UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

ConocoPhillips Transportation Alaska, Inc.	)	Docket No. IS15-522-000
ConocoPhillips Transportation Alaska, Inc.	)	Docket No. IS16-312-000
ExxonMobil Pipeline Company	)	Docket No. IS15-580-000
ExxonMobil Pipeline Company	)	Docket No. IS16-313-000
BP Pipelines (Alaska) Inc.	)	Docket No. IS16-76-000
BP Pipelines (Alaska) Inc.	)	Docket No. IS16-327-000

SETTLEMENT AGREEMENT ESTABLISHING VARIABLE TARIFF METHODOLOGY FOR THE TRANS ALASKA PIPELINE SYSTEM DECEMBER 14, 2017

TABLE OF CONTENTS

		Page
ARTICLE I.		
GENERAL TERMS		
Section I-1.	Matters Settled	1
Section I-2.	Definition of the Pipeline	2
Section I-3.	Filing of Agreement for Approval; Termination if Agreement Not Approved	2
Section I-4.	Tariff Rates for July 1, 2018 Forward	3
Section I-5.	Calculation of Maximum Allowable Interstate Rate for January 1, 2016 Through June 30, 2018; Refunds	8
Section I-6.	Provision of Information and Process for Resolving Disputes	10
Section I-7.	No Precedential Effect	14
ARTICLE II.		
VARIABLE TARIFF METHODOLOGY		
Section II-1.	Maximum Allowable Interstate Rate	14
Section II-2.	Throughput	16
Section II-3.	Total Cost of Service	18
Section II-4.	Operating Expense	20
Section II-5.	DR&R Allowance	22
Section II-6.	Depreciation	22
Section II-7.	Carrier Property	24
Section II-8.	Long Term Debt AFUDC Amortization	25
Section II-9.	Equity AFUDC Amortization	27

Section II-10. Rate Base 29

Section II-11. Return on Rate Base 30

Section II-12. Income Tax Allowance 31

Section II-13. Net Carryover 34

Section II-14. ADIT Balance 36

Section II-15. Effect of Income Tax Amendments 38

Section II-16. Inputs to Maximum Allowable Interstate Rates 39

Section II-17. Restatement of Amounts for Prior Years 40

Section II-18. Amortization of Allowed Strategic Reconfiguration Project Costs 41

Section II-19. Deferred Return 41

ARTICLE III.

ADDITIONAL PROVISIONS

Section III-1. Term of the Agreement 42

Section III-2. Approval and Acceptance of the Agreement 43

Section III-3. Parties in Interest 44

Section III-4. Construction of Agreement 44

Section III-5. Amendment 45

Section III-6. Notices 45

Section III-7. Enforceability 48

Section III-8. No Waiver 48

Section III-9. Counterparts 49

EXHIBITS

EXHIBIT A
Index of Defined Terms

EXHIBIT B
State Tax Depreciation for Pre-2016 Carrier Property Additions

EXHIBIT C
Federal Tax Depreciation for Pre-2016 Carrier Property Additions

EXHIBIT D
State Tax Depreciation Factor Schedule

EXHIBIT E
Federal Tax Depreciation Factor Schedule

EXHIBIT F
Illustration of Variable Tariff Settlement Methodology

EXHIBIT G
December 31, 2015 Stipulated Balances

EXHIBIT H
Illustration of Throughput Adjustment

EXHIBIT I
Non-Disclosure Agreement

EXHIBIT J
Information Exchange

EXHIBIT K
Stipulated Inputs for Calendar Year 2016

EXHIBIT L
Strategic Reconfiguration AFEs

EXHIBIT M
TAPS Life of Line Agreement

SETTLEMENT AGREEMENT ESTABLISHING VARIABLE TARIFF METHODOLOGY FOR THE TRANS ALASKA PIPELINE SYSTEM

This Settlement Agreement Establishing Variable Tariff Methodology for the Trans Alaska Pipeline System ("Agreement") is executed as of this 14th day of December 2017, by BP Pipelines (Alaska) Inc. ("BPPA"), ConocoPhillips Transportation Alaska, Inc. ("CPTAI"), and ExxonMobil Pipeline Company ("EMPCo") (collectively, the "TAPS Carriers"); the State of Alaska ("the State"); Anadarko Petroleum Corporation ("Anadarko"); Tesoro Alaska Company LLC ("Tesoro"); and Petro Star Inc. ("Petro Star"), each of which is referred to herein as a "Party" and collectively as the "Parties." The State, Anadarko, Tesoro, and Petro Star are also referred to herein as the "Non-TAPS Parties." In consideration of the provisions set forth in this Agreement, the Parties hereby agree as follows:[1]

ARTICLE I.
GENERAL TERMS

Section I-1. Matters Settled

If this Agreement and the other agreements referenced below in Section I-3(b) are approved by the applicable agency without condition or modification in an order that is final and no longer subject to judicial review ("Final Regulatory Approval"), this Agreement shall settle with prejudice all aspects of the challenges to the TAPS Carriers' Interstate Rates pending during the period from January 1, 2016 through the date of the approval of the agreement, which rates were at issue before the Federal Energy Regulatory Commission ("FERC")[2] in Docket Nos.

[1] All capitalized terms that appear in this Agreement are either proper names or are defined in the text of this Agreement. An index of these terms is attached as Exhibit A.

[2] References to FERC in this Agreement include FERC and any successor agencies.

IS15-522-000, IS15-580-000, IS16-76-000, IS16-312-000, IS16-313-000, and IS16-327-000. Within thirty (30) business days of the payment of all refunds specified in Section I-5(d) of this Agreement in full conformance with the terms of this Agreement, each Non-TAPS Party shall withdraw its protests in Docket Nos. IS15-522-000, IS15-580-000, IS16-76-000, IS16-312-000, IS16-313-000 and IS16-327-000. Nothing in this Agreement prejudices any Party's rights with respect to the pooling of costs or revenues among the TAPS Carriers.

Section I-2. Definition of the Pipeline

The Trans Alaska Pipeline System ("TAPS") consists of the 48-inch diameter petroleum pipeline that extends from the Prudhoe Bay area of the North Slope of Alaska to the southern port of Valdez, Alaska, together with pump stations, metering facilities, tankage, terminal, docks, communications facilities and other associated equipment and facilities required for the transportation of petroleum on TAPS; easements and rights-of-way; and property to be acquired or constructed in the future relating to the transportation of petroleum on TAPS.

Section I-3. Filing of Agreement for Approval; Termination if Agreement Not Approved

(a) The Parties shall cooperate, each at its own expense, in securing all necessary governmental approvals and acceptances for this Agreement.

(b) This Agreement shall be filed concurrently with separate settlement agreements related to (1) the TAPS Carriers' 2009-2015 interstate rates ("2009-2015 Interstate Rate Agreement"), and (2) the TAPS Carriers' 2008-2019 intrastate rates ("2008-2019 Intrastate Rate Agreement"). This Agreement is contingent upon Final Regulatory Approval of the 2009-2015 Interstate Rate Agreement and the 2008-2019 Intrastate Rate Agreement.

(c) If Final Regulatory Approval of the Agreement, the 2009-2015 Interstate Rate Agreement, and the 2008-2019 Intrastate Rate Agreement (collectively "the Three Agreements") is obtained on or before May 1, 2018, then each TAPS Carrier with tariff rates for the transportation of petroleum through TAPS in interstate commerce ("Interstate Rates") on file that are higher than the applicable Maximum Allowable Interstate Rate shall file Interstate Rates no later than May 31, 2018, to be effective July 1, 2018, which shall be no higher than the 2018-19 Maximum Allowable Interstate Rate calculated using the TAPS Variable Tariff Methodology ("VTM") set forth in Article II of this Agreement and which rate will have been previously provided to the Parties as set forth in Sections I-4(b) and I-6. A TAPS Carrier whose filed Interstate Rates are at or below the applicable Maximum Allowable Interstate Rate is not obligated by this Agreement to file new Interstate Rates. If Final Regulatory Approval of the Three Agreements is not obtained on or before May 1, 2018, or if, before that date, the applicable regulatory agency or a reviewing court rejects, modifies or imposes conditions on any of the Three Agreements, then, unless the Parties agree otherwise in writing, this Agreement shall immediately terminate, and the Parties shall not be bound by this Agreement except as provided in Section I-6(d) and Section III-1(a). In that event, for the avoidance of doubt, the TAPS Carriers shall have no obligation to pay interstate refunds or file or maintain Interstate Rates in conformance with the Maximum Allowable Interstate Rate determined under the VTM, and nothing shall prejudice the pending matters referenced in Section I-1 or the rights of the Parties with respect to those matters.

Section I-4. Tariff Rates for July 1, 2018 Forward

(a) Each year beginning with 2018 during the Term of this Agreement each TAPS Carrier shall calculate the VTM forward-looking Maximum Allowable Interstate Rate that will

apply for the period beginning July 1 of that year and ending on June 30 of the following year ("Annual Rate Period"). Also by May 31 of each year, each TAPS Carrier shall publicly file with the Commission a print out of the VTM rate model showing the calculation of the Maximum Allowable Interstate Rate for the upcoming Annual Rate Period. Each TAPS Carrier with then-current Interstate Rates exceeding the applicable Maximum Allowable Interstate Rate for the upcoming Annual Rate Period shall file by May 31 of each year its Interstate Rates for the upcoming Annual Rate Period, which may not exceed the Maximum Allowable Interstate Rate for Interstate Transportation for that Annual Rate Period as calculated using the VTM. Nothing in this Agreement prohibits a TAPS Carrier from filing an Interstate Rate at any time during the term of this Agreement that is at or below the applicable Maximum Allowable Interstate Rate or maintaining a pre-existing Interstate Rate that is at or below the Maximum Allowable Interstate Rate; provided, however, that in those circumstances, for purposes of calculating the Net Carryover pursuant to Section II-13, each TAPS Carrier that charges a rate below the Maximum Allowable Interstate Rate shall be considered to have charged the Maximum Allowable Interstate Rate.

