

102 FERC ¶ 61,345  
UNITED STATES OF AMERICA  
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;  
William L. Massey, and Nora Mead Brownell.

BP Pipelines (Alaska) Inc.	Docket No. IS03-137-000
ExxonMobil Pipeline Company	Docket No. IS03-141-000
Phillips Transportation Alaska, Inc.	Docket No. IS03-142-000
Unocal Pipeline Company	Docket No. IS03-143-000
Williams Alaska Pipeline Company, L.L.C.	Docket No. IS03-144-000
	and
Trans Alaska Pipeline System, <u>et al.</u>	Docket No. OR89-2-000 <u>et al.</u>

ORDER ACCEPTING AND SUSPENDING TARIFFS,  
SUBJECT TO REFUND AND CONDITIONS, AND  
CONSOLIDATING PROCEEDINGS FOR HEARING

(Issued March 28, 2003)

1. On February 27, 2003, the five Trans Alaska Pipeline System (TAPS) Carriers, BP Pipelines (Alaska) Inc., ExxonMobil Pipeline Company, Phillips Transportation Alaska, Inc., Unocal Pipeline Company, and Williams Alaska Pipeline Company, L.L.C., filed identical tariff revisions, amending their TAPS Quality Bank Methodology Tariffs.<sup>1</sup> The TAPS Quality Bank is a system for making monetary adjustments among shippers on TAPS for the differing qualities of petroleum shipped on TAPS.<sup>2</sup>

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<sup>1</sup>The TAPS Carriers amended their FERC Quality Bank Methodology Tariff by filing Supplement No. 4 to FERC No. 23 (BP), FERC No. 69 (ExxonMobil), FERC No. 4 (Phillips Transportation), FERC No. 206 (Unocal), and FERC No. 4 (Williams). At the same time, the five TAPS Carriers filed identical tariff revisions with the Regulatory Commission of Alaska (RCA), TL 93-311, TL 107-304, TL 92-301, TL 83-312 and TL 90-308, respectively.

<sup>2</sup>The current quality bank methodology was adopted in the Commission's Order Adopting Contested Settlement in Docket No. OR89-2-007, et al., Trans Alaska Pipeline (continued...)

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2. The Carriers state that the tariff revisions change the TAPS Quality Bank pricing basis used to value the Quality Bank Naphtha cut from Platts Oilgram Price Reports (Platts) reported Gulf Coast Naphtha price assessment to Platts newly reported Gulf Coast Heavy Naphtha price assessment. They all request special permission pursuant to 18 C.F.R. § 341.14 to allow the tariffs to be effective on March 1, 2003, with one day's notice. All the filings were protested.

3. As detailed below, we accept the filings to be effective March 1, 2003, suspend their effectiveness, set them for hearing, and consolidate the instant dockets with the existing TAPS proceeding in Docket No. OR89-2-000 et al., in which valuation of the naphtha cut is an issue.

### **Background**

4. Under the current Quality Bank methodology the value for the Quality Bank Naphtha component (175-350 degrees Fahrenheit) for both the Gulf Coast and the West Coast has been based on the Gulf Coast Naphtha price assessment published by Platts.<sup>3</sup> Effective February 3, 2003, Platts began publishing an assessment for waterborne heavy naphtha, raising the issue as to which of the two Platts naphtha assessments the Quality Bank should use to value that component. The TAPS Quality Bank Administrator (QBA) determined that effective March 1, 2003, the Quality Bank would use the new assessment for heavy naphtha to value the Quality Bank Naphtha component. On February 11, 2003, he notified the TAPS Carriers of his decision. His decision is final unless changed by a Commission order.

5. On February 27, 2003, the five TAPS Carriers filed tariff sheets to implement the QBA's decision. In the revised tariffs the TAPS Carriers propose to use the Platts Gulf Coast Waterborne assessment for Heavy Naphtha to value the 175-350 degrees Fahrenheit component of both the Gulf Coast and the West Coast. The proposed effective date of the TAPS Carriers' tariff sheets is March 1, 2003, and the Carriers request special permission to permit such effectiveness with one day's notice.

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<sup>2</sup>(...continued)

System, 81 FERC ¶ 61,319 (1997) and the Regulatory Commission of Alaska's (RCA) Order Adopting Federal Energy Regulatory Commission Order Approving Contested Settlement in Docket Nos. P-89-1, et al., In re Formal Complaint of Tesoro Alaska Petroleum Co., Order P-89-1 (87) (1998)

<sup>3</sup>There is no price assessment for West Coast naphtha.

