

153 FERC ¶ 61,290  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Norman C. Bay, Chairman;  
Cheryl A. LaFleur, Tony Clark,  
and Colette D. Honorable.

PTE Pipeline LLC

Docket Nos. IS16-27-000  
IS16-27-001  
IS16-27-002  
DO16-3-000

ORDER ACCEPTING AND SUSPENDING TARIFFS,  
SUBJECT TO REFUND AND CONDITIONS, AND ESTABLISHING  
A HEARING AND SETTLEMENT PROCEDURES

(Issued December 14, 2015)

1. On October 16, 2015, as amended on October 19, 2015, and October 20, 2015, PTE Pipeline LLC (PTEP) submitted an initial rate filing for the interstate transportation of crude oil by PTEP movements on its pipeline from the Point Thomson Unit (PTU) to the Trans Alaska Pipeline System (TAPS) Pump Station No. 1. The filing was protested by The State of Alaska (Alaska).<sup>1</sup> Additionally, on October 14, 2015, PTEP filed a request for approval of initial property account depreciation rates for PTEP, effective December 1, 2015. As detailed below, the Commission accepts and suspends PTEP's FERC Tariff Nos. 1.0.2 (Rules and Regulations) and 2.0.2 (Proposed Rate),<sup>2</sup> to become effective December 15, 2015, subject to refund, and sets all these matters herein for hearing and settlement judge procedures. The hearing will be held in abeyance pending the outcome of the settlement process.<sup>3</sup>

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<sup>1</sup> The State of Alaska has a direct interest in PTEP's tariff because its royalty and production tax revenue is based generally on the wellhead value of oil. Under the commonly used netback formula, the wellhead value of Alaska North Slope oil will be lower, all else equal, the higher the tariff rates.

<sup>2</sup> PTE Pipeline LLC, FERC Oil Tariff, CRUDE TARIFF, [FERC No. 1.0.2 & 2.0.2](#), [PTEP FERC No. 1.0.2 and FERC No. 2.0.2, 4.0.0](#).

<sup>3</sup> See 18 C.F.R. § 343.5 (2015).

## **Background**

2. The PTU reservoir holds both natural gas and light liquid hydrocarbons (condensate) and is located on the Alaska North Slope east of Prudhoe Bay and TAPS. PTEP is a 22-mile and 12-inch crude oil pipeline originating at PTU Central Production Facility to an interconnection with the Badami Pipeline. The Badami Pipeline connects to Endicott Pipeline which connects to TAPS at Pump Station No. 1.

## **PTEP's Proposed Rate**

3. PTEP proposed an initial rate in FERC Tariff No. 2.0.2 in accordance with Opinion No. 154-B.<sup>4</sup> As required by the Commission's regulations, PTEP's filing includes, in addition to its transmittal letter and two FERC tariffs, several pages of cost, revenue, and throughput data. Under proposed FERC Tariff No. 2.0.2, PTEP's transportation rates will be \$19.17 per barrel.

## **Protest and Answer**

4. On October 30, 2015, Alaska submitted a motion to intervene and protest on the ground that the proposed rate in FERC Tariff No. 2.0.2 is unjust and unreasonable. Alaska requests the Commission investigate FERC Tariff No. 2.0.2, suspend it and impose a refund condition once it is effective. Based on its initial analysis of the cost of service justification for FERC Tariff No. 2.0.2, Alaska asserts the instant filing raises numerous issues of material fact with respect to PTEP's estimated costs, rate of return calculation and low throughput levels assumptions.

5. In addition, Alaska stated that it is currently in discussions with PTEP in an effort to resolve the issues identified in its protest.<sup>5</sup>

6. On November 11, 2015, PTEP submitted a response to Alaska's protest and asked the Commission accept FERC Tariff No. 2.0.2 subject to refund. PTEP also stated that it is currently in discussions with Alaska in an attempt to possibly resolve the issues raised by Alaska.<sup>6</sup>

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<sup>4</sup> *Williams Pipe Line Co.*, Opinion No. 154-B, 31 FERC ¶ 61,377, at 61,833 (1985).

