March 19, 2015

Regulatory Commission of Alaska
701 West 8th Avenue, Suite 300
Anchorage, Alaska 99501

Subject: Tariff Advice Letter No. TL44-334
Oliktok Pipeline Company
Test Year 2014 Rate Filing

Dear Commissioners:

On behalf of Oliktok Pipeline Company ("Oliktok"), the tariff filing described below is transmitted to you for filing in compliance with the Pipeline Act and 3 AAC 48.200 — 3 AAC 48.430.

<table>
<thead>
<tr>
<th>Tariff No. 2 Sheet Number</th>
<th>Cancels Sheet Number</th>
<th>Schedule or Rule Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original</td>
<td>Revised</td>
<td>Original</td>
</tr>
<tr>
<td>31</td>
<td>1st</td>
<td>31</td>
</tr>
</tbody>
</table>

By this filing, Oliktok requests Commission approval to change its tariff rates for its intrastate natural gas transportation service. The requested rate changes are based on a revenue requirement study for a normalized test year ending December 31, 2014. Oliktok requests that the Commission approve the proposed rate changes effective April 19, 2015, upon expiration of the 30-day statutory notice period required under AS 42.06.390(b).

The proposed rates are shown on the enclosed first revision to Tariff Sheet No. 31 of Oliktok’s tariff. The proposed rates are as follows:

<table>
<thead>
<tr>
<th>From</th>
<th>To</th>
<th>Proposed Rate ($/MCF)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prudhoe Bay Unit</td>
<td>Kuparuk River Unit</td>
<td>$3.34</td>
</tr>
<tr>
<td>Prudhoe Bay Unit</td>
<td>Milne Point Pipeline Connection</td>
<td>$2.55</td>
</tr>
</tbody>
</table>

The proposed changes will increase Oliktok’s current natural gas transportation rates. As required under 3 AAC 48.270(a), Oliktok provides the following estimated impacts of the proposed rate changes. The estimated impact on Oliktok’s annual revenues for each intrastate destination is set forth below (as calculated on Exhibit EGW-3 to the prefiling direct testimony of Oliktok witness Erik G. Wetmore):
The shippers that will be affected by the proposed change in rates are Oliktok's current shippers receiving natural gas deliveries at the KRU, which are the four owners of the KRU. The proposed changes will not result in the termination of any existing service.

Need for Proposed Rate Changes

Oliktok’s existing inception rates were filed on November 1, 2013, in Docket P-13-013, based on a test year ending December 31, 2012. Docket P-13-013 addressed Oliktok's conversion from the transportation of natural gas liquids (“NGLs”) to the transportation of natural gas. That conversion was initiated at the request of Oliktok’s shippers. In Order No. P-13-013(2), the Commission approved Oliktok’s Tariff No. 3, setting forth inception rates and rules for Oliktok’s new natural gas transportation service.² To facilitate service conversion activities, Oliktok ceased providing NGL service on July 18, 2014. Oliktok shippers began tendering natural gas for transportation on November 10, 2014.

As is explained in the prefiled direct testimony of Mr. Wetmore and Luke M. Kiskaddon, the primary purpose for the proposed rate changes is to reflect cost and throughput changes that have occurred since Oliktok’s natural gas inception rates were first calculated on November 1, 2013. Among other things, Oliktok now has known and measurable operating and plant costs associated with the conversion to natural gas service that should be reflected in natural gas transportation rates. In addition, natural gas throughput during the first

---

¹ Currently, all of Oliktok’s natural gas throughput is delivered to the Kuparuk River Unit (“KRU”). Thus, Oliktok estimates no revenue impact from the proposed rate changes with respect to deliveries to the Milne Point Unit (“MPU”). However, Oliktok may deliver natural gas to the Milne Point Unit (“MPU”) at some time in the future. As is explained in Mr. Wetmore’s prefiled testimony, for rate calculation purposes Oliktok’s rate model assumes nominal deliveries to MPU of 1,000 MCF per year. For that reason, the estimated revenues shown in the table above vary slightly from the rate model revenue data reflected on Exhibit EGW-3 of Mr. Wetmore’s prefiled direct testimony.

