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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;) P-06-1
CONOCOPHILLIPS TRANSPORTATION ALASKA,)
INC.; UNOCAL PIPELINE COMPANY; and KOCH) ORDER NO. 1
ALASKA PIPELINE COMPANY, LLC of TAPS)
Settlement Methodology Tariff Rates to be Effective)
January 1, 2006, for the Intrastate Transportation of)
Petroleum over the Trans Alaska Pipeline System)

**ORDER REJECTING 2006 INTRASTATE
TAPS SETTLEMENT METHODOLOGY RATES**

BY THE COMMISSION:

Summary

We reject the intrastate tariff revisions filed by the TAPS Carriers¹ to revise their transportation rates, effective January 1, 2006. We do so because the filings do not contain the supporting information required by our regulations.

¹The 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, 2006.² 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).³ The TAPS Carriers made similar filings on an annual basis since 1986. Each TAPS Carrier's TSM filing for rates to be effective for 2006 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.

Discussion

In 1993 our predecessor agency, the Alaska Public Utilities Commission, accepted TSM for the calculation of intrastate rates.⁴ However, after a lengthy investigation beginning in 1997, initiated by a protest from Tesoro, we determined that TSM does not produce just and reasonable intrastate rates.⁵ We established permanent just and reasonable rates for the years 1997-2000 using a depreciated

²BPPA filed TL111-311; CPTAI filed TL114-301; ExxonMobil filed TL124-304; Unocal filed TL100-312; and KAPCO filed TL108-308. With the exception of Unocal's filing which was submitted on November 30, 2005, all filings were submitted on December 1, 2005.

³The 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.

⁴Order P-86-02(41)/P-86-3(7)/P-90-1(12), *Order Affirming Bench Order Accepting Settlement Between Petro Star, Inc, and the TAPS Carriers; Disallowing Inclusion of Settlement Amount in Rates; and Accepting Settlement Between the State of Alaska and the TAPS Carriers, Subject to Condition*, dated October 29, 1993.

⁵Order P-97-4(151)/P-97-7(110), *Order Rejecting 1997, 1998, 1999, and 2000 Filed TAPS Rates; Setting Just and Reasonable Rates; Requiring Refunds and Filings; and Outlining Phase II Issues*, dated November 27, 2002.

1 original cost methodology.⁶ In a proceeding concerning the filed 2001, 2002, and 2003
 2 TAPS rates, we determined that the just and reasonable rates we established for the
 3 year 2000 remained just and reasonable for the years 2001, 2002, 2003, and forward
 4 until different rates are established by tariff filing or Commission action.⁷

5 The TAPS Carriers propose to revise their current intrastate rates,
 6 effective January 1, 2006. The proposed 2006 TSM rates compared to the just and
 7 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
BP	TL111-311	\$ 2.51	\$ 4.06	\$ 4.08
CPTAI	TL114-301	\$ 2.33	\$ 3.76	\$ 3.78
ExxonMobil	TL124-304	\$ 2.42	\$ 3.91	\$ 3.93
Unocal	TL100-312	\$ 2.67	\$ 4.35	\$ 4.38
KAPCO	TL108-308	\$ 2.71	\$ 4.39	\$ 4.41
P-03-04(34) Rates		\$ 1.25	\$ 1.96	\$ 1.96

16 The TAPS Carriers' proposed 2006 TSM rates are substantially higher than the just and
 17 reasonable rates established in Order P-03-4(34).

18 After we rejected the 2004 TSM intrastate rates⁸ for lack of 3 AAC
 19 48.275(a) support, we rescinded the requirement that the TAPS Carriers annually file

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 21 ⁶Order P-97-4(171)/P-97-7(130), *Order Affirming Electronic Ruling, Vacating*
 22 *Procedural Schedule, Establishing Permanent 1999 – 2000 TAPS Intrastate Rates,*
Correcting Order P-97-4(151)/P-97-7(110), and Allocating Costs, dated May 14, 2004.