(b) The Maximum Allowable Interstate Rate for the transportation of petroleum through TAPS for the Annual Rate Period from July 1, 2018, through June 30, 2019 ("2018-19 Maximum Allowable Interstate Rate") will not include any Net Carryover. The Maximum Allowable Interstate Rate for each Annual Rate Period beginning July 1, 2019, shall include a Net Carryover pursuant to Section II-13.

(c) If at any time during the Term of this Agreement, rates for transportation of crude petroleum through TAPS are no longer subject to regulation by the FERC, this Agreement shall remain in force for its Term and shall be deemed a binding contract among the Parties. In such

case, the TAPS Carriers shall continue to submit their calculation of the Maximum Allowable Interstate Rate and identify their Interstate Rates to the Non-TAPS Parties. The TAPS Carriers shall also make the Interstate Rates publicly available.

(d) The Parties agree that the Maximum Allowable Interstate Rate from July 1, 2018, forward for the term of this Agreement will be calculated in accordance with the VTM set forth in Article II, including the ratemaking principles set forth in Section II-16. Except as provided in this Section I-4(d), the Parties shall maintain all rights under the Interstate Commerce Act ("ICA") (including the ICA provisions regarding unjust discrimination and undue preference), FERC regulations and precedent, and other applicable law with respect to protests, complaints, or other challenges regarding the TAPS Carriers' Interstate Rates, including the right to challenge any of the inputs used to calculate the Maximum Allowable Interstate Rate. In the event that a Non-TAPS party files a challenge to a TAPS Carrier's Interstate Rates or any of the VTM inputs, nothing in this Agreement changes the burden of proof under applicable law and Commission precedent. The Non-TAPS Parties shall at no time, whether during the term of this Agreement or afterwards, file with the FERC, or any other agency or court, any protest, petition, complaint or other challenge concerning the Interstate Rates of any TAPS Carrier in effect during the term of the Agreement (or encourage or support any such filing by any other party) (1) challenging the level of Interstate Rates that are at or below the applicable Maximum Allowable Interstate Rate calculated in full conformance with the terms of this Agreement (except on the grounds of unjust discrimination or undue preference as limited by Section I-4(d)(4) below);[3] (2) challenging the use

[3] For avoidance of doubt, calculation of the Maximum Allowable Interstate Rate "in full conformance with the terms of this Agreement" requires the use of appropriate inputs as provided in Section II-16 of this Agreement. Thus, in challenging whether a TAPS Carrier has calculated the Maximum Allowable Interstate Rate in full conformance with the terms of this Agreement, a

(Continued …)

of the VTM set forth in Article II of this Agreement to set the Maximum Allowable Interstate Rate during the term of this Agreement; (3) challenging the December 31, 2015 stipulated balances used in the VTM as set forth in Exhibit G or the stipulated inputs for calendar year 2016 as set forth in Exhibit K, to set the Maximum Allowable Interstate Rate during the term of this Agreement, (4) challenging the level of the Interstate Rates on the ground that they are unduly discriminatory or unduly preferential during the term of this Agreement when compared to an intrastate rate charged by the TAPS Carrier, provided the Interstate Rates are at or below the applicable Maximum Allowable Interstate Rate calculated in full conformance with the terms of this Agreement. Nothing in this section shall bar any Party from taking the actions permitted in Section II-1(c), Section II-6(c) and Section II-11(j).

(e) The State agrees that for any Alaska producer affiliated with a TAPS Carrier Interstate Rates charged by a TAPS Carrier in full conformance with this Agreement will be the reasonable costs of transportation for purposes of AS 43.55.150(a)-(b) and 15 AAC 55.193 to the extent applicable to pipeline tariff rates for TAPS, and that the Interstate Rates charged by a TAPS Carrier in full conformance with this Agreement will be just and reasonable for the purposes of 15 AAC 55.193 to the extent applicable to pipeline tariff rates for TAPS. After Final Regulatory Approval, the Alaska Commissioner of Revenue may for any subsequent Annual Rate Period

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Non-TAPS Party may challenge whether the inputs utilized in calculating the Maximum Allowable Interstate Rate are appropriate (except the amounts stipulated to in Exhibits G and K). A Non-TAPS Party may also challenge the level of any Interstate Rate to the extent it exceeds the Maximum Allowable Interstate Rate calculated in full conformance with the terms of this Agreement. However, if a TAPS Carrier's Maximum Allowable Interstate Rate is "in full conformance with the terms of this Agreement," a Non-TAPS Party may not challenge the level of that Carrier's Interstate Rates if those rates are at or below the Maximum Allowable Interstate Rate, except on the grounds of unjust discrimination or undue preference as limited by Section I-4(d)(4).

withdraw the determination that Interstate Rates in full conformance with this Agreement constitute the reasonable cost of transportation for purposes of AS 43.55.150(a)-(b) and 15 AAC 55.193 and are just and reasonable for the purposes of 15 AAC 55.193(e) by giving written notice to the TAPS Carriers at least 120 days prior to the effective date of the Maximum Allowable Interstate Rates for the upcoming Annual Rate Period. The State further agrees that for any Alaska producer affiliated with a TAPS Carrier, to the extent leases and royalty settlement agreements refer to TAPS tariff rates for purposes of calculating royalties, the reasonable costs of transportation shall be the Interstate Rates charged by the TAPS Carriers in full conformance with this Agreement. After Final Regulatory Approval, the Alaska Commissioner of Natural Resources may for any subsequent Annual Rate Period withdraw the determination that the reasonable costs of transportation shall be the Interstate Rates charged by the TAPS Carriers in full conformance with this Agreement for royalty purposes to the extent leases and royalty settlement agreements refer to TAPS tariff rates for purposes of calculating royalties by giving written notice to the TAPS Carriers at least 120 days prior to the effective date of the Maximum Allowable Interstate Rates for the upcoming Annual Rate Period. If the Interstate Rates calculated pursuant to the VTM are ever in the future deemed to be unacceptable for use as the reasonable cost of transportation on TAPS for State royalty and production tax purposes, then the TAPS Carriers shall each have the right to terminate this Agreement, upon not less than 90 days' notice. The notice of termination shall set the effective date of termination that is not less than 90 days from the date of the notice. This paragraph is not for the benefit of and does not create any rights for any Non-TAPS Party or any parent, subsidiary or affiliate of a Non-TAPS Party and no Non-TAPS Party or a parent, subsidiary or affiliate of a Non-TAPS Party may rely on or use this paragraph for any purpose. Similarly, this paragraph does not prejudice the rights of any Non-TAPS Party, parent, affiliate, or subsidiary,

and neither the State nor any Party may rely on this paragraph to the detriment of any Non-TAPS Party, parent, affiliate, or subsidiary in any proceeding.

Section I-5. Calculation of Maximum Allowable Interstate Rate for January 1, 2016 Through June 30, 2018; Refunds

(a) If Final Regulatory Approval of the Three Agreements is obtained, the TAPS Carriers shall pay refunds for the period from January 1, 2016 through December 31, 2016, based on the difference between the Maximum Allowable Interstate Rate for that period which is stipulated to be $4.903 (and which is based on the Total Cost of Service for calendar year 2016) and the following rates for each TAPS Carrier, which were either on file or used as the basis for preliminary refunds during that period: BPPA, $5.42; CPTAI, $6.17; EMPCo, $6.18.

(b) On or before May 31, 2018, if Final Regulatory Approval of the Three Agreements is obtained each TAPS Carrier shall calculate the Maximum Allowable Interstate Rate for the transportation of petroleum through TAPS for the period January 1, 2017 through December 31, 2017, based on the Total Cost of Service for calendar year 2017, and subject to the rights of Non-TAPS Parties pursuant to Section I-4(d). The TAPS Carriers shall provide the Non-TAPS Parties with the supporting data to calculate the Maximum Allowable Interstate Rate in accordance with Section I-6 of this Agreement. If Final Regulatory Approval of the Three Agreements is obtained, the TAPS Carriers shall pay refunds for the period from January 1, 2017 through December 31, 2017, based on the difference between their filed rates for that period and the Maximum Allowable Interstate Rate for that period to the extent the filed rates were higher than the Maximum Allowable Interstate Rate.

(c) On or before May 31, 2019, if Final Regulatory Approval of the Three Agreements is obtained, each TAPS Carrier shall calculate the Maximum Allowable Interstate Rate for the

transportation of petroleum through TAPS for the period from January 1, 2018 through June 30, 2018, based on the Total Cost of Service for calendar year 2018, and subject to the rights of Non-TAPS Parties pursuant to Section I-4(d). The TAPS Carriers shall provide the Non-TAPS Parties with the supporting data to calculate the Maximum Allowable Interstate Rate in accordance with Section I-6 of this Agreement. If Final Regulatory Approval of the Three Agreements is obtained, the TAPS Carriers shall pay refunds for the period from January 1, 2018 through June 30, 2018 based on the difference between their filed rates for that period and the Maximum Allowable Interstate Rate for that period to the extent the filed rates were higher than the Maximum Allowable Interstate Rate.

(d) If Final Regulatory Approval of the Three Agreements is obtained, each TAPS Carrier shall pay any interstate refunds due, with interest at the FERC Interest Rate, on the following schedule: (1) within 60 days of the Final Regulatory Approval of the Three Agreements for the period from January 1, 2016 through December 31, 2016; (2) by August 1, 2018, for the period January 1, 2017 through December 31, 2017; and (3) by August 1, 2019, for the period from January 1, 2018 through June 30, 2018. The FERC Interest Rate is the annual percentage rate of interest and method of compounding identified by the FERC for oil pipelines in accordance with Section 340.1(c)(2) of the Commission's regulations that is in effect for the period for which interest is being calculated. The TAPS Carriers shall not be required to pay any refunds under this Agreement except as (1) provided in this Section I-5, or (2) as required by FERC, an applicable court or by settlement in the context of a rate challenge permitted by this Agreement to the extent a TAPS Carrier's Interstate Rates during the term of this Agreement are above the applicable Maximum Allowable Interstate Rate calculated in full conformance with the terms of this Agreement.

