

LEG. FINANCE - BILLS 1979 - 1980 1293

SB 170 cont. 1293

company and thus bear the entire business and financial risk of the enterprise. "If TAPS fails, the investors will be liable for the entire loss. If TAPS succeeds, the investors should be allowed the opportunity to earn a return on the entire investment consistent with the risk they have taken by pledging their assets. Accordingly, if for any reason this Commission deems it necessary to consider capital structure for rate of return determinations, the various ownership interests in TAPS should properly be considered to have a capital structure of 100% equity."

The brief emphasized the unusually large risks involved in the TAPS project, as well as the need to evaluate these risks as of the time investment decisions were made. Some of the protestants, the brief noted, argue that only prospective risks (i.e., those risks remaining after the pipeline has been built and placed in operation) should be considered in determining an appropriate rate of return, and that the construction phase uncertainties are irrelevant because the owners are fully compensated in the rate base for all costs actually incurred. This contention, the brief said, is equivalent to arguing that an investor in the drilling of an oil well that later proved to be successful incurred no cognizable risk of failure because the uncertainties existing at the time of drilling never materialized. "The law is well-settled that investors are entitled to recover for the risks reasonably perceived at the outset, whether or not such risks actually materialize or are eventually overcome."

The Respondents summarized eight categories of risks associated with the TAPS project: (1) licensing and permit requirements -- leading to risks and problems created by unprecedented government involvement in the project; (2) construction and technical risks stemming from the necessity to use and develop an entirely new and untried technology; (3) environmental risks created by unprecedented environmental restraints placed on TAPS; (4) weather and terrain causing frequent and severe problems; (5) capital intensiveness and throughput dependence -- because TAPS is such a capital intensive enterprise, returns are highly sensitive to slight changes in throughput; (6) economic risks entailed by problems of marketing North Slope oil, such as current difficulties in arranging for the necessary additional pipeline capacity required in the Lower 48 States for movement of oil beyond the West Coast; (7) common carrier risks -- requiring TAPS owners to provide space to all shippers, including intermediate shippers "who may take advantage of unreasonably low intrastate rates"; and (8) political risks, including a "broad spectrum" of possible regulatory actions by various federal and state agencies. Given these risks, the brief stated, there is no basis for Protestants' claim that an investment in TAPS "was as attractive, from the standpoint of safety, as an equity investment in a public utility."

In short, the brief declared, the enormous risks inherent in TAPS require inclusion of a premium in the rate of return. Raymond Gary of Morgan Stanley has concluded that a 20% return on TAPS valuation, or 6%-7% above that required for lower risk pipelines in the Continental United States, should be regarded as the minimum appropriate return. "Because of the limitations on return imposed by the Consent Decree, however, the tariffs filed by the carriers actually provide a much lower return than the carriers are entitled to as fair compensation for the risks they have assumed."

In regard to tax expenses, the Respondents opposed any flow through of tax benefits from accelerated depreciation. Rather, the brief declared, normalization is the only proper treatment from the standpoint of accounting practice, regulatory policy and legislative intent. While both the former FPC and the ICC required flow through of accelerated tax depreciation at one time, the brief noted, each agency subsequently abandoned the flow through approach and approved normalization. Also, the brief observed, the assumption underlying the FPC's adoption of flow through treatment, i.e., that tax savings from accelerated depreciation were "permanent,"

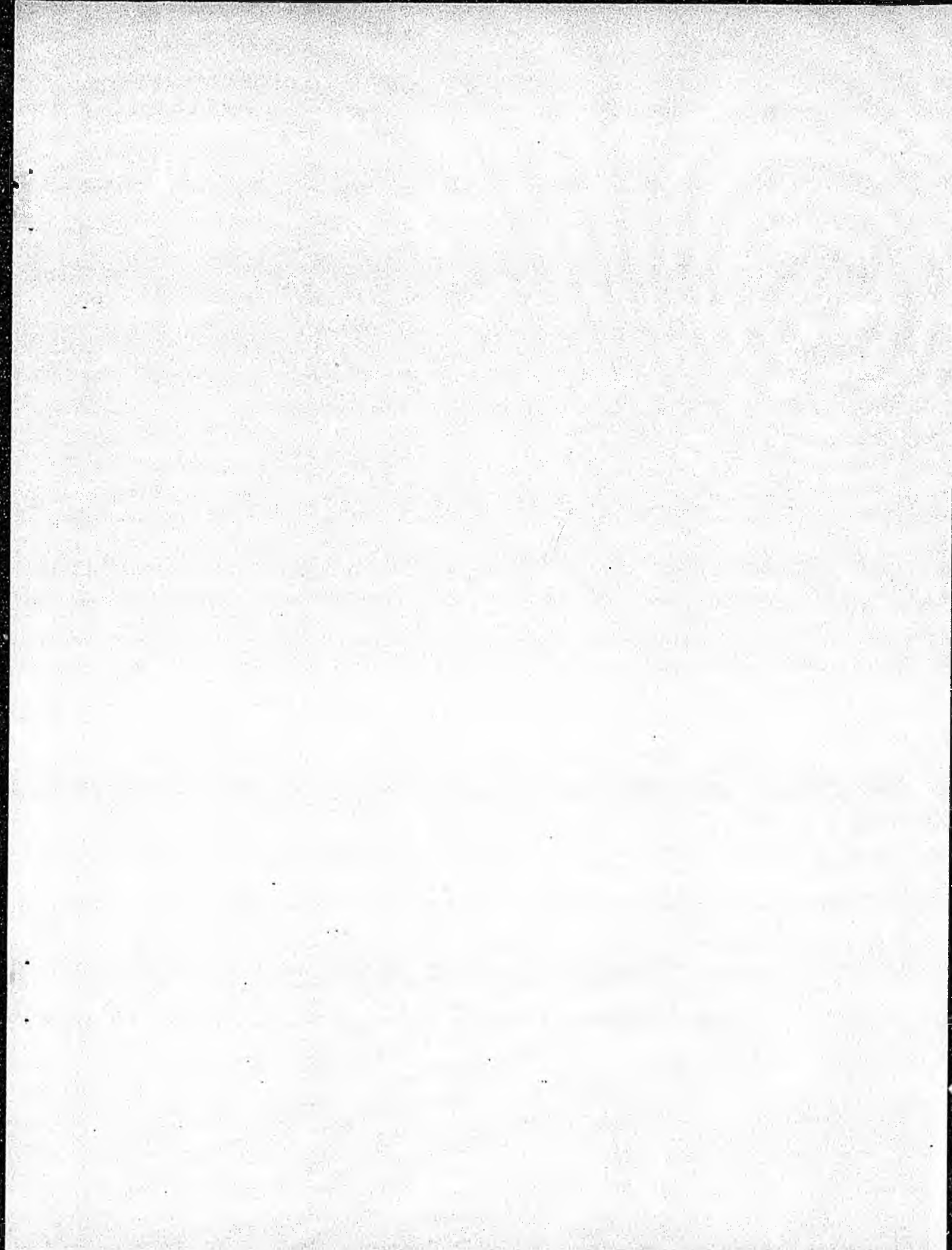
could never apply to TAPS — whatever its merits otherwise — since the depreciable tax base of each of the TAPS owners can be expected to decline, not to remain stable or grow.

Similarly, the Respondents stated, any flow through of the investment tax credit would be clearly contrary to the intent of Congress. Section 203(e) of the 1964 Revenue Act specifically prohibits federal regulatory agencies from flowing through any portion of the investment tax credit realized by regulated companies except certain "public utilities," which were not defined to include oil pipelines. Nor, the Respondents added, is there any reason to deduct investment tax credits from the rate base, as certain Protestants have suggested. Since oil pipelines are not public utilities, inclusion of these amounts in the rate base is required by Section 203(e). Failure to do so would violate the statutory ban on reducing cost of service, since it would "accomplish a similar result by any other method."

Finally, with respect to filed in-transit rules of certain TAPS carriers protested by Energy Co. of Alaska, the brief cited various ICC and court decisions in support of its position that the FERC has jurisdiction over in-transit shipments of oil from Prudhoe Bay to Valdez with removal and reinjection at North Pole and that the in-transit provisions are entirely proper. Moreover, contrary to ECA's allegation, "the scope of the tariffs is quite clear. Obviously, the tariffs filed with FERC apply only to shipments which are subject to FERC jurisdiction. The issue raised by ECA concerns shipments from Prudhoe Bay to ECA's North Pole refinery of oil which is refined there and not returned to TAPS (non-return oil). If, as ECA maintains, these shipments are not part of interstate commerce, it is quite clear that the FERC tariff cannot apply to the shipments. On the other hand, it is arguable that these shipments are part of interstate commerce. On almost identical facts, and under similar statutory language, gas sales have been held to be interstate and subject to FPC jurisdiction. . . . These cases establish the rule that 'the mixing of intrastate gas with a substantial portion of interstate gas in one commingled stream gave the Commission jurisdiction at the outset over the whole transaction.' Under this rule, the entire shipment to ECA would be subject to FERC jurisdiction."

Also, the Respondents added, the FERC has a clear obligation to pass on the intermediate rate rules set forth in the TAPS owners' tariffs. These rules result in the assessment of uniform rates by each carrier for all shipments through TAPS irrespective of the distance the oil is transported. "A uniform rate for intermediate shipments equal to the through rate simply charges that shipper for the capacity he uses, either by physically occupying the space or preventing its use by others. Consequently, the carriers must be allowed to collect the full through rate to compensate them for the revenue they could have obtained from shipments. The only alternative would be to increase the rates for through shippers in order to provide the carriers with just compensation."

Furthermore, the brief observed, the North Pole refinery owes its existence to a pipeline built to serve through shipments and also benefits from the economies of scale made possible by the large through shipments. Hence, "it is fair for ECA to bear its share of the total cost of the pipeline."



(FOR THE BRITISH PETROLEUM COMPANY LIMITED, LONDON)

FOR IMMEDIATE RELEASE

November 30, 1978

THIRD QUARTER RESULTS

Income before extraordinary items
compared with previous periods:-

	<u>1978</u> \$m	<u>1977</u> (restated)* \$m
July-September	170	119
January-September	578	623

*See Note 1 to the Group Income Statement

COMMENTS

The income before extraordinary items for the third quarter of 1978 is \$170 million (£85.6 million) giving a total for the first nine months of \$578 million (£292 million). This compares with \$119 million (£60.1 million) for the corresponding quarter of 1977 and a total of \$623 million (£314.4 million) for January/September 1977, a period which benefited substantially from stock appreciation in the first half of that year. The 1978 income figures are after a charge for UK Corporation Tax of \$70 million (£35.4 million) in the quarter and \$228 million (£115 million) for the nine months.

BP group sales (excluding Sohio) of crude oil, products and chemicals of 3.5 million barrels per day for the quarter are 140 thousand barrels per day or 4.3 percent higher than the second quarter of this year and 80 thousand barrels per day higher than the third quarter in 1977. In both cases the increase is largely attributable to additional sales of crude oil rather than products. Details of group sales including Sohio are shown below.

The Group Income Statement, as detailed in Note 2, includes the results of Sohio on a consolidated basis with effect from January 1, 1978. The BP Group interest in Sohio throughout the third quarter was 51.2 percent but increased to 52.2 percent on October 15, when sustainable net production from Sohio's Prudhoe Bay properties exceeded 550,000 barrels per day. The BP share of Sohio's profits, included in the consolidation, was \$78 million (£39.2 million) in the third quarter reflecting the substantial contribution from the investment in the development of production in Alaska.

Production from the Forties Field averaged in excess of 500,000 barrels per day in the third quarter and, whilst price levels expressed in dollars were maintained, income has been reduced by the weakening of the dollar. In Europe trading conditions overall have held the improvement foreseen when the half-year results were announced and there has been a substantial rise in spot prices for light distillates which has improved refiners' margins. Chemicals sales volumes are virtually unchanged but over-capacity in Europe and imports from the USA have further depressed margins and results continue to be disappointing.

The reported income in sterling is extremely sensitive to movements in exchange rates and to the complex reaction these movements have on trading conditions. This applies particularly to the US dollar which is the main currency in which oil is traded. In the third quarter the rate for the US dollar against sterling fell by 12¢ against a 3¢ reduction in the corresponding period of 1977. The effect of this fall on the translation of income from operations in the USA and dollar cash balances in UK companies held to meet dollar commitments is estimated to have reduced reported income by \$85 million (£43 million) in the third quarter of 1978. This compares to a reduction of \$14 million (£7 million) in the corresponding quarter of 1977.

Income before extraordinary items for the period January/September 1978 per unit of ordinary stock is \$1.49 (75.38p) compared with \$1.61 (81.21p) for the same period in 1977.

D.A.G. Sarre
Secretary

GROUP SALES

	<u>July-September</u>		<u>January-September</u>		<u>Year</u>
	<u>1978</u>	<u>1977</u> (restated)*	<u>1978</u>	<u>1977</u> (restated)*	<u>1977</u>
<u>Thousands of barrels per day</u>					
BP excluding Sohio					
Crude oil	1,640	1,510	1,520	1,460	1,520
Products/Chemicals	<u>1,860</u>	<u>1,910</u>	<u>1,930</u>	<u>1,950</u>	<u>1,990</u>
	<u>3,500</u>	<u>3,420</u>	<u>3,450</u>	<u>3,410</u>	
Sohio:					
Crude oil	390	-	290	-	-
Products/Chemicals	<u>380</u>	-	<u>430</u>	-	-
	<u>770</u>		<u>720</u>		
<u>Total</u>	<u>4,270</u>	<u>3,420</u>	<u>4,170</u>	<u>3,410</u>	<u>3,510</u>
<u>Millions of tons</u>					
Coal	2.5	-	5.4	0.1	0.2
<u>Millions of cubic feet per day</u>					
Natural gas	<u>256</u>	<u>258</u>	<u>393</u>	<u>345</u>	<u>360</u>

*See Note 1 to the Group Income Statement

Note:

1. Results reported are in conformity with the results which will be furnished to the Securities and Exchange Commission under Form 6-K. The British Petroleum Company Limited is not required to file Form 10-Q.

Investment analyst contact - Christopher Stevenson - 399-0615

THE BRITISH PETROLEUM COMPANY LIMITED

GROUP INCOME STATEMENT

<u>Year</u> <u>1977</u> \$ million		<u>July-September</u>		<u>January-September</u>	
		<u>1978</u>	<u>1977</u> (Restated)*	<u>1978</u>	<u>1977</u> (Restated)*
				<u>\$ million</u>	
29,130	Sales proceeds	8,643	7,262	25,313	21,484
<u>5,375</u>	Deduct: Customs duties and sales taxes	<u>1,663</u>	<u>1,410</u>	<u>4,659</u>	<u>3,993</u>
23,755	Net sales proceeds	6,980	5,852	20,654	17,491
<u>516</u>	Other income	<u>151</u>	<u>102</u>	<u>450</u>	<u>337</u>
<u>24,271</u>		<u>7,131</u>	<u>5,954</u>	<u>21,104</u>	<u>17,828</u>
	Cost of sales, including freight, processing and manufacturing	4,858	4,214	14,179	12,419
2,007	Distribution, selling, administrative and other expenses	685	484	2,049	1,434
601	Depreciation and amounts provided	316	144	885	453
<u>411</u>	Interest and financing costs	<u>222</u>	<u>110</u>	<u>707</u>	<u>301</u>
<u>19,942</u>		<u>6,081</u>	<u>4,952</u>	<u>17,820</u>	<u>14,607</u>
4,329	Income before taxation	1,050	1,002	3,284	3,221
<u>2,697</u>	Overseas taxation	<u>548</u>	<u>673</u>	<u>1,718</u>	<u>1,984</u>
1,632	Income after overseas taxation	502	329	1,566	1,237
<u>921</u>	UK taxation (Note 3)	<u>259</u>	<u>213</u>	<u>783</u>	<u>611</u>
711	Income after taxation	243	116	783	626
<u>2</u>	Minority shareholders' interest	<u>73</u>	<u>(3)</u>	<u>205</u>	<u>3</u>
709	Income before extraordinary items	170	119	578	623
<u>107</u>	Extraordinary items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>602</u>	Net income of the group	<u>170</u>	<u>119</u>	<u>578</u>	<u>623</u>

*See Note 1 to Group Income Statement.

N.B. All conversions from sterling have been made at the September 30, 1978 exchange rate of £1 = \$1.98. (See Note 4.)

Notes on Group Income Statement are attached.

November 30, 1978

NOTES

1. The comparative figures for July-September and January-September 1977 have been restated to reflect the change in the group's method of accounting for deferred taxation introduced at the end of 1977. The effect on income before extraordinary items is an increase from \$87 million to \$119 million and from \$416 million to \$623 million for July-September and January-September respectively.
2. During the second quarter of 1978 sustainable net production from Sohio's Prudhoe Bay properties exceeded 450,000 barrels per day, thereby increasing the group's interest in Sohio to over 50%. Sohio's results as adjusted to comply with the group's accounting policies have been fully consolidated from January 1, 1978. The comparative figures for 1977 included the group's share of Sohio's published results on an equity accounting basis under the headings 'Other Income' and 'Overseas Taxation'.

