

157 FERC ¶ 61,175  
FEDERAL ENERGY REGULATORY COMMISSION  
WASHINGTON, D.C. 20426

December 2, 2016

In Reply Refer To:  
PTE Pipeline, LLC  
Docket Nos. IS16-27-000  
IS16-27-001  
IS16-27-002  
DO16-3-000

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Dear Counsel:

1. On September 19, 2016, PTE Pipeline LLC (PTE), the State of Alaska, and ConocoPhillips Alaska, Inc. (collectively, the Participants) filed an Offer of Settlement (Settlement) in the referenced proceeding for approval pursuant to Rule 602.<sup>1</sup>

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<sup>1</sup> 18 C.F.R. § 385.602 (2016). On December 14, 2015, the Commission accepted and suspended PTE's initial tariff filing for interstate crude oil movements subject to hearing and settlement proceedings. *See PTE Pipeline LLC*, 153 FERC ¶ 61,290 (2015).

On September 26, 2016, the Commission Trial Staff filed comments in support of the Settlement. No other comments were filed. On October 20, 2016, the settlement judge certified the Settlement to the Commission as uncontested.<sup>2</sup>

2. The Settlement resolves all matters at issue in Docket Nos. IS16-27, DO16-3, and their sub-dockets, by means of a “black box” settlement and provides for stipulated rates for two settlement periods.<sup>3</sup> As part of the Settlement, PTE has agreed to file at the Commission and the Regulatory Commission of Alaska (RCA) a rate change to be effective no later than July 1, 2019, subject to refund and investigation.<sup>4</sup>

3. All Participants support the Settlement, and request that the Commission approve the Settlement as fair and reasonable and in the public interest. Substantive provisions of the Settlement are briefly summarized below.

4. The Settlement provides that the Depreciated Original Cost ratemaking method shall be used to set PTE’s initial rates and the rates for the life of the pipeline.<sup>5</sup> A settlement rate of \$17.56 per barrel shall be charged during the period beginning April 1, 2016 and ending March 31, 2017 (Settlement Period 1), and a rate of \$12.09 per barrel shall be charged for the period beginning April 1, 2017 and ending on the date when PTE places superseding rates in effect, but not later than July 1, 2019 (Settlement Period 2).<sup>6</sup> Following the Commission’s approval of the Settlement, PTE will file a revised tariff to reflect the Settlement Period 1 rate and will refund to shippers, with interest, the difference between the Settlement Period 1 rate and the tariff rate paid by the shippers and will file refund reports as applicable.<sup>7</sup>

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<sup>2</sup> *PTE Pipeline LLC*, 157 FERC ¶ 63,010 (2016).

<sup>3</sup> The initial period is April 1, 2016 through March 31, 2017, and the second period begins April 1, 2017, and extends to the next rate change.

<sup>4</sup> The RCA has jurisdiction over PTE’s rates for intrastate transportation and on October 17, 2016, approved the Settlement to resolve all matters at issue in a parallel proceeding in RCA Docket P-15-014. *Regulatory Commission of Alaska Order Accepting Settlement Agreement and Joint Statement and Required Filings*, Order No. 12, P-15-014 (October 17, 2016).

<sup>5</sup> Settlement at P 3.

<sup>6</sup> *Id.* P 4.

<sup>7</sup> *Id.* PP 4-5.

5. The Settlement also provides that PTE shall place into effect Settlement Period 2 rates no later than April 1, 2017. PTE shall submit to the Commission a rate change filing no later than June 1, 2019 to be effective no later than July 1, 2019.<sup>8</sup> In addition, the settling parties stipulate that any complaint at the Commission challenging PTE's rate filing will not seek an award of reparations under the Interstate Commerce Act for any period prior to the earlier of the effective date of a new PTE rate filing changing the Settlement Period 2 rate, or July 1, 2019.<sup>9</sup>

6. The Settlement provides that the stipulated beginning balance, as of April 1, 2016, of PTE's (a) Carrier Property in Service is \$150,013,630, (b) Equity Allowance for Funds Used During Construction (AFUDC) is \$25,347,000, and (c) Debt AFUDC is \$11,552,000. Additionally, PTE's annual composite depreciation rate for the term of the Settlement is 3.4783 percent. Following the Commission's approval of the Settlement, PTE will file a revised depreciation study to conform its accounting records to that depreciation rate. For purposes of computing the settlement rates, the projected cost of dismantling and removing the pipeline system and restoring the right-of-way (DR&R) is \$886,747.83 per year during the term of the Settlement. PTE will use the accrual method for calculating DR&R and PTE's pre-tax DR&R collection is stipulated to be \$0.42 and \$0.29 per barrel for Settlement Periods 1 and 2, respectively.<sup>10</sup> PTE shall add a supplemental page to its annual FERC Form No. 6 report to show pre-tax and after-tax DR&R collections on an annual and cumulative basis.<sup>11</sup>

7. The Settlement states that once approved by the Commission, "the standard of review for any future modifications to the Settlement Agreement by the Settling Parties will be the *Mobile-Sierra* 'public interest' standard, while modifications by the FERC, acting *sua sponte* or in response to third-party proposals, shall be the 'just and reasonable' standard."<sup>12</sup>

8. Upon consideration of the Settlement and the comments received, the Commission finds that the Settlement appears to be fair, reasonable, and in the public interest. Accordingly, the Settlement is hereby approved without condition or modification.

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<sup>8</sup> *Id.* P 9.

<sup>9</sup> *Id.* P 10.

<sup>10</sup> *Id.* P 6.

<sup>11</sup> *Id.* P 7.

<sup>12</sup> *Id.* P 16.

The Commission's approval of the Settlement does not constitute approval of, or precedent regarding, any principle or issue in this proceeding.

9. This letter terminates the above-captioned dockets.

By the direction of the Commission.

Kimberly D. Bose,  
Secretary.