Section I-6. Provision of Information and Process for Resolving Disputes

(a) Beginning in 2018, whether or not Final Regulatory Approval of the Three Agreements has been obtained, the TAPS Carriers shall provide the non-TAPS Parties each year during the term of this Agreement with: (i) the information set forth in Exhibit J and (ii) a working copy of the model used to develop the TAPS rates. No TAPS Carrier is obligated to provide any additional data or documents other than those set out in Exhibit J, but each Carrier may elect to provide additional data or documents to the other Parties in the interests of resolving questions or controversies that may arise. The TAPS Carriers shall direct Alyeska Pipeline Service Company ("Alyeska") to include in its annual FERC Form 6 data report (i) the amounts for Alyeska Non-Distance Related Costs (Location Code 9C), and (ii) Alyeska Income Taxes on Imputed Management Fees, as well as all other information routinely included in prior Alyeska FERC Form 6 data reports. Each TAPS Carrier shall also include in its annual FERC Form 6 filing, in addition to the information included in the Alyeska Form 6 data reports: (i) the amounts for Alyeska Non-Distance Related Costs (Location Code 9C), (ii) Alyeska Income Taxes on Imputed Management Fees, (iii) the costs related to its TAPS operations broken out in the same cost categories as otherwise utilized in each Carrier's FERC Form 6 report, and (iv) throughput to each TAPS destination, broken out on an interstate and intrastate basis, identified over the time intervals (a) January 1 to June 30, and (b) July 1 to December 31.

(b) On or before April 1 of each year beginning in 2018, each TAPS Carrier shall provide the other Parties with a preliminary calculation of the Maximum Allowable Interstate Rate for the upcoming Annual Rate Period, as well as all associated schedules, workpapers, and adjustments, and the working rate model used to derive the rate. On or before May 31 of each year beginning in 2018, each TAPS Carrier shall provide the other Parties with the final calculation of

the Maximum Allowable Interstate Rate for the upcoming Annual Rate Period. Each TAPS Carrier shall be responsible for properly calculating the Maximum Allowable Interstate Rate and filing and defending its own tariff rates. Each TAPS Carrier shall also be responsible for responding to the other Parties' questions regarding the calculation of the Maximum Allowable Interstate Rate and addressing any disputes with the other Parties regarding the TAPS Carrier's filed rates.

(c) Beginning February 15 of each year beginning in 2018, the TAPS Carriers shall be available to answer written questions and to meet and confer with the other Parties at mutually agreeable times regarding the cost and volume data provided in Exhibit J or the calculation of the Maximum Allowable Interstate Rate. The Non-TAPS Parties shall use reasonable efforts to notify the TAPS Carriers in writing of all questions and concerns regarding the cost and volume data and the calculation of the Maximum Allowable Interstate Rate. The TAPS Carriers shall use reasonable efforts to respond to all questions and concerns raised by the Non-TAPS Parties pursuant to this paragraph in writing and to provide additional documents necessary to support the calculation of the proposed Maximum Allowable Interstate Rate. The TAPS Carriers may post their responses on a common secure web portal. It is the intent of the Parties that they will engage in ongoing good faith discussions of the cost and volume data as the data is provided (primarily in February and March). To the extent issues are not resolved prior to April 1, the TAPS Carriers shall use reasonable efforts to continue to answer written questions and to meet and confer at mutually agreeable times, and the Parties shall continue to engage in good faith discussions in order to resolve as many issues as possible regarding the proper calculation of the Maximum Allowable Interstate Rate prior to the filing of tariffs on May 31.

(d) The Non-TAPS Parties shall keep all information supplied pursuant to Section I-6(a) confidential (whether those documents are included on Exhibit J or were otherwise provided by the TAPS Carriers). The TAPS Carriers shall mark each document page that contains information a TAPS Carrier claims to be confidential as "Confidential Pursuant to TAPS VTM Agreement Section I-6." Information contained in documents so marked will be kept confidential by the Non-TAPS Parties unless (1) the information is or becomes public knowledge other than through the fault of, or unauthorized disclosure by, an officer, representative, attorney, agent, contractor or employee of one of the Non-TAPS Parties or by Commission Trial Staff, (2) the information is or becomes available to one or more of the Non-TAPS Parties from a source (other than a TAPS Carrier) having the legal right to disclose the information to the Party and the source did not request that the Party keep the information confidential, or (3) the TAPS Carriers notify the other Parties that the information no longer needs to be kept confidential. Nothing in this Agreement shall prevent a Party from sharing information provided pursuant to Section I-6(a) with its officers, representatives, attorneys, agents, contractors and employees, or with Commission Trial Staff, which information shall remain subject to the confidentiality provisions of this Agreement. Each individual within the Commission Trial Staff with whom such information is shared shall sign a non-disclosure agreement as set forth in Exhibit I and serve a copy of the signed non-disclosure agreement upon the Parties to this Agreement. If a TAPS Carrier's Interstate Rate filing is protested by a Non-TAPS Party, the information provided in Section I-6(a) shall be deemed produced in discovery in the applicable FERC proceeding, and shall be subject to the terms of the protective order issued in that proceeding governing discovery. Unless and until (i) the protective order requires different treatment, (ii) the Parties mutually agree to a reduced level of confidentiality, or (iii) the FERC or a reviewing court orders a reduced level of confidentiality,

the information provided in Section (a) and produced in discovery shall be treated as having been produced pursuant to the highest level of protection permitted by the protective order, except that (1) the Alyeska data set forth in Exhibit J shall not be treated as Highly Confidential (*i.e.* confidential among participants), but shall be treated as Confidential and (2) the State of Alaska Department of Revenue's assessed value (on March 1), the Department of Revenue's Informal Conference Decision, the State Assessment Review Board's Decision, and the cash calls for any supplemental ad valorem tax payments (including interest and attorney fee awards) shall not have any level of confidential treatment. If a TAPS Carrier's intrastate rates are challenged at the Regulatory Commission of Alaska ("RCA"), the information provided in Section I-6(a) shall be subject to discovery pursuant to the applicable rules and regulations of the RCA and the terms of any orders issued by the RCA governing discovery, with the following conditions: (i) the TAPS Carriers shall not object to the production of the information produced in Exhibit J, (ii) the Non-TAPS Parties agree upon request to return any documents inadvertently produced by the TAPS Carriers, (iii) the TAPS Carriers reserve all rights regarding the admissibility of documents produced, and (iv) the TAPS Carriers reserve all rights regarding the appropriate confidentiality protection for the documents produced. The provisions of this Section I-6(d) shall remain in full force and effect even if Final Regulatory Approval of the Three Agreements is not obtained. In addition, as provided in Section III-1(a), the provisions of Section I-6(d) shall remain in full force and effect notwithstanding the termination of this Agreement.

(e) In the event a Non-TAPS Party protests a TAPS Carrier's Interstate Rate filing pursuant to Section I-4(d), and the tariff is suspended and set for hearing, the Parties shall engage in good faith efforts to resolve the outstanding dispute as expeditiously as possible including

potentially using the FERC settlement process pursuant to 18 CFR § 343.5 and § 385.603, or other approach mutually agreed-upon by the applicable Parties.

Section I-7. No Precedential Effect

This Agreement, its Term, and the methodology it employs, shall not have any precedential effect on tariff ratemaking for any other pipeline or for any other matter not settled by this Agreement. This Agreement shall not constitute an admission by the Parties concerning any question of fact or law, and this Agreement does not represent in any way the position of any Party regarding pipeline regulation in general. Notwithstanding anything herein to the contrary, all year-end account balances established by, or resulting from the application of, the terms of this Agreement, including without limitation, Rate Base, and accrued Depreciation (trued up to actual as of the end of any applicable calendar year), shall be used by the TAPS Carriers following the termination of this Agreement in determining future rates.

ARTICLE II.
VARIABLE TARIFF METHODOLOGY

Section II-1. Maximum Allowable Interstate Rate

(a) The Maximum Allowable Interstate Rate generated by the VTM in this Agreement is the Maximum Allowable Interstate Rate for Interstate Transportation on TAPS. In general, transportation may consist of one or more types of transportation depending upon the specific point at which petroleum is received into or delivered out of TAPS (*e.g.*, whether transportation occurs between the origin at Pump Station 1 and the destinations at the Golden Valley Electric Association connection, the Petro Star Valdez Refinery and the Valdez Marine Terminal or between any other future origins or destinations). Interstate Transportation is the transportation of

petroleum through TAPS in interstate commerce. Currently, there is only one type of Interstate Transportation on TAPS: from the origin at Pump Station 1 to the destination at the Valdez Marine Terminal. Intrastate Transportation is the transportation of petroleum through TAPS in intrastate commerce. Currently, there are three types of Intrastate Transportation from the origin at Pump Station 1 to the three destinations noted above. Any future changes in origins and destinations will be incorporated into the calculation of the Maximum Allowable Interstate Rate in a manner consistent with this Article II.

(b) As more fully described in the remaining sections of this Section II, beginning with the 2018-2019 Maximum Allowable Interstate Rate, for the purpose of calculating the forward-looking Maximum Allowable Interstate Rate for each upcoming Annual Rate Period, the forecast shall be based on actual costs for the immediately preceding calendar year, including the actual year-end carrier property accounts for the immediately preceding calendar year and the actual throughput for the immediately preceding calendar year, with the exceptions and adjustments as provided for in the remaining sections of this Section II and as adjusted by the Net Carryover to the extent provided for under Section II-13.

(c) No adjustment shall be made to rates based upon the physical characteristics of petroleum being transported, including but not limited to density and viscosity. If in the future the TAPS Carriers believe that adjustments based upon the physical characteristics of petroleum beyond what are contained in the TAPS Quality Bank Methodology are appropriate, the TAPS Carriers shall provide prior notice to the other Parties regarding the proposed adjustments and their manner of calculation. Upon the request of any Party, the Parties shall meet and confer regarding the proposed adjustments with a view to developing adjustments that are satisfactory to the Parties. If the Parties are unable to develop such adjustments, each Party may thereafter take such actions

with respect to such adjustments as are available under the Interstate Commerce Act, the Alaska Pipeline Act, and other applicable law.

