HARVEST ALASKA, LLC, HILCORP ALASKA, LLC, AND HARVEST MIDSTREAM I, LP’S PETITION FOR CONFIDENTIAL TREATMENT OF FINANCIAL STATEMENTS

Pursuant to AS 42.06.445(d) and 3 AAC 48.045, Harvest Alaska, LLC ("Harvest Alaska"), Hilcorp Alaska, LLC ("Hilcorp Alaska"), and Harvest Midstream I, L.P. ("Harvest Midstream") hereby petition for confidential treatment of the records identified herein and filed herewith. These records are being submitted as part of the Joint Application for Approval of the Transfer of Certificate of Public Convenience and Necessity No. 311 and Operating Authority Thereunder from BP Pipelines (Alaska) Inc. to Harvest Alaska (the “Application”). The Application and related applications are part of a larger transaction under which: (1) BP Pipelines (Alaska) Inc. ("BPPA") and its midstream affiliates are transferring all of their Alaska-related assets and interests to Harvest Alaska, Hilcorp Alaska, and Harvest Midstream’s Petition for Confidential Treatment of Financial Statements
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Harvest Alaska, including BPPA’s current 48.4410% ownership interest in the Trans-Alaska Pipeline System (“TAPS”), its 47.5881% ownership of the Valdez Marine Terminal tankage, and its stock ownership interests in the Alyeska Pipeline Service Company, BP Transportation (Alaska) Inc. (“BPTA”), and Prince William Sound Oil Spill Response Corporation, and (2) the Standard Oil Company is selling its entire stock ownership interest in BP Exploration (Alaska) Inc. (“BPXA”) to Hilcorp Alaska.

**LEGAL STANDARD**

Alaska Statute 42.06.445(d) states that:

(d) A person may make written objection to the public disclosure of information contained in a record filed under the provisions of this chapter or of information obtained by the commission or by the attorney general under the provisions of this chapter, stating the grounds for the objection. When an objection is made, the commission shall order the information withheld from public disclosure if the information adversely affects the interest of the person making written objection and disclosure is not required in the interest of the public.

(Emphasis added.) As the Commission again re-affirmed in late 2017:

Records filed with us are presumed to be public under AS 42.06.445 and 3 AAC 48.040(a). We make exceptions for certain categories of documents including records classified as confidential for “good cause” under 3 AAC 48.045. A party seeking confidential treatment must demonstrate the need for confidential status according to the standard set out in 3 AAC 48.045(b). This standard requires that we balance the interests of the party seeking confidential treatment with the public interest in disclosure.¹

¹ See Order P-17-007(1)/P-17-008(1)/P-17-009(1), dated November 3, 2017, at pp. 5-6.
ARGUMENT

In support of this Petition, Harvest Alaska, Hilcorp Alaska, and Harvest Midstream state as follows:

1. Harvest Alaska seeks to protect and keep confidential the following records: (a) its 2016-2017 unaudited Financial Statements; and (b) its 2017-2018 unaudited Financial Statements (“Harvest Alaska Financial Statements”).

2. Hilcorp Alaska seeks to protect and keep confidential the following records: (a) its 2016-2017 audited Financial Statements; and (b) its 2017-2018 audited Financial Statements (“Hilcorp Alaska Financial Statements”).

3. Harvest Midstream seeks to protect and keep confidential the following records: (a) its 2016-2017 audited Financial Statements; and (b) its 2017-2018 audited Financial Statements (“Harvest Midstream Financial Statements”) (the Harvest Alaska Financial Statements, the Hilcorp Alaska Financial Statements, and the Harvest Midstream Financial Statements are collectively referred to as “the Financial Statements”).

4. Harvest Alaska is a Delaware limited liability company registered to do business in Alaska. It is currently 100% owned by Hilcorp Alaska. Applications are pending in dockets P-19-007, P-19-008, P-19-009, P-19-010, P-19-011, and P-19-012 to transfer all of Hilcorp Alaska’s ownership interest in Harvest Alaska to Harvest Midstream.
5. Hilcorp Alaska is a Delaware limited liability company registered to do business in Alaska.

6. Harvest Midstream, formerly Arrowhead Pipeline, L.P., is a Texas limited partnership. Its general partner is Harvest Midstream Company (“HMC,” formerly known as Harvest Pipeline Company).

7. Consistent with 3 AAC 48.045(e), Harvest Alaska, Hilcorp Alaska, and Harvest Midstream each understand that the records identified in and submitted with this Petition will be treated as confidential pending the Commission’s action on this Petition.

8. The Application submitted in this docket seeks approval of the transfer of BPPA’s entire interest in TAPS, and all operating authority thereunder, to Harvest Alaska.

