

SERVICE DATE

MAR - 1 2002

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Application of)	
)	
OLYMPIC PIPE LINE COMPANY)	DOCKET NO. TO-020169
)	
For Approval of Property Transfer to)	ORDER GRANTING
the Port of Seattle, a Washington)	APPLICATION FOR SALE
Municipal Corporation)	AND TRANSFER OF ASSETS
)	
.....)	

BACKGROUND

- 1 On February 12, 2002, Olympic Pipe Line Company ("Olympic") filed an application which requested, on an expedited basis, an order from the Washington Utilities and Transportation Commission ("Commission") that authorizes Olympic to sell and transfer certain equipment to the Port of Seattle, a municipal corporation ("the Port"). Olympic is engaged in the business of transporting refined petroleum products within and beyond the state of Washington as a common carrier.
- 2 Olympic owns and operates a petroleum fuel pipeline system in western Washington and Oregon. As part of this pipeline system, Olympic owns certain tank and farm equipment, delivery pipelines and other delivery materials (collectively, the Terminal Facility") located in or around the Seattle-Tacoma International Airport in King County, Washington (the "Airport"). According to Olympic, the Terminal Facility is used by Olympic to supply aviation fuel for use by aircraft at the Airport.
- 3 Olympic and the Port have negotiated a Purchase and Sale Agreement for the Airport Terminal Facility substantially in the form of Appendix 1 attached to the Application (the "PSA"). Olympic and the Port expect to execute and close an agreement for transfer of the Terminal Facility substantially in the form of the PSA on a date in March 2002 (the "Closing Date").
- 4 Pursuant to the PSA, Olympic will sell to the Port, and the Port will purchase from Olympic, the Terminal Facility. On the closing date, the Port will pay Olympic eleven million dollars (\$11,000,000) for the Terminal Facility. As a condition of closing, Olympic must obtain regulatory approval of the transfer to Port pursuant to RCW 81.12.020. As described in the PSA, The Terminal Facility consists of the following equipment:

- The Tank Farm Equipment, which includes, but is not limited to, certain valves, pipe systems and associated piping, storage tanks, motors, pumps and pump shafts, filters, controls, a warehouse, pipeline meters, cathodic protective equipment, and the fence and gate surrounding the facility.
- The South Truck Rack Equipment, which includes, but is not limited to, a truck loading rack (with four stations including associated metering equipment, piping and instrumentation), control equipment building, surge protection equipment, and fence and truck barriers.
- The North Truck Rack Equipment, which includes, but is not limited to, a truck loading rack (with four stations including associated metering equipment, piping and instrumentation), control equipment building, fence, meter structure and truck barriers.
- The Ten-Inch Pipeline System, which includes, but is not limited to, a pipeline system composed of multiple ten-inch pipelines and meter skid and instrumentation used for metering certain deliveries.

5 Olympic is a pipeline carrier regulated by the Commission as a common carrier under RCW 81.88.030. Chapter 81.12 RCW governs transfers of property by common carriers regulated by the Commission. Specifically, RCW 81.12.020 provides:

No public service company shall sell, lease, assign or otherwise dispose of the whole or any part of its franchises, properties or facilities whatsoever, which are necessary or useful in the performance of its duties to the public...without having secured from the commission an order authorizing it to do so.

6 The Terminal Facility is part of the Port's plans to upgrade its current aircraft fuel handling system. The Port's planned upgrade contemplates the installation of a fuel hydrant system. According to the Application, the proposed fuel hydrant system will improve safety and security at the airport by reducing the need for tanker trucks and drivers to be used to deliver fuel to waiting aircraft. The transition to a hydrant system will also reduce the number of persons having access to both planes and the tarmac, thereby enhancing airport security.

7 At the Commission's February 27, 2002, Open Meeting, Commission Staff stated that they reviewed the proposed Sale and Transfer and believed it to be in the public interest. Staff opposed the use of the proceeds to pay operating losses and operating expenses and recommended that Olympic use the proceeds to finance Olympic's major maintenance projects and capital improvements. Staff recommended approval of the Application but recommended deferring consideration of the regulatory treatment of the gain and the use of the proceeds of the sale to Olympic's general rate case in Docket TO-011472.

- 8 At the Open Meeting, the Company made certain commitments concerning the disposition of proceeds realized from the transfer of the Terminal Facility. Olympic represented to the Commission that none of the proceeds from the sale will be used to (1) pay dividends, (2) pay interest or principal on debt obligations held by the company's shareholders, or (3) make up for operating losses.
- 9 Tesoro Refining and Marketing Company (Tesoro) through its attorney, Robin Brena, did not oppose the sale and transfer but proposed that the approval of the sale be conditioned upon Olympic's use of the proceeds for safety and capital improvements. Tesoro expressed concern that the company in its application indicated that it intends to use the proceeds to repay a Prudential debt. Tesoro asserted that such use of the proceeds would not be in the public interest. Specifically, Tesoro requested the Commission require Olympic to separately account for the proceeds from the sale, and temporarily restrict the use of the proceeds to those safety and capital improvements identified in Olympic's 2002 Capital Budget. The restriction would remain in place until the Commission establishes a just, fair, and reasonable rate in Olympic's general rate proceeding in Docket No. TO-011472.
- 10 Tosco Corporation (Tosco) through its attorney, Edward Finklea, supported the sale and transfer as being in the public interest, but recommended that the use of the proceeds of the sale should be restricted to capital improvements. Tosco also supported deferring consideration of the regulatory treatment of the gain on sale and consideration of the use of the proceeds to Olympic's general rate proceeding in Docket No. TO-011472.
- 11 This Commission neither approves nor disapproves the reasonableness of any fees, charges, rates, purchase price, or accounting allocations involved with the proposed arrangement and reserves the right to review those fees, charges, rates, or accounting allocations in a future rate proceeding.

FINDINGS

- 12 (1) Olympic is engaged in the business of transporting refined petroleum products within and beyond the state of Washington as a common carrier.
- 13 (2) On February 12, 2002, Olympic filed with the Commission an application to transfer certain facilities to the Port of Seattle.
- 14 (3) The transfer of such facilities requested in Olympic's Application is reasonable and in the public interest and should be authorized.

ORDER

15 THE COMMISSION ORDERS:


- 16 (1) Authorization is hereby given to Olympic Pipe Line Company to transfer the Terminal Facility to the Port of Seattle.
- 17 (2) The Commission retains jurisdiction over the subject matter and Olympic Pipe Line Company to effect the provisions of this Order.
- 18 (3) The Commission will consider and determine the regulatory treatment of the gain associated with the sale and evaluate the prudence of the disposition of the proceeds in Olympic Pipe Line Company's current rate proceeding in Docket No. TO-011472.
- 19 (4) The Commission does not address the reasonableness of any fees, charges, rates, purchase price, or accounting allocations involved in carrying out the provisions of ordering paragraph No. 1 of this Order.

DATED at Olympia, Washington, and effective this 1st day of March 2002.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION


 MARILYN SHOWALTER, Chairwoman


 RICHARD HEMSTAD, Commissioner


 PATRICK J. OSHIE, Commissioner