

Agenda Date: May 9, 2019
Item Number: C1

Docket: TG-190267
Company Name: Olympic Pipe Line Company, LLC
Staff: Scott Sevall, Regulatory Analyst

Recommendation

Issue an Order allowing proposed Amendment Number 8 to the Tariff Settlement agreement of 2003 that was filed on April 8, 2019.

Discussion

On April 5, 2017, Olympic Pipe Line Company, LLC (Olympic) petitioned the Washington Utilities and Transportation Commission to approve Amendment Number 8 to the Tariff Settlement Agreement of 2003 (TSA). Olympic operates a petroleum pipeline throughout the Puget Sound Region and Western Washington. The last amendment to the TSA was approved in 2008.

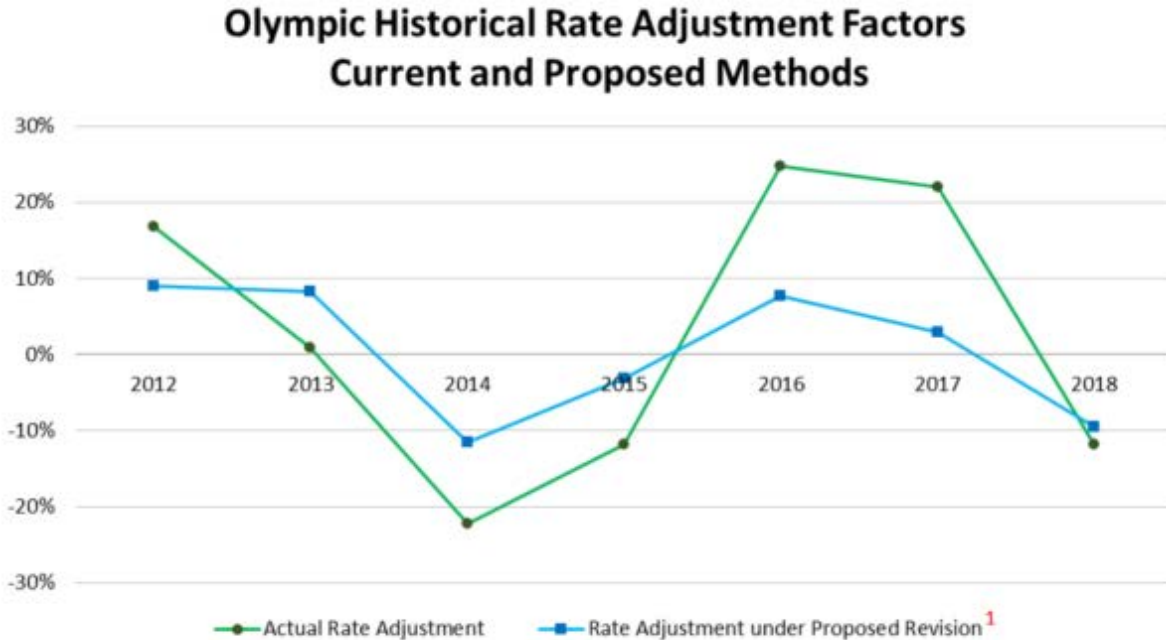
The petition and the proposed changes to the TSA are supported and agreed to by Tesoro Refining & Marketing Company, LLC, (Tesoro) and Phillips 66 Company (Phillips 66) both of whom are the successors of original signers of the 2003 TSA. The parties have also proposed the same amendments to the Federal Energy Regulatory Commission (FERC). An Olympic representative notified commission staff (staff) that the FERC public comment period has closed and that no comments were received.

The proposed amendment establishes a new five-year agreement between the parties. After the initial five-year period, the TSA will still be active on a year-to-year basis. This timeline or agreement period is the same as Amendment 7 which was approved in 2008 and expired in 2013.

The significant change proposed in the new amendment is to the calculation of the “Rate Adjustment Factor” (RAF). Currently the RAF is determined by dividing the Total Revenue Requirement (which is relatively steady) by the Actual Tariff Revenue through the end of the prior calendar year. Rates are adjusted every year and become effective on July 1 of each year, resulting in the RAF calculation using rates from two rate periods; the rate for the second period includes correction for any over or under collection from the first period.

The proposed change is to divide the Total Revenue Requirement by the product of (i) the preceding year actual volumes and (ii) the Weighted Average Rate at the time of the Annual Tariff Filing the preceding year. This approach uses a historical 12-month volume like the current calculation, but uses only the current tariff price to calculate Actual Tariff Revenue. This change eliminates the over or under collection of the first six months, which has been corrected

in the second six months from affecting the rate calculation for the future. The result is a smaller variance. Below is a chart showing the result of the two methods.



Staff believes the current TSA creates fair, just, reasonable, and sufficient rates and that the proposed amendment will continue to do so. The mechanism correcting for any over-collection or under-collection by Olympic is maintained. The chart above shows that had the amendment been in place, the tariff rates would have been less volatile, thus this amendment improves rate stability and accuracy. The addition of a new five-year term to the settlement agreement also adds stability for all parties.

Conclusion

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