BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION Complainant, v. OLYMPIC PIPE LINE COMPANY, INC., Respondent.	DOCKET NO. TO-011472 PREHEARING MEMORANDUM ON BEHALF OF COMMISSION STAFF REGARDING OLYMPIC PIPE LINES'S REQUEST FOR INTERIM RATE RELIEF

I. INTRODUCTION

Olympic Pipe Line Company ("Olympic") has requested a 62% increase in intrastate transportation rates. Olympic's Amended Petition seeks that full amount on an interim basis, pending a final decision in the general rate case.

Staff's case supports interim rate relief in an amount no more than 19.48%. Staff's case is based on recent actual operating results and other stated assumptions. It is supported by well-established and reasonable factual, legal, and policy considerations.

For example, Staff's analysis shows that Olympic's financial posture is improving substantially. (Ex.135-T, Direct Testimony of Mr. Colbo). The improvement began, not

surprisingly, after Olympic reactivated the northern section of the pipeline. The major refineries at the north end of the pipeline resumed shipping product last June, which increased Olympic's throughput. The pipeline is now at 80% pressure and 91% utilization. (*Id.* at 4, lines 7-9).

Accordingly, the short-term prospects for Olympic are much brighter now than during the first six months of 2001. This needs to be accounted for by the Commission as it considers interim rate relief.

II. STANDARDS FOR INTERIM RATE RELIEF

A. The Commission should apply the same standards it applies in cases decided under Title 80

Since 1972, the Commission has consistently applied the same standards for interim rate relief.[1] The Commission also has applied those standards in cases involving alleged emergencies that did not involve interim rate relief (*i.e.* no request for general rate relief was involved).[2]

A threshold issue in this case is whether those same interim rate relief standards should be

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1 *See Washington Util. & Transp. Comm'n v. Pacific Northwest Bell Tel. Co.,* Cause No. U-72-30 tr (Second Supp. Order)(1972); *Washington Util. & Transp. Comm'n v. Puget Sound Power & Light Co.,* Cause No. U-73-57 (Second Supp. Order)(1974); *Washington Util. & Transp. Comm'n v. Cascade Natural Gas Co.,* Cause No. U-74-20 (Second Supp. Order)(1974); *Washington Util. & Transp. Comm'n v. Cascade Natural Gas Co.,* Cause No. U-74-20 (Second Supp. Order)(1974);*Washington Util. & Transp. Comm'n v. Pacific Northwest Bell Tel. Co.,* Cause No. U-75-40 (11 PUR 4th 166)(1975); *Washington Util. & Transp. Comm'n v. Washington Water Power Co.,* Cause No. U-77-53 (Second Supp. Order)(1977); *Re: Washington Water Power Co.,* Cause No. U-77-53 (Second Supp. Order)(22 PUR 4th 485)(1977); *Washington Util. & Transp. Comm'n v. Puget Sound Power & Light Co.,* Cause No. U-80-10 (Second Supp. Order)(1980); *Washington Util. & Transp. Comm'n v. Washington Water Power Co.,* Cause No. U-80-13 (Second Supp. Order)(1980); *Washington Util. & Transp. Comm'n v. Washington Natural Gas Co.,* Cause No. U-80-111 (Second Supp. Order)(1981); *Washington Util. & Transp. Comm'n v. Washington Water Power Co.,* Cause No. U-83-26 (Fourth Supp. Order)(1983); *Washington Util. & Transp. Comm'n v. Richardson Water Cos.,* Docket No. U-88-2294-T (Second Supp. Order)(1988); *Washington Util. & Transp. Comm'n v. South Bainbridge Water System, Inc.,* Docket Nos. U-87-1355-T and U-83-50 (Second Supp. Order)(1988); *Washington Util. & Transp. Comm'n v. Alderton-McMillin Water Supply, Inc.,* Docket No. UW-911041 (First Supp. Order)(1992); *Washington Util. & Transp. Comm'n v. Washington Natural Gas Co.,* Docket No. UG-950278 (Third Supp. Order)(1995).

2 *In re Avista Corporation,* Docket No. UE-010395 (Sixth Supp. Order)(2001); *Washington Utilities & Transp. Comm'n v. Puget Sound Energy, Inc.,* Docket No. UE-011163 (Sixth Supp. Order)(2001).

applied to cases decided under Title 81 RCW. Staff is unaware of any Commission decisions on the merits of this issue other than a brief statement in an *ex parte* order in a 1988 solid waste case suggesting those standards apply.[3]

Staff's position is that since the statutory scheme in Title 81 and Title 80 are similar, the same interim rate relief standards should apply. (Ex. B1-T, Direct Testimony of Mr. Elgin at 6-7). All other parties advocate the same standards. (Olympic: *See* Amended Petition at ¶ V.7; Intervenors: *See* Direct Testimony of Mr. Brown at 4-5).

