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February 16, 2011

Mr. Dave Danner  
Executive Secretary  
Washington Utilities and Transportation Commission  
P.O. Box 47250  
1300 Evergreen Park Drive S.W.  
Olympia, Washington 98504-7250

Re: Olympic Pipe Line Company's Notification of Affiliate Transaction

Dear Mr. Danner:

Pursuant to the provisions of RCW 81.16.020 and WAC 480-73-190, Olympic Pipe Line Company ("Olympic") provides this notice along with a verified copy of the Amendment Extending Lease Storage Agreement ("Amendment") between Olympic and BP West Coast Products LLC ("BPWCP").

The Amendment extends the initial term of a pre-existing Lease Storage Agreement, dated August 11, 2008. The Lease Storage Agreement involves the lease of 85 percent of the storage capacity of Olympic's Bayview storage facility. The Lease Storage Agreement was previously submitted to the WUTC for approval pursuant to Olympic's September 30, 2008 *Petition of Olympic Pipe Line Company for Approval of Transfer of Property* (attached as Exhibit A<sup>1</sup>). As noted in the *Petition*, certain of Olympic's shippers had expressed concerns about the impact on rates from including the Bayview facilities in the rate base. As explained in the *Petition*, the Lease Storage Agreement was a direct outgrowth of Olympic's agreeing to remove the Bayview facilities from the rate base. Olympic anticipated that leasing the facilities would provide the revenue necessary for Olympic to accommodate the tariff revenue reduction inherent in Bayview's removal from the rate base.

The Lease Storage Agreement (and removal of the Bayview facilities from the rate base) was approved by the WUTC pursuant to an Order dated December 4, 2008, issued in *In re the Matter of the Petition of Olympic Pipe Line Co. for an Order Approving Terms of a Storage Lease Agreement with BP West Cost Products LLC*, Docket TO-081785 (Order No. 4) (the

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<sup>1</sup> A redacted version of the Lease Storage Agreement is attached to the Petition as Exhibit 2. A confidential unredacted version was separately submitted to the Commission pursuant to the terms of a Protective Order issued on October 6, 2008, in Dkt. 031973.

“Order”) (attached as Exhibit B). The WUTC issued the following findings and conclusions in connection with its approval of the Lease Storage Agreement:

- “The Commission has examined the confidential lease agreement and finds its terms to be in the public interest.” Order, ¶ 31.
- “The Commission concludes that the lease of Olympic’s Bayview storage facility by BPWCP is consistent with the public interest and will benefit all parties involved.” *Id.*, ¶ 35.
- “Based on the foregoing, the Commission concludes that it should grant the Motion, approve and adopt the Amended TSA and Staff Agreement, and approve the Lease Petition authorizing Olympic and BPWCP to fulfill the provisions of the Lease.” *Id.*, ¶ 36.
- “The Storage Lease Agreement between Olympic and BP West Coast Products, LLC (BPWCP), would lease 85 percent of the storage capacity at the Bayview storage facility to BPWCP, which would enable Olympic to remove that portion of the storage facility from rate base and reduce rates to all shippers.” *Id.*, ¶ 42.
- “The Lease Petition, which requests approval of the lease of 85 percent of the Bayview storage facility by BPWCP from Olympic, is in the public interest.” *Id.*, ¶ 50.
- “Olympic should be authorized to lease 85 percent of the storage capacity at its Bayview facility to BPWCP in exchange for adequate compensation from BPWCP pursuant to RCW 81.12.020.” *Id.*, ¶ 52.
- “Olympic Pipe Line Company’s Petition for Approval of Transfer of Property is granted and Olympic and BP West Coat Products, LLC are authorized to carry out the provisions of the Storage Lease Agreement.” *Id.*, ¶ 58.

The leased Bayview facilities have been removed from the rate base pursuant to the Commission’s December 4, 2008 Order. Since January 1, 2009, Olympic has leased such storage capacity to BPWCP, pursuant to the terms of the Lease Storage Agreement. The Lease has had the beneficial effect of offsetting the tariff revenue reductions associated with removal of Bayview from the rate base.

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The primary purpose and effect of the Amendment is to extend the initial term of the Lease Storage Agreement by five years, such that the revised "Initial Term" will end on December 31, 2018, rather than December 31, 2013. During this extended five-year term, Olympic will receive an annual lease rate that reflects the change in the Consumer Price Index. In addition, Olympic has expressly confirmed that it will take all necessary precautions in connection with the Amendment to (1) ensure the safety and health of both its personnel and third parties and (2) ensure compliance with applicable environmental laws and regulations. The Amendment also provides each party with certain auditing rights.

All other material terms of the Lease Storage Agreement will remain in full force and effect. As such, the necessity for, and the benefit to the public flowing from, the Lease Storage Agreement will remain fundamentally unchanged.

A true and correct verified copy of the Amendment is attached to the Verification of Olympic's President, Steve Maulding, submitted herewith. The Amendment was executed as of February 7, 2010 and, by its terms, is to become effective only upon submission of this Notice.

Please let us know if you have any questions.

Very truly yours,

DANIELSON HARRIGAN LEYH & TOLLEFSON LLP



Christopher Wion

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Enclosures