

127 FERC ¶ 61,194  
FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

May 29, 2009

In Reply Refer To:  
BP Pipelines (Alaska) Inc.  
Docket No. IS09-208-000  
ConocoPhillips Transportation Alaska, Inc.  
Docket No. IS09-209-000  
ExxonMobil Pipeline Company  
Docket No. IS09-210-000  
Koch Alaska Pipeline Company  
Docket No. IS09-211-000  
Unocal Pipeline Company  
Docket No. IS09-212-000

Attention: John E. Kennedy, Counsel  
First City Tower, 1001 Fannin Street, Suite 2500  
Houston, TX 77002-6760

Reference: TAPS Carriers' Quality Bank Methodology <sup>1</sup>

Ladies and Gentlemen:

1. On April 27, 2009, the TAPS Carriers filed identical tariffs <sup>2</sup> to consolidate information regarding the TAPS Quality Bank methodology into one tariff. Previously, information concerning the TAPS Quality Bank methodology was set forth in the rules

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<sup>1</sup> The TAPS Carriers are the owners of the Trans Alaska Pipeline System (TAPS). They consist of BP Pipelines (Alaska) Inc., ConocoPhillips Transportation Alaska, Inc., ExxonMobil Pipeline Company, Koch Alaska Pipeline Company, L.L.C., and Unocal Pipeline Company.

<sup>2</sup> BP Pipelines (Alaska) Inc. F.E.R.C. No. 37, ConocoPhillips Transportation Alaska, Inc. F.E.R.C. No. 14, ExxonMobil Pipeline Company F.E.R.C. No. 332, Koch Alaska Pipeline Company, L.L.C. F.E.R.C. No. 12, and Unocal Pipeline Company F.E.R.C. No. 299.

and regulations tariff of each TAPS Carrier, as well as in the Quality Bank Methodology Tariff. The instant filing cancels the previously effective provisions and replaces them with a single uniform tariff applicable to each individual carrier. The filings propose an effective date of June 1, 2009. The Commission accepts the filed tariffs.

2. Crude oil produced from different fields on the Alaska North Slope varies in quality, but is shipped to market in a single pipeline, TAPS. The oil streams cannot be segregated during shipping, and the blended streams cannot be separated at the end of the pipe. The TAPS Quality Bank is a mechanism for making monetary adjustments among shippers to compensate for the different qualities of crude oils shipped in the TAPS common stream. The Quality Bank involves valuing the components, or cuts, of the streams entering TAPS, and these valuations are combined to determine the value of each entering stream. The filed tariffs set forth the current valuations of these components.

3. The Commission determined the method for valuing the Quality Bank cuts in Opinion No. 481.<sup>3</sup> On July 3, 2006, the TAPS Carriers filed tariffs to comply with Opinion No. 481. Protests were filed objecting to the “two-step” method that the Quality Bank Administrator (QBA)<sup>4</sup> used to calculate the processing costs adjustments for the Heavy Distillate and Resid cuts whose value depends upon the amount of the processing cost adjustment. In two prior orders in Docket No. IS06-466-000 the Commission accepted the protested tariff sheets. After appeal of those two orders was filed, the proceeding came before the Commission on voluntary remand from the United States Court of Appeals for the District of Columbia Circuit. On August 8, 2008 the Commission issued an order in Docket No. IS06-466-000, *BP Pipelines (Alaska) Inc.*, 124 FERC ¶ 61,153 (2008) (Remand Order), which reversed the two prior orders and directed the TAPS Carriers to not follow the QBA’s method and to make a compliance filing consistent with the Remand Order. On September 8, 2008, the TAPS Carriers filed the compliance filing directed by the Remand Order. Requests for rehearing of the Remand Order were filed.

4. On January 26, 2009, the Carriers filed tariff supplements in Docket Nos. IS09-114-000, IS09-116-000, IS09-118-000, IS09-119-000, and IS09-120-000 that continued the methodology initially approved in Docket No. IS06-466-000, notwithstanding the Remand Order. Protests were filed asserting that the filings ignored the Commission’s August 8, 2008 Remand Order in Docket No. IS06-466-000. On February 25, 2009, the

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<sup>3</sup> *Trans Alaska Pipeline System*, 113 FERC ¶ 61,062 (2005) (Opinion No. 481); 114 FERC ¶ 61,323 (2006) (Opinion No. 481-A); 115 FERC ¶ 61,287 (2006) (Opinion No. 481-B), *aff’d sub nom. Petro Star Inc. v. FERC*, No. 06-1166, 2008 U.S. App. LEXIS 5328 (D.C. Cir., Mar. 6, 2008) (*Petro Star*), *cert. denied*, January 12, 2009.

<sup>4</sup> The QBA is an independent expert who administers the Quality Bank.

Commission issued an order which accepted and suspended these filings subject to refund and subject to the outcome of Docket No. IS06-466-000. *BP Pipelines (Alaska) Inc.*, 126 FERC ¶ 61,170 (2009).

5. On April 14, 2009, the Commission issued an order in Docket No. IS06-466-000 which reversed the Remand Order and accepted the tariff sheets filed July 3, 2006, and rejected the September 8, 2008 compliance filing. *BP Pipelines (Alaska) Inc.*, 127 FERC ¶ 61,039 (2009) (Rehearing Order). The order reimposed the calculation originally filed by the TAPS Carriers in the July 3, 2006 filings, and those calculations are reflected in the instant filings.

6. On May 19, 2009, Chevron U.S.A. Inc. and Union Oil Company of California (collectively, Chevron) filed a protest to the instant filings and motion to intervene out-of-time. On May 19, 2009 Flint Hills Resources Alaska, LLC (Flint Hills) filed in support of Chevron's protest. Chevron and Flint Hills assert that good cause exists to accept the late filings. Granting late intervention and protest at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties.

7. Chevron argues the tariffs submitted by the TAPS Carriers have not been shown to be just and reasonable, and may be unjust, unreasonable, and unduly preferential or discriminatory. Chevron requests that the proposed tariffs be allowed to take effect as proposed, subject to suspension and refund, and that the Commission order the tariffs be conformed to the outcome of Docket No. IS06-466-000. Chevron states the time to seek review in the Court of Appeals of the Rehearing Order has not yet ended and further action in this docket should be anticipated. Flint Hills states that its appeal of the Commission's decision in Docket No. IS06-466-000 is currently pending in the Court of Appeals.

8. The Rehearing Order in Docket No. IS06-466-005 is the Commission's final order in that docket since no request for rehearing of that order was filed. That there is a pending appeal of that order does not change the status of that order. The filings here are consistent with the Commission's orders on the Quality Bank. Accordingly, the Commission accepts the filed tariffs as proposed. The Commission will, of course, abide by any court rulings in the future that may affect these tariffs.

By direction of the Commission.

Kimberly D. Bose,  
Secretary.