B. The Interim Relief Standards and How They Can Be Applied in this Case

The Commission framework for analysis for interim rate relief (commonly referred to as the PNB test) is stated as follows:[4]

1) The Commission has authority in proper circumstances to grant interim rate relief to a utility, but this should be done only after an opportunity for an adequate hearing.
2) An interim rate increase is an extraordinary remedy and should be granted only where an actual emergency exists or where necessary to prevent gross hardship or gross inequity.
3) The mere failure of the currently realized rate of return to equal that approved as adequate is not sufficient, standing alone, to justify the granting of interim relief.
4) The Commission should review all financial indices as they concern the applicant, including rate of return, interest coverage, earnings coverage and the growth, stability or deterioration of each, together with the immediate and short term demands for new financing and whether the grant or failure to grant interim relief will have such an effect on financing demands as to substantially affect the public interest.

3 *Washington Utilities & Transp. Comm'n v. Skamania County Sanitary Serv.*, Cause No. TG-2108 (April 28, 1988)
4 Paraphrased from the conditions stated in *Washington Util. & Transp. Comm'n v. Pacific Northwest Bell Tel. Co.*, Cause No. U-72-30 tr, Second Supp. Order (1972) at 13 and later orders.

5) Interim relief is a useful tool in an appropriate case to fend off impending disaster. However, the tool must be used with caution and applied only where not to grant relief would cause clear jeopardy to the utility and detriment to its ratepayers and stockholders. That is not to say that interim relief should be granted only after disaster has struck or is imminent, but neither should it be granted in any case where full hearing can be had and the general case resolved without clear detriment to the utility.

6) The commission must reach its conclusion with its statutory charge to "Regulate in the public interest" in mind. This is our ultimate responsibility and a reasoned judgment must give appropriate weight to all salient factors.

The PNB test effectively assumes the public service company's securities are publicly traded, and that the conditions contained in such securities are complied with. However, Olympic's debt is not publicly traded, and Olympic has obtained financing while in default of certain of its securities. (Ex. 131-T, Direct Testimony of Mr. Elgin at 11, line 22 to page 13, line 18). Accordingly, Staff was required to apply the "spirit" of the Commission's interim relief standards.

The evidence is discussed in more detail in Parts III-V below. But a key consideration is that Olympic is not sustaining ongoing losses. Olympic's results have improved since June 2001, when Olympic began shipping product at 80% pressure and 91% utilization. Mr. Colbo's Ex. 137, Col. (E), line 27 shows positive net income before taxes of $1,765,617 as representative of Olympic's near term prospects.

While Olympic's recent historical results are not robust, Olympic's financial condition is not deteriorating. It is improving.

III. OLYMPIC'S DIRECT CASE FOR INTERIM RELIEF IS CURSORY AND UNCONNECTED TO OBJECTIVE CRITERIA UNDER WHICH ADDITIONAL FINANCING WILL BE MADE AVAILABLE

Olympic's case for interim rate relief is based on its alleged inability to pay its debt

obligations when due, and a need to finance its construction budget in 2002.[5] According to the Company, it "will not [otherwise] be able to raise sufficient capital from **external sources** to finance its future capital expenditures." (Ex. 2-T, Supp. Testimony of Mr. Batch at 5, lines 5-6)(emphasis added).

The basic flaw in Olympic's case is that there is no objective connection between Olympic's requested 62% rate increase and Olympic's ability to externally finance its ongoing construction program.

For example, there is no showing that an immediate 62% rate increase will enable Olympic to issue additional debt or equity, and if so, in what amount, when, and who will provide the funds. Olympic has no long term or short term financing plan, so it is not possible for the Commission to understand just what financing will be required, in what form it will be issued, and who will provide it.

What we do know is that Olympic's existing note to Prudential explicitly precludes Olympic from receiving debt financing from either external or internal sources. (Ex. 133, Excerpt from the January 1, 1994 (amended) Prudential note). Absent waiver of this condition, and unless Olympic obtains an infusion of equity, its only access to financing is through the remaining $20 million on the revolving credit line in the June 22, 2001 ARCO note. (Ex. 131-T, Testimony of Mr. Elgin at 13, line 21 to page 14, line 2). This remaining $20 million would be available, but for technical default on that loan. There is no evidence to show that granting any amount of interim rate increase will enable Olympic to access that line of credit.

5 *See* Ex. 2-T, Supplemental Testimony of Mr. Batch at 2-5.