<sup>5</sup> Alaska Protest at 9.

<sup>6</sup> PTEP Answer at 9 n.17.

## **Discussion**

7. The Commission finds that PTEP has made an adequate initial showing that its filing meets the requirements of a cost of service filing, under 18 C.F.R. § 346.1 of the Commission's regulations based on the cost information provided in its filing. The issues in this case pertain to the data and rate design methodology that PTEP uses to determine its proposed initial rates and the resolution of these factual disputes will have a rate impact on shippers using PTEP's pipeline and Alaska. However, there is insufficient data at this time to resolve these disputes. Since both parties stated that they are currently in discussions to possibly resolve the issues raised by Alaska, the Commission will establish hearing and settlement procedures to examine all the issues raised by the filing.

8. The Commission has consistently encouraged parties to resolve disputes of this nature through settlement, and is of the view that formal settlement procedures may lead to a resolution of this case. Therefore, the Commission will hold the hearing in abeyance pending the outcome of formal settlement procedures in this matter.<sup>7</sup> To aid the parties in their settlement efforts, a settlement judge shall be appointed pursuant to Rule 603 of the Commission's Rules of Practice and Procedure.<sup>8</sup> If the parties desire, they may, by mutual agreement, request a specific judge; otherwise, the Chief Judge will select a judge for this purpose.<sup>9</sup>

## **Suspension**

9. Based upon a review of the filing, the Commission finds that PTEP's tariff filing has not been shown to be just and reasonable and may be unjust, unreasonable, unduly discriminatory, or otherwise unlawful. Accordingly, pursuant to section 15(7) of the Interstate Commerce Act, the Commission will accept FERC Tariff No. 2.0.2 for filing and suspend it, to be effective December 15, 2015, subject to refund and subject to the conditions set forth in the body of this order and in the ordering paragraphs below.

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<sup>7</sup> See 18 C.F.R. § 343.5 (2015).

<sup>8</sup> 18 C.F.R. § 385.603 (2015).

<sup>9</sup> If the parties decide to request a specific judge, they must make their joint request to the Chief Judge by telephone at (202) 502-8500 within five days of this order. The Commission's website contains a list of the Commission's judges and a summary of their background and experience at <http://www.ferc.gov/about/offices/oaljdr/oalj-dj.asp>.

The Commission orders:

(A) Pursuant to the authority contained in the Interstate Commerce Act, particularly section 15(7) thereof, PTEP's FERC Tariff No. 2.0.2 is accepted and suspended, to become effective December 15, 2015, subject to refund and to further order of the Commission.

(B) Pursuant to the authority contained in the Interstate Commerce Act, particularly sections 15(1) and 15(7) thereof, and the Commission's regulations, a hearing is established to address the issues raised by PTEP's filing.

(C) The hearing established in Ordering Paragraph (B) is hereby held in abeyance pending the outcome of the settlement proceedings described in the body of this order and the ordering paragraphs below.

(D) Pursuant to Rule 603 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.603 (2015), the Chief Administrative Law Judge is directed to appoint a settlement judge in this proceeding within 10 days of the date this order issues. To the extent consistent with this order, the designated settlement judge shall have all the powers and duties enumerated in Rule 603 and shall convene an initial settlement conference as soon as practicable.

(E) Within 60 days of the date this order issues, the settlement judge shall file a report with the Chief Judge and the Commission on the status of the settlement discussions. Based on this report, the Chief Judge shall provide the parties with additional time to continue their settlement discussions, if appropriate, or assign this case to a presiding judge for a trial-type evidentiary hearing, if appropriate. If settlement discussions continue, the settlement judge shall file a report at least every 30 days thereafter, informing the Chief Judge and the Commission of the parties' progress toward settlement.

By the Commission.

( S E A L )

Nathaniel J. Davis, Sr.,  
Deputy Secretary.