Net sales proceeds and income before extraordinary items are analysed between Sohio and the remainder of the group as follows:

	<u>July-September</u>		<u>January-September</u>		<u>Year</u>
	<u>1978</u>	<u>1977</u>	<u>1978</u>	<u>1977</u>	<u>1977</u>
	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>	<u>\$m</u>
Net sales proceeds:					
-BP excluding Sohio	5,662	5,852	16,909	17,491	23,755
-Sohio (100%)	<u>1,318</u>	<u>-</u>	<u>3,745</u>	<u>-</u>	<u>-</u>
Total	<u>6,980</u>	<u>5,852</u>	<u>20,654</u>	<u>17,491</u>	<u>23,755</u>
Income before extraordinary items:					
-BP excluding Sohio	92	109	383	591	651
-Sohio (BP group interest)*	<u>78</u>	<u>10</u>	<u>195</u>	<u>32</u>	<u>58</u>
Total	<u>170</u>	<u>119</u>	<u>578</u>	<u>623</u>	<u>709</u>

* The weighted average interests for the relevant periods were:

	<u>July-September</u>		<u>January-September</u>		<u>Year</u>
	<u>1978</u>	<u>1977</u>	<u>1978</u>	<u>1977</u>	<u>1977</u>
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
	51.2	27.0	46.8	26.3	29.4

3. Due to the uncertainties in computing the charge for UK taxation for a period of less than a year, the amount shown represents the best estimate for the period.

The UK taxation charge of \$783 million for the period January-September 1978 is made up as follows:

	<u>\$m</u>
Corporate tax at 52%	970
Overseas tax relief	<u>(742)</u>
	228
Petroleum revenue tax	<u>555</u>
	<u>783</u>

4. Figures shown in this US Dollar edition have been translated from the sterling figures at the September 30, 1978 exchange rate of \$1.98 = £1 and it should not be construed as a representation that the amounts of the pound sterling accounts represent, or have been or could be converted into, US dollars at this or any other rate.
5. Quarterly figures are unaudited.
6. This statement is prepared under accounting principles generally accepted in the UK.

1. UNITED STATES OF AMERICA
2. FEDERAL ENERGY REGULATORY COMMISSION

3.
4. DOCKET NO. OR78-1

5.
6. TRANS ALASKA PIPELINE SYSTEM

7.
8. (Formerly I&S 9164, et al)

9.
10.
11. PREPARED REBUTTAL TESTIMONY

12. OF

13. PAUL H. JONES
14.

15. Q. Please state your name and address.

16. A. I am Paul H. Jones. My business address is 255 California
17. Street, San Francisco, California.

18. Q. By whom are you employed and in what capacity?

19. A. I am the Coordinator of Rates and Regulator Affairs for BP
20. Pipelines Inc. on whose behalf I testified earlier in the
21. proceeding. (TR. 5100 et seq.)

22. Q. What is the purpose of your testimony?

23. A. The purpose of my testimony is to present the results of
24. operations that have occurred since my initial exhibits were
25. prepared, including an updated estimate of the results for
26. the calendar year 1978.

1. Q. Have you prepared, or have you had prepared under your
2. direction, exhibits and schedules in support of your prepared
3. testimony?

4. A. Yes. Submitted with my prepared testimony are 5 exhibits.
5. They are as follows:

6. Exhibit ____ (PHJ-1 , Restated Financial Data for the Tariff
7. Suspension Period (August 1, 1977 to January 29, 1978)

8. Schedule 1 - Restated Summary of Operations and Rates of
9. Return

10. Schedule 2 - Restated Operating Revenues

11. Schedule 3 - Operation, Maintenance and General Expenses

12. Exhibit ____ (PHJ-2), Estimated Financial Data for the
13. Calendar Year 1978

14. Schedule 1 - Restated Summary of Operations and Rates of
15. Return

16. Schedule 2 - Estimated Operating Revenues

17. Schedule 3 - Estimated Operation, Maintenance and General
18. Expenses

19. Schedule 4 - Estimated Dismantling costs

20. Exhibit ____ (PHJ-3), Estimated Financial Data for the 17
21. Months Ending December 31, 1978

22. Schedule 1 - Summary of Operations and Rates of Return

23. Schedule 2 - Estimated Operations, Maintenance and General
24. Expenses

25. Schedule 3 - Estimated Dismantling Costs

26. Exhibit ____ (PHJ-4), Estimated Property Costs, Working

1. Capital and Depreciation Expense

2. Schedule 1 - Estimated Balances of Carrier Property

3. Accounts and Related Depreciation Expense

4. for Various Periods

5. Schedule 2 - Estimated Working Capital

6. Exhibit ____ (PHJ-5), Extract from Alyeska Monthly Status

7. Report, July 1977

8. Q. What periods of time are represented in your rebuttal
9. exhibits?

10. A. My exhibits show the results of operations for three
11. different time periods. They are (1) the tariff suspension
12. period, August 1, 1977 through January 29, 1978; (2) the
13. calendar year 1978; and, (3) the 17-month period from August
14. 1, 1977 through December 31, 1978.

15. Q. Describe and explain Exhibit ____ (PHJ-1), Schedule 1,
16. entitled Restated Summary of Operations and Rates of Return
17. for the Tariff Suspension Period.

18. A. Exhibit ____ (PHJ-1), Schedule 1, shows revenues and expenses
19. for the tariff suspension period, August 1, 1977 to January
20. 29, 1978. The delivery volumes shown are actual volumes for
21. which revenues were recorded in that period. Operating
22. revenues are taken from Schedule 2 of this Exhibit;
23. Operation, Maintenance and General Expenses, Line 3 are from
24. Schedule 3; and Depreciation and Amortization Expense on Line
25. 4 was taken from Exhibit ____ (PHJ-4), Schedule 1. There are
26. no income taxes calculated, because the operating result for

1. this period is a loss of \$40,005,000.
2. Q. What rates of return resulted in this period?
3. A. Using the revised valuation amount of \$1,595,895,000, taken
4. from Exhibit _____ (KAB-120), p.6, the rates of return on
5. an annualized basis are: (1) 2.07% for Net Operating Income
6. before Income Taxes and Interest, as shown on Line 12; (2)
7. 2.07% for Net Operating Income after Income Taxes, as shown
8. on Line 13 and (3) a negative 5.03% for Net Carrier Income,
9. as shown on Line 14.
10. Q. Describe and explain Exhibit _____ (PHJ-1), Schedule 2
11. entitled Restated Operating Revenues for the Tariff
12. Suspension Period.
13. A. This Schedule shows the rate per barrel, revenue volumes and
14. revenue amounts, in Columns (b), (c) and (d) respectively.
15. Lines 1, 2 and 3 show the rates, volumes and revenues that
16. were actually experienced during the suspension period. Line
17. 6 shows the revenue reduction adjustment to place the
18. amount of the refund, paid in July, 1978, back into the
19. suspension period to which it applied. Line 4 identifies the
20. incidental revenues received during this period. Line 7
21. shows total restated operating revenues of \$91,534,000.
22. Q. Describe and explain Exhibit _____ (PHJ-1), Schedule 3.
23. A. Exhibit _____ (PHJ-1), Schedule 3 is entitled Operation,
24. Maintenance and General Expenses for the Tariff Suspension
25. Period. This Schedule displays, by ICC account number, the
26. operation, maintenance and general expenses for the period

1. from August 1, 1977 to January 29, 1978. Separate amounts
2. are shown for BP Pipelines' 15.84% share of Alyeska's
3. expenses and its own expenses in Columns (c) and (d),
4. respectively. These are the actual costs incurred during
5. that period, except that the expenses for the month of
6. January were reduced by multiplying by a fraction of 29 days
7. over 31 days.
8. Q. Describe and explain Exhibit ____ (PHJ-2), Schedule 1,
9. entitled Summary of Operations and Rates of Return for the
10. Calendar Year of 1978.
11. A. The amounts in Schedule 1 of Exhibit ____ (PHJ-2), are
12. comprised of actual amounts, except as noted below, through
13. August 31, 1978, and estimated amounts for the months of
14. September through December, 1978. Operating revenues were
15. taken from Schedule 2 of this Exhibit. The Operation,
16. Maintenance and General Expenses are taken from Schedule 3.
17. Depreciation is from Exhibit ____ (PHJ-4), Schedule 1. The
18. details of Dismantling Costs are shown in Schedule 4 of this
19. Exhibit. Interest expense, shown on Line 9, has been reduced
20. by the \$588,000 of interest paid on the tariff refund.
21. Income taxes, on Line 7, were computed at the composite state
22. and Federal tax rate of 53.205772%. The resulting Net
23. Carrier Income, shown on Line 10, is \$62,492,000. The rates
24. of return shown on Lines 12, 13 and 14 were computed in the
25. same manner as in Exhibit ____ (PHJ-1), Schedule 1.
26. Q. Describe and explain Schedule 2 of Exhibit ____ (PHJ-2).

1. A. Exhibit ____ (PHJ-2), Schedule 2 is entitled Estimated
2. Operating Revenues for the Calendar Year 1978. On Line 1 are
3. the actual delivery volumes and revenues recorded in the
4. period from January 1 through August 31, 1978. This revenue
5. amount is net of the tariff refund (exclusive of interest)
6. paid in July, 1978. Line 2 shows estimated delivery volumes
7. for the period from September 1 through December 31, 1978.
8. The estimated volume of 22,077,000 barrels represents 15.84%
9. of estimated system capacity of 1.19 MMB/D at a 96% time
10. efficiency factor. Revenue for this period was computed at
11. the rate of \$6.35 per barrel. On Line 3 is the adjustment to
12. add back the 1977 portion of the refund to show the results
13. as if the ICC-ordered rate had remained in effect for the
14. entire suspension period. This has the effect of increasing
15. revenues by \$10,816,000. On Lines 5 and 6 are the minor
16. amounts of other operating revenues that have been or are
17. expected to be received during 1978.

18. Q. Describe and explain Exhibit ____ (PHJ-2), Schedule 3,
19. entitled Estimated Operation, Maintenance and General
20. Expenses for the Calendar Year 1978.

21. A. In Columns (c) and (d), respectively, are shown BP Pipelines'
22. 15.84% share of Alyeska's expenses and its own direct
23. expenses for the period. Column (e) is the sum of Columns
24. (c) and (d). The portions of these expenses which are
25. estimated were taken from the latest information available on
26.

1. from August 1, 1977 to January 29, 1978. Separate amounts
2. are shown for BP Pipelines' 15.84% share of Alyeska's
3. expenses and its own expenses in Columns (c) and (d),
4. respectively. These are the actual costs incurred during
5. that period, except that the expenses for the month of
6. January were reduced by multiplying by a fraction of 29 days
7. over 31 days.

8. Q. Describe and explain Exhibit ____ (PHJ-2), Schedule 1,
9. entitled Summary of Operations and Rates of Return for the
10. Calendar Year of 1978.

11. A. The amounts in Schedule 1 of Exhibit ____ (PHJ-2), are
12. comprised of actual amounts, except as noted below, through
13. August 31, 1978, and estimated amounts for the months of
14. September through December, 1978. Operating revenues were
15. taken from Schedule 2 of this Exhibit. The Operation,
16. Maintenance and General Expenses are taken from Schedule 3.
17. Depreciation is from Exhibit ____ (PHJ-4), Schedule 1. The
18. details of Dismantling Costs are shown in Schedule 4 of this
19. Exhibit. Interest expense, shown on Line 9, has been reduced
20. by the \$588,000 of interest paid on the tariff refund.
21. Income taxes, on Line 7, were computed at the composite state
22. and Federal tax rate of 53.205772%. The resulting Net
23. Carrier Income, shown on Line 10, is \$62,492,000. The rates
24. of return shown on Lines 12, 13 and 14 were computed in the
25. same manner as in Exhibit ____ (PHJ-1), Schedule 1.

26. Q. Describe and explain Schedule 2 of Exhibit ____ (PHJ-2).

1. projected operation, maintenance and general expenses for the
2. balance of 1978.
3. Q. Describe and explain Exhibit _____ (PHJ-2), Schedule 4,
4. entitled Estimated Dismantling Costs For the Calendar Year
5. 1978.
6. A. This Schedule shows the calculation of the accrual for
7. dismantling costs for the year 1978. The accrual through
8. June 30, 1978, Lines 1 through 9, is on the basis of total
9. estimated dismantling costs in 1977 dollars of \$1,049 million
10. and actual throughputs. The accrual for the last six months
11. of 1978, Lines 10 through 18, is on the basis of total
12. estimated dismantling costs in 1978 dollars of \$1,122 and
13. estimated throughputs. The inflation factor is 7%. The
14. total accrual, shown at Line 19, is \$7,387,000.
15. Q. Describe and explain Exhibit _____ (PHJ-3), Schedule 1.
16. A. Exhibit _____ (PHJ-3), Schedule 1, is entitled Summary of
17. Operations and Rates of Return For The 17 Months Ending
18. December 31, 1978. Essentially, the amounts shown in this
19. schedule include actual revenues and expenses, except where
20. noted below, through August 31, 1978 and estimated amounts
21. for the period from September 1 thru December 31, 1978.
22. Operation, Maintenance and General Expenses are taken from
23. Schedule 2 of this Exhibit. Depreciation and Amortization
24. Expense is the sum of columns E and F of Exhibit _____
25. (PHJ-4), Schedule 1. Dismantling Costs are detailed in
26. Schedule 3 of this Exhibit. Interest expense has been

1. reduced by \$588,000 to eliminate the interest paid on the
2. tariff refund. Income taxes were computed at the composite
3. state and Federal income tax rate of 53.205772%. The rates
4. of return, shown on Lines 12, 13 and 14, were computed in the
5. same manner as in Exhibit ____ (PHJ-1), Schedule 1. Because
6. returns are derived from 17 months of operation and the
7. valuation is applicable to an annual period of 12 months it
8. is necessary to apply the fraction 12/17 to each ratio to
9. convert the 17-month results to annual rates.

10. Q. Describe and explain Exhibit ____ (PHJ-3), Schedule 2,
11. entitled Estimated Operation, Maintenance and General
12. Expenses for the 17 Months Ending December 31, 1978.

13. A. Exhibit ____ (PHJ-3), Schedule 2, shows the combined actual
14. and estimated expenses for the period indicated, separated
15. between BP Pipelines' 15.84% share of Alyeska's expenses and
16. its own direct expenses, in Columns (c) and (d),
17. respectively. The amounts in Column (e) are the sums of
18. Columns (c) and (d). The estimated amounts included in this
19. Schedule are based upon the most recent information available.

20. Q. Please describe and explain Exhibit ____ (PHJ-3), Schedule 3.

21. A. This Schedule is entitled Estimated Dismantling Costs For the
22. 17 Months Ending December 31, 1978. It shows the actual and
23. estimated accruals for the cost of dismantling the pipeline
24. and restoring the environment. The amount calculated in this
25. Schedule for the period from August 1, 1977 through June 30,
26. 1978 is based upon actual volumes and the total estimated

1. dismantling cost, expressed in 1977 dollars, of \$1,049
2. million; for the period after June 30, 1978, it is based upon
3. actual and estimated volumes and a total estimated
4. dismantling cost, expressed in 1978 dollars, of \$1,122
5. million, based upon an inflation factor of 7%. The total
6. accrual shown on Line 15 is \$9,237,000.

7. Q. Describe and explain Exhibit _____ (PHJ-4), Schedule 1.

8. A. This Schedule is entitled Estimated Balances of Carrier
9. Property Accounts and Related Depreciation Expense. It shows
10. in Columns (a) and (b), respectively, the ICC account number
11. and description. In Columns (c) and (d) are shown the
12. balances of the Carrier Property Accounts at December .,
13. 1977 and December 31, 1978 (estimated), respectively. In
14. Columns (e) (f) and (g), are the amounts of depreciation
15. expense calculated for the periods indicated. The Carrier
16. Property Account Balances were taken from Exhibit _____
17. (KAB-106). The calculations of each of the depreciation
18. expense amounts are described in footnotes 2, 3, and 4 at the
19. bottom of the Schedule.

20. Q. Describe and explain Exhibit ____ (PHJ-4), Schedule 2,
21. entitled Estimated Working Capital.

22. A. The estimated working capital requirement is comprised of 15
23. days estimated cash operating expenses, which totals
24. \$2,916,000, as shown on Line 3 and \$5,131,000 for materials
25. and supplies, as shown on Line 4. The total working capital
26. requirement, Line 5, is \$8,047,000.

1. Q. Mr. Muldoon, in his exhibits, has used July 1, 1977, referred
2. to as the "oil in" date, for the commencement of operations
3. and has adjusted the cost of five carriers, including BP, to
4. reflect this date in lieu of the July 31, 1977 "oil out"
5. date. Do you agree with that adjustment?

6. A. No. The majority of the carriers, including BP, capitalized
7. interest and overheads during construction through July 31,
8. 1977. Muldoon adjusted these figures based on his belief
9. that the entire line was serviceable on July 1, 1977. Thus
10. he deducted one month's normalized interest and operating
11. costs from the companies' rate bases. Muldoon's premise for
12. this deduction is simply wrong. The line was not serviceable
13. at that time.

14. On the one hand, Muldoon embraces standard regulatory
15. practices as the appropriate guidelines to be used in his
16. testimony. But his treatment of the timing of amounts
17. capitalized is not consistent with standard regulatory
18. procedures applicable to accrual of such amounts.

19. Q. What are the regulatory conventions for determining when
20. capitalization of interest during construction must cease?

