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STATE OF ALASKA

REGULATORY COMMISSION OF ALASKA

Before Commissioners:

Stephen McAlpine, Chair
Paul F. Lisankie
Rebecca L. Pauli
Robert M. Pickett
Janis W. Wilson

In the Matter of the Tariff Revision)
Designated as TL24-309 Filed by TESORO)
ALASKA PIPELINE COMPANY LLC for)
Transportation Rate Increase)
_____)

P-17-005

**TESORO ALASKA PIPELINE COMPANY LLC'S NOTICE OF FILING
FIRST AMENDMENT TO SETTLEMENT AGREEMENT**

Tesoro Alaska Pipeline Company LLC ("TAPLCO"), by and through counsel, Brena, Bell & Clarkson, P.C., hereby files notice of filing the First Amendment to the Settlement Agreement pending before the Regulatory Commission of Alaska ("RCA" or "Commission").

The RCA sent a letter to TAPL dated March 23, 2018, regarding the rate implications of the federal Tax Cuts and Jobs Act of 2017 ("2017 Tax Act"). In TAPLCO's response to the Commission dated April 6, 2018, TAPLCO committed to review the 2017 Tax Act and to propose any appropriate pro forma adjustments to the rates proposed in this Docket, as well as any adjustments to the Settlement Agreement proposed in this Docket. Attached as Exhibit A is TAPLCO's Explanatory Statement Regarding Implications of the 2017 Tax Act on

TAPLCO's Rates, summarizing the calculated rate adjustment resulting from the 2017 Tax Act, and attached as Exhibit B is the First Amendment to Settlement Agreement that adjusts the Settlement Rate accordingly.

DATED this 25th day of April, 2018.

BRENA, BELL & CLARKSON, P.C.
Counsel for Tesoro Alaska Pipeline Company LLC

By



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VERIFICATION

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

I, Anthony S. Guerriero, being first duly sworn upon oath, state as follows:

I am an attorney with Brena, Bell & Clarkson, P.C., counsel for Tesoro Alaska Pipeline Company LLC in the above-referenced matter. I have read the above document and know the contents to be true and accurate to the best of my knowledge and belief.


DATED this 25th day of April, 2018.



Anthony S. Guerriero

SUBSCRIBED AND SWORN TO OR AFFIRMED before me at Anchorage, Alaska,
this 25th day of April, 2018.





Notary Public in and for Alaska
My Commission Expires: 8-1-2021

**BRENA, BELL &
CLARKSON, P.C.**
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ANCHORAGE, AK 99501
PHONE: (907)258-2000
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CERTIFICATE OF SERVICE

I hereby certify that on April 25, 2018, I served a true and correct copy of the foregoing document by electronic means as authorized by the Commission, upon the following:

Tesoro Alaska Pipeline Company LLC

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Anthony S. Guerriero, Esq.

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Tesoro Alaska Company LLC

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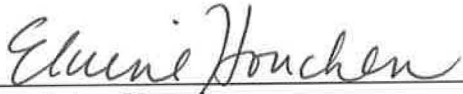
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Elaine Houchen

EXHIBIT A
TAPLCO'S EXPLANATORY STATEMENT

TAPLCO EXPLANATORY STATEMENT REGARDING IMPLICATIONS OF 2017 TAX ACT ON TAPLCO RATES

In late 2017, major revisions to the federal tax laws were enacted in the form of the Tax Cuts and Jobs Act of 2017 ("2017 Tax Act"), including reduction of the corporate income tax rate from a maximum rate of 35% to 21%, effective January 1, 2018. As a result of this tax rate reduction, regulatory agencies throughout the country, including the Federal Energy Regulatory Commission and the Regulatory Commission of Alaska ("RCA"), have initiated action to ensure that regulated rates are adjusted accordingly.

The RCA opened Docket I-18-002 to develop information necessary to take appropriate action regarding the impacts of the 2017 Tax Act. The RCA sent a letter dated March 23, 2018, to TAPLCO and other pipelines regulated under AS 42.06, suggesting that regulated pipelines might voluntarily initiate action to ensure that any impacts of the lower federal tax rates be flowed to ratepayers. Since TAPLCO has a rate proceeding pending in Docket P-17-005, TAPLCO takes this opportunity to revise its TL24-309 rate calculations to take into account the impacts of the 2017 Tax Act.