9. Good cause exists to protect the Financial Statements as confidential under 3 AAC 48.045:

   a. Harvest Alaska, Hilcorp Alaska, and Harvest Midstream are each privately-held companies that do not disclose their financial information to the public.

   b. Harvest Alaska and Hilcorp Alaska both participate in oil and gas sales and purchase transactions in Alaska, invest in hydrocarbon projects in Alaska, and bid on oil and gas leases in Alaska.

   c. Harvest Midstream is involved in oil and gas sales and purchase transactions in Alaska through its assistance of Harvest Alaska and Hilcorp Alaska, is
involved in oil and gas purchase transactions in other states, assists Harvest Alaska and Hilcorp Alaska with their investments in hydrocarbon projects in Alaska, invests directly on hydrocarbon projects in other states, supports Harvest Alaska and Hilcorp Alaska in their bidding on oil and gas leases in Alaska, and obtains oil and gas leases in other states. Harvest Midstream’s general partner, HMC, is likewise a privately held company which participates in oil and gas transactions and investment projects in other regions of the country.

d. Harvest Alaska invests and participates in oil and gas transactions and investments in Alaska, but only with respect to upstream field gathering lines and midstream pipelines, assets and operations. Many oil and gas transactions in Alaska in which Harvest Alaska has participated involved both upstream and midstream elements. See also, subsection (f) below for examples. Harvest Alaska also holds many oil and gas leases in Alaska, both for common carrier pipelines and for field gathering lines. While its subsidiary pipeline companies are economically regulated, Harvest Alaska’s own business, such as field gathering lines, is not economically regulated. It is with respect to its own business, other than its regulated subsidiaries, that is at risk of having competitors and potential contractors have access to its financial information. Competitors and potential contractors could use the currently private information in Harvest Alaska’s Financial Statements for developing pricing and bidding strategies that would damage Harvest Alaska’s business, give its competitors an unfair advantage, and unfairly
advantage potential contractors, especially where those competitors or contractors do not make their own financial information public. Harvest Alaska would be placed at a competitive disadvantage if its financial position, resources, revenues, and costs were known to competitors or potential contractors.

e. Hilcorp Alaska has participated in several oil and gas purchase transactions involving both upstream and midstream assets, has and continues to invest in hydrocarbon projects in Alaska, and routinely bids on oil and gas production leases in Alaska. It also operates field gathering lines in most of its fields and currently, through its ownership of Harvest Alaska, owns and operates common carrier oil and gas pipelines and other midstream facilities as well. See also, subsection (f) below for examples. Hilcorp Alaska’s business is not economically regulated. It is therefore at risk of having competitors or potential contractors have access to its financial information. Competitors or potential contractors could use the currently private information in Hilcorp Alaska’s Financial Statements for developing pricing and bidding strategies that would damage Hilcorp Alaska’s business, give its competitors an unfair advantage, and unfairly advantage potential contractors, especially where those competitors or contractors do not make their own financial information public. Hilcorp Alaska, and its affiliates, would be placed at a competitive disadvantage if its financial position, resources, revenues and costs were known to competitors or potential contractors.
f. Harvest Midstream works with both Hilcorp Alaska and Harvest Alaska on their upstream and midstream acquisitions of oil and gas pipelines and properties in Alaska. For example, Harvest Midstream assisted Hilcorp Alaska in connection with the acquisition of the Tyonek Platform, field, and pipeline from ConocoPhillips. That transaction involved onshore and undersea pipelines, a platform, upstream field gathering lines, and other upstream assets and production leases. Harvest Midstream also provided assistance on the transaction under which the Swanson River Pipeline and interests in the related upstream field gathering lines and other upstream assets were acquired by Hilcorp, and on the combined upstream and midstream acquisitions by Harvest Alaska of its interests in Endicott Pipeline Company, Northstar Pipeline Company, LLC, and Milne Point Pipeline, LLC from BPTA and the related acquisition by Hilcorp Alaska of field assets, gathering lines and production leases from BPXA. Other examples include Harvest Alaska’s acquisitions of Cook Inlet Pipeline Company (“CIPL”, now Cook Inlet Pipe Line, LLC) and Kenai Beluga Pipeline, LLC (“KBPL”), and Hilcorp Alaska’s acquisitions of the related upstream platforms, pipelines, field gathering lines, and production leases. All of those transactions involved both upstream and midstream elements as well as pipeline and other right-of-way leasing. Harvest Midstream’s expertise and participation were essential to the success of all of those combined acquisitions.
Harvest Midstream also has participated in Hilcorp Alaska’s development of bids for oil and gas production leases by way of advising on field gathering line requirements and costs, and in the installation of field gathering lines that make new lease parcels available. For example, Harvest Midstream recently assisted Harvest Alaska with the installation of an undersea oil field gathering line running from the Tyonek Platform to Ladd Landing, as well as advised on the construction of the on-shore portion of the gathering line. This supports Hilcorp Alaska’s efforts to bid on and obtain production leases in the area.