(d) Nothing in this Agreement supersedes or affects the TAPS Quality Bank Methodology, nor the rights of any party to seek changes to such methodology.

(e) The Maximum Allowable Interstate Rate shall be adjusted either higher or lower to reflect any surcharges or sur-credits provided for in the 2011-2015 Interstate Rate Agreement related to supplemental ad valorem tax payments, refunds, credits, amounts paid (or received) pursuant to a settlement with the relevant taxing jurisdictions, associated interest charges, and any payment of opposing counsel's legal fees related to tax obligations for prior years (collectively, "Supplemental Ad Valorem Taxes"). Since Supplemental Ad Valorem Taxes will be reflected as an adjustment to the Maximum Allowable Interstate Rate, no Supplemental Ad Valorem Taxes will be included in or subtracted from the Total Cost of Service provided for in Section II-3.

Section II-2. Throughput

(a) Throughput for a particular type of transportation for a period of time and for a particular destination means the total number of barrels of petroleum delivered out of TAPS at that destination net of the total number of barrels of petroleum received into TAPS at that same location, if any.

(b) For purposes of calculating the forward-looking Maximum Allowable Interstate Rate beginning with the 2018-2019 Maximum Allowable Interstate Rate, the forecasted throughput for (a) each intrastate destination shall be equal to the actual throughput for the immediately preceding calendar year for each of the same intrastate destinations, and (b) for the interstate destination shall be based on a formula consisting of: (i) determining the percentage difference in actual system-wide throughput for the two previous calendar years, (ii) multiplying

that percentage difference by 1.5 (to account for the 18-month difference between the beginning of the most recent of the two prior calendar years and the applicable Annual Rate Period), and (iii) multiplying the previous calendar year's actual throughput by a factor consisting of the number one plus the resulting percentage difference from step (ii) (with such calculation representing the forecasted system-wide throughput for the upcoming Annual Rate Period), minus (iv) the forecasted intrastate volumes identified in item (a) in this subsection. An illustration of this throughput adjustment is shown in Exhibit H. If the adjustment described above results in a forecasted system-wide throughput for the upcoming Annual Rate Period that is 15% greater or 15% lower than the throughput from the prior calendar year, then the Parties will meet and confer in a good faith attempt to agree upon an appropriate volume forecast to be used for the upcoming Annual Rate Period as well as the subsequent Annual Rate Period with the goal of agreeing upon forecasts that are as accurate as possible and therefore result in the least amount of Net Carryover. If the parties are unable to agree by May 1 of the applicable year, then the forecasted throughput for (a) each intrastate destination shall be equal to the actual throughput for the immediately preceding calendar year for each of the same intrastate destinations, and (b) the interstate destination shall be based on a formula consisting of: (i) determining the percentage difference in actual system-wide throughput for the two calendar years immediately prior to the calendar year that experienced the greater than 15 percent throughput change, (ii) multiplying that percentage difference by a factor sufficient to account for the time difference between the applicable Annual Rate Period for which the forecast is necessary and the years used to derive the percentage difference (*i.e.*, 1.5 for 18 months, 2.5 for 30 months, 3.5 for 42 months, *etc.*), and (iii) multiplying the actual throughput in the year immediately prior to the year that resulted in the greater than 15 percent throughput change by a factor consisting of the number one plus the resulting percentage

difference, minus (iv) the forecasted intrastate volumes identified in item (a) in this subsection. An illustration of this throughput adjustment is also shown in Exhibit H.

Section II-3. Total Cost of Service

(a) The Interstate Portion of the Total Cost of Service used to determine the Maximum Allowable Interstate Rate for the upcoming Annual Rate Period is equal to the portion of the Total Cost of Service allocated to Interstate Transportation as discussed in Section II-3(c) plus the Net Carryover as discussed in Section II-13.

(b) The Total Cost of Service for each calendar year is a system-wide cost of service that equals the sum of:

- Operating Expense,
- Depreciation,
- Equity AFUDC Amortization,
- Long Term Debt AFUDC Amortization
- Return on Rate Base
- Income Tax Allowance
- Amortization of Allowed Strategic Reconfiguration Project Costs, and
- Deferred Return Amortization
- Minus Other Credits, Nontariff Revenue, and Miscellaneous Revenue.[4]

[4] This item shall not include (a) revenue received by individual Carriers as a result of payments from other Carriers (*e.g.*, pooling payments, variable cost adjustments, inventory payments, etc.), (b) amounts received by the TAPS Carriers or Alyeska from third parties for reimbursement of costs spent by the TAPS Carriers or Alyeska on behalf of such third parties (*e.g.*, reimbursements from the mariners for SERVS costs, costs which are incurred by Alyeska for connections on TAPS when such costs are reimbursed to Alyeska by the connector, etc.) to the extent that the TAPS Carriers or Alyeska have already included these reimbursable costs as offsets

(Continued …)

(c) In order to derive the Interstate Portion of the Total Cost of Service used to determine the Maximum Allowable Interstate Rate for the upcoming Annual Rate Period, the Total Cost of Service is allocated to each TAPS interstate and intrastate origin and destination pair based on a barrel and barrel mile rate design using projected throughput as set forth in Section II-2(b). Non-Distance Related Costs are allocated based on barrels transported for each origin and destination pair, and Distance Related Costs are allocated based on barrel miles for each origin and destination pair in the applicable time period. Distance Related Costs equal all elements, including state ad valorem taxes paid on TAPS under AS 43.56 and regulations promulgated thereunder, under the Total Cost of Service identified under Section II-3 less Non-Distance Related Costs. Non-Distance Related Costs are the costs under the Total Cost of Service identified under Section II-3 falling within the definition of Alyeska's Location Code 9C[5] (*i.e.* Alyeska's corporate overhead costs) plus all Carrier-direct costs (*i.e.* the costs incurred by the Carriers individually and not by Alyeska) under the Total Cost of Service identified under Section II-3 (including all FERC

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to the costs they otherwise report and which have already been included as inputs to the VTM, (c) transportation revenue resulting from interest, late fees, and enforcement of liens for untimely payment or non-payment of transportation rates, (d) payments required to be made by shippers pursuant to the TAPS Quality Bank Methodology, (e) amounts collected from shippers for regulatory charges paid by the Carriers to the RCA and Liability Fund charges disbursed by the Carriers pursuant to the Trans Alaska Pipeline Authorization Act, to the extent such costs are not included in the Total Cost of Service or (f) the Post Retirement Benefits Other than Pensions earnings credit, which is dealt with as an adjustment to Operating Expense as set forth in Section II-4. For clarity, pooling payments among the Carriers shall not be included in the Total Cost of Service (or any other element of the Variable Tariff Methodology) used to determine Maximum Allowable Interstate Rate. Additionally for clarity, revenue received by the TAPS Carriers from shippers for inventory, ship loading , demurrage and other penalties assessed pursuant to the tariff (except for those items noted in subpart (c), above) shall be credited against the Total Cost of Service.

[5] As defined on the date of the execution of this Agreement.

and RCA rate case litigation costs) other than fuel gas and ad valorem taxes.[6] One barrel of petroleum is equal to 42 U.S. gallons. A barrel mile is the transportation of a barrel of petroleum for one mile. The Interstate Portion of the Total Cost of Service is determined by taking (i) the Distance Related Costs within the Total Cost of Service and apportioning those costs to the Valdez Interstate destination based on the fraction of total system barrel miles to that destination plus (ii) the Non-Distance Related Costs within the Total Cost of Service and apportioning those costs to the Valdez Interstate destination based on the fraction of total system barrels to that destination. The dollar-per-barrel Maximum Allowable Interstate Rate to the Valdez Interstate destination is the Interstate Portion of the Total Cost of Service divided by the Valdez Interstate barrels.

Section II-4. Operating Expense

(a) Operating Expense means those expenses properly recoverable as set forth in Section II-16 of this Agreement and includable in Account 610 of the Uniform System of Accounts Prescribed for Oil Pipeline Companies Subject to the Provisions of the Interstate Commerce Act, 18 C.F.R. part 352 ("USOA") that were actually incurred during the applicable calendar year but: (i) excluding any expense, actual or accrued, for the dismantlement, removal and restoration ("DR&R") of TAPS, (ii) excluding any provision for the Depreciation or amortization of a capitalized cost, (iii) excluding expenses incurred for federal and state income taxes on imputed Alyeska management fees, (iv) properly reflecting the Post Retirement Benefits Other than Pensions ("PBOP") earnings credit based on the PBOP settlement agreement, and (v)

[6] If RCA precedent and policy governing how FERC and RCA rate case litigation costs may be recovered in intrastate rates changes from that in effect as of the date of approval of this Agreement, the Parties shall meet and confer in good faith regarding any adjustments that may need to be made to this Agreement regarding how FERC and RCA rate case litigation costs are included in the Total Cost of Service.

excluding Supplemental Ad Valorem Taxes. The TAPS Carriers shall make other appropriate adjustments to eliminate costs that are not properly recoverable under the ICA, FERC ratemaking policy and precedent, and other applicable law in accordance with Section II-16. These adjustments will be applied in the Carrier Direct and Alyeska Operating Expense schedules listed in Exhibit J.

For purposes of projecting the appropriate Operating Expense level to use in calculating the Maximum Allowable Interstate Rate from the 2018-2019 Annual Rate Period forward, the actual costs for Operating Expenses from the prior calendar year will be used. For the PBOP earnings credit based on the PBOP settlement agreement, the Adjustment Brought Forward as of December 31, 2015 is stipulated to be $0.0 million, the Cumulative Net PBOP Accrual as of December 31, 2015 is stipulated to be $111.546 million, and the Cumulative Tax Effect of Net PBOP Accrual as of December 31, 2015 is stipulated to be $45.857 million. As provided for in Section II-3(b), any applicable Other Credits, Nontariff Revenue and Miscellaneous Revenue shall be deducted from the sum of the other items shown in Section II-3(b) for purposes of calculating the Total Cost of Service. For purposes of projecting the appropriate Other Credits, Nontariff Revenue and Miscellaneous Revenue level to use in calculating the Maximum Allowable Interstate Rate from the 2018-2019 Annual Rate Period forward, the total amount of Other Credits, Nontariff Revenue and Miscellaneous Revenue shall be projected to be zero.