As a result of the application of the 21% federal income tax rate arising from the 2017 Tax Act to the TAPLCO revenue requirement model, there are two offsetting factors affected by the tax rate change.

First, the reduction in federal income taxes lowers the accumulated deferred income taxes ("ADIT") balance from \$1,216,552 to \$1,177,470. Since this lower ADIT balance is subtracted from the rate base, this results in a slightly higher rate base (increased from \$8,956,236 to \$8,995,317), and a slightly higher return on rate base (increased from \$717,399 to \$720,529), and an equivalent increase to revenue requirement. Thus, the adjustment to ADIT results in an increase to the revenue requirement of \$3,130. This ADIT decrease and resulting return on rate base increase is demonstrated in the attached: (1) Exhibit PKA-2, Revised Schedule 5, Line 14 (Other Adjustments); and (2) Supplementary Schedule for Schedule 5, Line 14 (Other Adjustments).

Second, the income tax allowance is now lower by \$125,296, from \$292,646 to \$167,350, due to the use of the 21% federal tax rate as opposed to the 34% rate previously used. This income tax allowance adjustment is demonstrated in the attached Exhibit PKA-2, Revised Schedule 6.

The overall impact on the rate is less than one (1) cent from that previously proposed. The above-referenced, income-tax-related adjustments result in the revenue requirement decreasing from \$10,472,556 to \$10,350,391, and the requested rate decreasing from \$0.7531 to \$0.7443. The above-described adjustments to return on rate base, tax allowance, revenue requirement, and rate are reflected in the attached Exhibit PKA-2, Revised Schedule 6 and Revised Schedule 7.

Supplementary Schedule for Schedule 5, Line 14 (Other Adjustments)

Summary of Accumulated Deferred Income Taxes (ADIT) based on assumed life
Uses 21% tax rate for Test Period

Life (yrs)	Base Period Balance		Test Period Balance	
5	\$	4,474	\$	4,364
6	\$	-	\$	26,775
10	\$	113,458	\$	117,080
22	\$	858,712	\$	884,984
28	\$	119,653	\$	144,267
Total	\$	1,096,297	\$	1,177,470

SCHEDULE 5

COMPUTATION OF RATE BASE AND RETURN

Line Number	I Estimate at End of First Normal Year of Operation
TOTAL PLANT	
1	Plant in Service (Schd. 3, Col IV, Line 30) \$39,161,027
2	
3	
4	Contributed Plant (Schd. 3, Col. VII, Line 30) \$39,161,027
5	Less: Assum. Amortization (Schd. 3 Col. IX, Line 30) -\$29,077,990
6	Net Contributed Plant (Line 4 - 5) \$10,083,037
COMPUTATION OF NET PLANT-IN-SERVICE	
7	
8	Less: Net Contributed Plant (Line 6) \$10,083,037
9	Net Plant-in-Service (Line 1 - 8) \$10,083,037
WORKING CAPITAL REQUIREMENT	
10	12.5% OF (Schd.2, Col V, Line 20) Applies to monthly billing NOT in advance
11	Materials and Supplies
12	Prepayments (attach supplementary schedule) \$89,750
13	Customer Deposits
14	Other Adjustments (attach supplementary schedule) -\$1,177,470
15	RATE BASE (Line 9 + 10 + 11 + 12 - 13 + 14) \$8,995,317
16	Rate of Return (Schd. 4, Col IV, Line 3) 8.01%
17	RETURN ON RATE BASE (Line 15 x Line 16) \$720,529

SCHEDULE 6

TAX COMPUTATION

	Test Period
1 Rate Base (Schedule 5, Line 15)	\$8,995,317
2 Weighted Cost of Equity (Schd. 4, Col. IV, Line 1)	5.64%
3 Return on Equity (Line 1 x Line 2)	\$507,656
4 Add: Income Taxes as Computed Below in line 14	\$167,350
5 Total Amount subject to Income Taxes (Line 3 + Line 4)	\$675,006