23 ⁷Order P-03-4(34), *Order Rejecting the TAPS Carriers' 2001-2003 TSM*
 24 *Intrastate Filings, Rejecting the TAPS Carriers' Post- 2000 Revenue Requirement and*
 25 *Rate Filings, Establishing Permanent Post-2000 Intrastate TAPS Rates, Requiring*
Refunds, Ordering Release of Escrowed Funds, Letters of Credit, and Bonds,
Approving Filings, and Affirming Electronic Rulings, dated June 10, 2004.

26 ⁸Order P-04-4(1), *Order Rejecting 2004 Intrastate TAPS Settlement Methodology*
Rates, dated December 19, 2003.

1 rates required under TSM.⁹ Nonetheless, the TAPS Carriers filed 2005 TSM rates,
2 which we rejected,¹⁰ and 2006 TSM rates.¹¹

3 We reject the 2006 TSM intrastate rate filings. We do so for the same
4 reasons we rejected the 2004 and 2005 TSM filings—lack of support.¹² A regulated
5 entity is entitled to initiate a rate change at any time by filing any rate it chooses.¹³
6 However, AS 42.06.350(a) requires a regulated entity to comply with our regulations.
7 3 AAC 48.270 and 3 AAC 48.275(a) require that specific information supporting the
8 proposed rate be filed when a regulated entity proposes a new rate. Without the
9 specified supporting information we cannot determine whether to allow the proposed
10 rate to go into effect or to suspend it for further investigation.

11 Instead of filing information required by 3 AAC 48.275(a) in support of their
12 2006 TSM rates, each TAPS Carrier filed its TSM disk and hardcopy printout. Because
13 we have rejected TSM as a methodology for calculating just and reasonable rates, we
14 treat the TAPS Carriers' TSM filings as we would any other tariff letter we receive. They
15 are subject to the same requirements as any other tariff letter, which include filing of the
16 items required by 3 AAC 48.275(a), including prefiled testimony.

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19 ⁹We clarified that we were acting to rescind the requirement in Order P-86-2(41)
20 that the TAPS Carriers file annual and other TSM rates with us. Order P-04-4(2) at 3,
dated January 28, 2004.

21 ¹⁰Order P-05-1(1), *Order Rejecting 2005 Intrastate TAPS Settlement*
22 *Methodology Rates*, dated December 30, 2004.

23 ¹¹BPPA, CPTAI, and KAPCO each stated that it filed its 2006 TSM rates to
24 comply with its obligation to the State under the Intrastate Settlement Agreement and to
protect 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.)

25 ¹²See Order P-04-4(1).

26 ¹³AS 42.06.350(a); AS 42.06.390(b).

1 This order constitutes the final decision in this case. This decision may be
2 appealed within thirty days of the date of this order in accordance with AS 22.10.020(d)
3 and the Alaska Rules of Court, Rule of Appellate Procedure (Ak. R. App. P.) 602(a)(2).
4 In addition to the appellate rights afforded by AS 22.10.020(d), a party has the right to
5 file a petition for reconsideration as permitted by 3 AAC 48.105. If such a petition is
6 filed, the time period for filing an appeal is then calculated under Ak. R. App. P.
7 602(a)(2).

8 **ORDER**

9 THE COMMISSION FURTHER ORDERS:

10 1. TL111-311 filed by BP Pipelines (Alaska) Inc. on December 1, 2005 is
11 rejected.

12 2. TL114-301 filed by ConocoPhillips Alaska Transportation, Inc. on
13 December 1, 2005 is rejected.

14 3. TL124-304 filed by ExxonMobil Pipeline Company on December 1,
15 2005 is rejected.

16 4. TL100-312 filed by Unocal Pipeline Company on November 30, 2005
17 is rejected.

18 5. TL108-308 filed by Koch Alaska Pipeline Company LLC on
19 December 1, 2005 is rejected.

20 DATED AND EFFECTIVE at Anchorage, Alaska, this 16th day of December, 2005.

21 BY DIRECTION OF THE COMMISSION

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