Harvest Midstream also helps Harvest Alaska on oil and gas common carrier pipeline issues in connection with seeking oil and gas pipeline right-of-way leases. Most recently that included assistance with obtaining a new pipeline right-of-way lease for CIGGS-A after its conversion to an oil pipeline, a new pipeline right-of-way lease for Tyonek W 10 running from the platform to its connection with KBPL, and conversion of existing field gathering line leases to pipeline right-of-way leases, among others. Harvest Midstream’s work on field gathering lines in Alaska is all non-jurisdictional as to the Commission and not otherwise economically regulated.

g. Harvest Midstream and its general partner HMC own, manage, and operate, directly and through subsidiaries, oil and gas field gathering lines, private pipelines and common carrier pipelines. They also participate, through subsidiaries, in oil and gas investments, sales and purchase transactions in Alaska and elsewhere, where the
investment or sale includes both upstream and midstream pipeline elements. Pipeline acquisition, management, ownership and operation comprise approximately 41% of Harvest Midstream’s total business. Harvest Midstream also sells certain products like propane, butane, methane and LNG in the Lower 48, none of which are economically regulated and all of which are subject to competition. The sales of such products comprise approximately 12% of its total business. Harvest Midstream also provides other non-economically regulated services in the Lower 48 like gas and oil processing, gas compression, and crude oil and liquids terminals and tanks. These services comprise approximately 47% of its total business.

In the Lower 48, Harvest Midstream owns, through subsidiaries, many unregulated oil and gas pipelines and the pipeline business there is highly competitive. The pipeline business generally is not uniformly regulated either in Alaska or the Lower 48 where Harvest Midstream supports and participates in operations, transactions, and acquisitions. Making Harvest Midstream’s financial information public will damage its ability to be competitive in its unregulated businesses and would potentially be anti-competitive.

The estimated percentage of Harvest Midstream’s overall work which is not economically regulated and therefore subject to competition is currently approximately 88%. Even after its acquisition of Harvest Alaska, the percentage of Harvest Midstream’s business which would not be economically regulated will be approximately
62%. It is with respect to this large amount of its business that is non-regulated that it is at the most risk of having competitors have access to its financial information.

Competitors could use the currently private information in Harvest Midstream’s Financial Statements for developing pricing and bidding strategies that would damage Harvest Midstream’s business and give its competitors an unfair advantage, especially where those competitors do not make their own financial information public.

Harvest Midstream, and its affiliates, would be placed at a competitive disadvantage if its financial position, resources, revenues and costs were known to competitors.

h. The Commission has on several previous occasions ruled that the audited financial statements of co-petitioner Hilcorp Alaska and its parent Hilcorp Energy I, L.P. (“HEI”), should be protected under 3 AAC 48.045. For example, in Order P-12-007(1), dated July 20, 2012, the Commission ruled:

We find that disclosure of the financial information [the financial statements of Hilcorp Alaska and HEI] may competitively or financially disadvantage [HEI] and its affiliate Hilcorp Alaska. We further find that the potential competitive harm to [HEI] and Hilcorp Alaska, by disclosure of the financial information, outweighs the public interest in disclosure. We therefore find that the need for confidentiality outweighs the public interest in disclosure [of the financial statements]. Accordingly, good cause exists to classify the information as confidential. We grant the petition for confidential treatment of [HEI’s] 2011 audited financial information and the 2011 financial statement of Hilcorp Alaska. Accordingly, good cause exists to classify the information as confidential.2

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2 Order P-12-007(1), Granting Petition for Confidential Treatment, Addressing Timeline for Decision, Designating Commission Panel, and Appointing Administrative Law Judge, at 4.
Similarly, in Order P-14-014(2)/P-14-015(2)/P-14-016(2)/P-14-017(2)/P-14-018(2), dated July 22, 2014, the Commission again ruled in favor of protecting the financial statements of Hilcorp Alaska for the years 2011, 2012, and 2013:

We find that disclosure of Hilcorp Alaska’s 2011, 2012, and 2013 financial statements may competitively or financially disadvantage Hilcorp Alaska and, potentially its affiliates. We further find that the potential competitive harm to Hilcorp Alaska of disclosure of the financial information outweighs the public interest in disclosure. We therefore find that the need for confidentiality outweighs the public interest in disclosure of the financial statements of Hilcorp Alaska. Accordingly, good cause exists to classify the information as confidential. We grant the petitions for confidential treatment of the 2011, 2012, and 2013 financial statements of Hilcorp Alaska.3