(b) Items that are appropriately recoverable as set forth in Section II-16 and which are properly includable in USOA Account Nos. 645 (Unusual or infrequent items (credit)), 665 (Unusual or infrequent items (debit)), or 680 (Extraordinary items (net)) shall not be included in the VTM as Account 610 Operating Expenses, but shall be amortized over five (5) years or the

remaining depreciable life of TAPS (as defined in Section II-6(b) of this Agreement), whichever is shorter, unless all Parties agree that a different amortization is appropriate for a particular cost.

(c) In determining the Operating Expense component of the Total Cost of Service for the forward-looking Maximum Allowable Interstate Rate in an upcoming Annual Rate Period, the actual amount of state ad valorem property tax to be paid on or about June 30 of the current calendar year based on the current assessment shall be utilized; provided, however, that if notice of the ad valorem tax amount to be paid has not been provided to Alyeska by May 31 of the current calendar year, the amount to be utilized in the forward-looking Maximum Allowable Interstate Rate will be based on the most recent TAPS assessed value determination by the Alaska Department of Revenue or the State Assessment Review Board, as applicable, for the current calendar year. As addressed in Section II-1(e), the Operating Expense component of the Total Cost of Service for the forward-looking Maximum Allowable Interstate Rate in an upcoming Annual Rate Period shall not include Supplemental Ad Valorem Taxes.

Section II-5. DR&R Allowance

The Total Cost of Service shall not include any allowance for DR&R or asset retirement obligations (collectively, "DR&R"). Notwithstanding the foregoing, nothing in this Agreement prejudices the Parties' rights with respect to issues associated with the DR&R of TAPS.

Section II-6. Depreciation

(a) Depreciation for the applicable calendar year equals the Depreciation Factor multiplied by the Depreciation Base for that calendar year.

(b) The Depreciation amount to be used for the forward-looking Maximum Allowable Interstate Rate in an upcoming Annual Rate Period is an amount calculated by multiplying the

Depreciation Factor for the calendar year during which the Maximum Allowable Interstate Rate will be filed by the actual Net Depreciable Carrier Property in Service at the end of the prior calendar year.

(c) The Depreciation Factor for each calendar year shall be the depreciation factors set out in the Agreement Settling Issues Related to TAPS "Life of Line," which was filed with FERC on October 11, 2012, and approved by FERC on December 28, 2012 ("TAPS Life of Line Agreement"). A copy of the TAPS Life of Line Agreement is included herewith at Exhibit M. If the TAPS Life of Line Agreement is terminated during the Term of this Agreement, the Parties shall meet and confer regarding what depreciation expense should be used to calculate the Total Cost of Service under this Agreement. If the Parties cannot agree on the appropriate depreciation expense, each Party may thereafter take such actions as are available under the Interstate Commerce Act, the Alaska Pipeline Act, and other applicable law seeking a determination of the correct depreciation expense to be used for ratemaking purposes for TAPS.

(d) The Depreciation Base for a calendar year equals the average of the Depreciable Carrier Property in Service at the end of the prior calendar year and the Depreciable Carrier Property in Service at the end of that calendar year, less Accumulated Depreciation at the end of the prior calendar year ("Midyear Convention").

(i) Accumulated Depreciation at the end of a calendar year equals Accumulated Depreciation at the end of the previous calendar year plus Depreciation for that calendar year, net of Depreciation retirements and other adjustments for that calendar year. Accumulated Depreciation as of December 31, 2015 is stipulated to be $8,082.052 million.

(ii) After the expiration or termination of this Agreement pursuant to its terms,

the TAPS Carriers agree not to seek recovery in Interstate Rates of any depreciation amount that was included in Depreciation within the meaning of this Agreement during the time that this Agreement was in effect.

Section II-7. Carrier Property

(a) Carrier Property in Service at the end of a calendar year equals Carrier Property in Service at the end of the previous calendar year plus Carrier Property Additions, Retirements and Adjustments for that calendar year. Carrier Property in Service as of December 31, 2015 is stipulated to be $9,035.029 million. Construction Work in Progress ("CWIP") as of December 31, 2015 is stipulated to be $169.877 million. Land as of December 31, 2015 is stipulated to be $18.245 million.

(b) Carrier Property Additions, Retirements and Adjustments for a calendar year equal the amounts in USOA carrier property accounts 101 through 186 excluding any imputed or actual interest during construction (referred to herein as debt allowance for funds used during construction or "Long Term Debt AFUDC") or actual equity allowance for funds used during construction ("Equity AFUDC") associated with those additions.

(c) No capital costs incurred in connection with any Authorization for Expenditure ("AFE") identified in Exhibit L (the "Strategic Reconfiguration AFEs") shall be included in Carrier Property in Service or CWIP. No costs charged to one of the Strategic Reconfiguration AFEs can be reassigned to AFEs that are not on Exhibit L.

Section II-8. Long Term Debt AFUDC Amortization[7]

(a) Long Term Debt AFUDC Amortization for a calendar year equals:

- the Long Term Debt AFUDC Amortization Base for that calendar year

multiplied by:

- the Depreciation Factor for that calendar year.

(b) Long Term Debt AFUDC Amortization Base for a calendar year equals:

- Long Term Debt AFUDC Balance at the end of the prior calendar year

plus:

- ½ Long Term Debt AFUDC Additions to Rate Base for that calendar year.

(c) Long Term Debt AFUDC Additions to Rate Base for a calendar year equal:

- Long Term Debt AFUDC Base at the end of the prior calendar year

plus:

- Additions to Long Term Debt AFUDC Base for that calendar year,

the sum of which is multiplied by:

- In Service Ratio for that calendar year.

(d) Long Term Debt AFUDC Base for a calendar year equals:

- Long Term Debt AFUDC Base at the end of the prior calendar year

plus:

- Additions to Long Term Debt AFUDC Base for that calendar year

minus:

- Long Term Debt AFUDC Additions to Rate Base for that calendar year

[7] As noted in Section II-11(c), a Long Term Debt instrument is issued for a term of one year or longer or is identified in a company's 10-K as a Long Term Debt instrument.

The Long Term Debt AFUDC Base as of December 31, 2015 is stipulated to be $15.254 million.

(e) Additions to Long Term Debt AFUDC Base for a calendar year equals the product of

- Average CWIP for that calendar year

multiplied by

- the Long Term Debt Ratio

plus:

Long Term Debt AFUDC Base at the end of the prior calendar year

multiplied by:

- the Rate of Return on Long Term Debt.

(f) In Service Ratio of a calendar year equals:

- Carrier Property Additions for that calendar year,

divided by:

- the sum of CWIP at the end of the prior calendar year and CWIP Additions for the calendar year.

(g) Average CWIP for a calendar year is the average of CWIP at the end of that calendar year and CWIP at the end of the prior calendar year.

(h) The Long Term Debt AFUDC Balance of a calendar year equals:

- The Long Term Debt AFUDC Balance of a prior calendar year

plus:

- Long Term Debt AFUDC Additions to Rate Base for that calendar year

minus:

- Long Term Debt AFUDC Amortization for that calendar year.

(i) The Long Term Debt AFUDC Balance as of December 31, 2015 is stipulated to be $61.028 million.

(j) The Long Term Debt AFUDC Amortization amount to be used for the forward-looking Maximum Allowable Interstate Rate in an upcoming Annual Rate Period is an amount calculated by multiplying the Depreciation Factor for the current calendar year by the actual Long Term Debt AFUDC Balance at the end of the prior calendar year.

Section II-9. Equity AFUDC Amortization

(a) Equity AFUDC Amortization for a calendar year equals:

- the Equity AFUDC Amortization Base for that calendar year

multiplied by:

- the Depreciation Factor for that calendar year.

(b) Equity AFUDC Amortization Base for a calendar year equals:

- Equity AFUDC Balance at the end of the prior calendar year

plus:

- ½ Equity AFUDC Additions to Rate Base for that calendar year

(c) Equity AFUDC Additions to Rate Base for a calendar year equal:

- Equity AFUDC Base at the end of the prior calendar year

plus:

- Additions to Equity AFUDC Base for that calendar year

the sum of which is multiplied by:

- In Service Ratio for that calendar year.

(d) Equity AFUDC Base for a calendar year equals:

- Equity AFUDC Base at the end of the prior calendar year

plus:

Additions to Equity AFUDC Base for that calendar year

minus:

- Equity AFUDC Additions to Rate Base for that calendar year.

(e) The Equity AFUDC Base as of December 31, 2015 is stipulated to be $33.964 million.

(f) Additions to Equity AFUDC Base for a calendar year equals the product of

- Average CWIP for that calendar year

multiplied by

- the Equity Ratio plus Equity AFUDC Base at the end of the prior calendar year

multiplied by:

- the Rate of Return on Equity.

(g) The Equity AFUDC Balance of a calendar year equals:

- the Equity AFUDC Balance of a prior calendar year

plus:

- Equity AFUDC Additions to Rate Base for that calendar year

minus:

- Equity AFUDC Amortization for that calendar year

(h) The Equity AFUDC Balance as of December 31, 2015 is stipulated to be $111.354 million.

(i) The Equity AFUDC Amortization amount to be used for the forward-looking Maximum Allowable Interstate Rate in an upcoming Annual Rate Period is an amount calculated by multiplying the Depreciation Factor for the current calendar year by the actual Equity AFUDC Balance at the end of the prior calendar year.

Section II-10. Rate Base

(a) The Rate Base as of the end of a calendar year shall equal:

- the Carrier Property in Service at the end of that calendar year

plus:

- the net AFUDC Balance at the end of that calendar year

plus:

- the net Deferred Return Balance at the end of that calendar year

minus:

- the Accumulated Depreciation at the end of that calendar year,

plus:

- the Working Capital at the end of that calendar year,

minus:

- the Accumulated Deferred Income Taxes at the end of that calendar year.