21. A. Generally, regulatory agency instructions provide that an
22. allowance for funds used during construction, taxes and
23. overheads may be capitalized until a facility is ready for
24. service. Public utility regulation permits funds committed
25. to a regulated industry to earn a reasonable rate of return
26. from time of commitment until such dollars are returned to

1. the investor. During construction, owners may capitalize
2. interest at an imputed earning rate, frequently referred to
3. as Allowance for Funds Used During Construction ("AFUDC").
4. Owners may also capitalize taxes and administrative and
5. general expenses associated with the construction project.

6. The accepted practice among regulatory agencies in
7. determining the termination of AFUDC calls for a reasonable
8. period of testing the system to insure it is capable of
9. providing reliable service for the purpose for which
10. investment was made. Only after the property has been tested
11. and found ready for service must capitalization of
12. construction allowances, taxes and overheads terminate.
13. Examples of the standard regulatory practices are set out
14. below.

15. a. The FPC's Uniform System of Accounts for natural gas
16. companies provides:

17. The equipment accounts shall include the neces-
18. sary costs of testing or running a plant or part
19. thereof during an experimental or test period
20. prior to becoming available for service. The
21. utility shall furnish the Commission with full
22. particulars of and justification for any test or
23. experimental run extending beyond a period of
24. thirty days. (CFR, Part 201, Chapter 1, p. 133,
25. para 9D)

22. b. Similar language is contained in the Uniform System
23. of Accounts for electric companies which says:

24. 9D. The equipment accounts shall include the necessary
25. costs of testing or running a plant or parts thereof
26. during an experimental or test period prior to such
plant becoming ready for or placed in service. The

1. utility shall furnish the Commission with full
2. particulars of and justification for any test or
3. experimental run extending beyond a period of 120 days
4. for nuclear plant and a period of 90 days for all other
5. plant. Such particulars shall include a detailed
6. operational and downtime log showing days of
7. production, gross kilowatts generated by hourly
8. increments, types, and period of outages by hours with
9. explanation thereof, beginning with outages by hours
10. with explanation thereof, beginning with the first date
11. the equipment was either tested or synchronized on the
12. line to the end of the test period. (CFR, Part 101,
13. Title 18, p. 294, para. 9D)

14. c. Accounting Release Number AR-5 (revised) states that
15. "Capitalization of interest stops when the facilities have
16. been tested and are placed in or ready for service" (emphasis
17. added).

18. d. Lastly, in Pennsylvania Water and Power Company, 8
19. FPC 4, (1949) the FPC made this observation (at pp. 43-44):

20. The Commission has stated in previous opinions
21. that the determination of the date upon which
22. the capitalization of interest and taxes during
23. construction should cease is not controlled by
24. artificial rules, is not a matter of formula,
25. but is a matter of reasonable judgment based on
26. a construction of all the pertinent facts. It
27. is true that reasonable time should be allowed
28. for test periods and trials, the correction of
29. defects and adjustments, and time for the plant
30. to become sufficiently completed to be
31. responsibly reliable for service for the purpose
32. for which it was intended .

33. The foregoing illustrate the conventional regulatory
34. approach to termination of AFUDC accruals and the
35. capitalization of other costs. And what they demonstrate is
36. that before the property in question can be viewed as in
37. service it must be tested and shown to be reasonably reliable

1. for the service intended. Muldoon agreed that the foregoing
2. summaries were a fair statement of the criteria used in
3. determining the time period for capitalization of interest
4. and taxes. Significantly, his adjustment does not comport
5. with this standard.

6. Q. How would you relate those ratemaking conventions to the TAPS
7. situation?

8. A. I think it's quite clear that the physical completion of
9. construction, about June 20, 1977, when oil was first
10. injected into the line, did not represent the time for
11. termination of capitalized costs. The month of July was a
12. month of testing and extensive correction of defects. The
13. first day of uninterrupted service did not occur until August
14. 5, 1977, and the pipeline did not in fact reach the capacity
15. for which it was designed until March, 1978. However, a
16. delivery of oil was commenced on July 31 and completed on
17. August 1, 1977, and BP has concluded that it would be
18. reasonable to terminate capitalizing construction costs on
19. July 31, 1977.

20. Q. Please describe the activities that transpired in July, 1977.

21. A. Exhibit _____ (PHJ-5), which is an extract from Alyeska's
22. July, 1977 Status Report, presents the chronology of start-up
23. activities between June 20, and July 31 1977. There were
24. numerous shutdowns of the system to correct deficiencies in
25. its mechanical integrity as the line fill operation
26. progressed. The most notable one was the interruption caused

1. by the explosion and fire at Pump Station 8 which shut the
2. pipeline down for 10 days. Alyeska and government personnel
3. walked the pipeline during this period looking for leaks.
4. There was a shutdown as late as July 27, ordered by the
5. Department of Transportation officials, due to "last minute
6. weld problems" in Valdez Terminal piping; final approval to
7. deliver oil into the terminal was not obtained from the
8. Office of Pipeline Safety until July 28. Testing of the
9. ballast water treatment plant was not completed until July
10. 30. These facts confirm that the period was merely a testing
11. period. It is clear that the total system was not ready for
12. reliable service until the end of July. Furthermore, even
13. though the piping was hydrostatically tested, welds
14. extensively X-rayed, fluids circulated in closed systems of
15. the pump stations and numerous other testing programs
16. undertaken to simulate operations before the actual oil flow
17. commenced, the real and final test of the system was not
18. completed until oil was in the entire line and moving
19. smoothly through a synchronized system. Those company
20. managements which concluded that the system was not ready for
21. service until it had met that final test, were exercising
22. sound judgment. Consequently, we found it reasonable to
23. conclude that we had the option, under sound regulatory
24. precedent, to select July 31, 1977 as the proper date for
25. terminating capitalization of taxes, AFUDC and overheads.
26. Q. Mr. Werner attributed to BP Pipelines an average balance for

1. deferred taxes of over \$140 million for the 1978 test year.
2. What do you estimate will be the actual deferred tax balance
3. for BP Pipelines for the year 1978?
4. A. BP Pipelines had no deferred taxes as of December 31, 1977.
5. As shown on Exhibit ____ (PHJ-2), Schedule 1, we estimate
6. income taxes for the year 1978 to be \$71 million. Therefore,
7. the average balance of deferred taxes for 1978 should not
8. exceed \$35.5 million.
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VERIFICATION

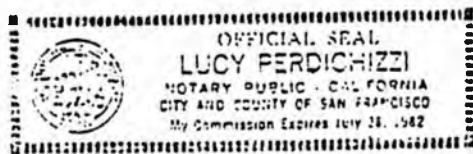
CITY AND COUNTY OF SAN FRANCISCO: ss

PAUL H. JONES, being duly sworn, deposes and says that he has read the foregoing statement, knows the contents thereof, and that the same are true as stated.



Paul H. Jones

Subscribed and sworn to before me this 27th day of
October, 1978





Notary Public

BP PIPELINES INC.
 Restated Summary of Operations and Rates of Return 1/
 For the Tariff Suspension Period 2/
 (\$000)

<u>Line No.</u>	<u>Description</u> (a)	<u>Amount</u> (b)
1.	<u>Delivery Volumes (M Barrels)</u>	<u>19,584</u>
2.	<u>Operating Revenues</u> (Schedule 2)	\$ 91,534
	<u>Operating Expenses</u>	
3.	Operation, Maintenance and General Expenses (Schedule 3)	42,185
4.	Depreciation and Amortization	30,558
5.	Dismantling Costs	<u>2,326</u>
6.	Net Operating Income before Income Taxes and Interest	\$ 16,465
7.	<u>Income Taxes</u> <u>3/</u>	-
8.	Net Operating Income After Income Taxes	\$ 16,465
9.	<u>Interest Expense</u>	<u>56,470</u>
10.	Net Carrier Income	<u>\$ (40,005)</u>
11.	<u>Valuation</u> <u>4/</u>	<u>\$1,595,395</u>
	<u>Rates of Return on Valuation</u>	
12.	Net Operating Income before Income Taxes and Interest (Line 6 ÷ Line 11) x 365/182	2.07%
13.	Net Operating Income after Income Taxes (Line 8 ÷ Line 11) x 365/182	2.07%
14.	Net Carrier Income (Line 10 ÷ Line 11) x 365/182	(5.03%)

Notes: 1/ Restated to include the reduction for the suspension period
 portion of the tariff refund (\$26,546) paid in July, 1978
2/ August 1, 1977 to January 29, 1978
3/ Composite State and Federal Income Taxes (Line 6-Line 9) x 53.25772%
4/ See Exhibit _____ (KAB-120)

BP PIPELINES INC.
 Restated Operating Revenues
 For the Tariff Suspension Period 1/

<u>Line No.</u>	<u>Description</u> (a)	<u>Rate</u> <u>per Barrel</u> (b)	<u>Revenue</u>	
			<u>Volumes</u> (M Barrels) (c)	<u>Amount</u> (S000) (d)
<u>Volumes and Revenues Charged</u>				
1.	August 1 - Oct. 20, 1977	\$ 4.68	9,641	\$ 45,120
2.	October 21, 1977 - January 29, 1978	\$ 6.35	9,908	<u>62,916</u>
3.	Subtotal			\$108,036
4.	<u>Incidental Revenues</u>			<u>44</u>
5.	Total Revenues before Adjustment			\$108,080
<u>Adjustment For Refund</u>				
6.	Revenue Volumes, October 21, 1977- January 29, 1978	\$ (1.67)	9,908	<u>(16,546)</u>
7.	Total Restated Operating Revenues			<u>\$ 91,534</u>

1/ August 1, 1977 to January 29, 1978, restated to include the reduction for the suspension period portion of the tariff refund paid in July, 1978.

BP PIPELINES INC.
 Operation, Maintenance and General Expenses
 For the Tariff Suspension Period 1/
 (\$000)

Exhibit__ (PHJ-1)
 Schedule 3

Line No.	ICC Account Number (a)	ICC Account Description (b)	Alyeska Expenses (15.84%) (c)	Direct Expenses (d)	Total (e)
<u>Operation</u>					
1	300	Salaries and wages	\$ 1,955	\$ -	\$ 1,955
2	310	Supplies and expenses	2,036	-	2,036
3	320	Outside services	8,504	-	8,504
4	330	Operating fuel and power	<u>3,577</u>	<u>515</u>	<u>4,092</u>
5		Total Operation Expense	\$ <u>16,072</u>	\$ <u>515</u>	\$ <u>16,587</u>
<u>Maintenance</u>					
6	400	Salaries and wages	\$ 553	\$ -	\$ 553
7	410	Supplies and expenses	2,224	-	2,224
8	420	Outside services	3,866	-	3,866
9	430	Maintenance materials	<u>762</u>	<u>-</u>	<u>762</u>
10		Total Maintenance Expense	\$ <u>7,405</u>	\$ <u>-</u>	\$ <u>7,405</u>
<u>General</u>					
11	500	Salaries and wages	\$ 2,574	\$ 302	\$ 2,876
12	510	Supplies and expenses	613	99	712
13	520	Outside services	1,464	677	2,141
14	530	Rentals	1,000	50	1,050
15	550	Pensions and benefits	446	(176)	270
16	560	Insurance	373	339	712
17	570	Casualty and other losses	39	-	39
18	580	Pipeline taxes	<u>10,388</u>	<u>5</u>	<u>10,393</u>
19		Total General Expense	\$ <u>16,897</u>	\$ <u>1,296</u>	\$ <u>18,193</u>
20		Total Operation, Maintenance and General Expenses	\$ <u><u>40,574</u></u>	\$ <u><u>1,811</u></u>	\$ <u><u>42,385</u></u>

Notes:

1/ August 1, 1977 to January 29, 1978.

BP PIPELINES INC.
 Summary of Operations and Rates of Return
 For the Calendar Year 1978 1/
 (\$000)

Line No.	Description (a)	Amount (b)
1	<u>Delivery Volumes</u> (M Barrels)	<u>61,729</u>
2	<u>Operating Revenues</u> (Schedule 2)	\$ 383,738
	<u>Operating Expenses</u>	
3	Operation, Maintenance and General Expenses (Schedule 3)	70,950
4	Depreciation and Amortization (Exhibit _____ (PHJ-4), Schedule 1)	61,580
5	Dismantling Costs (Schedule 4)	<u>7,587</u>
6	Net Operating Income before Income Taxes and Interest	\$ 243,821
7	<u>Income Taxes</u> <u>2/</u>	<u>71,055</u>
8	Net Operating Income After Income Taxes	\$ 172,766
9	<u>Interest Expense</u>	<u>110,274</u>
10	Net Carrier Income	\$ <u>62,492</u>
11	<u>Valuation</u> <u>3/</u>	<u>\$1,595,695</u>
	<u>Rates of Return on Valuation</u>	
12	Net Operating Income before Income Taxes and Interest (Line 6 ÷ Line 11)	15.28%
13	Net Operating Income after Income Taxes (Line 8 ÷ Line 11)	10.83%
14	Net Carrier Income (Line 10 ÷ Line 11)	3.92%

Notes:

- 1/ Restated to eliminate the 1977 portion of the tariff refund (\$10,816) and the interest paid on the tariff refund (\$588).
2/ Composite State and Federal Income Taxes (Line 6-Line 9) X 53.205772%.
3/ See Exhibit _____ (KAB- 120), page 6.

BP PIPELINES INC.
 Estimated Operating Revenues ^{1/}
 For the Calendar Year 1978

	Revenue	
	Volumes (M Barrels)	Amount (\$000)
<u>Trunk Revenues</u>		
1. Actual Deliveries - January 1, - August 31, 1978	39,652	\$ 232,657
2. Estimated Deliveries - September 1, - December 31, 1978	22,077	140,139
3. Adjustment to Eliminate 1977 portion of refund	-	<u>10,816</u>
4. Total Trunk Revenues - Restated		\$ 383,642
5. <u>Demurrage Revenue</u>		2
6. <u>Incidental Revenue</u>		<u>94</u>
7. Total Operating Revenue		\$ <u><u>383,736</u></u>

Notes:

- ^{1/} Restated to eliminate the 1977 portion of the tariff refund paid in July, 1978.

BP PIPELINES INC.
Estimated Operation, Maintenance and General Expenses
For the Calendar Year 1978
(S000)

Line No.	ICC Account Number (a)	ICC Account Description (b)	Alyeska Expenses (15.84%) (c)	Direct Expenses (d)	Total (e)
<u>Operation</u>					
1	300	Salaries and wages	\$ 3,436	\$ -	\$ 3,436
2	310	Supplies and expenses	5,546	-	5,546
3	520	Outside services	7,117	-	7,117
4	530	Operating fuel and power	4,282	1,847	6,129
5		Total Operation Expense	<u>\$ 18,381</u>	<u>\$ 1,847</u>	<u>\$ 20,228</u>
<u>Maintenance</u>					
6	400	Salaries and wages	\$ 1,194	\$ -	\$ 1,194
7	410	Supplies and expenses	2,099	-	2,099
8	420	Outside services	4,311	-	4,311
9	430	Maintenance materials	541	-	541
10		Total Maintenance Expense	<u>\$ 8,145</u>	<u>\$ -</u>	<u>\$ 8,145</u>
<u>General</u>					
11	500	Salaries and wages	\$ 3,301	\$ 524	\$ 3,825
12	510	Supplies and expenses	638	274	912
13	520	Outside services	2,659	1,851	4,510
14	530	Rentals	1,391	84	1,475
15	550	Pensions and benefits	1,267	94	1,361
16	560	Insurance	1,360	1,255	2,615
17	570	Casualty and other losses	342	-	342
18	530	Pipeline taxes	26,693	344	27,037
19		Total General Expenses	<u>\$ 38,151</u>	<u>\$ 4,426</u>	<u>\$ 42,577</u>
20		Total Operation, Maintenance and General Expenses	<u>\$ 64,677</u>	<u>\$ 6,273</u>	<u>\$ 70,950</u>

BP PIPELINES INC.
Estimated Dismantling Costs
For the Calendar Year 1978
(\$000)

Line No.	Description (a)	Amount (b)
<u>Actual Accrual - January 1, - June 30, 1978</u>		
Based on:		
1	Estimated total cost in 1977 dollars (\$1,049 million x 15.84%)	\$ 166,162
2	Less accrual to 12-31-77	<u>1,850</u>
3	Balance to be accrued	\$ 164,312
4	Estimated Prudhoe Bay reserves	9,107,394 MBbls.
5	Less deliveries to TAPS to 12-31-77	<u>101,372 MBbls.</u>
6	Remaining reserves	9,006,022 MBbls.
7	Prudhoe Bay deliveries January-June, 1978	178,006 MBbls.
8	<u>178006 MBbls.</u>	
9	9006022 MBbls. x \$164,312	\$ 3,248
<u>Estimated Accrual-July 1-December 31, 1978</u>		
Based on:		
10	Estimated total cost in 1978 dollars (\$1,122 Million x 15.84%) 1/	\$ 177,725
11	Less: Accrual to 6-30-78	<u>5,098</u>
12	Balance to be accrued	\$ 172,627
13	Estimated Prudhoe Bay reserve	9,107,394 MBbls.
14	Less deliveries to TAPS to 6-30-78	<u>279,378 MBbls.</u>
15	Remaining reserves	9,828,016 MBbls.
16	Prudhoe Bay deliveries in July 1 - December 31, 1978	211,691 MBbls.
17	<u>211691 MBbls</u>	
18	9828016 MBbls x \$ 178,627	\$ 4,139
19	Total	<u>\$ 7,387</u>

Note:

