



**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

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Application of SFPP, L.P. for authority, pursuant to Public Utilities Code Section 455.3, to increase its rates for pipeline transportation services within California.)))))	Application No. A.09-05-014
_____)	
And Related Matters)))	Application No. A.08-06-008 Application No. A.08-06-009
_____)	

REPLY COMMENTS OF TESORO REFINING AND MARKETING COMPANY

On July 12, 2010, SFPP, L.P. (SFPP) submitted Opening Comments in response to a proposed Interim Decision of ALJ Bemserderfer in this proceeding. Tesoro Refining and Marketing Company (Tesoro) respectfully submits these Reply Comments in response to SFPP.

In his Proposed Decision, ALJ Bemserderfer found that SFPP failed to substantiate the position it had taken in its original application that it should be permitted to charge market-based rates. Judge Bemserderfer therefore found that SFPP should be subject to cost-of-service rate regulation.

In its Opening Comments, SFPP states that it does not disagree with any of the findings or conclusions of the Proposed Decision. Since SFPP does not take issue with Judge Bemserderfer's ruling, there is little to say in reply. However, we would like to comment briefly on SFPP's suggestion that it should still be subject to some form of light-handed regulation.

In its Opening Comments, SFPP implies that the *Unocap* factors should be used in this case to formulate some type of light-handed regulation. There is simply no basis for the position that SFPP proposes. As we pointed out in our Closing Brief, the only purpose of the *Unocap* factors is to determine whether a pipeline exercises market power. Since SFPP has conceded that Judge Bemesderfer correctly found that it does indeed have market power in the transportation of petroleum products in California, there is no basis for considering the *Unocap* factors further.

Tesoro therefore respectfully submits that the Proposed Interim Decision should be adopted by the Commission with the changes that we suggested in our Opening Comments regarding the achieved return issue.

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Dated: July 16, 2010

Respectfully submitted,

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REPLY COMMENTS OF TESORO REFINING AND MARKETING COMPANY

I hereby certify that I have this day served the foregoing document by electronic mail upon all persons indicated in the official service list below.

Dated this 16th day of July, 2010 at Washington, D.C.

/s/ Melvin Goldstein

Service List for CPUC Proceedings A.0806008, A.0806009 and A.0905014

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