

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

July 23, 2003

In Reply Refer To:
Docket Nos. IS01-504-000
IS01-504-001
IS03-74-000

Morrison & Foerster LLP
2000 Pennsylvania Avenue, NW
Washington, DC 20006-1888

Attention: Edward J. Twomey, Esq.
Robert H. Loeffler, Esq.

Reference: BP Transportation (Alaska) Inc.

Dear Mr. Twomey and Mr. Loeffler:

1. You filed an Offer of Settlement in the above-captioned proceedings on May 22, 2003. The Offer of Settlement resolves all issues set for hearing in these proceedings, which concern protests to tariffs filed by BP Transportation (Alaska) Inc. ("BPTA") on September 10, 2001 and December 17, 2002 proposing initial and increased rates for petroleum transportation through BPTA's Northstar Oil Pipeline ("Northstar").
2. No comments were filed by the date which 18 C.F.R. § 385.602 (f) (2) required comments to be filed. The presiding judge therefore certified the Offer of Settlement to the Commission as uncontested on June 25, 2003.
3. The Offer of Settlement resolves all issues set for hearing in the Commission's October 10, 2001 Order Accepting and Suspending Tariff Subject to Refund and Conditions, and Establishing a Hearing and Settlement Procedures in Docket No. IS01-504-000, as well as all issues set for hearing in the Commission's January 16, 2003 Order Accepting and Suspending Tariff, Subject to Refund and Conditions, and Consolidating Proceedings for Hearing in Docket Nos. IS03-74-000 and IS01-504-001. Specifically, it reduces Northstar's proposed rate of return on capital and decreases the amount of certain Carrier Property used to calculate the pipeline's interstate rates in the context of a comprehensive agreement regarding the methodology under which rates will be calculated for the life of the pipeline.

4. Offer of Settlement Article I reduces Northstar's interstate transportation rates to \$1.73 per barrel. It also requires Northstar to file revised interstate rates on or before December 1 of each year. These rates are capped in accordance with the rate methodology established in Article II, and will continue to govern regardless whether the rates remain subject to federal regulation. Article II describes in detail the settlement rate methodology, which incorporates a variable rate mechanism under which any difference (positive or negative) between Northstar's interstate revenue requirement/revenues for a particular year is carried forward to the next year, with interest. Article III establishes general contract provisions, including those related to term, termination, interpretation, amendments, notice, enforceability and waiver.

5. The Offer of Settlement is in the public interest and is hereby approved. Commission approval of this settlement does not constitute approval of, or precedent regarding, any principle or issue involved in this proceeding.

6. BPTA shall file to reduce Northstar's interstate transportation rate to \$1.73 per barrel within fifteen (15) days of the date on which the Offer of Settlement was approved. Because the Offer of Settlement rate methodology incorporates a variable rate mechanism under which any difference (positive or negative) between Northstar's interstate revenue requirement/revenues for a particular year is carried forward to the next year, no refunds are required at this time.

7. This letter order terminates Docket Nos. IS01-504-000, IS01-504-001 and IS03-74-000.

By direction of the Commission.

Magalie R. Salas,
Secretary.

cc: All Parties