

UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;  
Sudeen G. Kelly, Marc Spitzer,  
Philip D. Moeller, and Jon Wellinghoff.

Trans Alaska Pipeline System

Docket No. OR89-2-000

ORDER DENYING MOTION

(Issued June 7, 2007)

1. On March 26, 2007, ConocoPhillips Transportation Alaska, Inc. (Conoco) filed a motion in the above captioned docket, the TAPS Quality Bank docket, requesting that the Commission “rule in the near future to approve the Notice of Filing Basis For Retroactive Calculations” filed by the TAPS Carriers<sup>1</sup> on August 15, 2006 (the calculations filing). The TAPS Carriers, Exxon Mobil Corporation, and jointly Chevron U.S.A. Inc. and Union Oil Company of California (Chevron) filed in support of the motion. Petro Star Inc. filed an answer stating it did not object to the Commission granting the motion, but that Commission approval of the calculations filing should be subject to Petro Star’s pending court appeal of the Commission’s ruling on the TAPS Carriers’ tariff filing in Docket No. IS06-466-000. For the reasons set forth below, the Commission denies the motion.

2. The Quality Bank is the method of making monetary adjustments among shippers of Alaska North Slope (ANS) oil on the Trans Alaska Pipeline System (TAPS) which either compensates or charges a shipper for the difference in quality between the crude oil tendered by that shipper for transportation on TAPS, and the crude oil received by that shipper at the destination point. The current methodology values the tendered crude oil on the value of the constituent “cuts” of the tendered oil as determined under the distillation method. On July 3, 2006, in Docket Nos. IS06-466-000, *et al.*, the TAPS Carriers filed identical tariffs to comply with Commission Opinion Nos. 481, 481-A, and 481-B, which directed them to submit compliance filings implementing those orders within 30 days after the Commission issued its final order in this proceeding.<sup>2</sup> The tariffs

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<sup>1</sup> The TAPS Carriers consist of BP Pipelines (Alaska) Inc., Conoco, ExxonMobil Pipeline Company, Koch Alaska Pipeline Company, LLC, and Unocal Pipeline Company.

<sup>2</sup> *Trans Alaska Pipeline System*, 113 FERC ¶ 61,062 (2005) (Opinion No. 481), *order on reh’g*, 114 FERC ¶ 61,323 (2006) (Opinion No. 481-A), *order on reh’g*,

filed incorporated the new Quality Bank valuations adopted in the Opinion No. 481 orders. Attached to each filing was a June 29, 2006, memorandum of the Quality Bank Administrator (QBA) that provided the basis for the revised valuations and included eleven exhibits indicating how the QBA arrived at the valuations.

3. Petro Star, jointly BP Exploration (Alaska) and BP Oil Supply Company (BP Shippers), and Chevron filed protests to the July 3 filings. They all protested how the QBA had made certain calculations, specifically questioning his use of the Nelson-Farrar Index to adjust certain cut valuations contained in the proposed tariffs. BP Shippers also asserted that the TAPS Carriers should file additional tariff sheets specifying the component values the QBA should apply when calculating the refunds for the refund period of February 1, 2000, to October 31, 2005. The TAPS Carriers responded that they would file the component values of the calculations.

4. On August 15, 2006, the TAPS Carriers filed the calculations filing, consisting of the QBA's calculations totaling almost 400 pages. They did not file any additional tariff sheets. The TAPS Carriers stated that the calculations filing enables one to determine whether the QBA correctly calculated the component values for the refund period. The Commission chose not to issue a public notice of the August 15, 2006 filing. However, Petro Star protested the filing on August 30, 2006, raising again the same issue concerning the QBA's use of the Nelson-Farrar index in his refund calculations that it raised in its protest to the July 3, 2006 filing. On September 1, 2006, the Commission issued an order,<sup>3</sup> which accepted the July 3, 2006, tariff sheets, effective November 1, 2005. The order discussed the adjustment issue raised by the protestors, but found no merit in it. In note 7, the order referred to the TAPS Carriers' August 15, 2006 calculations filing, but did not discuss the filing. Petro Star filed a request for rehearing of the September 1 order regarding the Nelson-Farrar index adjustment calculation.