(b) The Rate Base to be used in calculating the forward-looking Maximum Allowable Interstate Rate in an upcoming Annual Rate Period for a calendar year will be the actual Rate Base at the end of the prior calendar year.

(c) The net AFUDC Balance at the end of a calendar year is the sum of the net Equity AFUDC Balance and net Long Term Debt AFUDC Balance as of the end of that calendar year.

(d) The Working Capital as of December 31, 2015 is stipulated to be $65.630 million.

Section II-11. Return on Rate Base

(a) The components of the Weighted Cost of Capital to be used in calculating the Total Cost of Service shall consist of an Equity Ratio, a Rate of Return on Equity, a Long Term Debt Ratio, and a Rate of Return on Long Term Debt. The stipulated amount for each component is set forth in Section II-11(b)-(d). The stipulated amount for each component shall apply to all periods after December 31, 2016, through the Initial Term of the Agreement and each additional three-year term, except as provided in subpart (j) below.

(b) The Long Term Debt Ratio is 52.07 percent. The Equity Ratio is 47.93 percent.

(c) The Rate of Return on Long Term Debt is 5.21 percent.

(d) The Rate of Return on Equity is 10.86 percent.

(e) The Return on Rate Base for a calendar year shall equal the Average Rate Base multiplied by the Weighted Cost of Capital.

(f) Average Rate Base equals Rate Base at the end of the prior calendar year plus Rate Base at the end of the current calendar year divided by two (midyear convention).

(g) The Weighted Cost of Capital is equal to the Equity Ratio multiplied by the Rate of Return on Equity plus the Long Term Debt Ratio multiplied by the Rate of Return on Long Term Debt.

(h) The Long Term Debt Portion of Return on Rate Base for a calendar year equals:

- the Average Rate Base for that calendar year

multiplied by:

- the Long Term Debt Ratio,

multiplied by:

- the Rate of Return on Long Term Debt.

(i) The Equity Portion of the Return on Rate Base for a calendar year equals:

- the Average Rate Base for that calendar year

multiplied by:

- the Equity Ratio,

multiplied by:

- the Rate of Return on Equity.

(j) Each Party shall have the right to request an adjustment of any of the cost of capital components identified in Section I-II(a)-(d) above, to be effective upon commencement of the immediately following three-year term, at the end of the Initial Term or at the end of any following three-year term by giving notice to the other Parties a minimum of 150 days prior to the end of the applicable term. If any Party requests an adjustment of any of the cost of capital components, the Parties shall confer in good faith in order to stipulate to cost of capital components to be used during the next three-year period. If the Parties are unable to agree to cost of capital components for the next three-year period and the Agreement is not otherwise terminated as provided for in Section II-1(a), the TAPS Carriers shall calculate the Maximum Allowable Interstate Rate under this Agreement using cost of capital components consistent with Commission precedent and policy and the Non-TAPS Parties shall have the right to challenge the cost of capital components used by the TAPS Carriers.

Section II-12. Income Tax Allowance

(a) The Income Tax Allowance for a calendar year equals the sum of the Federal Income Tax Allowance plus the State Income Tax Allowance for that calendar year.

(b) The Federal Income Tax Allowance for a calendar year equals (1) the product of the Federal Income Tax Factor multiplied by the Federal Income Tax Base for that calendar year less (2) Amortization of Excess Tax Reserve for that calendar year.

(i) The Federal Income Tax Factor equals the ratio of the Federal Income Tax Rate to the difference of one minus the Federal Income Tax Rate.

(ii) The Federal Income Tax Rate equals the maximum rate of tax applied by the United States Government to net income derived by a corporation from the operation of a common carrier petroleum pipeline within the United States.

(iii) The Federal Income Tax Base for a calendar year equals:

- the Equity Portion of Return on Rate Base for that calendar year,

plus:

- the Equity AFUDC Amortization for that calendar year,

plus:

- The Deferred Return Amortization for that calendar year,

minus:

- Amortization of Excess Tax Reserve for that calendar year.

(iv) Amortization of Excess Tax Reserve for a calendar year is the sum of the Net Excess Tax Reserve Balance for the prior calendar year and ½ of the Excess Tax Reserve Balance for that calendar year multiplied by the Depreciation Factor for that calendar year.

(v) Excess Tax Reserve Adjustment for a calendar year equals the product of cumulative Federal Tax Timing Difference for the prior year and the change in the Federal Tax Rate for that calendar year relative to the prior year.

(vi) Amortization of Excess Tax Reserve used in the forward looking Maximum Allowable Interstate Rate is the sum of the Net Excess Tax Reserve Balance for the prior calendar year multiplied by the Depreciation Factor for that calendar year.

(c) The State Income Tax Allowance for a calendar year equals the State Income Tax Factor multiplied by the State Income Tax Base for that calendar year.

(i) The State Income Tax Factor means the ratio of the State Income Tax Rate to the difference of one minus the State Income Tax Rate.

(ii) The State Income Tax Rate means the maximum statutory rate of tax applied by the State of Alaska to net income derived by a corporation from the operation of a common carrier petroleum pipeline within Alaska.

(iii) The State Income Tax Base for a year equals:

- the Equity Portion of Return on Rate Base for that calendar year,

plus:

- the Equity AFUDC Amortization for that calendar year,

plus:

- The Deferred Return Amortization for that calendar year,

plus:

- the Federal Income Tax Allowance for that calendar year.

(d) The Income Tax Allowance amount to be used in calculating the forward-looking Maximum Allowable Interstate Rate in an upcoming Annual Rate Period will be the amount that is calculated through the application of Sections II-12(a) through (c) (above) as applied to the forward-looking actual cost inputs derived from the prior calendar year for: (i) Equity AFUDC

Amortization, (ii) Equity Portion of Return on Rate Base, and (iii) Amortization of Excess Tax Reserve.

Section II-13. Net Carryover

(a) Subject to Section II-13(c), the Interstate Portion of Net Carryover used to calculate the Interstate Portion of Total Cost of Service for a calendar year equals the sum of the Interstate Portion of Carryover Base plus Interest on the Interstate Portion of Carryover Base as set forth below.

(i) The Interstate Portion of Carryover Base for a calendar year equals the arithmetic total (positive or negative) of:

- the Total Interstate Portion of the FERC Cost of Service for the calendar year calculated in the same fashion as described in Section II-3(c), but using actual system-wide costs and actual throughput for the calendar year (instead of projected costs and throughput for the upcoming Annual Rate Period as used in Section II-3(c))

minus:

- the revenue that would have been earned if the actual interstate throughput for the calendar year had been charged the applicable Maximum Allowable Interstate Rates that were in effect during the calendar year.

For example, the Interstate Portion of Carryover Base that would be applied in the calculation of the forward-looking 2019-2020 Maximum Allowable Interstate Rate (*i.e.*, the rates filed to be effective from July 1, 2019, through June 30, 2020) will incorporate the positive or negative result of the difference between (a) the Interstate Portion of Total Cost of Service in calendar year 2018 based on actual costs and volumes in 2018 and (b) the

Maximum Allowable Interstate Rate for the period from January 1, 2018 to June 30, 2018, multiplied by the actual interstate deliveries during that period, plus the Maximum Allowable Interstate Rate for the period July 1, 2018 to December 31, 2018, multiplied by the actual interstate deliveries during that period.

(ii) Interest on the Interstate Portion of Carryover Base for a calendar year equals the product of the FERC Interest Rate multiplied by the Interstate Portion of Carryover Base for that year. The FERC Interest Rate will be applied for a 12-month time period and shall be compounded quarterly.

(b) If while this Agreement is in effect, the TAPS Carriers expect that TAPS will cease operating, the TAPS Carriers will make a true-up adjustment to attempt to minimize any Net Carryover for the final Annual Rate Period. At least 120 days before the date operations are expected to cease, each TAPS Carrier will calculate a revised Maximum Allowable Interstate Rate for the then-current Annual Rate Period. The calculation shall reflect a net carryover calculation that compares (i) the estimated Interstate Portion of Total Cost of Service calculated for the period that begins on the day that is six months before the first day of the then-current Annual Rate Period through the date operations are expected to cease against (ii) the estimated revenue that would have been earned during that same period if the actual interstate throughput had been charged the applicable Maximum Allowable Interstate Rates that were in effect during that period. The TAPS Carriers will file revised tariffs that do not exceed the revised Maximum Allowable Interstate Rate to be effective 90 days before the date TAPS ceases operating. Each TAPS Carrier will provide the calculation to the Non-TAPS Parties prior to the date the revised tariffs are filed. The Parties will attempt to resolve any issues raised with respect to the calculation and, absent agreement, the TAPS Carriers may file their revised tariffs, and, if the TAPS Carriers' revised tariffs are protested

and suspended, the revised tariffs will be subject to refund consistent with applicable law and FERC regulations.

(c) With respect to actual ad valorem costs used in determining the Net Carryover, ad valorem taxes shall include the actual ad valorem tax amounts paid in the calendar year for which the Net Carryover is being determined but not Supplemental Ad Valorem Taxes.

Section II-14. ADIT Balance

(a) The Accumulated Deferred Income Tax ("ADIT") Balance at the end of a calendar year equals the Federal ADIT Balance at the end of that calendar year plus the State ADIT Balance at the end of that calendar year.

(b) The State ADIT Balance at the end of a calendar year equals the State ADIT Balance at the end of the previous calendar year plus the Tax Effect of State Timing Difference for the calendar year. The State ADIT Balance as of December 31, 2015, is stipulated to be $31.385 million.

(i) The Tax Effect of State Timing Difference for a calendar year equals the State Income Tax Rate for that calendar year multiplied by the State Tax Timing Difference (positive or negative) for that calendar year.

