.68
Isobutane (iC_4)	24.1238	18.4333	23.99
Normal Butane (nC_4)	18.1125	18.4800	18.12
LSR (C_5 - 175ºF)	18.5850	19.5854	18.61
Naphtha (175ºF - 350ºF)	21.3383	21.3383	21.34
Light Distillate (350ºF - 450ºF)	25.9817	22.9396	25.91
Heavy Distillate (450ºF - 650ºF)	23.0000	22.1112	22.98
Gas Oil (650ºF - 1050ºF)	20.8133	21.8133	20.84
Resid (1050ºF and over)	14.6349	15.0000	14.64
WEIGHTING FACTOR	97.71	2.29	

ATTACHMENT 4
EXAMPLE STREAM VALUES IN $/Bbl

COMPONENT NAME	STREAM A	STREAM B
Propane (C3)	0.000000	0.043296
Isobutane (iC4)	0.004798	0.031187
Normal Butane (nC4)	0.018120	0.121404
LSR (C5 - 175ºF)	0.651350	0.917473
Naphtha (175ºF - 350ºF)	2.347400	3.109238
Light Distillate (350ºF - 450ºF)	2.331900	2.331900
Heavy Distillate (450ºF - 650ºF)	5.055600	4.726986
Gas Oil (650ºF - 1050ºF)	6.331192	6.589608
Resid (1050ºF and over)	3.513600	2.677656
TOTAL	20.253960	20.548748

ATTACHMENT 5
QUALITY BANK CALCULATION EXAMPLE

QUALITY BANK REFERENCE STREAM VALUE CALCULATION

	VOLUME (MBPM)	VALUE ($/Bbl)
STREAM A	900	20.253960
STREAM B	2,100	20.548748
TOTAL: (REFERENCE STREAM)	3,000	20.460312[(1)]

[(1)] Reference Stream Value from TAPS PS #1 for Kuparuk Pipeline Stream

QUALITY BANK PAYMENT/RECEIPT CALCULATIONS

	DIFFERENTIAL[(2)]	(MBPM)	PAYMENT OR RECEIPT (M$/Month)[(3)]
STREAM A	(0.206352)	900	$ (185.72)
STREAM B	0.088436	2,100	$ 185.72

(2) Stream value minus reference value.
(3) Differential times volume.