1/ \$1,049 x 107% = \$1,122

BP PIPELINES INC.
 Summary of Operations and Rates of Return ^{1/}
 For the 17 Months Ending December 31, 1975
 (\$000)

Line No.	Description (a)	Amount (b)
1	<u>Delivery Volumes (M Barrels)</u>	<u>77,547</u>
2	<u>Operating Revenue</u>	\$ 459,216 ^{4/}
	<u>Operating Expenses</u>	
3	Operation, Maintenance and General Expenses (Schedule 2)	105,792
4	Depreciation and Amortization (Exhibit _____ (PHJ-4, Schedule 1)	17,114
5	Dismantling Costs (Schedule 3)	<u>237</u>
6	Net Operating Income Before Income Taxes and Interest	\$ 251,073
7	<u>Income Taxes ^{2/}</u>	<u>52,338</u>
8	Net Operating Income After Income Taxes	\$ 204,235
9	<u>Interest Expense</u>	<u>157,763</u>
10	Net Carrier Income	\$ <u>46,472</u>
11	<u>Valuation ^{3/}</u>	<u>\$2,595,895</u>
	<u>Rates Of Return On Valuation</u>	
12	Net Operating Income before Income Taxes and Interest (Line 6 ÷ Line 11) x 12/17	11.37%
13	Net Operating Income after Income Taxes (Line 8 ÷ Line 11) x 12/17	9.03%
14	Net Carrier Income (Line 10 ÷ Line 11) x 12/17	2.06%

Notes:

- ^{1/} Restated to eliminate interest paid on the Tariff Refund (\$588)
- ^{2/} Composite State and Federal Income Taxes (Line 6-Line 9) X 55.205772%
- ^{3/} See Exhibit _____ (KAB- 120), page 6.
- ^{4/} Comprised of Trunk Revenue (\$459,216) and Incidental Revenue (\$140)

BP PIPELINES INC.
Estimated Operation, Maintenance and General Expenses
For the 17 Months Ending December 31, 1978
(\$000)

Line No.	ICC Account Number (a)	ICC Account Description (b)	Alyeska Expenses (15.84%) (c)	Direct Expenses (d)	Total (e)
<u>Operation</u>					
1	300	Salaries and wages	\$ 5,019	\$ -	\$ 5,019
2	310	Supplies and expenses	5,301	-	5,301
3	320	Outside services	13,944	-	13,944
4	330	Operating fuel and power	7,298	2,286	9,584
5		Total Operation Expense	<u>\$ 31,562</u>	<u>\$ 2,286</u>	<u>\$ 33,848</u>
<u>Maintenance</u>					
6	400	Salaries and wages	\$ 1,673	\$ -	\$ 1,673
7	410	Supplies and expenses	4,166	-	4,166
8	420	Outside services	7,140	-	7,140
9	430	Maintenance materials	1,257	-	1,257
10		Total Maintenance Expense	<u>\$ 14,216</u>	<u>\$ -</u>	<u>\$ 14,216</u>
<u>General</u>					
11	500	Salaries and wages	\$ 6,622	\$ 786	\$ 7,408
12	510	Supplies and expenses	1,168	361	1,529
13	520	Outside services	3,645	2,540	6,185
14	530	Rentals	2,411	124	2,535
15	550	Pensions and benefits	585	(62)	523
16	560	Insurance	2,192	1,540	3,732
17	570	Casualty and other losses	358	-	358
18	580	Pipeline taxes	55,114	344	55,458
19		Total General Expense	<u>\$ 52,095</u>	<u>\$ 5,653</u>	<u>\$ 57,748</u>
20		Total Operation, Maintenance and General Expenses	<u><u>\$ 97,373</u></u>	<u><u>\$ 7,939</u></u>	<u><u>\$ 105,312</u></u>

BP PIPELINES INC.
Estimated Dismantling Costs
For the 17 Months Ending December 31, 1978
(\$000)

Line No.	Description (a)	Amount (b)
<u>Actual Accrual - August 1, 1977 through June 30, 1978.</u>		
Based on:		
1	Estimated total dismantling cost in 1977 dollars (\$1,049 million x 15.84%)	\$ 166,162
2	Estimated Prudhoe Bay reserves	9,107,594 MBbls.
3	Prudhoe Bay deliveries July, 1977- June, 1978	279,578 MBbls.
4	<u>279,578 MBbls.</u>	
5	9107594 MBbls. x \$166,162 =	\$ 5,097
<u>Estimated Accrual - July 1 - December 31, 1978</u>		
Based on:		
6	Estimated total dismantling cost in 1978 dollars (\$1,122 million x 15.34%) <u>1/</u>	\$ 177,725
7	Less accrual to 6-30-78	<u>5,098</u>
8	Balance to be accrued	\$ 172,627
9	Estimated Prudhoe Bay reserves	9,107,594 MBbls.
10	Less deliveries to TAPS to 6-30-78	<u>279,578 MBbls.</u>
11	Remaining reserves	8,828,016 MBbls.
12	Estimated Prudhoe Bay deliveries July 1-December 31, 1978	211,691 MBbls.
13	<u>211691 MBbls.</u>	
14	3823016 MBbls. x 172,627	<u>4,110</u>
15	Total Accrual	<u>\$ 9,357</u>

Note:

$$\frac{1}{1} \quad \$1,049 \times 107\% = \$1,122$$

BP PIPELINES INC.
Estimated Balances of Carrier Property Accounts and Related Depreciation Expense
(\$000)

Line No.	Account No. (a)	Account Description (b)	Carrier Property Account Balances		Depreciation Expense ^{1/}		
			Dec. 31, 1977 (c)	Dec. 31, 1978 (d)	Aug. 1, 1977 Dec. 31, 1977 (e)	1978 (f)	Aug. 1, 1977 Jan. 29, 1978 (g)
					<u>2/</u>	<u>3/</u>	<u>4/</u>
1	151	Land	\$ 2,791	\$ 2,793	\$ -	\$ -	\$ -
2	152	Rights of Way	145	145	2	6	3
3	153	Line Pipe	52,449	52,450	541	1,293	617
4	154	Line Pipe Fittings	7,573	8,136	126	314	151
5	155	Pipeline Construction	1,006,885	1,008,092	16,781	40,500	20,085
6	156	Buildings	63,939	63,899	1,066	2,598	1,276
7	157	Boilers	2,516	2,639	12	103	50
8	158	Pumping Equipment	12,913	13,301	215	521	258
9	159	Machine Tools and Machinery	13	27	1	2	1
10	160	Other Station Equipment	90,259	91,993	1,501	3,615	1,800
11	161	Oil Tanks	6,531	7,019	110	272	131
12	162	Delivery Facilities	266,272	266,276	4,458	10,651	5,311
13	163	Communication Systems	535	61	23	60	28
14	164	Office Furniture & Equipment	185	384	8	28	9
15	165	Vehicles & Other Work Equipment	8,113	9,672	677	1,779	810
16	Total		\$1,501,219	\$1,509,475	\$ 25,531	\$ 61,580	\$ 30,533

Notes: ^{1/} Based on the following annual rates:
 Accounts 152 thru 158 and 160 thru 162 4%
 Accounts 159, 163 and 164 10%
 Account 165 20%

^{4/} Col. c x Rate x 182/365

^{2/} Col. c x Rate x 5/12

^{3/} (Col. c + Col. d) ÷ 2 x Rate

Exhibit _____ (PHJ-4)

Schedule 2

BP PIPELINES INC.
Estimated Working Capital
(\$000)

<u>Line No.</u>	<u>Description</u> (a)	<u>Amount</u> (b)
1	Estimated Cash Operating Expenses - 1978 (Exhibit _____ (PHJ-2), Schedule 3, Column (e) Line 20)	\$ <u>70,950</u>
2	Average Daily Cash Requirements (Line 1 ÷ 365)	\$ <u>194.4</u>
3	Cash Working Capital (Line 2 X 15 Days)	\$ 2,916
4	Materials and Supplies	<u>5,131</u> ^{1/}
5	Total Working Capital	\$ <u>8,047</u>

Note:

^{1/} 15.84% of Alyeska materials and supplies at 12-31-77.

ALYESKA MONTHLY STATUS REPORT

JULY 1977

I. OPERATIONS DIVISION

A. HIGHLIGHTS

- ° The three outstanding events of the month were:
 - The fire at Pump Station 8, which destroyed the pump and turbine rooms at this station and resulted in one fatality.
 - The completion of line fill on July 28.
 - The loading of the first ship which commenced on July 31 and was completed on August 1 when the ship, the ARCO JUNEAU, sailed for Cherry Point with 824,803 barrels of North Slope crude.

- ° The significant events of the startup are listed more or less completely in the following narrative:
 - June 17 - The nitrogen stored in the 48" mainline was released down line thus depressuring the producers' lines permitting them to begin filling these 34" lines.
 - June 18 - PS 1 began filling tankage.
 - June 19 - Press Conference at Prudhoe Bay facilities. Received permission from DOI to start line fill.
 - June 20 - 10:06 started line fill by launching a scraper from PS 1.
 - June 27 - Gas line to Pump Station 4 damaged by restoration crew removing "temporary" road to a material site. The gas line was incorrectly installed at this location having been buried only 30" below the temporary roadway surface, thus being above the permanent grade.
 - Recognition picketing started at all Southern P/L district work locations.
 - June 29 - Pump Station 1 meters in service.
 - June 30 - Max scraper launched from Ps 1.

- July 4 - Nitrogen originally scheduled for delivery to PS 10 but rerouted to PS 8 due to union pickets, was injected into the pipeline to top up the nitrogen buffer between air and crude oil. Inadvertently, liquid nitrogen was injected when the wrong tank truck connection was used. This resulted in a mainline pipe failure due to brittle fracture as the cryogenic liquid "puddled" in a sag bend in the station piping.
- July 7 - The line was restarted after repairs to the sag bend which required the cut out of a factory elbow. Fix up problems included the correction of poor pipe lineup in the original installation.
- Valdez construction effectively stopped by a sickout of union workers in sympathy with recognition picketing.
 - Pump Station 12 relief tank roof buckled when relief valves opened on power failure causing the mainline to discharge 15 psi air into this tank at a rate in excess of vent capacity. The air pressure was the result of holding "back pressure" on the mainline to slow pig travel in slack line sections. The fact that relief valve flows could exceed tank venting capacity had not been anticipated and the control "circuit board" which holds relief valves stationary on power failure was faulty and being repaired at the time.
- July 8 - Pump Station 8 suffered an explosion and fire shortly after starting a mainline pump. The basic cause was opening a 26" suction strainer without properly isolating it. The isolation procedure includes locking out the suction valve and failure to do so permitted this valve to be opened remotely resulting in a massive hydrocarbon discharge. The crude oil ignited from one of several possible sources; the most likely being falling roof hardware including lighting fixtures.
- July 18 - Restarted line filling after receiving DOI clearance. Prior to this clearance Alyeska had:
- Blinded off all mainline branches to the pump room at PS 8.
 - Reinspected all mainline piping and valving in PS 8.
 - Rehydrotested PS 8 piping with crude oil.
 - Conducted retraining of operating technicians at all pump stations in equipment isolation and work permit procedures.
 - Conducted a Vice Presidential safety inspection of all pump stations and Valdez to confirm retraining and establish that lines of authority were clearly stated and well understood.

July 19 - Contractor backfilling check valve number 7 accidentally damaged a small 1 1/2" vent connection causing an oil leak and forcing a line shutdown. The large front end loader "hooked" the vent valve with its bucket tooth. This check valve was not backfilled earlier because it was necessary to inspect it for small leaks after line pressure was on it. (The check valve had been opened after hydrotesting the pipeline section.)

This incident also highlights the need for tighter work procedures for contractors and the need for smaller equipment better suited to maintenance rather than construction.

July 20 - Pipeline again shut down due to indications of an oil leak. This one was a false alarm when Pump Station 1 lost speed on a mainline pump due to faulty governor operation and LETMs showed increased flow instead of the actual decrease.

July 21 - Pump Station 9 commercial power supply failed repeatedly. Switched to backup supply from solar units added as a startup change.

July 27 - Pipeline shutdown due to "last minute weld problems" in Valdez Terminal piping brought to light by DOT audit.

July 28 - DOT agrees to pipeline restart and use of full encirclement repair of two terminal welds if repairs in progress are unsuccessful. Line restarted and oil brought into terminal at 23:02 hours. Welds completed at about 22:30 hours and later given clearance by DOT et al. These welds were not in the initial oil path but were in manifolds where isolation for cut out and hot work would be nearly impossible.

July 30 - Deballasting ARCO JUNEAU.

July 31 - Ballast Water Treating Facilities started up. Treated water about 2 ppm oil in water vs. specification of 8 ppm maximum.

- Started loading ARCO JUNEAU with crude oil. Oil temperature 50° F. and no indication of any wax problem.

August 1 - Completed ship loading and sailed the ARCO JUNEAU at 19:00 hours.

KELSO & CO.
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GREENSBORO, N.C.

SAN FRANCISCO

LOS ANGELES

REVENUE BILL OF 1978
(H. R. 13511)

TITLE VI

GENERAL STOCK OWNERSHIP CORPORATIONS

Sec. 601. ESTABLISHMENT AND TAXATION OF GENERAL STOCK OWNERSHIP CORPORATIONS AND THEIR SHAREHOLDERS

(a) IN GENERAL. - Chapter 1 (relating to normal taxes and surtaxes) is amended by adding at the end thereof the following new subchapter:

"Subchapter U - General Stock Ownership Corporations

- "Sec. 1391. Definitions.
- "Sec. 1392. Election by general stock ownership corporation.
- "Sec. 1393. Corporation taxable income taxed to shareholders.
- "Sec. 1394. Rules applicable to distributions of electing general stock ownership corporations.
- "Sec. 1395. Adjustments to basis of stock of shareholders.
- "Sec. 1396. Minimum distribution.
- "Sec. 1397. Special rules applicable to earnings and profits of an electing general stock ownership plan.

"Sec. 1391. DEFINITIONS.

"(a) GENERAL STOCK OWNERSHIP CORPORATION. - For purposes of this subchapter, the term 'general stock ownership corporation' (hereinafter referred to as a 'GSOC') means a domestic corporation which -

- "(1) is not a member of an affiliated group (as defined in section 1504), and
- "(2) is chartered and organized after December 31, 1978, and before January 1, 1984;
- "(3) is chartered by an act of a State legislature or as a result of a State-wide referendum;
- "(4) has a charter providing -
 - "(A) for the issuance of only 1 class of stock,
 - "(B) for the issuance of shares only to eligible individuals (as defined in subsection (c));

"(C) for the issuance of at least one share to each eligible individual, unless such eligible individual elects within one year after the date of issuance not to receive such share;

"(D) that no share of stock shall be transferable -

"(i) by a shareholder other than by will or the laws of descent and distribution until after the expiration of 5 years from the date such stock is issued by the GSOC except where the shareholder ceases to be a resident of the State;

"(ii) to any person other than a resident individual of the chartering State;

"(iii) to any individual who, after the transfer, would own more than 10 shares of the GSOC;

"(E) that such corporation shall qualify as a GSOC under the Internal Revenue Code;

"(5) is empowered to invest in properties (but not in properties acquired by it or for its benefit through the right of eminent domain).

For purposes of this subsection, section 1504

(a) shall be applied by substituting '20 percent' for '80 percent' wherever it appears.

"(b) ELECTING GSOC. - For purposes of this subchapter, the term 'electing GSOC' means a GSOC which files an election under section 1392 which, under section 1392, is in effect for such taxable year.

"(c) ELIGIBLE INDIVIDUALS. - For purposes of subsection (a), the term 'eligible individual' means an individual who is, as of a date specified in the State's enabling legislation for the GSOC, a resident of the chartering State and who remains a resident of such State between that date and the date of issuance.

"(d) TREATED AS PRIVATE CORPORATIONS. - For purposes of this title, a GSOC shall be treated as a private corporation and not as a governmental unit.

"(e) STUDY OF GENERAL STOCK OWNERSHIP CORPORATIONS. - The staff of the Joint Committee on Taxation shall prepare a report on the operation and effects of this subchapter relating to GSOC's. An interim report shall be filed within two years after the first GSOC is formed and a final report shall be filed by September 30, 1983.

"Sec. 1392. ELECTION BY GSOC.

"(a) ELIGIBILITY.- Except as provided in section 1393, any GSOC may elect, in accordance with the provisions of this section, not to be subject to the taxes imposed by this chapter.

"(b) EFFECT. - If a GSOC makes an election under subsection (a) then -

"(1) with respect to the taxable years of the GSOC for which such election is in effect, such corporation shall not be subject to the taxes imposed by this chapter and, with respect to such taxable years and all succeeding taxable years, the provisions of section 1396 shall apply to such GSOC, and

"(2) with respect to each such taxable year, the provisions of section 1393, 1394, and 1395 shall apply to the shareholders of such GSOC.

"(c) WHERE AND HOW MADE. - An election under subsection (a) may be made by a GSOC at such time and in such manner as the Secretary shall prescribe by regulations.

"(d) YEARS FOR WHICH EFFECTIVE - An election under subsection (a) shall be effective for the taxable year of the GSOC for which it is made and for all succeeding taxable years of the GSOC, unless it is terminated under subsection (f).

"(e) TAXABLE YEAR. - The taxable year of a GSOC shall end on October 31 unless the Secretary consents to a different taxable year."