(ii) The State Tax Timing Difference for a calendar year equals:

- State Tax Depreciation for that calendar year,

minus:

- the Depreciation for that calendar year,

minus:

- Long Term Debt AFUDC Amortization for that calendar year.

(iii) State Tax Depreciation for a calendar year equals the sum of State Tax Depreciation for Carrier Property Additions for the current and all previous calendar years. State Tax Depreciation for Carrier Property Additions equals the appropriate State Tax Depreciation Factor multiplied by the sum of Carrier Property Additions and Long Term Debt AFUDC Additions. The stipulated amounts of State Tax Depreciation for Carrier Property Additions prior to 2016 are presented in Exhibit B. The appropriate State Tax Depreciation Factor varies with the time elapsed between the year of the Carrier Property Additions and the year for which State Tax Depreciation is being calculated, as shown in Exhibit D. If State income tax laws are amended after the date of this Agreement, the State Tax Depreciation Factor schedule in Exhibit D may be renegotiated pursuant to Section II-15.

(c) The Federal ADIT Balance at the end of a calendar year equals the Federal ADIT Balance at the end of the previous calendar year plus the Tax Effect of Federal Timing Difference for the calendar year minus the Amortization of Excess Tax Reserve for the calendar year. The Federal ADIT Balance as of December 31, 2015, is stipulated to be $127.502 million. The Excess Tax Reserve Balance as of December 31, 2015 is stipulated to be $4.945 million.

(i) The Tax Effect of Federal Timing Difference for a calendar year equals the Federal Income Tax Rate for that calendar year multiplied by the Federal Tax Timing Difference (positive or negative) for that calendar year.

(ii) The Federal Tax Timing Difference for a calendar year equals:

- Federal Tax Depreciation for that calendar year,

minus:

- the Depreciation for that calendar year,

minus:

- Tax Effect of State Timing Differences for that calendar year,

minus:

- Long Term Debt AFUDC Amortization for that calendar year.

(iii) Federal Tax Depreciation for a calendar year equals the sum of Federal Tax Depreciation for Carrier Property Additions for the current and all previous calendar years. Federal Tax Depreciation for Carrier Property Additions for the current and all previous calendar years equals the appropriate Federal Tax Depreciation Factor multiplied by the sum of Carrier Property Additions and Long Term Debt AFUDC Additions for that calendar year. The stipulated amounts of Federal Tax Depreciation for Carrier Property Additions prior to 2016 are presented in Exhibit C. The appropriate Federal Tax Depreciation Factor varies with the time elapsed between the year of the Carrier Property Additions and the year for which Federal Tax Depreciation is being calculated, as shown in Exhibit E. If Federal or State income tax laws are amended after the date of this Agreement, the State Tax Depreciation Factor schedule in Exhibit D or the Federal Tax Depreciation Factor schedule in Exhibit E, as applicable, will be modified pursuant to Section II-15(a)(ii).

(iv) The ADIT balance to be used in calculating the forward-looking Maximum Allowable Interstate Rate in an upcoming Annual Rate Period for a calendar year will be the actual ADIT Balance at the end of the prior calendar year.

Section II-15. Effect of Income Tax Amendments

If Federal or State income tax laws are amended after the date of this Agreement, the Income Tax Allowance and the ADIT Balance described in Sections II-12 and II-14, respectively,

will be modified to be consistent with the Federal or State income tax laws with the intention of adhering to the following requirements:

(i) State and Federal income tax shall be calculated as if all income derived from the operation of TAPS was earned by a single corporation with substantial income from sources other than operation of TAPS;

(ii) The Excess Tax Reserve arising from a change in tax rates shall be amortized using the Depreciation Factors set forth in Section II-6(b);

(iii) Applicable provisions of State or Federal income tax law shall be taken into account consistent with Federal regulatory policy as applied to oil pipelines;

(iv) Any modifications arising from this Section II-15 that gives rise to a change in the actual Total Cost of Service shall be accommodated through the next available Net Carryover opportunity pursuant to Section II-13.

Section II-16. Inputs to Maximum Allowable Interstate Rate

(a) All inputs used to calculate the Maximum Allowable Interstate Rate pursuant to this Agreement shall include only those amounts attributable to the construction, operation and maintenance of TAPS that are appropriately recoverable under the ICA, FERC ratemaking policy and precedent, and other applicable law.

(b) Each TAPS Carrier shall keep its FERC accounts in compliance with the USOA, and shall seek approval from the FERC Chief Accountant with respect to appropriate accounting treatment as required by the USOA. To the extent a request for approval from the FERC Chief Accountant is required by the USOA with respect to the accounting treatment of a particular cost item, the TAPS Carriers shall file such request with the FERC Chief Accountant prior to including the cost in the Maximum Allowable Interstate Rate; however, the TAPS Carriers need not wait

until the FERC Chief Accountant rules on the request before including the cost in the Maximum Allowable Interstate Rate, and neither approval nor non-approval by the FERC Chief Accountant regarding the treatment of the cost for accounting purposes shall be dispositive of whether a cost item may properly be used to calculate the Maximum Allowable Interstate Rate, since, as set forth in Section II-16(a), the rate treatment for a particular cost item will depend on whether it is appropriately recoverable under the ICA, FERC ratemaking policy and precedent and other applicable law.

Section II-17. Restatement of Amounts for Prior Years

Under the following circumstances, actual values for the elements of the VTM for prior years shall be restated in order to recalculate the Net Carryover from those and succeeding years (including applicable interest) up to and including calculation of the Net Carryover for the next upcoming Maximum Allowable Interstate Rate: (1) a TAPS Carrier's filing of an amended Form 6 with the FERC; (2) a FERC audit adjustment for a prior year; and (3) resolution of a dispute among the Parties appropriately raised under the terms of this Agreement relating to a prior year involving amounts that entered the calculations performed under this Agreement. In no case shall any such restatement with respect to item (1) apply to a period that is more than three years prior to the date of such restatement, or to any period prior to January 1, 2017. In no case shall any such restatement with respect to item (2) apply to a period that is more than five years prior to the date of such restatement, or to any period prior to January 1, 2017. In no case shall any such restatement with respect to item (3) apply to any period prior to January 1, 2017. Parties have the right to review and challenge before FERC any such amendments and restatements. No

restatements of actual values for the elements of the VTM for prior years shall be made other than those allowed under this Section.

Section II-18. Amortization of Allowed Strategic Reconfiguration Project Costs

A stipulated amount of allowed Strategic Reconfiguration Project Costs as of December 31, 2015 shall be amortized and included in cost of service. The net allowed Strategic Reconfiguration Project Cost balance as of December 31, 2015 is stipulated to be $253.277 million. The net allowed Strategic Reconfiguration Project Cost balance shall be amortized consistent with the period used for Depreciation expense set forth in Section II-6. The net allowed Strategic Reconfiguration Project Cost Balance for each calendar year shall not be included in the calculation of Rate Base.

Section II-19. Deferred Return

Since the VTM uses a depreciated original cost methodology for calculating Rate Base, but TAPS Interstate Rates are currently subject to FERC's trended original cost methodology, it is necessary to amortize the Deferred Return Balance related to the trended original cost methodology that existed as of December 31, 2015. The Deferred Return Balance as of December 31, 2015, is stipulated to be $173.417 million. The net Deferred Return Balance shall be amortized over eight (8) years beginning January 1, 2016. As noted in Section II-10, the net Deferred Return Balance for each calendar year shall be included in the calculation of Rate Base. The net Deferred Return portion of Rate Base shall be included in the equity component of the capital structure and shall earn an equity rate of return.

ARTICLE III.
ADDITIONAL PROVISIONS

Section III-1. Term of the Agreement

(a) The Initial Term of this Agreement shall end on June 30, 2021, upon the conclusion of the third forward-looking Annual Rate Period. Unless terminated, the Agreement shall automatically renew for additional three-year terms, subject to the terms of this Agreement. Each Party shall have the right to terminate the Agreement at the end of the Initial Term or at the end of any succeeding term, by providing a minimum of 90 days written notice prior to the end of the applicable term. Notwithstanding the termination of this Agreement, Section I-6(d), I-7, and II-17 shall continue in full force and effect.

(b) In the event this Agreement is terminated pursuant to Section III-1(a) or otherwise prior to the date upon which TAPS ceases to operate, the TAPS Carriers shall file new Interstate Rates at least 30 days prior to the termination of the Agreement, such rates to be effective the first day after the termination of the Agreement. The Parties retain all rights under the ICA, FERC regulations and precedent and other applicable law with respect to the new Interstate Rates. To the extent the new Interstate Rates are required to be lowered by FERC, the TAPS Carriers shall pay refunds as directed by FERC consistent with the applicable law governing refunds, including the "last clean rate" ("refund floor") principle, except that for purposes of determining the "last clean rate" in effect during the Term of this Agreement, the "last clean rate" shall be equal to the Maximum Allowable Interstate Rate in effect during the last Annual Rate Period had that rate been calculated without applying the Net Carryover.

Nothing in this section or in this Agreement requires a TAPS Carrier to eliminate or increase Interstate Rates that are discounts from the level that the TAPS Carrier could otherwise permissibly charge under applicable FERC regulations and precedent or other applicable law.

(c) Upon termination of the Agreement, the TAPS Carriers shall calculate and submit to the Non-TAPS Carriers as soon as practicable, but in any event no later than May 1 of the year following the termination, the Net Carryover for the final Annual Rate Period of the Agreement ("Final Net Carryover"). The resulting Final Net Carryover (whether positive or negative), including interest, shall be applied as a surcharge or a sur-credit to the TAPS Carriers' Interstate Rates in effect at the time the Final Net Carryover is calculated and shall remain in place until the amount collected or credited is equal to the amount of the Final Net Carryover, including interest. The TAPS Carriers will file new rates incorporating the surcharge or sur-credit by the earlier of (i) 30 days after submitting the Final Net Carryover calculation to the Non-TAPS Parties, or (ii) May 31 of the year following termination, subject to the right of the Non-TAPS Parties to challenge whether the Final Net Carryover is calculated correctly and includes appropriate inputs consistent with Section II-16 of this Agreement.

