

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND)	DOCKET NO. TO-011472
TRANSPORTATION COMMISSION,)	
)	
Complainant,)	TWENTY-SECOND
)	SUPPLEMENTAL ORDER
v.)	
)	
OLYMPIC PIPE LINE COMPANY,)	ORDER GRANTING
)	MODIFICATION OF COMMISSION
Respondent.)	ORDER
.....)	

1 **Synopsis:** *This order grants Olympic Pipe Line Company's request for modification of the Twentieth Supplemental Order in this docket, to remove certain reporting requirements that are either duplicative of requirements imposed in Docket No. TO-031973 or unnecessary in light of changed circumstances.*

BACKGROUND

2 This proceeding began as a 2001 proposal by Olympic Pipe Line Company (Olympic) for a 62% increase in its rates and charges for transporting refined petroleum products within the state of Washington. The Commission entered a final order on September 27, 2002, in which it granted Olympic's request, in part, and imposed reporting requirements on Olympic based on uncertainties in the record and in Olympic's circumstances, and based on the expectation that the Company would return to the Commission with an additional rate increase request.

3 During 2003, Olympic undertook discussions with Commission Staff and two major shippers who participated in the earlier phases of this docket, which resulted in a settlement agreement on process that the Commission accepted on

December 23, 2003, in Docket No. TO-031973.¹ The Commission simultaneously allowed to become effective a proposed Olympic Pipe Line rate increase, that the settlement participants supported or declined to challenge.

4 The settlement proceeding afforded the opportunity for a review (albeit in a non-adjudicative setting) of the Company's more recent performance and the challenges that it had encountered and progress it had made since the close of the rate case record. In particular, it addressed alternative means of providing information of the sort identified in the Twentieth Supplemental Order in this docket. Olympic now asks the Commission to delete the reporting requirements in Paragraphs 351, 352, and 414 of that order.²

5 Olympic served the Petition on all parties to the prior proceeding, or their successors. No person objected to the proposal, and Commission Staff submitted a comment to the record that supported the proposal

Discussion.

6 Olympic notes that the Twentieth Supplemental Order was based in part on findings that Olympic faced exceptional challenges, which resulted in an incomplete factual record to support its 2001 petition for an increase in rates. The Commission intended its Final Order to provide incentives to Olympic to improve its financial and operational performance and to return for further rate adjustments at an appropriate time.³

¹ Under the terms of the Settlement Agreement (and the Commission Order accepting it), Olympic is obligated to follow certain accounting and reporting requirements. The Commission is not obligated to accept the accounting methodologies or maintain the reporting requirements in any future proceeding.

² The substantive provisions are in Paragraphs 351 and 352; Paragraph 414 is the ordering paragraph in which the Commission ordered Olympic to comply with the requirements of the other two paragraphs.

³ See, Twentieth Supplemental Order, paragraph 8.

- 7 Paragraph 351 of the Twentieth Supplemental Order required Olympic to provide the following reports to the Commission on a quarterly basis:
- Status and level of any pressure restrictions imposed by regulators and the actual average maximum operating pressure achieved by operating by month.
 - Total throughput, including the three months prior to the month of the report, with actual data.
 - Status of Bayview: whether it is being used as a batching facility and, if so, the additional throughput gained by its use, by month.
- 8 Paragraph 352 of the Final Order also requires prompt reports to the Commission of changes in operating pressure, the status of Bayview (a batching and storage facility) and changes in the Company's equity ratio.
- 9 The Settlement Agreement accepted in Docket No. TO-031973 includes provisions that address the issues summarized in the previous two paragraphs, as follows:
- Section 2.1 provides that Olympic must use its best efforts to secure regulatory approval of 100 percent maximum allowable operating pressure within three years and to provide an annual report to Tesoro and CP detailing its efforts in this respect.
 - Section 1.3 provides that Olympic must report its total throughput (for the previous 12 months) each quarter.
 - Section 2.2 provides that Bayview may remain in Olympic's rate base only if it is placed into its intended service on or before September 30, 2004. If Bayview is not put into service by that deadline, either Tesoro or CP may demand that Olympic submit a new tariff removing

Bayview from the rate base and certain procedures are then prescribed for resolution of any such demand.

- 10 The Settlement Agreement accepted in Docket No.TO-031973 also provides in Section 1.4 that Olympic will file future tariffs with the Commission during the term of the Agreement at least annually (additional Interim tariff filings may also be required pursuant Section 1.3), and that Olympic is required to provide Tesoro and CP with detailed backup information supporting those filings regarding the factors set forth in section 3 of the Agreement, including operating expense, depreciation expense, amortization of AFUDC, return on rate base, income tax allowance, and net carryover.
- 11 The Agreement does not require Olympic to report any changes in its actual equity ratio (i.e., “capital structure”), which is required in Paragraph 352 of the Final Order. Olympic represents in its petition that Olympic’s two shareholders (ARCO Midcon and Shell) converted approximately \$108,686,704.95 of Olympic’s debt to equity in June 2003. Given the Commission’s approval of the Agreement in Docket No.TO-031973, stipulating capital structure, and given the conversion of debt to equity, there is no longer the need to monitor Olympic’s actual capital structure during the period of the Agreement as the Final Order requires.
- 12 The Commission finds that the submission supports the proposed remedy. The reporting requirements established in Docket No.TO-031973 are largely duplicative of, and adequately supplant, the reporting requirements set out in the Twentieth Supplemental Order in this docket. There is no longer a need to maintain the requirements in Paragraphs 351, 352, and 414 of the Twentieth Supplemental Order.
- 13 Therefore, the Commission grants the motion and modifies the Twentieth Supplemental Order to remove Paragraphs 351, 352, and 414 thereof.

ORDER

- 14 (1) The Commission finds that Paragraphs 351, 352, and 414 of the Twentieth Supplemental Order in this docket no longer necessary in light of changed circumstances and provisions of the order accepting Settlement Agreement in Docket No. TO-031973.
- 15 (2) The Commission modifies the Twentieth Supplemental Order in this docket to release Olympic from the obligations imposed on it in Paragraphs 351, 352, and 414 of the Order.

DATED at Olympia, Washington and effective this 17th day of March, 2004.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARILYN SHOWALTER, Chairwoman

RICHARD HEMSTAD, Commissioner

PATRICK J. OSHIE, Commissioner

NOTICE TO PARTIES: This is a final order of the Commission. In addition to judicial review, administrative relief may be available through a petition for reconsideration, filed within 10 days of the service of this order pursuant to RCW 34.05.470 and WAC 480-07-850, or a petition for rehearing pursuant to RCW 80.04.200 or RCW 81.04.200 and WAC 480-07-870.