"(f) TERMINATION. - The election of a GSOC under subsection (a) shall terminate for any taxable year during which it ceases to be a GSOC and for all succeeding taxable years. The election of a GSOC under subsection (a) may be terminated at any other time with the consent of the Secretary, effective for the first taxable year with respect to which the Secretary consents and for all succeeding taxable years.

"Sec. 139. TAXABLE INCOME TAXED TO SHAREHOLDERS.

"(a) GENERAL RULE. - The taxable income of an electing GSOC for any taxable year shall be included in the gross income of the shareholders of such GSOC in the manner and to the extent set forth in this subsection.

"(1) AMOUNT INCLUDED IN GROSS INCOME. - Each shareholder of an electing GSOC on any day of a taxable year of such GSOC shall include in his gross income for the taxable year with or within which the taxable year of the GSOC ends the amount he would have received if, on each day of such taxable year, there had been distributed pro rata to its shareholders by such GSOC an amount equal to the taxable income of the GSOC for its taxable year divided by the number of days in the GSOC's taxable year.

"(2) TAXABLE INCOME DEFINED. - For purposes of this section, the term 'taxable income' of a GSOC shall be determined without regard to the deductions allowed by part VIII of subchapter B (other than deductions allowed by section 248, relating to organizational expenditures).

"(b) SPECIAL RULE FOR INVESTMENT CREDIT. - The investment credit of an electing GSOC for any taxable year shall be allowed as a credit to the shareholders of such corporation in the manner and to the extent set forth in this subsection.

"(1) CREDIT. - There shall be apportioned among the shareholders a credit equal to the amount each shareholder would have received if, on each day of such taxable year, there had been distributed pro rata to the shareholders the electing GSOC's net investment credit divided by the number of days in the GSOC's taxable year.

"(2) NET INVESTMENT CREDIT. - For purposes of this paragraph the term 'net investment credit' means the investment credit of the electing GSOC for its taxable year less any tax from recomputing a prior year's investment credit in accordance with section 47.

"(3) RECAPTURE. - There shall be apportioned among the shareholders of a GSOC, in the manner described in paragraph (1), an additional tax equal to the excess of any tax resulting from recomputing a prior year's investment credit, in accordance with section 47 over the investment credit of the GSOC for its taxable year.

"Sec. 1394. RULES APPLICABLE TO DISTRIBUTIONS OF AN ELECTING GSOC'S.

"(a) SHAREHOLDER INCOME ACCOUNT. - An electing GSOC shall establish and maintain a shareholder income account which account shall be -

"(1) increased at the close of the GSOC's taxable year by an amount equal to the GSOC's taxable income for such year, and

"(2) Decreased, but not below zero, on the first day of the GSOC's taxable year by the amount of any GSOC distribution to the shareholders of such GSOC made or treated as made during the prior taxable year.

"(b) TAXATION OF DISTRIBUTIONS. - Distributions by an electing GSOC shall be treated as -

"(1) a distribution of previously taxed income to the extent such distribution does not exceed the balance of the shareholder income account as of the close of the taxable year of the GSOC, and

"(2) a distribution to which section 301(a) applies but only to the extent such distribution exceeds the balance of the shareholder income account as of the close of the taxable year of the GSOC.

"(c) DISTRIBUTIONS NOT TREATED AS A DIVIDEND. - Any amounts includible in the gross income of any individual by reason of ownership of stock in a GSOC shall not be considered as a dividend for purposes of section 116.

"(d) REGULATIONS. - The Secretary shall have authority to prescribe by regulation, rules for treatment of distributions in respect of shares of stock of the GSOC that have been transferred during the taxable year."

"Sec. 1395. ADJUSTMENT TO BASIS OF STOCK OF SHAREHOLDERS.

"The basis of a shareholder's stock in an electing GSOC shall be increased by the amount includible in the gross income of such shareholder under section 1393, but only to the extent to which such amount is actually included in the gross income of such shareholder.

"Sec. 1396. MINIMUM DISTRIBUTIONS.

"(a) GENERAL RULE. - A GSOC shall distribute at least 90 percent of its taxable income for any taxable year by January 31 following the close of such taxable year. Any distribution made on or before January 31 shall be treated as made as of the close of the preceding taxable year.

"(b) IMPOSITION OF TAX IN CASE OF FAILURE TO MAKE MINIMUM DISTRIBUTION. - If a GSOC fails to make the minimum distribution requirements described in subsection (a), there is hereby imposed on the GSOC a tax equal to 20 percent of the excess of the amount required to be distributed over the amount actually distributed.

"Sec. 1397. SPECIAL RULES APPLICABLE TO AN ELECTING GSOC.

"(a) GENERAL RULE. - The current earnings and profits of an electing GSOC as of the close of its taxable year shall not include for such year which is required to be included in the gross income of the shareholders of such GSOC under section 1393(a).

"(b) SPECIAL RULE FOR AUDIT ADJUSTMENTS. -

"(1) TAXABLE INCOME. - Taxable income of an electing GSOC shall, in the year of final determination, be increased or decreased, as the case might be, by any adjustment to taxable income for a prior taxable year.

"(2) INVESTMENT CREDIT. - The investment credit of an electing GSOC shall, in the year of final determination, be increased or decreased, as the case might be, by any adjustment to the net investment credit for a prior taxable year.

"(3) METHOD OF MAKING ADJUSTMENTS. - An electing GSOC shall include in gross income for the year of an adjustment the amount described in paragraph (1) and shall take into account the adjustment described in paragraph (2), and shall be liable for payment of interest in the amount that would have been payable by the GSOC under section 6601 (relating to interest on underpayment, nonpayment or extensions of time for payment, of tax) or receivable by the GSOC under section 6611 (relating to interest on overpayments) if such GSOC had been a corporation other than an electing GSOC."

(b) TECHNICAL AMENDMENTS. -

(1) NET OPERATING LOSS DEDUCTION. - Paragraph (1) of section 172(b) (relating to net operating loss carrybacks and carryovers) is amended by adding at the end thereof the following new subparagraph:

"(H) In the case of an electing GSOC which has a net operating loss for any taxable year such loss shall not be a net operating loss carryback to any taxable year preceding the year of such loss, but shall be a net operating loss carryover to each of the 10 taxable years following the year of such loss."

(2) INCOME TAX COLLECTED AT SOURCE. - Section 3202 (relating to income collected at source) is amended by adding at the end thereof the following new subsection:

"(r) EXTENSION OF WITHHOLDINGS TO GSOC DISTRIBUTIONS. -

"(1) GENERAL RULE. - An electing GSOC making any distribution to its shareholders shall deduct and withhold from such payment a tax in an amount equal to 25 percent of such payment.

"(2) COORDINATION WITH OTHER SECTIONS. - For purposes of sections 3403 and 3404 and for purposes of so much of subtitle F (except section 7205) as relates to this chapter, distributions of an electing GSOC to any shareholder which are subject to withholding shall be treated as if they were wages paid by an employer to an employee."

(3) ADJUSTMENTS TO BASIS. - Section 1016 (a) (relating to adjustments of basis) is amended by redesignating paragraph (23) as (22) and by inserting after paragraph (20) the following new paragraph:

"(21) to the extent provided in section 1395 in the case of stock of shareholders of a general stock ownership corporation (as defined in section 1391) which makes the election provided by section 1392; and".

(4) RETURN OF GENERAL STOCK OWNERSHIP CORPORATION. - Subpart A of part III of subchapter A of Chapter 61 (relating to information returns) is amended by adding at the end thereof the following new section:

"Sec. 6039B. RETURN OF GENERAL STOCK OWNERSHIP CORPORATION.

"Every general stock ownership corporation (as defined in section 1391) which makes the election provided by section 1392 shall make a return for each taxable year, stating specifically the items of its gross income and the deductions allowable by subtitle A, the amount of investment credit or additional tax, as the case may be, the names and addresses of all persons owning stock in the corporation at any time during the taxable year, the number of shares of stock owned by each shareholder at all times during the taxable year, the amount of money and other property distributed by the corporation during the taxable year to each shareholder, the date of each such distribution, and such other information, for the purpose of carrying out the provisions of subchapter U of chapter 1, as the Secretary may by regulation prescribe. Any return filed pursuant to this section shall, for purposes of chapter 66 (relating to limitations), be treated as a return filed by the corporation under section 6012. Every GSOC shall file an annual report with the Secretary summarizing its operations for such year."

(c) CLERICAL AMENDMENTS. -

(1) The table of subchapters for chapter 1 is amended by adding at the end thereof the following:

"SUBCHAPTER U. - General stock ownership plans."

(2) The table of sections for subpart A of part III of subchapter A of chapter 61 is amended by adding at the end thereof the following:

"Sec. 6039B. Return of general stock ownership corporation."

(d) EFFECTIVE DATE. - The amendments made by this section shall apply with respect to corporations chartered after December 31, 1978, and before January 1, 1984.

REVENUE ACT OF 1978

Report of the Committee on Finance

United States Senate

H.R. 13511

J. General Stock Ownership Corporations

(Sec. 201 of the bill)

Present law

Under present law, there are no special provisions relating to the establishment of a private corporation for the benefit of the residents of a State.

Reasons for change

The committee believes that many citizens should have a greater ownership stake in the private enterprise system, and that this would lead to better understanding of the system and would encourage individuals to invest in other business enterprises. Also, in the case of individuals now receiving various forms of transfer payments from Federal, State, or local governments, the receipt of dividend income from a General Stock Ownership Corporation (GSOC) would, to some extent, reduce the need for such payments. The committee believes that an experimental program permitting States to form such private corporations for the benefit of their citizens may enable the Congress to study a method of replacing transfer payments with dividend income.

Explanation of provisions

General.—Under the committee bill, a State would be authorized to establish a GSOC for the benefit of its citizens. It is anticipated that the GSOC would be authorized to borrow money to acquire business enterprises. The cash flow from the operation of the business would be used to pay the loan, and the corporate revenues would be distributed to the GSOC shareholders (i.e., the citizens of the State).

Definition of GSOC.—The bill provides that a corporation must meet certain statutory tests in order to be treated as a GSOC. First, the corporation must be chartered by an official act of the State legislature or by a State-wide referendum. Second, the GSOC's corporate charter must provide for the issuance of all authorized shares to eligible individuals provided that at least one share is issued to each eligible individual, and such eligible individual does not elect within one year after the date of issuance not to receive such share, and provides for certain restrictions on the transferability of the share. The transfer restriction must provide that the share cannot be transferred until the earliest to occur of (1) the expiration of 5 years from issuance, (2) death or (3) failure to meet the State's residency requirements. In no event may shares of stock of a GSOC be transferred to nonresidents. Also, an individual may not acquire more than 9 shares by purchase. Third, the charter must provide that the GSOC is empowered to invest in properties (not including properties acquired by it or for its benefit through the right of eminent domain). Fourth, the GSOC may not be affiliated with any other corporation. Fifth, the GSOC must be organized after December 31, 1978, and before January 1, 1984. An eligible individual is any individual who is a resident of the chartering State as of the date specified in the corporate charter. A State may define a resident for purposes of its GSOC so long as such definition is consistent with constitutional principles.

Election.—A GSOC must make an election to obtain the special statutory treatment provided for by the amendment. The election is effective for the taxable year for which it is made on a timely filed tax return. The manner in which the election is to be made would be determined by regulations. The election once made is irrevocable unless terminated with the consent of the Secretary of the Treasury.

Effect of election.—The effect of the election would be to exempt the corporation from Federal income taxation. Instead, the shareholders of the GSOC would report their proportionate part of the GSOC's taxable income on their Federal individual income tax returns.

Treated as a private corporation.—A GSOC would be treated as a private corporation.

Computation of GSOC income.—The GSOC would compute its taxable income in the same manner as a regular corporation with certain modifications. The GSOC would not be eligible for a dividends received deduction nor any tax credits.

Net operating loss deduction.—The shareholders of a GSOC would not be eligible to report any portion of a GSOC net operating loss on their individual income tax return. Instead, the GSOC would be entitled to a 10-year carryover of any net operating losses.

Investment tax credit and recapture of investment tax credit.—Under the bill, shareholders of the GSOC would be entitled to their pro-rata share of the GSOC's investment tax credit. The shareholders would also be personally responsible for any recapture of such investment tax credit. Neither the corporation nor its shareholders would be entitled to the foreign tax credit.

Taxation of shareholders.—Under the bill, each shareholder would include in his gross income his daily prorated portion of the GSOC's taxable income. Such income would be included in the shareholder's gross income for the taxable year in which or with which the GSOC's taxable year ends. The income in the hands of the shareholder would be treated as ordinary income and would not be eligible for either the partial dividend exclusion (sec. 116) or the maximum tax of earned income.

Shareholders would increase the tax basis of shares of stock in the GSOC to the extent they reported income from the GSOC. Distributions from the GSOC out of such previously taxed income would decrease the tax basis of such shares.

Taxation of GSOC distribution.—Under the bill, distributions from a GSOC's taxable income previously taxed to a shareholder would be treated as a tax-free distribution. Any distribution in excess of such previously taxed income would be taxed in the same manner as a distribution from a regular corporation (sec. 301(c)).

Audit adjustments and amended tax returns.—Any audit adjustment resulting from an Internal Revenue Service determination would be reflected in the GSOC's taxable year in which such adjustment is made (and not the taxable year to which it relates). The amount of such adjustment would be subject to an interest charge in an amount computed as though the income had been taxed to a nonselecting corporation.

Reporting requirements.—Under the bill, a GSOC would be required to file a Federal income tax return and a computer-coded data showing information reported to each of its shareholders. The corporate tax return would be required to meet the same timing requirements as a regular corporation. In addition, a GSOC would be required to give each shareholder a Form 1099. The Form 1099 would report (1) the shareholder's pro rata income for the taxable year, (2) tax-free distributions for the year, (3) the tax treatment of other distributions, and (4) the amount of any investment tax credit and recapture thereof for such year, and (5) any amounts withheld for Federal income tax purposes.

Distribution requirements.—A GSOC would be required to distribute 90 percent of its taxable income to its shareholders by January 31 of the next succeeding year. To the extent a GSOC fails to meet this distribution requirement, a tax equal to 20 percent of the deficiency (i.e., the difference between the required distribution and the actual distribution) would be imposed on the GSOC. The amount of such tax would be allowed as a deduction to the GSOC for the year in which it is paid.

Withholding requirements.—The bill requires the GSOC to withhold an amount equal to 25 percent of every distribution made to its shareholders. The amount of such withholding would be allowed as a refundable credit to the shareholder. The Treasury would be authorized to issue regulations providing a certification procedure for individuals who are nontaxpayers under which they may be exempted from the withholding requirement.

Studies.—It is expected that a study would be made of the effect GSOC's have on competition with regular private corporations. It is also anticipated that a study would be made of the GSOC as a form of full corporate integration.

Taxable year end of GSOC.—The bill requires a GSOC to adopt a taxable year end of October 31. It is anticipated that most GSOC's would elect an October 31 year end. This would enable them to close their books and meet their shareholder reporting requirements by January 31 of the next succeeding year.

Effective date

The provision applies to corporations chartered and organized after December 31, 1978.

Revenue effect

The revenue cost of the proposal is expected to be negligible during the next few years. However, the long-run cost could be substantial.