5. After the Commission issued the September 1 Order, a number of parties filed in Docket No. OR89-2-000, requesting that the Commission act on the calculations filing. Petro Star objected on the grounds that its rehearing request of the September 1 Order was still pending. On January 26, 2007 the Commission issued an order denying Petro

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115 FERC ¶ 61,287 (June 1, 2006) (Opinion No. 481-B). Appeals of the Commission's Opinion No. 481 orders are pending in the United States Court of Appeals for the District of Columbia Circuit.

<sup>3</sup> *BP Pipelines (Alaska) Inc., et al*, 116 FERC ¶61,208, (the September 1 order)

Star's request for rehearing of the Commission's September 1 Order.<sup>4</sup> This order made no reference to the calculations filing.

6. On March 26, 2007, Conoco filed the instant motion. Conoco asserts that the only protest of the calculations filing was by Petro Star, but the only issue raised in Petro Star's protest related to the QBA's use of the Nelson-Farrar Index to adjust processing costs, and the Commission's January 2007 Order denied Petro Star's request for rehearing on that issue. Thus, Conoco contends, there is no contested issue outstanding that needs to be resolved before the Commission can rule on the calculations filing.

7. Conoco notes that with respect to valuation of one of the cuts, the Commission "ordered the TAPS Carriers to issue retroactive invoices implementing" the Commission's decision as to valuation of that cut for the months of June, July and August 2006, citing *BP Pipeline (Alaska), Inc.*, 118 FERC ¶ 61,180 (2007) (*BP case*). Conoco argues that it is only equitable that the Commission should direct the TAPS Carriers to issue retroactive invoices for the refunds due for the earlier refund period as well. Conoco requests the Commission to "issue an order approving the Retroactive Basis Filing and authorizing the TAPS Carriers to issue retroactive invoices implementing the Commission's Quality Bank rulings."<sup>5</sup>

8. The TAPS Carriers filed in support of Conoco's motion and state the Commission should "issue an order approving the TAPS Carriers [calculations filing] so that the [QBA] can make the necessary calculations and issue new invoices for February 2000 through May 2006."<sup>6</sup>

9. The TAPS Carriers' calculations filing was voluntarily made by the TAPS Carriers in response to BP Shippers' request. The Commission did not direct the TAP Carriers to make that filing. Parties seem to contend that the QBA has not yet issued revised invoices for the refund period because the Commission has not yet approved the calculations filing. Accordingly, they urge the Commission to issue an order approving

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<sup>4</sup> *BP Pipelines (Alaska) Inc., et al.*, 118 FERC ¶61,056 (2007) (January 2007 Order).

<sup>5</sup> Motion at 4.

<sup>6</sup> TAPS Carriers' Answer to Motion at 2. Opinion No. 481 required that retroactive invoices be issued for the period before November 1, 2005, to reflect the revised valuations for certain cuts for that period. After November 1, 2005, the invoices would be based on the valuations determined by Opinion No. 481, and the QBA has issued such invoices from June 2006 on.

the calculations filing, citing the *BP case*. The circumstances in the *BP case*, were markedly different than those present here. In that case, the QBA issued invoices using valuations contrary to what the Commission previously ordered. The Commission accordingly directed the QBA to issue revised invoices using the correct valuations.

10. The Commission's function regarding the Quality Bank is to establish the rate aspects of the Quality Bank, which the Commission has fully exercised in the Opinion No. 481 orders. In fact, there is no outstanding protest to the calculations filing. We note that the QBA is in a position to issue revised invoices for the refund period, in accordance with the calculation filings, without any further action by the Commission. It is not the function of the Commission to oversee the operations of the Quality Bank and we do not envision any further action on this matter. Accordingly, we will deny Conoco's motion.

The Commission orders:

Conoco's motion that the Commission approve the TAPS Carriers' calculations filing is denied.

By the Commission.

( S E A L )

Kimberly D. Bose,  
Secretary.