² Minor revisions to the provisions of Tariff No. 3 were subsequently approved in Letter Order L1400376 (Aug. 22, 2014) and became effective September 1, 2014.
few months of service following conversion clearly indicates that Oliktok's annual throughput is, and will continue to be, much lower than Oliktok's shippers initially projected in 2013 before the conversion. As a result, revenues under the existing inception rates are well below Oliktok's costs and are causing Oliktok to significantly underrecover its annual revenue requirement. Based on normalized test year 2014 results, Mr. Wetmore estimates that Oliktok has an annual revenue deficiency of $9.235 million, or 519 percent of normalized test year revenues of $1.781 million. Accordingly, it is critical that Oliktok promptly revise its rates to reflect current costs and a throughput that is representative of normalized operations in the immediate future.

Request for Permanent Rates

Oliktok requests that its proposed rates be approved on a permanent basis upon expiration of the statutory timeline. There are only four shippers currently transporting natural gas over the Oliktok pipeline and only one of the tariffed delivery points is currently being used. If no shipper protests Oliktok's rate request, it would be appropriate to approve Oliktok's proposed rates on a permanent basis without a formal docket or hearing. Such approval would allow Oliktok and its shippers to avoid unnecessary rate case costs associated with a formal proceeding.

Temporary Rates

To the extent the Commission determines it is appropriate to suspend the proposed rates, Oliktok requests that the Commission (1) allow Oliktok to collect the proposed rates subject to refund, and (2) establish temporary rates equal to the filed proposed rates so that neither Oliktok nor its shippers are required to escrow any difference between the temporary rates and the filed proposed rates. This proposed treatment is consistent with the manner in which the Commission has treated transportation rate change requests by other North Slope pipeline carriers in recent years. See, e.g., Order No. P-13-010(1) (Aug. 12, 2013); Order No. P-12-017(1) (Aug. 31, 2012); Order No. P-11-011(1) (Jun. 17, 2011); Order No. P-10-010(1) (Aug. 20, 2010); Order No. P-09-010(1) (Jul. 31, 2009); Order No. P-08-009(1) (Oct. 31, 2008).

The Commission evaluates requests for interim rate relief under the legal standard established in Alaska Public Utilities Commission v. Greater Anchorage Area Borough (“GAAB”), 534 P.2d 549 (Alaska 1975). The “GAAB standard” provides for interim and refundable rate relief when a utility or pipeline carrier demonstrates that:

1. Its existing rates are confiscatory;
2. Those confiscatory rates will remain in effect for an unreasonably long period of time;
3. The utility or pipeline carrier will suffer irreparable harm in the event that interim relief is not granted;

4. If interim relief is granted, the rate payer can be adequately protected; and

5. The utility or pipeline carrier has raised "serious" and "substantial" questions going to the merits of the case (i.e. the rate request is not frivolous and without merit).

The circumstances described in Oliktok’s revenue requirement study (Exhibits EGW-2 and EGW-3) and prefiled direct testimony demonstrate that Oliktok is entitled to the requested interim rate relief under the GAAB standard. Addressing the elements of the standard in order:

1. Exhibit EGW-3 shows that Oliktok has a substantial revenue deficiency of $9.235 million, or 519 percent, under its current inception rates. Thus, current rates are so low as to not allow Oliktok a reasonable opportunity to recover a reasonable rate of return on its investment and, thus, are confiscatory.

2. If the Commission suspends Oliktok’s request for a permanent rate increase, the currently effective rates can be anticipated to remain in effect for many months to come. Therefore, the period of time the confiscatory rate levels will remain in effect is unreasonably long.

3. Without rate relief, Oliktok will suffer irreparable harm in that it will not have a reasonable opportunity to recover all of its just and reasonable costs during the period prior to establishment of revised permanent rates. Because of the general rule against retroactive ratemaking, Oliktok will have no future opportunity to recover the revenue not recovered during this period.

4. Making interim rates refundable will protect Oliktok shippers if the Commission approves permanent rates that are lower than the interim rates.

5. Oliktok’s rate request is not frivolous or obviously without merit. It is supported by this filing, which includes information required under 3 AAC 48.275(a) for a rate adjustment, as well as the enclosed prefiled direct testimony and exhibits.