COMPUTATION OF INCOME TAXES

A. STATE (show computation)	
6 Rate	6.0%
7 Net to Tax Multiplier - State $[Rate/(1-Rate)]$	6.4%
8 Return on equity (line 3)	\$507,656
9 State Income Tax	\$ 32,404
B. FEDERAL (show computation)	
10 Rate	21%
11 Net to Tax Multiplier - Federal $[Rate/(1-Rate)]$	27%
12 Return on equity (line 3)	\$507,656
13 Federal Income Tax	\$134,947
14 TOTAL INCOME TAXES (Line 9 + Line 13)	\$ 167,350

SCHEDULE 7

REVENUE REQUIREMENT

LINE #

1	Operating Expenses [Excluding Depreciation and Income Taxes] (From Schd. 2, Col. V, Line 20)	\$	8,779,032
2	Add: Depreciation (From Schd. 3, Line 31)	\$	683,479
3	Return on Rate Base (From Schd. 5, Line 17)	\$	720,529
4	State and Federal Income Taxes (From Schd. 6, Line 14)	\$	167,350
5	TOTAL: REVENUE REQUIREMENT	\$	10,350,391
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6	Revenues (From Schd. 1, Col. V, Line 1)	\$	8,482,965
7	OVER (OR UNDER) RECOVERY (Line 6 less Line 5)	\$	(1,867,426)
8	Percentage Rate Increase Required		22.01%
9	Dollar Rate Increase Required	\$	0.1343
10	New Rate Based on Revenue Requirement/Test Period Throughput	\$	0.7443

EXHIBIT B
FIRST AMENDMENT TO
SETTLEMENT AGREEMENT

FIRST AMENDMENT TO SETTLEMENT AGREEMENT

This First Amendment to Settlement Agreement ("First Amendment") is entered into as of April 16, 2018, by and between Tesoro Alaska Pipeline Company LLC ("TAPL") and Tesoro Alaska Company LLC ("TAC").

I. RECITALS

A. TAPL and TAC entered into that certain Settlement Agreement dated as of October 23, 2017, for the purpose of settling and resolving all issues pending in Regulatory Commission of Alaska ("RCA") Docket P-17-005, which is subject to acceptance by the RCA.

B. As a result of the federal Tax Cut and Jobs Act of 2017, adopted after the date of the Settlement Agreement, TAPL has proposed certain adjustments to its previously proposed rate filing as set forth in TL24-309, filed with the RCA on May 30, 2017. Such adjustments, supported by the Prefiled Supplemental Testimony of Peter K. Ashton, filed herewith in Docket P-17-005, have prompted TAPL and TAC to amend the Settlement Agreement accordingly.

Based upon the foregoing Recitals, TAPL and TAC agree as follows:

II. AGREEMENT

A. Section II.B.1. of the Settlement Agreement titled "Settlement Rates" is deleted and replaced with the following:

1. Settlement Rates. For the period commencing on July 1, 2017, through the day prior to the Settlement Rate Effective Date, TAPL's tariff rate for transportation service will be \$0.7531 per barrel ("Initial Settlement Rate"). For the period commencing on the Settlement Rate Effective Date through the end of the Settlement Term, TAPL's tariff rate for transportation service will be \$0.7443 per barrel ("Settlement Rate").

B. Section II.B.4 of the Settlement Agreement titled "Temporary Rates/Refunds" is deleted and replaced with the following:

4. Temporary Rates/Refunds. The temporary rate established by the Commission under Order 1 shall become permanent for the period that the Initial Settlement Rate is in effect and shall no longer be subject to refund. Therefore, TAPL shall have no refund obligations to its sole shipper, TAC, arising from such temporary rate.

C. Except as expressly provided herein, Settlement Agreement shall remain in full force and effect, subject to RCA acceptance.

**TESORO ALASKA PIPELINE
COMPANY LLC**



Dated April 24, 2018

By Karma M. Thomson
Karma M. Thomson, VP Endeavor Logistics
(Print name and capacity)

TESORO ALASKA COMPANY LLC

Dated April 24, 2018

By Charles A. Cavello III
Deputy General Counsel
(Print name and capacity)