Section III-2. Approval and Acceptance of the Agreement

(a) Following the execution of this Agreement, the Parties shall jointly and simultaneously submit it to the FERC for approval as an Offer of Settlement and shall cooperate fully, each at its own expense, to seek such approval and acceptance.

(b) Once approved by the FERC, the standard of review for any modifications to the Agreement by the FERC acting *sua sponte*, the Parties acting unanimously, or third parties shall be the ordinary just and reasonable standard (not the "most stringent" or "public interest" standard). The standard of review for any modification of the Agreement at the request of one or more but less than all Parties shall be the most stringent standard permissible under applicable law. Nothing in this Agreement is meant to limit the Commission's authority to approve uncontested settlements

under 18 C.F.R. § 385.602(g)(3). For purposes of this section, a third party is a party that does not control, is not controlled by, and is not under common control with any Party to this Agreement.

Section III-3. Parties in Interest

(a) Except as provided in Section I-4(e), this Agreement shall be binding upon and inure solely to the benefit of the Parties and their respective successors and assigns, including lessees, and no obligation under this Agreement shall be for the benefit of or be enforceable by any third party.

(b) Any interstate TAPS shipper that is not a Party to this Agreement may become a Party by executing the Agreement and agreeing to be bound by its terms.

Section III-4. Construction of Agreement

(a) The language of this Agreement shall, in all cases, be construed according to its fair meaning and not strictly for or against any Party. No Party shall be deemed to be the drafter of this Agreement, and no provision of the Agreement shall be interpreted for or against any Party based upon a Party being deemed to be a drafter of the Agreement or any provision of the Agreement. Headings of articles and sections of this Agreement are solely for the convenience of the Parties and are not a part of this Agreement. This Agreement shall be governed by and construed in accordance with federal law, including FERC precedent to the extent applicable as it pertains to interstate rates, and otherwise by the law of the State of Alaska.

(b) Attached hereto as Exhibit F illustrating the VTM is a printout of a computer program based on actual historical data and stipulated starting amounts along with hypothetical forward-looking data. Exhibit F also contains an electronic model that forms the basis of the computer printout which is intended for future use by the Parties in calculating and assessing the

Maximum Allowable Interstate Rate. Also attached as Exhibit G is a list of the December 31, 2015 stipulated balances to be used in calculating the VTM, attached as Exhibit K is a list of the agreed inputs for calendar year 2016, and attached as Exhibit L is a list of the Strategic Reconfiguration AFEs that are not eligible for inclusion in Rate Base. The language of the Agreement, however, controls over the model contained in Exhibit F.

(c) The language of this Agreement shall control over any other computer program or other document prepared by the Parties, or any of them, describing or explaining this Agreement or the VTM.

Section III-5. Amendment

This Agreement may be modified, amended or supplemented only by a written instrument executed by all Parties.

Section III-6. Notices

All notices under this Agreement shall be in writing and shall be sent by electronic mail; by first-class mail with all postage fully prepaid or by certified mail; or by courier with charges prepaid, in each case addressed to the Parties at the addresses or numbers set forth below or at such other address or number as a Party shall designate by written notice to the other Parties. Notices shall be deemed effective upon receipt.

State of Alaska

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Washington, DC 20007
Telefacsimile No. (202) 338-2416
jxs@vnf.com

A Party may, at any time, substitute a different person or address for that shown in the previous sentence by giving written notice to the other Parties.

Section III-7. Enforceability

It is the intent of the Parties that this Agreement shall be approved by FERC and that each and every provision of this Agreement shall be enforceable by FERC. To the extent FERC, either now or in the future, lacks jurisdiction to enforce any provision of this Agreement, then this Agreement shall be enforceable in an action for specific performance, for damages for the breach thereof, or for other appropriate remedy, before the courts of the State of Alaska or before any other available court or administrative tribunal having jurisdiction. In that event, the Parties hereby consent to the jurisdiction of the courts of the State of Alaska with respect to actions enforcing and construing this Agreement, but this consent shall not be construed to confer exclusive jurisdiction upon the courts of the State of Alaska.

Section III-8. No Waiver

Unless otherwise specifically provided in this Agreement, no failure to exercise, and no delay in exercising, any right, power, or remedy under this Agreement shall impair or be construed as a waiver of this right, power, or remedy of a Party, nor shall any failure to exercise or delay in exercising any right, power, or remedy be construed to be an acquiescence in any breach or default under this Agreement. The rights and remedies specified for the enforcement of this Agreement

are cumulative and are not exclusive of any rights or remedies which a party would otherwise have.

Section III-9. Counterparts

This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The signatories hereby represent and warrant that they have full authority to execute this Agreement on behalf of their respective Parties.

Being duly authorized, the Parties execute this Agreement as of the date first written above.

BP PIPELINES (ALASKA) INC.

By: _____

Printed Name: DAMIAN BILBAO

Title: PRESIDENT BPPA

STATE OF ALASKA

By: _____

Printed Name: _____

Title: _____

CONOCOPHILLIPS TRANSPORTATION ALASKA, INC.

By: _____

Printed Name: _____

Title: _____

ANADARKO PETROLEUM CORPORATION

By: _____

Printed Name: _____

Title: _____

EXXONMOBIL PIPELINE COMPANY

By: _____

Printed Name: _____

Title: _____

TESORO ALASKA COMPANY LLC

By: _____

Printed Name: _____

Title: _____

PETRO STAR INC.

By: _____

Printed Name: _____

Title: _____

Being duly authorized, the Parties execute this Agreement as of the date first written above.

BP PIPELINES (ALASKA) INC.

By:_____

Printed Name:_____

Title:_____

STATE OF ALASKA

By:_____

Printed Name: Jahna Lindemuth

Title: Attorney General

CONOCOPHILLIPS TRANSPORTATION ALASKA, INC.

By:_____

Printed Name:_____

Title:_____

ANADARKO PETROLEUM CORPORATION

By:_____

Printed Name:_____

Title:_____

EXXONMOBIL PIPELINE COMPANY

By:_____

Printed Name:_____

Title:_____

TESORO ALASKA COMPANY LLC

By:_____

Printed Name:_____

Title:_____

PETRO STAR INC.

By:_____

Printed Name:_____

Title:_____

Being duly authorized, the Parties execute this Agreement as of the date first written above.

BP PIPELINES (ALASKA) INC.

By:_____

Printed Name:_____

Title:_____

STATE OF ALASKA

By:_____

Printed Name:_____

Title:_____

CONOCOPHILLIPS TRANSPORTATION ALASKA, INC.

By: Scott Jepsen

Printed Name: Scott Jepsen

Title: President

ANADARKO PETROLEUM CORPORATION

By:_____

Printed Name:_____

Title:_____

EXXONMOBIL PIPELINE COMPANY

By:_____

Printed Name:_____

Title:_____

TESORO ALASKA COMPANY LLC

By:_____

Printed Name:_____

Title:_____

PETRO STAR INC.

By:_____

Printed Name:_____

Title:_____

Being duly authorized, the Parties execute this Agreement as of the date first written above.

BP PIPELINES (ALASKA) INC.

By:_____

Printed Name:_____

Title:_____

STATE OF ALASKA

By:_____

Printed Name:_____

Title:_____

CONOCOPHILLIPS TRANSPORTATION ALASKA, INC.

By:_____

Printed Name:_____

Title:_____

ANADARKO PETROLEUM CORPORATION

By: [signature]

Printed Name: A Scott Moore

Title: SVP Midstream + Marketing

EXXONMOBIL PIPELINE COMPANY

By:_____

Printed Name:_____

Title:_____

TESORO ALASKA COMPANY LLC

By:_____

Printed Name:_____

Title:_____

PETRO STAR INC.

By:_____

Printed Name:_____

Title:_____

Being duly authorized, the Parties execute this Agreement as of the date first written above.

BP PIPELINES (ALASKA) INC.

By:_____

Printed Name:_____

Title:_____

STATE OF ALASKA

By:_____

Printed Name:_____

Title:_____

CONOCOPHILLIPS TRANSPORTATION ALASKA, INC.

By:_____

Printed Name:_____

Title:_____

ANADARKO PETROLEUM CORPORATION

By:_____

Printed Name:_____

Title:_____

EXXONMOBIL PIPELINE COMPANY

By: Gerald S. Frey

Printed Name: Gerald S. Frey

Title: President

TESORO ALASKA COMPANY LLC

By:_____

Printed Name:_____

Title:_____

PETRO STAR INC.

By:_____

Printed Name:_____

Title:_____

Being duly authorized, the Parties execute this Agreement as of the date first written above.

BP PIPELINES (ALASKA) INC.

By:_____

Printed Name:_____

Title:_____

STATE OF ALASKA

By:_____

Printed Name:_____

Title:_____

CONOCOPHILLIPS TRANSPORTATION ALASKA, INC.

By:_____

Printed Name:_____

Title:_____

ANADARKO PETROLEUM CORPORATION

By:_____

Printed Name:_____

Title:_____

EXXONMOBIL PIPELINE COMPANY

By:_____

Printed Name:_____

Title:_____

TESORO ALASKA COMPANY LLC

By:_____

Printed Name: Gregory J. Goff

Title: President

PETRO STAR INC.

By:_____

Printed Name:_____

Title:_____

Being duly authorized, the Parties execute this Agreement as of the date first written above.

BP PIPELINES (ALASKA) INC.

By:_____

Printed Name:_____

Title:_____

STATE OF ALASKA

By:_____

Printed Name:_____

Title:_____

CONOCOPHILLIPS TRANSPORTATION ALASKA, INC.

By:_____

Printed Name:_____

Title:_____

ANADARKO PETROLEUM CORPORATION

By:_____

Printed Name:_____

Title:_____

EXXONMOBIL PIPELINE COMPANY

By:_____

Printed Name:_____

Title:_____

TESORO ALASKA COMPANY LLC

By:_____

Printed Name:_____

Title:_____

PETRO STAR INC.

By:_____

Printed Name: Doug Chapados

Title: CFO/President