Agenda Date: Not applicable

Item Number:

**Docket: TO-101364**

Company Name: Olympic Pipe Line Company

Staff: David Gomez, Deputy Assistant Director

**Discussion:**

Olympic Pipe Line Company (Olympic or company) is a hazardous liquid pipeline company as defined in RCW 81.88.010 (7). On August 6, 2010, the company filed with the commission a notification regarding the sale and transfer of shares of Olympic common stock between the two current owners of the company, Arco Midcon LLC (Arco) and Enbridge Holdings L.L.C. (Enbridge).

In December of 2005, the company petitioned the commission for approval of the sale and transfer of common stock in Dockets TO-051879 and TO-051977; two separate sales and transfer transactions.

* The first transaction, Docket TO-051879, was between Arco and Shell Pipeline Company LP (Shell). Shell sold to Arco its entire 37.45 percent stake in Olympic which temporarily made Arco the sole owner of Olympic.
* In the second transaction, TO-051977, Arco entered into an agreement to sell 65 percent of Olympic's common stock to Enbridge which would then make Enbridge the majority stockholder in the company.

Olympic filed with the commission because it believed both transactions would be jurisdictional under RCW 81.16 and therefore require commission approval. RCW 81.16 requires a public service company to file verified copies of contracts or summaries of arrangements for certain transactions between a public service company and any affiliated interest as defined in that chapter. Although Olympic is a public service company under RCW 81.16, it did not participate in the stock transaction. As a result, the commission took no action on the filing; "*Notice of Change in Parties to the Shareholders Agreement, made by Olympic Pipe Line Company in Docket TO-051879*", and dismissed the "*Application of Olympic Pipe Line Company; "ARCO Midcon LLC, and Enbridge, Inc., for an Order Approving the Sale by ARCO Midcon LLC of a Portion of its Shares in Olympic Pipe Line Company to Enbridge, Inc.*", as filed in Docket TO-051977.

In this filing, TO-101364, the company is not seeking the commission's approval of the sale and transfer of ownership shares in Olympic. Instead, it is advising the commission that the relative ownership share between Arco and Enbridge has changed from a 35/65 percent split to a 15/85 percent split respectively, and, as a result of the new ownership split, three separate agreements require modification. They are:

* *Olympic Pipeline Shareholders Agreement* – filed on January 31, 2006, in Docket TO-060183;
* *Financing Agreement* – filed on December 21, 2007, in Docket TO-072412; and
* *Loan Agreement* – filed on April 24, 2006, in Docket TO-060645.

**Scope of Staff Investigation:**

Staff will examine the filing in UTC Docket TO-101364 and determine if the amended agreements materially affect rates and service or the ability of the carrier to promptly, expeditiously, safely, and properly receive, transport, and deliver property offered for transportation.

| ***Agreement*** | ***Staff opinion; impact*** |
| --- | --- |
| Olympic Pipeline Shareholders Agreement | The transfer of shares does not materially change this agreement which will continue to require approval by either 75 percent of the directors representing both shareholders, or, in some instances, by both shareholders directly.   1. Approval of annual capital and operating budgets; 2. Termination or extension of the Operating Agreement with BP Pipelines North America, Inc.; 3. Incurring any debt, entering into leases, encumbering assets or asset equity or business acquisition in excess of $10 million or filing a petition in bankruptcy; 4. Any change in the company's charter or by laws, scope of business, new connections or expansions to the system, shutting down or idling of the system; 5. Tariffs, settlement agreements and shipper charges; 6. Sale, lease, transfer or other disposition by the company of its assets.   In summary, the increased ownership by Enbridge does not result in unilateral control. Since the accident that occurred in Bellingham in June of 1999, the company has not had any major incidents and the commission's pipeline safety staff reports that their inspections of the company's operations have generally been satisfactory. |
| Financing Agreement | The Finance Agreement for a line of credit is amended to reflect the change in ownership percentages resulting from the sale and transfer of common stock. Arco's commitment changes from $5.25 million to $2.25 million. Enbridge's commitment was $9.75 million and is now $12.75 million. |
| Loan Agreement | In 2006, a loan of $60 million was advanced to the company by each of the two stockholders in proportion to their common stock ownership percentages. Arco advanced to Olympic $21 million and Enbridge advanced $39 million. Pursuant to Clause 13.22 of the 2006 Loan Agreement and Section 3 of the Shareholders Agreement, Arco assigns and Enbridge assumes (as lenders) the additional proportion of the original debt issued under this agreement. The result is that the advances attributable to each lender are now Arco, $9 million and Enbridge, $51 million. |

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Figure 1, Olympic Pipeline System[[1]](#footnote-1)

**Conclusion**

The change in the proportion of shares owned by Arco and Enbridge do not have any effect on the operation of Olympic and do not affect rates. Staff concludes:

* The transaction is not subject to commission jurisdiction (the commission dismissed the petition filed in TO-051977 for lack of jurisdiction); and
* That the commission take no action on this filing and the docket should be closed.

1. Olympic Pipeline is the largest petroleum products pipeline in the Pacific Northwest. The pipeline connects four refineries ( refining capacity: 590 kbpd) in the Puget Sound area (Cherry Point, Ferndale and two Anacortes refineries) to 23 gasoline, diesel and jet fuel terminals in Western Washington and Northwestern Oregon. The system includes 400 miles of pipe lines, 10 delivery sites, 1 terminal (Bayview Terminal), and 9 pumping stations. [↑](#footnote-ref-1)