TABLE IV - 1

<u>Schedule #</u>	<u>\$ Tariff</u>	<u>Pipeline Capacity MM b/d</u>	<u>GSOP Purchase Price (\$000)</u>	<u>Imbedded Interest Rate</u>	<u>First Year Citizen Distribution Pre-Tax</u>	<u>Number of Years Income Stream</u>	<u>(\$000) Cash Balance 24 Years</u>	<u>Comments</u>
1	4.68	1.2	1,500,000	10%	19	8	-374,669	High Alyeska Budget
2	4.68	1.2	1,500,000	10%	31	11	-139,081	Low Alyeska Budget
3	4.68	1.2	1,500,000	7%	119	13	-181,876	High Alyeska Budget
4	4.68	1.2	1,500,000	7%	131	15	14,351	Low Alyeska Budget
5	4.68	1.2	1,300,000	10%	82	12	-172,271	
6	4.68	1.2	1,300,000	7%	169	15	- 45,513	
7	4.90	1.2	1,500,000	10%	51	12	-176,008	
8	4.90	1.2	1,500,000	7%	151	15	- 26,148	
9	4.90	1.2	1,300,000	10%	114	14	- 12,085	
10	5.00	1.2	1,500,000	10%	65	13	- 97,237	High Alyeska Budget
11	5.00	1.2	1,500,000	10%	76	15	86,689	Low Alyeska Budget
12	5.00	1.2	1,364,000	10%	118	15	220,273	
13	5.25	1.2	1,364,000	10%	153	16	370,113	\$250 MM Premium Due
14	5.25	1.2	1,364,000	10%	153	10	560,581	All Principal Value Due
15	5.50	1.2	1,364,000	10%	189	19	378,643	
16	5.50	1.2	1,300,000	10%	199	18	328,685	Straight Line Principal Payments
17	5.50	1.2	1,300,000	10%	199	18	293,565	BP Amortization Schedule
18	5.50	1.2	1,300,000	7%	286	19	399,370	
19	6.35	1.2	1,300,000	10%	330	23	683,598	
20	6.35	1.2	1,500,000	7%	367	22	688,282	

TABLE IV - 2

<u>Schedule #</u>	<u>\$ Tariff</u>	<u>Pipeline Capacity MM b/d</u>	<u>GSOP Purchase Price (\$000)</u>	<u>Imbedded Interest Rate</u>	<u>First Year Citizen Distribution Pre-Tax</u>	<u>Number of Years Income Stream</u>	<u>(\$000) Cash Balance 24 Years</u>
21	4.68	1.6	1,600,000	10%	155	14	-111,088
22	4.68	1.6	1,450,000	7%	323	18	382,786
23	5.00	1.6	1,600,000	10%	216	16	158,504
24	5.00	1.6	1,500,000	10%	238	17	346,226
25	5.00	1.6	1,600,000	7%	323	17	266,675
26	5.25	1.6	1,450,000	10%	335	21	612,585
27	5.50	1.6	1,600,000	10%	334	21	668,317
28	5.50	1.6	1,500,000	10%	366	22	699,443
29	5.50	1.6	1,500,000	7%	441	22	733,717
30	5.50	1.6	1,500,000	7%	443	20	605,230
31	5.50	1.6	1,450,000	7%	478	22	774,273
32	6.35	1.6	1,600,000	10%	496	24	898,341

ALASKA GSOP

NET INCOME

(\$000)

YEAR	DELIVERY VOLUMES (000 BBL)	TARIFF	REVENUES	OPERATING EXPENSES	INTEREST	DEPRECIATION AND AMORTIZATION	INCOME TAX	NET INCOME	CITIZEN SHAREHOLDER INCOME
		\$	\$	\$	\$	\$	\$	\$	ACTUAL \$
1979	64062	4.68	299810	78400	150000	62500	0	8910	19
1980	64062	4.68	299810	83888	143750	62500	0	7672	21
1981	64062	4.68	299810	89760	137500	62500	0	10050	22
1982	64062	4.68	299810	96043	131250	62500	0	10017	22
1983	64062	4.68	299810	102766	125000	62500	0	9544	21
1984	64062	4.68	299810	109960	118750	62500	0	8600	19
1985	64062	4.68	299810	117658	112500	62500	0	7152	15
1986	64062	4.68	299810	125894	106250	62500	0	5166	11
1987	64062	4.68	299810	134707	100000	62500	0	2603	5
1988	64062	4.68	299810	144137	93750	62500	0	-577	0
1989	64062	4.68	299810	154226	87500	62500	0	-4416	0
1990	64062	4.68	299810	165022	81250	62500	0	-8962	0
1991	64062	4.68	299810	176573	75000	62500	0	-14263	0
1992	64062	4.68	299810	188933	68750	62500	0	-20373	0
1993	64062	4.68	299810	202158	62500	62500	0	-27348	0
1994	64062	4.68	299810	216309	56250	62500	0	-35249	0
1995	64062	4.68	299810	231451	50000	62500	0	-44141	0
1996	64062	4.68	299810	247652	43750	62500	0	-54092	0
1997	64062	4.68	299810	264987	37500	62500	0	-65177	0
1998	64062	4.68	299810	283537	31250	62500	0	-77477	0
1999	64062	4.68	299810	303384	25000	62500	0	-91074	0
2000	64062	4.68	299810	324621	18750	62500	0	-106061	0
2001	64062	4.68	299810	347345	12500	62500	0	-122535	0
2002	64062	4.68	299810	371659	6250	62500	0	-140599	0

INTEREST RATE: 1000 TAX RATE: 0 INFLATION RATE: 070

PIPELINE VALUE: 1500000 POPULATION RATE: 000 POPULATION: 405

ALYESKA EXPENSE: 64700 DIRECT EXPENSE: 6300

Schedule 1B

ALASKA OSOP

CASH FLOW

(\$000)

YEAR	REVENUES	NET INCOME	TOTAL SHAREHOLDER DISTRIBUTION	DEPRECIATION AND AMORTIZATION	DISHANTLING RESERVE	PRINCIPAL PAYMENTS	NET CASH FLOW	CUMULATIVE CASH FLOW
	\$	\$	\$	\$	\$	\$	\$	\$
1979	299810	8910	8019	62500	7400	62500	8291	8291
1980	299810	9672	8705	62500	7918	62500	8885	17176
1981	299810	10050	9045	62500	8472	62500	9477	26653
1982	299810	10017	9015	62500	9065	62500	10067	36720
1983	299810	9544	8590	62500	9700	62500	10654	47374
1984	299810	8600	7740	62500	10379	62500	11239	58613
1985	299810	7152	6437	62500	11106	62500	11821	70434
1986	299810	5166	4649	62500	11883	62500	12400	82834
1987	299810	2603	2343	62500	12715	62500	12975	95809
1988	299810	-577	0	62500	13605	62500	-13028	108837
1989	299810	-4416	0	62500	14557	62500	10141	118978
1990	299810	-8962	0	62500	15576	62500	6614	125592
1991	299810	-14263	0	62500	16666	62500	2403	127995
1992	299810	-20373	0	62500	17833	62500	-2540	125455
1993	299810	-27348	0	62500	19081	62500	-8267	117188
1994	299810	-35249	0	62500	20417	62500	-14832	102356
1995	299810	-44141	0	62500	21846	62500	-22295	80061
1996	299810	-54092	0	62500	23375	62500	-30717	49344
1997	299810	-65177	0	62500	25011	62500	-40166	9178
1998	299810	-77477	0	62500	26762	62500	-50715	-41537
1999	299810	-91074	0	62500	28635	62500	-62439	-103976
2000	299810	-106061	0	62500	3063	62500	-75422	-179398
2001	299810	-122535	0	62500	32704	62500	-89751	-269149
2002	299810	-140599	0	62500	35079	62500	-105520	-374669

INTEREST RATE: 1000 TAX RATE: 0 INFLATION RATE: 070

PIPELINE VALUE: 1500000 POPULATION RATE: 000 POPULATION: 405

ALYESKA EXPENSE: 64700 DIRECT EXPENSE: 6300

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Schedule 2A

ALASKA GSO/

NET INCOME

(\$000)

YEAR	DELIVERY VOLUMES (000 BBLs)	TARIFF	REVENUES	OPERATING EXPENSES	INTEREST	DEPRECIATION AND AMORTIZATION	INCOME TAX	NET INCOME	CITIZEN SHAREHOLDER INCOME
		\$	\$	\$	\$	\$	\$	\$	ACTUAL \$
1979	64062	4.68	299810	73100	150000	62500	0	14210	31
1980	64062	4.68	299810	78217	143750	62500	0	15343	34
1981	64062	4.68	299810	83692	137500	62500	0	16118	35
1982	64062	4.68	299810	89550	131250	62500	0	16310	36
1983	64062	4.68	299810	95819	125000	62500	0	16491	36
1984	64062	4.68	299810	102526	118750	62500	0	16034	35
1985	64062	4.68	299810	109704	112500	62500	0	15106	33
1986	64062	4.68	299810	117383	106250	62500	0	13677	30
1987	64062	4.68	299810	125600	100000	62500	0	11710	26
1988	64062	4.68	299810	134392	93750	62500	0	9168	20
1989	64062	4.68	299810	143799	87500	62500	0	6011	13
1990	64062	4.68	299810	153865	81250	62500	0	2195	4
1991	64062	4.68	299810	164635	75000	62500	0	-2325	0
1992	64062	4.68	299810	176160	68750	62500	0	-7600	0
1993	64062	4.68	299810	188491	62500	62500	0	-13681	0
1994	64062	4.68	299810	201685	56250	62500	0	-20625	0
1995	64062	4.68	299810	215803	50000	62500	0	-20493	0
1996	64062	4.68	299810	230909	43750	62500	0	-37349	0
1997	64062	4.68	299810	247072	37500	62500	0	-47262	0
1998	64062	4.68	299810	264368	31250	62500	0	-50308	0
1999	64062	4.68	299810	282873	25000	62500	0	-70563	0
2000	64062	4.68	299810	302674	18750	62500	0	-84114	0
2001	64062	4.68	299810	323861	12500	62500	0	-99051	0
2002	64062	4.68	299810	346531	6250	62500	0	-115471	0

INTEREST RATE: 1000 TAX RATE: 0 INFLATION RATE: 070

PIPELINE VALUE: 1500000 POPULATION RATE: 000 POPULATION: 405

ALYESKA EXPENSE: 59400 DIRECT EXPENSE: 6300

ALASKA GSOP

CASH FLOW

(\$000)

YEAR	REVENUES	NET INCOME	TOTAL SHAREHOLDER DISTRIBUTION	DEPRECIATION AND AMORTIZATION	DISM. ITLING RESERVE	PRINCIPAL PAYMENTS	NET CASH FLOW	CUMULATIVE CASH FLOW
	\$	\$	\$	\$	\$	\$	\$	\$
1977	299810	14210	12789	62500	7400	62500	8821	8821
1980	299810	15343	13809	62500	7918	62500	9452	18273
1981	299810	16118	14506	62500	8472	62500	10084	28357
1982	299810	16510	14859	62500	5065	62500	10716	39073
1983	299810	16491	14042	62500	9700	62500	11349	50422
1984	299810	16034	14431	62500	10379	62500	11982	62404
1985	299810	15106	13595	62500	11106	62500	12617	75021
1986	299810	13677	12309	62500	11883	62500	13251	88272
1987	299810	11710	10539	62500	12715	62500	13886	102158
1988	299810	9160	8251	62500	13605	62500	14522	116680
1989	299810	6011	5410	62500	14557	62500	15158	131838
1990	299810	2195	1976	62500	15576	62500	15795	147633
1991	299810	-2325	0	62500	16666	62500	14341	161974
1992	299810	-7600	0	62500	17833	62500	10233	172207
1993	299810	-13681	0	62500	19081	62500	5400	177607
1994	299810	-20625	0	62500	20417	62500	-208	177399
1995	299810	-28493	0	62500	21846	62500	-6647	170752
1996	299810	-37349	0	62500	23375	62500	-13974	156778
1997	299810	-47262	0	62500	25011	62500	-22251	134527
1998	299810	-58308	0	62500	26762	62500	-31546	102981
1999	299810	-70563	0	62500	28633	62500	-41928	61053
2000	299810	-84114	0	62500	30639	62500	-53475	7578
2001	299810	-99051	0	62500	32784	62500	-66267	-58689
2002	299810	-115471	0	62500	35079	62500	-80392	-139081

INTEREST RATE: 1000 TAX RATE: 0 INFLATION RATE: 070

PIPELINE VALUE: 1500000 POPULATION RATE: 000 POPULATION: 405

ALYESKA EXPENSE: 59400 DIRECT EXPENSE: 6300

ALASKA OSOP

CASH FLOW

(\$000)

YEAR	REVENUES	NET INCOME	TOTAL SHAREHOLDER DISTRIBUTION	DEPRECIATION AND AMORTIZATION	DISHANTLING RESERVE	PRINCIPAL PAYMENTS	NET CASH FLOW	CUMULATIVE CASH FLOW
	\$	\$	\$	\$	\$	\$	\$	\$
1979	279810	53910	48519	62500	7400	62500	12791	12791
1980	299810	52797	47517	62500	7918	62500	13198	25989
1981	299810	51300	46170	62500	8472	62500	13602	39591
1982	299810	49392	44453	62500	9065	62500	14004	53595
1983	299810	47044	42340	62500	9700	62500	14404	67999
1984	299810	44225	39803	62500	10379	62500	14801	82800
1985	299810	40902	36812	62500	11106	62500	15196	97996
1986	299810	37041	33337	62500	11883	62500	15507	113503
1987	299810	32603	29343	62500	12715	62500	15975	129558
1988	299810	27548	24793	62500	13605	62500	16360	145918
1989	299810	21834	19651	62500	14557	62500	16740	162658
1990	299810	15413	13872	62500	15576	62500	17117	179775
1991	299810	8237	7413	62500	16666	62500	17490	197265
1992	299810	252	227	62500	17833	62500	17850	215123
1993	299810	-8598	0	62500	19081	62500	10483	225606
1994	299810	-18374	0	62500	20417	62500	2043	227649
1995	299810	-29141	0	62500	21046	62500	-7295	220354
1996	299810	-40967	0	62500	23375	62500	-17592	202762
1997	299810	-53927	0	62500	25011	62500	-28916	173846
1998	299810	-68102	0	62500	26762	62500	-41340	132506
1999	299810	-83574	0	62500	28635	62500	-54939	77567
2000	299810	-100436	0	62500	30639	62500	-69777	7770
2001	299810	-118705	0	62500	32784	62500	-86001	-78231
2002	299810	-138724	0	62500	35079	62500	-103645	-181876

INTEREST RATE: 700 TAX RATE: 0 INFLATION RATE: 070

PIPELINE VALUE: 1500000 POPULATION RATE: 000 POPULATION: 405

ALYESKA EXPENSE: 64700 DIRECT EXPENSE: 6300

ALASKA GSOP

NET INCOME

(\$000)

YEAR	DELIVERY VOLUMES (000 DBLS)	TARIFF	REVENUES	OPERATING EXPENSES	INTEREST	DEPRECIATION AND AMORTIZATION	INCOME TAX	NET INCOME	CITIZEN SHAREHOLDER INCOME	ACTUAL \$
		\$	\$	\$	\$	\$	\$	\$		\$
1979	64062	4.68	299810	73100	105000	62500	0	59210		131
1980	64062	4.68	299810	78217	100625	62500	0	58468		129
1981	64062	4.68	299810	83692	96250	62500	0	57368		127
1982	64062	4.68	299810	89550	91875	62500	0	55885		124
1983	64062	4.68	299810	95819	87500	62500	0	53991		119
1984	64062	4.68	299810	102526	83125	62500	0	51659		114
1985	64062	4.68	299810	109704	78750	62500	0	48856		108
1986	64062	4.68	299810	117383	74375	62500	0	45552		101
1987	64062	4.68	299810	125600	70000	62500	0	41710		92
1988	64062	4.68	299810	134392	65625	62500	0	37293		82
1989	64062	4.68	299810	143799	61250	62500	0	32261		71
1990	64062	4.68	299810	153865	56875	62500	0	26570		59
1991	64062	4.68	299810	164635	52500	62500	0	20175		44
1992	64062	4.68	299810	176160	48125	62500	0	13025		28
1993	64062	4.68	299810	188491	43750	62500	0	5069		11
1994	64062	4.68	299810	201685	39375	62500	0	-3750		0
1995	64062	4.68	299810	215803	35000	62500	0	-13493		0
1996	64062	4.68	299810	230909	30625	62500	0	-24224		0
1997	64062	4.68	299810	247072	26250	62500	0	-36012		0
1998	64062	4.68	299810	264368	21875	62500	0	-48933		0
1999	64062	4.68	299810	282873	17500	62500	0	-63063		0
2000	64062	4.68	299810	302674	13125	62500	0	-78489		0
2001	64062	4.68	299810	323861	8750	62500	0	-95301		0
2002	64062	4.68	299810	346531	4375	62500	0	-113596		0

INTEREST RATE: 700 TAX RATE: 0 INFLATION RATE: 070

PIPELINE VALUE: 1500000 POPULATION RATE: 000 POPULATION: 405

ALYESKA EXPENSE: 59400 DIRECT EXPENSE: 6300

ALASKA GSDP

CASH FLOW

(\$000)

YEAR	REVENUES	NET INCOME	TOTAL SHAREHOLDER DISTRIBUTION	DEPRECIATION AND AMORTIZATION	DISHANTLING RESERVE	PRINCIPAL PAYMENTS	NET CASH FLOW	CUMULATIVE CASH FLOW
	\$	\$	\$	\$	\$	\$	\$	\$
1979	299810	59210	53289	62500	7400	62500	13321	13321
1980	299810	58468	52621	62500	7910	62500	13765	27086
1981	299810	57368	51631	62500	8472	62500	14209	41295
1982	299810	55885	50297	62500	9065	62500	14653	55948
1983	299810	53991	48592	62500	9700	62500	15099	71047
1984	299810	51659	46493	62500	10379	62500	15545	86592
1985	299810	48856	43970	62500	11106	62500	15992	102584
1986	299810	45552	40997	62500	11803	62500	16438	119022
1987	299810	41710	37539	62500	12715	62500	16886	135908
1988	299810	37293	33564	62500	13605	62500	17334	153242
1989	299810	32261	29035	62500	14557	62500	17783	171025
1990	299810	26570	23913	62500	15576	62500	18233	189258
1991	299810	20175	18158	62500	16666	62500	18683	207941
1992	299810	13025	11723	62500	17833	62500	19135	227076
1993	299810	5067	4562	62500	19081	62500	19588	246664
1994	299810	-3750	0	62500	20417	62500	16667	263331
1995	299810	-13493	0	62500	21846	62500	8353	271684
1996	299810	-24224	0	62500	23375	62500	-849	270835
1997	299810	-36012	0	62500	25011	62500	-11001	259834
1998	299810	-48933	0	62500	26762	62500	-22171	237663
1999	299810	-63063	0	62500	28635	62500	-34428	203235
2000	299810	-78489	0	62500	30639	62500	-47850	155385
2001	299810	-95301	0	62500	32784	62500	-62517	92868
2002	299810	-113594	0	62500	35079	62500	-78517	14351

INTEREST RATE: 700 TAX RATE: 0 INFLATION RATE: 070

PIPELINE VALUE: 1500000 POPULATION RATE: 000 POPULATION: 405

ALYESKA EXPENSE: 59400 DIRECT EXPENSE: 6300

ALASKA GSDP

NET INCOME

(\$000)

