

112 FERC ¶ 61,174

FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

August 8, 2005

In Reply Refer To:  
BP Transportation (Alaska) Inc.  
Docket No. IS98-285-001

BP Transportation (Alaska) Inc.  
2300 First City Tower  
1001 Fannin Street  
Houston, TX 77002-6760

Attention: Dean H. Lefler  
Vinson & Elkins L.L.P.

Reference: Joint Petition for Order Approving Amendment to Settlement

Dear Mr. Lefler:

1. On July 21, 2005, the State of Alaska (State) and BP Transportation (Alaska) Inc. (BPTA) filed a Joint Petition for Order Approving Amendment to Settlement Between the State of Alaska and BP Transportation (Alaska) Inc. Regarding the Badami Oil Pipeline (Amendment). The State and BPTA ask the Commission to approve the amendment to the settlement approved by the Commission in a letter order issued January 28, 1999 (Settlement).<sup>1</sup>

2. The Settlement established the Badami Settlement Methodology (BSM) for calculating maximum rates for the Badami Oil Pipeline (BOP). The parties state that the purpose of the BOP is to transport petroleum produced from Alaska's North Slope to an interconnection with Endicott Pipeline Company and further delivery to the Trans Alaska Pipeline System. However, the Amendment would reflect the current operational

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<sup>1</sup> *BP Transportation (Alaska) Inc.*, 86 FERC ¶ 61,070 (1999).

circumstances of the BOP, which is in a state of suspended service.<sup>2</sup> Production intended to have been transported over the BOP has been much lower than anticipated, and although the State and BPTA advise that production will be restarted soon, they caution that considerable uncertainty exists with respect to the future of the production.<sup>3</sup>

3. The Amendment provisions include the following:

Paragraph 1 The parties state that this paragraph provides that most elements of the BSM relating to the treatment of Rate Base and BPTA's collection of amounts associated with dismantling, removal, and restoration will be suspended until BPTA restarts the BOP. BPTA will not be required to file tariff revisions during periods when service on the BOP is temporarily suspended.

Paragraph 2 The parties state that this paragraph 2 describes how the Rate Base will be determined if the BOP commences operations. With the exception of State and Federal tax depreciation amounts, the elements of the Rate Base as of the date operations recommence will be those that existed when service on the BOP was suspended temporarily in August 2003. The paragraph contemplates that BPTA could dedicate certain facilities, such as the natural gas pipeline that was constructed to transport natural gas to the Badami Unit, for use in providing common carrier crude service, if BPTA complies with specified requirements, including complying with applicable laws and regulations. Finally, the Amendment provides that the Remaining Life of the BOP will not be subject to adjustment during 2005, which was contemplated by section 1-8 of the Settlement.

Paragraph 3 The parties state that this paragraph provides that recovery of dismantling, removal, and restoration amounts is suspended for the period that service on the BOP is temporarily suspended and sets forth the factors that will be used to determine the portion of the uncollected dismantling, removal, and restoration allowance that BPTA will be allowed to include in the annual calculation of the BOP maximum rate.

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<sup>2</sup> Details of the background of the BOP and the related production problems are set out in the joint petition seeking approval of the Amendment.

<sup>3</sup> Contemporaneously with the filing of the instant petition, BPTA filed FERC Tariff No. 16 in Docket No. IS05-413-000 to cover future transportation on the BOP. Effective as of December 6, 2003, BPTA withdrew its FERC Tariff No. 10 covering transportation on BOP because production ceased in the field served by the BOP facilities.

Paragraph 4 The parties state that this paragraph provides that as of the restart of the BOP there will be no carry-forward under the Net Carryover component of the BSM.

Paragraphs 5-6 The parties state that these paragraphs provide that the term of the Amendment will be extended for periods that service on the BOP is temporarily suspended. Paragraph 6 also recognizes that the service on the BOP could be suspended temporarily again in the future, in which case, the parties will meet to modify the Settlement in a manner consistent with the terms of the Amendment. For future suspensions, the parties will redetermine the life of the BOP and adjust the depreciation factors to be used for the recovery of depreciation.

Paragraph 7 The parties state that this paragraph provides the approach BPTA will use to determine the Rate Base and allowance for dismantling, removal, and restoration upon termination of the Settlement.

Paragraphs 8-9 The parties state that these paragraphs provide that the parties will seek regulatory approval of the Amendment, which is effective upon execution, but may be terminated if the Commission or the Regulatory Commission of Alaska rejects a provision of the Amendment or makes approval of the Amendment contingent upon a modification of the Amendment. The parties agree that the filing of a revised tariff rate at the maximum level allowed under the Settlement, as amended by the Amendment, will not result in a voluntary revenue reduction under the Settlement for the period the Amendment is in effect.

4. The parties contend that the terms of the Amendment are appropriate under the circumstances and will result in fair and reasonable rates for the BOP. According to the parties, without the Amendment, the Net Carryover component of the BSM would carry forward the cost of rate base amortization, and return, as well as dismantling, removal, and restoration from the period of suspended service into the calculation of the cost of service for the year that the BOP restarts. The parties emphasize that the Amendment recognizes those costs only when the BOP is operating. Further, the parties state that the Amendment extends the term of the Settlement for the period of any suspension of service, which makes the BSM effective for the equivalent operating period that was originally contemplated, postpones renegotiation of the Settlement, and substantially reduces the likelihood of potential rate disputes during the extended life of the Settlement.

5. The Commission previously found that the Settlement represented a reasonable compromise of the interests in the case. The Commission finds that the Amendment likewise represents an acceptable agreement between the parties, is uncontested, and will promote the transportation of additional supplies of crude petroleum from Alaska's North Slope. Accordingly, the Commission approves the Amendment on the grounds that it is

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fair, reasonable, and in the public interest. The Commission's approval of the Amendment does not constitute approval of, or precedent regarding, any principle of issue in this proceeding.

By direction of the Commission.

Linda Mitry,  
Deputy Secretary.

cc: All parties