In Order P-15-011(2), dated July 22, 2015, the Commission granted confidential treatment for the financial statements of Hilcorp Alaska for the years 2012, 2013 and 2014 in connection with the application for approval of the transfer of ownership of the Swanson River Oil Pipeline from co-petitioner Hilcorp Alaska to its wholly-owned subsidiary, Swanson River Oil Pipeline, LLC. The Commission again granted confidential treatment for the financial statements of Hilcorp Alaska for 2013-2014 and 2014-2015 that were filed in connection with the ownership transfer application

Hilcorp Alaska had previously submitted the 2009 and 2010 audited financial statements for HEI in Dockets P-11-015, P-11-016, and P-11-017, involving the acquisition by Hilcorp Alaska of certain pipeline assets from Union Oil Company of California. The Commission likewise granted confidential treatment in those dockets. See Order P-11-015(1)/P-11-016(1)/P-11-017(1).

3 Order P-14-014(2)/P-14-015(2)/P-14-016(2)/P-14-017(2)/P-14-018(2), Order Granting Petitions for Confidential Treatment and Addressing Timeline for Decision, at 5.

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proceeding for CIPL’s transfer from Hilcorp Alaska to Harvest Alaska in Docket No. P-17-002.4

Most recently, the Commission granted confidential treatment for the financial statements of Hilcorp Alaska for 2014-2015 and 2015-2016 that were filed in connection with the applications of CIPL to Extend, Modify, and Reconfigure its Oil Pipeline System and for a CPCN for Natural Gas Pipeline Transportation, and the application of KBPL for a CPCN for Oil Pipeline Transportation, in Docket Nos. P-17-007, P-17-008, and P-17-009:

We find that disclosure of Hilcorp Alaska’s financial information may competitively or financially disadvantage Hilcorp Alaska and potentially its affiliates. We further find that the potential competitive harm to Hilcorp Alaska by disclosure of the financial information outweighs the public interest in disclosure. We therefore find that the need for confidentiality outweighs the public interest in disclosure of the financial statements of Hilcorp Alaska. Accordingly, good cause exists to classify the information as confidential. We grant the petitions for confidential treatment of Hilcorp Alaska’s 2014/2015 financial statement and its 2015/2016 financial statement.5

The Commission’s prior confidentiality determinations as to Hilcorp Alaska remain applicable here as to its affiliates Harvest Alaska and Harvest Midstream. The potential competitive harm to Harvest Midstream, and its affiliates, including Hilcorp Alaska and Harvest Alaska, by disclosure of the information contained within the Financial Statements outweighs the public interest in disclosure. Accordingly, the need

4 See Order P-17-002(2), dated March 13, 2017.

5 See Order P-17-007(1)/P-17-008(1)/P-17-009(1), dated November 3, 2017, at p. 7.
for confidentiality outweighs the public interest in disclosure of any of the Financial Statements, and good cause exists to classify the information as confidential.

CONCLUSION

For the reasons stated above, Harvest Alaska, Hilcorp Alaska, and Harvest Midstream request that the Commission find that good cause exists and that an order be issued by the Commission that (a) classifies the Financial Statements identified above as confidential, and (b) restricts access to the Financial Statements to only those within the Commission and its staff with the need to review such information in connection with the Commission’s review of the Application.

DATED at Anchorage, Alaska this 27th day of September, 2019.

GUESS & RUDD P.C.
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VERIFICATION

STATE OF ALASKA )
) ss.
THIRD JUDICIAL DISTRICT )

Sean Kolassa, being first duly sworn, on oath deposes and states that he is the President of Harvest Alaska, LLC and Harvest Midstream I, L.P., petitioners herein; and that he has read the foregoing petition and is familiar with the contents thereof; and that the statements therein contained are true to the best of his knowledge, information and belief.

Sean Kolassa

SUBSCRIBED AND SWORN TO before me this 26th day of September, 2019.

Notary Public in and for the State of Alaska
My commission Expires: 7-9-2023

Harvest Alaska, Hilcorp Alaska, and Harvest Midstream’s Petition for Confidential Treatment of Financial Statements
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VERIFICATION

STATE OF ALASKA )
) ss.
THIRD JUDICIAL DISTRICT )

David Wilkins, being first duly sworn, on oath deposes and states that he is the Sr. Vice President of Hilcorp Alaska, LLC, a petitioner herein; and that he has read the foregoing petition and is familiar with the contents thereof; and that the statements therein contained are true to the best of his knowledge, information and belief.

David Wilkins

SUBSCRIBED AND SWORN TO before me this 26th day of September, 2019.

[Signature]

Notary Public in and for the State of Alaska
My commission Expires: 7-9-2023

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