YEAR	DELIVERY VOLUMES (000 DBLS)	TARIFF	REVENUES	OPERATING EXPENSES	INTEREST	DEPRECIATION AND AMORTIZATION	INCOME TAX	NET INCOME	CITIZEN SHAREHOLDER INCOME
		\$	\$	\$	\$	\$	\$	\$	ACTUAL \$
1979	64062	4.68	299810	78400	130000	54167	0	37243	82
1980	64062	4.68	299810	83888	124583	54167	0	37172	82
1981	64062	4.68	299810	89760	119167	54167	0	36716	81
1982	64062	4.68	299810	96043	113750	54167	0	35850	79
1983	64062	4.68	299810	102766	108333	54167	0	34544	76
1984	64062	4.68	299810	109960	102917	54167	0	32766	72
1985	64062	4.68	299810	117658	97500	54167	0	30485	7
1986	64062	4.68	299810	125894	92083	54167	0	27666	61
1987	64062	4.68	299810	134707	86666	54167	0	24270	53
1988	64062	4.68	299810	144137	81250	54167	0	20256	45
1989	64062	4.68	299810	154226	75833	54167	0	15584	34
1990	64062	4.68	299810	165022	70414	54167	0	10205	22
1991	64062	4.68	299810	176573	65000	54167	0	4070	9
1992	64062	4.68	299810	188933	59583	54167	0	-2873	0
1993	64062	4.68	299810	202158	54166	54167	0	-10681	0
1994	64062	4.68	299810	216309	48750	54167	0	-19416	0
1995	64062	4.68	299810	231451	43333	54167	0	-29141	0
1996	64062	4.68	299810	247652	37916	54167	0	-39925	0
1997	64062	4.68	299810	264987	32499	54167	0	-51843	0
1998	64062	4.68	299810	283537	27083	54167	0	-64977	0
1999	64062	4.68	299810	303384	21666	54167	0	-79407	0
2000	64062	4.68	299810	324621	16249	54167	0	-95227	0
2001	64062	4.68	299810	347345	10833	54167	0	-112535	0
2002	64062	4.58	299810	371659	5416	54167	0	-131432	0

INTEREST RATE: 1000 TAX RATE: 0 INFLATION RATE: 070

PIPELINE VALUE: 1300000 POPULATION RATE: 000 POPULATION: 405

ALYESKA EXPENSE: 64700 DIRECT EXPENSE: 6300

ALASKA GSOP

CASH FLOW

(\$000)

YEAR	REVENUES	NET INCOME	TOTAL SHAREHOLDER DISTRIBUTION	DEPRECIATION AND AMORTIZATION	DISHANTLING RESERVE	PRINCIPAL PAYMENTS	NET CASH FLOW	CUMULATIVE CASH FLOW
	\$	\$	\$	\$	\$	\$	\$	\$
1979	299810	37243	33519	54167	7400	54167	11124	11124
1980	299810	37172	33455	54167	7918	54167	11635	22759
1981	299810	36716	33044	54167	8472	54167	12144	34903
1982	299810	35850	32265	54167	9065	54167	12650	47553
1983	299810	34544	31090	54167	9700	54167	13154	60707
1984	299810	32766	29487	54167	10379	54167	13656	74363
1985	299810	30485	27437	54167	11106	54167	14154	88517
1986	299810	27666	24899	54167	11883	54167	14650	103167
1987	299810	24270	21843	54167	12715	54167	15142	118309
1988	299810	20256	18230	54167	13605	54167	15631	133940
1989	299810	15584	14026	54167	14557	54167	16115	150055
1990	299810	10205	9185	54167	15576	54167	16596	166651
1991	299810	4070	3663	54167	16666	54167	17073	183724
1992	299810	-2873	0	54167	17033	54167	14960	198684
1993	299810	-10681	0	54167	19081	54167	8400	207084
1994	299810	-19416	0	54167	20417	54167	1001	200085
1995	299810	-29141	0	54167	21846	54167	-7295	200790
1996	299810	-39925	0	54167	23375	54167	-16550	184240
1997	299810	-51843	0	54167	25011	54167	-26832	157408
1998	299810	-64977	0	54167	26762	54167	-38215	119193
1999	299810	-79407	0	54167	28635	54167	-50772	68421
2000	299810	-95227	0	54167	30639	54167	-64588	3833
2001	299810	-112535	0	54167	32784	54167	-79751	-75918
2002	299810	-131432	0	54167	35079	54167	-96353	-172271

INTEREST RATE: 1000 -- TAX RATE: 0 -- INFLATION RATE: 070

PIPELINE VALUE: 1300000 POPULATION RATE: 000 POPULATION: 405

ALYESKA EXPENSE: 64700 DIRECT EXPENSE: 6300

ALASKA GSNP

NET INCOME

(\$000)

YEAR	DELIVERY VOLUMES (000 BBL)	TARIFF	REVENUES	OPERATING EXPENSES	INTEREST	DEPRECIATION AND AMORTIZATION	INCOME TAX	NET INCOME	CITIZEN SHAREHOLDER INCOME
		\$	\$	\$	\$	\$	\$	\$	ACTUAL \$
1979	64062	4.68	299810	78400	91000	54167	0	76243	169
1980	64062	4.68	299810	83888	83208	54167	0	74547	165
1981	64062	4.68	299810	89760	83417	54167	0	72466	161
1982	64062	4.68	299810	96043	79625	54167	0	69975	155
1983	64062	4.68	299810	102766	75833	54167	0	67044	148
1984	64062	4.68	299810	109960	72042	54167	0	63641	141
1985	64062	4.68	299810	117658	68250	54167	0	59735	132
1986	64062	4.68	299810	125894	64458	54167	0	55291	122
1987	64062	4.68	299810	134707	60666	54167	0	50270	111
1988	64062	4.68	299810	144137	56875	54167	0	44631	99
1989	64062	4.68	299810	154226	53083	54167	0	38334	85
1990	64062	4.68	299810	165022	49291	54167	0	31330	69
1991	64062	4.68	299810	176573	45500	54167	0	23570	52
1992	64062	4.68	299810	188933	41708	54167	0	15002	33
1993	64062	4.68	299810	202158	37916	54167	0	5569	12
1994	64062	4.68	299810	216309	34125	54167	0	-4791	0
1995	64062	4.68	299810	231451	30333	54167	0	-16141	0
1996	64062	4.68	299810	247652	26541	54167	0	-28550	0
1997	64062	4.68	299810	264987	22750	54167	0	-42094	0
1998	64062	4.68	299810	283537	18958	54167	0	-56852	0
1999	64062	4.68	299810	303384	15166	54167	0	-72907	0
2000	64062	4.68	299810	324621	11375	54167	0	-90353	0
2001	64062	4.68	299810	347345	7583	54167	0	-109285	0
2002	64062	4.68	299810	371659	3791	54167	0	-129807	0

INTEREST RATE: 700 TAX RATE: 0 INFLATION RATE: 070

PIPELINE VALUE: 1300000 POPULATION RATE: 000 POPULATION: 405

ALYESKA EXPENSE: 64700 DIRECT EXPENSE: 6300

ALASKA GDP

CASH FLOW

(\$000)

YEAR	REVENUES	NET INCOME	TOTAL SHAREHOLDER DISTRIBUTION	DEPRECIATION AND AMORTIZATION	DISMANTLING RESERVE	PRINCIPAL PAYMENTS	NET CASH FLOW	CUMULATIVE CASH FLOW
	\$	\$	\$	\$	\$	\$	\$	\$
1979	299810	76243	68619	54167	7400	54167	15024	15024
1980	299810	74547	67092	54167	7918	54167	15373	30397
1981	299810	72466	65219	54167	8472	54167	15719	46116
1982	299810	69975	62978	54167	9065	54167	16062	62178
1983	299810	67044	60340	54167	9700	54167	16404	78582
1984	299810	63641	57277	54167	10379	54167	16743	95325
1985	299810	59735	53762	54167	11106	54167	17079	112404
1986	299810	55291	49762	54167	11883	54167	17412	129816
1987	299810	50270	45243	54167	12715	54167	17742	147558
1988	299810	44631	40168	54167	13605	54167	18068	165626
1989	299810	38334	34501	54167	14557	54167	18390	184016
1990	299810	31330	28197	54167	15576	54167	18709	202725
1991	299810	23570	21213	54167	16666	54167	19023	221748
1992	299810	15002	13502	54167	17833	54167	19333	241081
1993	299810	5569	5012	54167	19081	54167	19638	260719
1994	299810	-4791	0	54167	20417	54167	15626	276345
1995	299810	-16141	0	54167	21846	54167	5705	282050
1996	299810	-28550	0	54167	23375	54167	-5175	276875
1997	299810	-42094	0	54167	25011	54167	-17083	259792
1998	299810	-56852	0	54167	26762	54167	-30090	229702
1999	299810	-72907	0	54167	28635	54167	-44272	185430
2000	299810	-90353	0	54167	30639	54167	-59714	125716
2001	299810	-109285	0	54167	32784	54167	-76501	49215
2002	299810	-129807	0	54167	35079	54167	-94728	-45513

INTEREST RATE: 700 TAX RATE: 0 INFLATION RATE: 070

PIPELINE VALUE: 1300000 POPULATION RATE: 000 POPULATION: 405

ALYESKA EXPENSE: 64700 DIRECT EXPENSE: 6300

ALASKA GSDP

NET INCOME
(5000)

YEAR	DELIVERY VOLUMES (000 BRLS)	TARIFF	REVENUES	OPERATING EXPENSES	INTEREST	DEPRECIATION AND AMORTIZATION	INCOME TAX	NET INCOME	CITIZEN SHAREHOLDER INCOME
1979	64062	4.90	313904	78400	150000	62500	0	23004	51
1980	64062	4.90	313904	83888	143750	62500	0	23766	52
1981	64062	4.90	313904	89760	137500	62500	0	24144	53
1982	64062	4.90	313904	96043	131250	62500	0	24111	53
1983	64062	4.90	313904	102766	125000	62500	0	23638	52
1984	64062	4.90	313904	109960	118750	62500	0	22679	50
1985	64062	4.90	313904	117638	112500	62500	0	21246	47
1986	64062	4.90	313904	125894	106250	62500	0	19260	42
1987	64062	4.90	313904	134707	100000	62500	0	16697	37
1988	64062	4.90	313904	144137	93750	62500	0	13517	30
1989	64062	4.90	313904	154236	87500	62500	0	9678	21
1990	64062	4.90	313904	165032	81250	62500	0	5132	11
1991	64062	4.90	313904	176573	75000	62500	0	-169	0
1992	64062	4.90	313904	188933	68750	62500	0	-6279	0
1993	64062	4.90	313904	202158	62500	62500	0	-13254	0
1994	64062	4.90	313904	216309	56250	62500	0	-2155	0
1995	64062	4.90	313904	231451	50000	62500	0	-30047	0
1996	64062	4.90	313904	247652	43750	62500	0	-39998	0
1997	64062	4.90	313904	264987	37500	62500	0	-51083	0
1998	64062	4.90	313904	283537	31250	62500	0	-63383	0
1999	64062	4.90	313904	303384	25000	62500	0	-76980	0
2000	64062	4.90	313904	324621	19750	62500	0	-91927	0
2001	64062	4.90	313904	347345	12560	62500	0	-108441	0
2002	64062	4.90	313904	371659	6250	62500	0	-126505	0

INTEREST RATE: 1000 TAX RATE: 0 INFLATION RATE: 070
 PIPELINE VALUE: 1500000 POPULATION RATE: 000 POPULATION: 405
 ALYESKA EXPENSE: 64700 DIRECT EXPENSE: 6300

Schedule 7B

ALASKA GSOP

CASH FLOW

(\$000)

YEAR	REVENUES	NET INCOME	TOTAL SHAREHOLDER DISTRIBUTION	DEPRECIATION AND AMORTIZATION	DISHANLING RESERVE	PRINCIPAL PAYMENTS	NET CASH FLOW	CUMULATIVE CASH FLOW
	\$	\$	\$	\$	\$	\$	\$	\$
1979	313904	23004	20704	62500	7400	62500	9700	9700
1980	313904	23766	21389	62500	7918	62500	10295	19995
1981	313904	24144	21730	62500	8472	62500	10886	30881
1982	313904	24111	21700	62500	9065	62500	11476	42357
1983	313904	23638	21274	62500	9700	62500	12064	54421
1984	313904	22694	20425	62500	10379	62500	12640	67069
1985	313904	21246	19121	62500	11106	62500	13231	80300
1986	313904	19260	17334	62500	11883	62500	13809	94109
1987	313904	16697	15027	62500	12715	62500	14385	108494
1988	313904	13517	12165	62500	13605	62500	14957	123451
1989	313904	9678	8710	62500	14557	62500	15525	138976
1990	313904	5132	4619	62500	15376	62500	16089	155065
1991	313904	-169	0	62500	16666	62500	16497	171562
1992	313904	-6279	0	62500	17833	62500	11554	183116
1993	313904	-13254	0	62500	19081	62500	5827	188943
1994	313904	-21155	0	62500	20417	62500	-730	188205
1995	313904	-30047	0	62500	21846	62500	-8201	180004
1996	313904	-39998	0	62500	23375	62500	-16623	163381
1997	313904	-51083	0	62500	25011	62500	-26072	137309
1998	313904	-63383	0	62500	26762	62500	-36621	100688
1999	313904	-76980	0	62500	28635	62500	-48345	52343
2000	313904	-91967	0	62500	30639	62500	-61328	-8985
2001	313904	-108441	0	62500	32784	62500	-75657	-84642
2002	313904	-126505	0	62500	35079	62500	-91426	-176068

INTEREST RATE: 1000 TAX RATE: 0 INFLATION RATE: 070

PIPELINE VALUE: 1500000 POPULATION RATE: 000 POPULATION: 405

ALYESKA EXPENSE: 64700 DIRECT EXPENSE: 6300

Schedule SA

ALASKA GSOF

NET INCOME

(\$000)

YEAR	DELIVERY VOLUMES (000 BBLs)	TARIFF	REVENUES	OPERATING EXPENSES	INTEREST	DEPRECIATION AND AMORTIZATION	INCOME TAX	NET INCOME	CITIZEN SHAREHOLDER INCOME	ACTUAL \$
		\$	\$	\$	\$	\$	\$	\$		\$
1979	64062	4.90	313904	78400	105000	62500	0	68004		151
1980	64062	4.90	313904	83800	100625	62500	0	66891		148
1981	64062	4.90	313904	89760	96250	62500	0	65394		145
1982	64062	4.90	313904	96043	91875	62500	0	63486		141
1983	64062	4.90	313904	102766	87500	62500	0	61138		135
1984	64062	4.90	313904	109960	83125	62500	0	58319		129
1985	64062	4.90	313904	117658	78750	62500	0	54996		122
1986	64062	4.90	313904	125894	74375	62500	0	51135		113
1987	64062	4.90	313904	134707	70000	62500	0	46697		103
1988	64062	4.90	313904	144137	65625	62500	0	41642		92
1989	64062	4.90	313904	154226	61250	62500	0	35928		79
1990	64062	4.90	313904	165022	56875	62500	0	29507		65
1991	64062	4.90	313904	176573	52500	62500	0	22331		49
1992	64062	4.90	313904	188933	48125	62500	0	14346		31
1993	64062	4.90	313904	202158	43750	62500	0	5496		12
1994	64062	4.90	313904	216309	39375	62500	0	-4200		0
1995	64062	4.90	313904	231451	35000	62500	0	-15047		0
1996	64062	4.90	313904	247652	30625	62500	0	-26873		0
1997	64062	4.90	313904	264987	26250	62500	0	-39833		0
1998	64062	4.90	313904	283537	21875	62500	0	-54008		0
1999	64062	4.90	313904	303384	17500	62500	0	-69480		0
2000	64062	4.90	313904	324621	13125	62500	0	-86342		0
2001	64062	4.90	313904	347345	8750	62500	0	-104691		0
2002	64062	4.90	313904	371659	4375	62500	0	-124630		0

INTEREST RATE: 700 TAX RATE: 0 INFLATION RATE: 070

PIPELINE VALUE: 1500000 POPULATION RATE: 00% POPULATION: 405

ALYESKA EXPENSE: 64700 DIRECT. EXPENSE: 6300

Schedule 6D

ALASKA GSUP

CASH FLOW

(\$000)

YEAR	REVENUES	NET INCOME	TOTAL SHAREHOLDER DISTRIBUTION	DEPRECIATION AND AMORTIZATION	DISHANTLING RESERVE	PRINCIPAL PAYMENTS	NET CASH FLOW	CUMULATIVE CASH FLOW
1977	\$ 313904	\$ 48004	\$ 61204	\$ 62500	\$ 7400	\$ 62500	\$ 14200	\$ 14200
1980	313904	46891	60202	62500	7918	62500	14607	28807
1981	313904	45394	58855	62500	8472	62500	15011	43810
1982	313904	63486	57137	62500	9065	62500	15414	59222
1983	313904	61138	55024	62500	9700	62500	15819	75046
1984	313904	50319	52487	62500	10379	62500	16211	91257
1985	313904	54996	49496	62500	11106	62500	16606	107863
1986	313904	51135	46022	62500	11803	62500	16996	124859
1987	313904	46697	42027	62500	12715	62500	17385	142244
1988	313904	41642	37478	62500	13605	62500	17769	160013
1989	313904	35928	32335	62500	14557	62500	18150	178163
1990	313904	29507	26556	62500	15576	62500	18527	196690
1991	313904	22331	20098	62500	16666	62500	18899	215589
1992	313904	14346	12911	62500	17833	62500	19268	234857
1993	313904	5496	4946	62500	19001	62500	19631	254488
1994	313904	-4200	0	62500	20417	62500	1613,	270625
1995	313904	-15047	0	62500	21944	62500	6799	277424
1996	313904	-26873	0	62500	23375	62500	-3498	273926
1997	313904	-39033	0	62500	25011	62500	-14822	259104
1998	313904	-54008	0	62500	26767	62500	-27244	231858
1999	313904	-69480	0	62500	28635	62500	-40845	191013
2000	313904	-86342	0	62500	30639	62500	-55703	135310
2001	313904	-104691	0	62500	32704	62500	-71907	63403
2002	313904	-124630	0	62500	35079	62500	-89551	-26148