**Interventions, Protests, and Responses**

6. On March 14, 2003, Unocal Corporation, Union Oil Company of California (Union Oil), Exxon Mobil Corporation (Exxon), and Conoco Phillips Alaska, Inc. (Conoco), filed motions to intervene and protest. BP Exploration (Alaska) Inc. and BP America Production Company (BP) also filed a motion to intervene and comments and supplemented those comments on March 17, 2003. The State of Alaska, Petro Star Inc., and Williams Alaska Petroleum, Inc. filed motions to intervene.

7. Union Oil, Exxon, and Conoco, request that the proposed TAPS tariff change should be suspended for one day and take effect thereafter subject to refund, and that the Commission investigate issues in the proposed tariff change to determine if it is just and reasonable, and consolidate this matter with the ongoing TAPS proceedings in Docket No. OR89-2-000, et al. They argue that since it has not been demonstrated that the new Platt's Gulf Coast Heavy Naphtha price quote bears any relation to the value of the Quality Bank's West Coast naphtha cut these proceedings should be consolidated with the ongoing proceeding in Docket No. OR89-2-000 et al., where the value of the Quality Bank naphtha cut on the West Coast is currently being litigated.

8. Conoco and Exxon also assert that there should be an upward adjustment of 1.5 cents per gallon (subject to refund) to the price published by Platts for Heavy Naphtha. They contend that this adjustment would reflect the higher value associated with a naphtha with naphthenes and aromatic (N+A) contents of 50 and above.

9. BP states that while it agrees that the Commission should approve the QBA's decision to use the new Platts price assessment, its use should be subject to the outcome of the ongoing TAPS Quality Bank proceedings, and only as long as there is no separate West Coast price assessment for naphtha.

10. The TAPS Carriers and BP filed responses, and both take issue with the suggestion that there should be an adjustment to the published Platts price for the Heavy Naphtha adopted by the QBA. That issue, like all the issues raised, they assert, should be determined at hearing. The TAPS Carriers also agree that the hearing should be consolidated with the ongoing TAPS Quality Bank proceedings.

**Discussion**

11. In their tariff filings, the TAPS Carriers are implementing the decision of the TAPS' QBA to shift from use of the Platts Naphtha assessment to the Platts Heavy Naphtha. While not challenging the need for the change, protestors raise a number of issues, described above. Protestors also note that the value of, and appropriate Quality Bank pricing basis for the Quality Bank Naphtha cut on the West Coast, is currently the subject of ongoing concurrent Commission and RCA hearings in Docket No. OR89-2-000, et al., and in RCA Docket P-89-2, et al.<sup>4</sup>

12. The issues raised in this case pertain to the valuation of the naphtha cut under the TAPS Quality Bank valuation methodology. The resolution of these factual disputes will directly affect the valuation of the TAPS stream. At present, however, there is insufficient information to enable the Commission to resolve these disputes. It is therefore appropriate to establish hearing procedures to examine the issues raised. Because the issues raised here are related to the issues in Docket No. OR89-2-000 et al., where valuation of the naphtha cut is in issue, the Commission will consolidate the instant dockets with the existing TAPS proceeding in Docket No. OR89-2-000 et al.

13. Based upon a review of the filings, the Commission finds that the proposed tariff have not been shown to be just and reasonable and may be unjust, unreasonable, unduly discriminatory, or otherwise unlawful. Accordingly, the Commission will accept and suspend the tariffs, to be effective March 1, 2003, subject to refund and subject to the conditions set forth in the body of this order and in the ordering paragraphs below.

**The Commission orders:**

(A) The tariffs listed in n.1 are accepted for filing and suspended, to be effective March 1, 2003, subject to refund, and subject to further order of the Commission.

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<sup>4</sup>See Order Establishing Consolidated Hearings in Trans Alaska Pipeline System, et al., 97 FERC ¶ 61,150 at 61,652 (2001); Order Reopening Docket P-98-9; Consolidating Dockets; Adopting Abbreviated Caption; Directing Concurrent Hearings; Appointing Administrative Law Judge; And Scheduling Prehearing Conference, in Trans Alaska Pipeline System Quality Bank Proceedings, RCA Docket P-89-2, et al. (2001).

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(B) Docket Nos. IS03-137-000, IS03-141-000, IS03-142-000, IS03-143-000, and IS03-144-000 are consolidated with the proceeding established in Docket No. OR89-2-000, et al. to address the issues raised by the instant filings.

(C) Waiver of the 30-day notice required by section 6 (3) of the Interstate Commerce Act is granted.

(D) The Chief Judge may authorize a change to the Track III procedures established in Docket No. OR89-2-000 et al. as necessary.

By the Commission.

( S E A L )

Magalie R. Salas,  
Secretary.