Tariff Sheet No. 31

Oliktok's proposed revised natural gas transportation rates are set forth on the enclosed first revision to Tariff Sheet No. 31.
Section 275(a) Presentation

This rate filing includes the schedules required by 3 AAC 48.275(a) ("Section 275(a)"), as supported by the testimony of the following witnesses:

Luke M. Kiskaddon – Mr. Kiskaddon, a Commercial Analyst with responsibility for Oliktok, provides background information regarding Oliktok and the rate request and addresses certain pro forma adjustments.

Dr. Bruce H. Fairchild – Dr. Fairchild, an expert economist, presents the cost of capital used for calculating Oliktok’s proposed rates.

Erik G. Wetmore – Mr. Wetmore, an expert regulatory consultant, presents Oliktok’s revenue requirement and rate calculations.

Mr. Wetmore’s prefiled direct testimony sponsors the schedules required under Section 275(a). Most of those schedules are provided in Exhibit EGW-2 to Mr. Wetmore’s testimony. As is explained in his testimony, Mr. Wetmore calculated Oliktok’s revenue requirement for the normalized test year. Although all Oliktok throughput is currently delivered to only one destination (KRU), Oliktok’s tariff also provides for deliveries to MPU. For purposes of calculating at least a nominal rate for the MPU destination, Oliktok assumed a minimal MPU throughput of 1,000 MCF per year. Mr. Wetmore determined the revenue requirement for the two tariffed destinations using the distance-related and non-distance-related cost methodology that has been used for decades under the Oliktok Shippers Rate Agreement ("OSRA") that was accepted by the Commission in Order No. P-84-003(11)/P-95-005(2) (as modified in TL17-334, filed October 12, 2001, and supplemented on December 16, 2001).3

3 Since Oliktok is not seeking a "rate redesign," but is simply applying the normalized revenue requirement to the historical Oliktok distance-related and non-distance-related cost methodology, there does not appear to be any requirement to file a cost-of-service study pursuant to 3 AAC 48.275(h) ("Section 275(h)"). To the extent a cost-of-service study is required, Oliktok submits that the rate design calculations shown on Exhibit EGW-2, Schedule 5, and the narrative discussion of the rate methodology in Mr. Wetmore’s testimony satisfy the requirements of Section 275(h). If the Commission deems Section 275(h) to require anything greater than that, Oliktok requests that the Commission waive any such requirement.
Notification of Tariff Filing

Oliktok shippers are being notified of this filing electronically. A copy of this filing will be available for public inspection at the offices of Oliktok at 700 G Street, Room 919, Anchorage, Alaska 99501, Attn: Luke Kiskaddon (907) 265-6393.

Notices

Please send notices relating to this matter to:

Thomas Jantunen
700 G Street
Anchorage, Alaska 99501
(907) 265-6544
E-mail: Tom.Jantunen@conocophillips.com

Dean D. Thompson
Paul J. Jones
Kemppel, Huffman & Ellis, P.C.
255 E. Fireweed Lane, Suite 200
Anchorage, Alaska 99503
(907) 277-1604
E-mail: ddt@khe.com
 pjj@khe.com

Sincerely yours,

KEMPPEL, HUFFMAN AND ELLIS, P.C.
Counsel for Oliktok Pipeline Company

Dean D. Thompson
Paul J. Jones
255 E. Fireweed Lane, Suite 200
Anchorage, Alaska 99503
Phone: (907) 277-1604
Fax: (907) 276-2493
Electronic Mail: ddt@khe.com
 pjj@khe.com

:tmt
Enclosures
Schedule “A”
Rate
Gas Transportation Service

Application

This rate applies to regular Pipeline service for Gas as set forth in Carrier’s tariff.

Rate

<table>
<thead>
<tr>
<th>From</th>
<th>To</th>
<th>Rate</th>
<th>Dollars and Cents per mscf*</th>
</tr>
</thead>
<tbody>
<tr>
<td>PBU (Skid 50)</td>
<td>KRU (CPF #1)</td>
<td>3.34</td>
<td>(I)</td>
</tr>
<tr>
<td>PBU (Skid 50)</td>
<td>Milne Point Pipeline Connection</td>
<td>2.55</td>
<td>(I)</td>
</tr>
</tbody>
</table>

* mscf – Thousand standard cubic feet

Tariff Advice No. TL44-334
Effective: April 19, 2015

Issued by: OLIKTOK PIPELINE COMPANY
By: Michael A. Mindrup
Title: Vice President & Controller