INTEREST RATE: 700 TAX RATE: 0 INFLATION RATE: 070

PIPELINE VALUE: 1500000 POPULATION RATE: 000 POPULATION: 405

ALYESKA EXPENSE: 64700 DIRECT EXPENSE: 6300

ALASKA QSDP

NET INCOME

(\$000)

YEAR	DELIVERY VOLUMES (000 BBL)	TARIFF	REVENUES	OPERATING EXPENSES	INTEREST	DEPRECIATION AND AMORTIZATION	INCOME TAX	NET INCOME	CITIZEN SHAREHOLDER INCOME	ACTUAL \$
		\$	\$	\$	\$	\$	\$	\$		\$
1979	64062	4.90	313904	78400	130000	54167	0	51337	114	
1980	64062	4.90	313904	83888	124583	54167	0	51266	113	
1981	64062	4.90	313904	89760	119167	54167	0	50810	112	
1982	64062	4.90	313904	96043	113750	54167	0	49944	110	
1983	64062	4.90	313904	102766	108333	54167	0	48638	108	
1984	64062	4.90	313904	109960	102917	54167	0	46860	104	
1985	64062	4.90	313904	117658	97500	54167	0	44579	99	
1986	64062	4.90	313904	125894	92083	54167	0	41760	92	
1987	64062	4.90	313904	134707	86666	54167	0	38364	85	
1988	64062	4.90	313904	144137	81250	54167	0	34350	76	
1989	64062	4.90	313904	154226	75833	54167	0	29678	65	
1990	64062	4.90	313904	165022	70416	54167	0	24299	53	
1991	64062	4.90	313904	176573	65000	54167	0	18164	40	
1992	64062	4.90	313904	188933	59583	54167	0	11221	24	
1993	64062	4.90	313904	202158	54166	54167	0	3413	7	
1994	64062	4.90	313904	216309	48750	54167	0	-5322	0	
1995	64062	4.90	313904	231451	43333	54167	0	-15047	0	
1996	64062	4.90	313904	247652	37914	54167	0	-25831	0	
1997	64062	4.90	313904	264987	32499	54167	0	-37749	0	
1998	64062	4.90	313904	283537	27083	54167	0	-50883	0	
1999	64062	4.90	313904	303384	21666	54167	0	-65313	0	
2000	64062	4.90	313904	324621	16249	54167	0	-81133	0	
2001	64062	4.90	313904	347345	10833	54167	0	-90441	0	
2002	64062	4.90	313904	371659	5416	54167	0	-117338	0	

INTEREST RATE: 1000 TAX RATE: 0 INFLATION RATE: 070

PIPELINE VALUE: 1300000 POPULATION RATE: 000 POPULATION: 405

ALYESKA EXPENSE: 64700 DIRECT EXPENSE: 6300

Schedule CB

ALASKA GSOP

CASH FLOW

(\$000)

YEAR	REVENUES	NET INCOME	TOTAL SHAREHOLDER DISTRIBUTION	DEPRECIATION AND AMORTIZATION	DISMANTLING RESERVE	PRINCIPAL PAYMENTS	NET CASH FLOW	CUMULATIVE CASH FLOW
	\$	\$	\$	\$	\$	\$	\$	\$
1979	313904	51337	46203	54167	7400	54167	12534	12534
1980	313904	51266	46139	54167	7918	54167	-13045	25579
1981	313904	50810	45729	54167	8472	54167	13553	39132
1982	313904	49944	44950	54167	9065	54167	14059	53191
1983	313904	48638	43774	54167	9700	54167	14564	67755
1984	313904	46860	42174	54167	10379	54167	15065	82820
1985	313904	44579	40121	54167	11106	54167	15564	98384
1986	313904	41760	37504	54167	11883	54167	16059	114443
1987	313904	38364	34528	54167	12715	54167	16551	130994
1988	313904	34350	30915	54167	13605	54167	17040	148034
1989	313904	29678	26710	54167	14557	54167	17525	165559
1990	313904	24299	21869	54167	15576	54167	18006	183565
1991	313904	18164	16348	54167	16666	54167	18482	202047
1992	313904	11221	10099	54167	17833	54167	18955	221002
1993	313904	3413	3072	54167	19081	54167	19422	240424
1994	313904	-5322	0	54167	20417	54167	15095	255519
1995	313904	-15047	0	54167	21846	54167	-6799	262318
1996	313904	-25831	0	54167	23375	54167	-2456	259862
1997	313904	-37749	0	54167	25011	54167	-12738	247124
1998	313904	-50883	0	54167	26762	54167	-24121	223003
1999	313904	-65313	0	54167	28635	54167	-36678	186325
2000	313904	-81133	0	54167	30639	54167	-50494	135831
2001	313904	-98441	0	54167	32784	54167	-65657	70174
2002	313904	-117338	0	54167	35079	54167	-82259	-12085

INTEREST RATE: 1000 TAX RATE: 0 INFLATION RATE: 070

PIPELINE VALUE: 1300000 POPULATION RATE: 000 POPULATION: 405

ALYESKA EXPENSE: 64700 DIRECT EXPENSE: 6300

ALASKA GSDP

NET INCOME

(5000)

YEAR	DELIVERY VOLUMES (000 KRLS)	TARIFF	REVENUES	OPERATING EXPENSES	INTEREST	DEPRECIATION AND AMORTIZATION	INCOME TAX	NET INCOME	CITIZEN SHAREHOLDER INCOME
1579	64062	5.00	320310	78400	150000	42500	0	29410	65
1967	64062	5.00	320310	83080	143750	42500	0	30172	62
1981	64062	5.00	320310	89760	137500	42500	0	30550	67
1982	64062	5.00	320310	94043	131250	42500	0	30517	67
1983	64062	5.00	320310	102766	125000	42500	0	30044	66
1984	64062	5.00	320310	109960	118750	42500	0	29100	64
1985	64062	5.00	320310	117658	112500	42500	0	27652	61
1986	64062	5.00	320310	125894	106250	42500	0	25666	57
1987	64062	5.00	320310	134707	100000	42500	0	23103	51
1988	64062	5.00	320310	144137	93750	42500	0	19923	44
1989	64062	5.00	320310	154226	87500	42500	0	16084	35
1990	64062	5.00	320310	165022	81250	42500	0	11538	25
1991	64062	5.00	320310	176573	75000	42500	0	6237	13
1992	64062	5.00	320310	188933	68750	42500	0	127	0
1993	64062	5.00	320310	202158	62500	42500	0	-6848	0
1994	64062	5.00	320310	216309	56250	42500	0	-14749	0
1995	64062	5.00	320310	231451	50000	42500	0	-23641	0
1996	64062	5.00	320310	247652	43750	42500	0	-3592	0
1997	64062	5.00	320310	264987	37500	42500	0	-44677	0
1998	64062	5.00	320310	283537	31250	42500	0	-56977	0
1999	64062	5.00	320310	303304	25000	42500	0	-70574	0
2000	64062	5.00	320310	324621	18750	42500	0	-85561	0
2001	64062	5.00	320310	347345	12500	42500	0	-102035	0
2002	64062	5.00	320310	371659	6250	42500	0	-120099	0

INTEREST RATE: 1000 TAX RATE: 0 INFLATION RATE: 070

PIPELINE VALUE: 1500000 POPULATION RATE: 000 POPULATION: 405

ALASKA EXPENSE: 44700 DIRECT EXPENSE: 4300

Schedule 103

ALASKA GSOP

CASH FLOW

(5000)

YEAR	REVENUES	NET INCOME	TOTAL SHAREHOLDER DISTRIBUTION	DEPRECIATION AND AMORTIZATION	DISMANTLING RESERVE	PRINCIPAL PAYMENTS	NET CASH FLOW	CUMULATIVE CASH FLOW
	\$	\$	\$	\$	\$	\$	\$	\$
1979	320310	29410	26469	62500	7400	62500	10341	10341
1980	320310	30172	27155	62500	7918	62500	10935	21276
1981	320310	30550	27495	62500	8472	62500	11527	32803
1982	320310	30517	27465	62500	9065	62500	12117	44920
1983	320310	30044	27040	62500	9700	62500	12704	57624
1984	320310	27100	26190	62500	10379	62500	13289	70913
1985	320310	27652	24887	62500	11104	62500	13871	84784
1986	320310	25666	23079	62500	11883	62500	14450	99234
1987	320310	23103	20793	62500	12715	62500	15025	114259
1988	320310	19923	17931	62500	13405	62500	15597	129854
1989	320310	16084	14476	62500	14557	62500	16165	146021
1990	320310	11530	10304	62500	15576	62500	16730	162751
1991	320310	6237	5613	62500	16666	62500	17290	180041
1992	320310	127	114	62500	17833	62500	17846	197607
1993	320310	-6848	0	62500	19081	62500	12233	210120
1994	320310	-14749	0	62500	20417	62500	5668	215788
1995	320310	-23641	0	62500	21846	62500	-1795	213993
1996	320310	-33592	0	62500	23375	62500	-10217	203776
1997	320310	-44677	0	62500	25011	62500	-17666	186110
1998	320310	-56977	0	62500	26762	62500	-30215	153895
1999	320310	-70574	0	62500	28635	62500	-41939	111956
2000	320310	-85561	0	62500	30639	62500	-54922	57034
2001	320310	-102035	0	62500	32784	62500	-69251	-12217
2002	320310	-120099	0	62500	35079	62500	-85020	-97237

INTEREST RATE: 1000 TAX RATE: 0 INFLATION RATE: 070

PIPELINE VALUE: 1500000 POPULATION RATE: 000 POPULATION: 405

ALYESKA EXPENSE: 64700 DIRECT EXPENSE: 6300

Schedule 11A

ALASKA GSDP
NET INCOME
(6000)

YEAR	DELIVERY VOLUMES (000 BBL'S)	TARIFF	REVENUES	OPERATING EXPENSES	INTEREST	DEPRECIATION AND AMORTIZATION	INCOME TAX	NET INCOME	CITIZEN SHAREHOLDER INCOME
1979	64062	5.00	320310	73400	150000	62500	0	34410	76
1980	64062	5.00	320310	70538	143750	62500	0	35522	78
1981	64062	5.00	320310	84036	137500	62500	0	36274	80
1982	64062	5.00	320310	89919	131250	62500	0	36641	81
1983	64062	5.00	320310	96214	125000	62500	0	36596	81
1984	64062	5.00	320310	102949	118750	62500	0	36111	80
1985	64062	5.00	320310	110156	112500	62500	0	35154	78
1986	64062	5.00	320310	117867	106250	62500	0	33693	74
1987	64062	5.00	320310	126118	100000	62500	0	31692	70
1988	64062	5.00	320310	134946	93750	62500	0	29114	64
1989	64062	5.00	320310	144392	87500	62500	0	25918	52
1990	64062	5.00	320310	154500	81250	62500	0	22060	49
1991	64062	5.00	320310	165314	75000	62500	0	17496	38
1992	64062	5.00	320310	176806	68750	62500	0	12174	27
1993	64062	5.00	320310	189268	62500	62500	0	6042	13
1994	64062	5.00	320310	202517	56250	62500	0	-957	0
1995	64062	5.00	320310	216693	50000	62500	0	-8883	0
1996	64062	5.00	320310	231861	43750	62500	0	-17801	0
1997	64062	5.00	320310	248091	37500	62500	0	-27781	0
1998	64062	5.00	320310	265458	31250	62500	0	-38898	0
1999	64062	5.00	320310	284040	25000	62500	0	-51230	0
2000	64062	5.00	320310	303923	18750	62500	0	-64863	0
2001	64062	5.00	320310	325190	12500	62500	0	-79888	0
2002	64062	5.00	320310	347962	6250	62500	0	-96402	0

INTEREST RATE: 1000 TAX RATE: 0 INFLATION RATE: 070
 PIPELINE VALUE: 1500000 POPULATION RATE: 000 POPULATION: 405
 ALASKA EXPENSE: 59700 DIRECT EXPENSE: 6300

Schedule 11B

ALASKA GSOP

CASH FLOW

(\$000)

YEAR	REVENUES	NET INCOME	TOTAL SHAREHOLDER DISTRIBUTION	DEPRECIATION AND AMORTIZATION	DISHANTLING RESERVE	PRINCIPAL PAYMENTS	NET CASH FLOW	CUMULATIVE CASH FLOW
	\$	\$	\$	\$	\$	\$	\$	\$
1979	320310	34410	30969	62500	7400	62500	10841	10841
1980	320310	35522	31970	62500	7910	62500	11470	22311
1981	320310	36274	32647	62500	8472	62500	12099	34410
1982	320310	36641	32977	62500	9065	62500	12729	47139
1983	320310	36596	32936	62500	9700	62500	13360	60499
1984	320310	36111	32500	62500	10379	62500	13990	74489
1985	320310	35154	31639	62500	11106	62500	14621	89110
1986	320310	33693	30324	62500	11803	62500	15252	104362
1987	320310	31692	28523	62500	12715	62500	15804	120246
1988	320310	29114	26203	62500	13605	62500	16516	136762
1989	320310	25918	23326	62500	14557	62500	17149	153911
1990	320310	22060	19854	62500	15576	62500	17782	171693
1991	320310	17496	15746	62500	16666	62500	18416	190109
1992	320310	12174	10957	62500	17833	62500	19050	209159
1993	320310	6042	5438	62500	19081	62500	19685	228844
1994	320310	-957	0	62500	20417	62500	19460	248304
1995	320310	-8883	0	62500	21846	62500	12963	261267
1996	320310	-17801	0	62500	23375	62500	5574	266841
1997	320310	-27701	0	62500	25011	62500	-2770	264071
1998	320310	-30098	0	62500	26762	62500	-12136	251935
1999	320310	-51230	0	62500	28635	62500	-22595	229340
2000	320310	-64863	0	62500	30639	62500	-34224	195116
2001	320310	-79888	0	62500	32784	62500	-47104	148012
2002	320310	-96402	0	62500	35079	62500	-61323	86689

INTEREST RATE: 1000 TAX RATE: 0 INFLATION RATE: 070

PIPELINE VALUE: 1500000 POPULATION RATE: 000 POPULATION: 405

ALYESKA EXPENSE: 59700 DIRECT EXPENSE: 6300

Schedule 12A

ALASKA GSP

NET INCOME

(\$000)

YEAR	DELIVERY VOLUMES (000 BBL5)	TARIFF	REVENUES	OPERATING EXPENSES	INTEREST	DEPRECIATION AND AMORTIZATION	INCOME TAX	NET INCOME	CITIZEN SHAREHOLDER INCOME	ACTUAL \$
		\$	\$	\$	\$	\$	\$	\$		
1977	64062	5.00	320310	73900	136400	56833	0	53177		118
1980	64062	5.00	320310	79073	136400	56833	0	48004		106
1981	64062	5.00	320310	84608	133860	56833	0	45009		100
1982	64062	5.00	320310	90531	128860	56833	0	44086		97
1983	64062	5.00	320310	96868	123850	56833	0	42759		95
1984	64062	5.00	320310	103648	110800	56833	0	49029		108
1985	64062	5.00	320310	110904	105770	56833	0	46783		103
1986	64062	5.00	320310	118667	100470	56833	0	44340		98
1987	64062	5.00	320310	126974	95140	56833	0	41363		91
1988	64062	5.00	320310	135862	89820	56833	0	37795		83
1989	64062	5.00	320310	145372	84490	56833	0	33615		74
1990	64062	5.00	320310	155548	79170	56833	0	28759		63
1991	64062	5.00	320310	166436	73840	56833	0	23201		51
1992	64062	5.00	320310	178087	68510	56833	0	16880		37
1993	64062	5.00	320310	190553	63180	56833	0	9744		21
1994	64062	5.00	320310	203892	59330	56833	0	255		0
1995	64062	5.00	320310	218164	56980	56833	0	-11667		0
1996	64062	5.00	320310	233435	54630	56833	0	-24588		0
1997	64062	5.00	320310	249775	52280	56833	0	-38578		0
1998	64062	5.00	320310	267260	49930	56833	0	-53713		0
1999	64062	5.00	320310	285768	47710	56833	0	-70201		0
2000	64062	5.00	320310	305906	46420	56833	0	-88929		0
2001	64062	5.00	320310	327405	43720	56833	0	-107648		0
2002	64062	5.00	320310	350324	42030	56833	0	-129677		0

INTEREST RATE: 1000 TAX RATE: 0 INFLATION RATE: 070

PIPELINE VALUE: 1364000 POPULATION RATE: 000 POPULATION: 405

ALYESKA EXPENSE: 60000 DIRECT EXPENSE: 6500