Neither is there a direct, objective connection between Olympic's technical default status and its ability to raise capital. For example, Olympic's June 22, 2001 note to ARCO was issued while Olympic was already in default on other ARCO notes. Nonetheless, ARCO advanced $10 million. (Ex. 131-T, Direct Testimony of Mr. Elgin at 12, lines 17-20). There are no written conditions from ARCO indicating the conditions under which access to that line will be permitted. (*Id.* at 13, lines 10-12). Olympic has issued other notes, amounting to millions of dollars, at a time when Olympic had no ability to pay them when due.[6]

Given these highly unusual and irregular circumstances, it is difficult, if not impossible, to properly evaluate Olympic's financial position and financing prospects.

V. STAFF'S PRESENTATION IS BASED ON APPLICATION OF OBJECTIVE FINANCING CRITERIA, APPLIED TO AN APPROPRIATE LEVEL OF CAPITAL

The Commission is faced with at least two central problems in this case. First, the notes issued by Olympic explicitly preclude issuance of additional debt. There are no objective criteria for Olympic to meet for it to either obtain an equity infusion, or access the remaining $20 million on its existing credit line. (Ex. 131-T, Direct Testimony of Staff witness Mr. Elgin at 13, line 1 to page 14, line 7).

Staff resolves this problem by applying objective criteria in order to analyze the financial position of Olympic in this case.

Second, there is an enormous disconnection between the amount of capital Olympic has invested and the net plant Olympic has devoted to public service. According to Olympic's balance

6 Ex. 131-T, Direct Testimony of Mr. Elgin at 12, lines 1-7.

sheet, Olympic's debt significantly outpaces net plant in service: $146 million in debt compared to $98 million in long-lived assets. (Note: these figures are preliminary and approximate. Ex. 131-T, Direct Testimony of Staff witness Mr. Elgin at 18, lines 18-20). This difference of $48 million is about a third of Olympic's total capital. If this $48 million is not financing assets, it must be for some other purpose and unrelated to Olympic's investment in long-lived assets to serve the public.

Staff resolves this problem by examining only the debt that is supporting assets devoted to serving the public. It is inappropriate to grant rate relief based on debt capital that does not support such assets. To do so would violate at least four basic ratemaking principles:

- Investors are entitled to a return only upon that portion of their investment that is devoted to public service.[7] *Bluefield Water Works & Improvement Co. v. Public Serv. Comm'n of West Virginia*, 262 U.S. 629, 692, 43 S. Ct. 675, 67 L. Ed. 1176 (1923). *See also Washington Util. & Transp. Comm'n v. American Water Resources, Inc.*, Docket No. UW-980265 (Fifth Supp. Order)(1998)(*affirmed* by Sixth Supp. Order)(1999);[8]

- An expense that provides no ratepayer benefit is not recoverable. *US WEST Communications, Inc. v. Utilities & Transp. Comm'n*, 134 Wn.2d 74, 126-27, 949 P.2d 1337 (1997).

- There is no requirement that the value of investment or securities lost due to market forces be recoverable through rates. *Market Street Railway Co. v . Railroad Comm'n,* 324 U.S. 548, 567, 65 S. Ct. 770, 89 L. Ed. 1171 (1945).

- It is not the role of regulation to provide current cost recovery for past losses of funds used to pay past expenses. "If . . . a company fails . . . to exact sufficient returns to

7 In some circumstances it is permissible to permit a public service company to include construction work in progress (CWIP) in rate base. CWIP does not seem to be the problem here. The Cross-Cascades project has been excluded by Olympic from CWIP for purposes of this case. (Ex. 131-T, Direct Testimony of Mr. Elgin at 17, lines 6-8). The other substantial items in the confidential list of Intervenor witness Mr. Grasso in his direct testimony, Ex. 114-TC at 5, line 13 to page 14, line 4, do not appear to include CWIP items, either.

8 In the *American Water Resources* case, the company, like Olympic, held an amount of total debt ($936,347) that exceeded rate base ($833,292). The Commission applied the fair rate of return to rate base, not total capital. (*See* Fifth Supp. Order 22, 24, and Sixth Supp. Order at App. Tables 2 and 6).

> keep the investment unimpaired, whether this is the result of . . . omission to exact proper prices for output, the fault is its own. When . . . a public regulation of its prices comes under question, *the true value of the property then employed for the purpose of earning a return cannot be enhanced by a consideration of the errors in management which have been committed in the past*." *City of Knoxville v. Knoxville Water Co.*, 212 U.S. 1, 14, 29 S. Ct. 148, 53 L. Ed. 371 (1909)(emphasis added).

The Commission is faced with the following situation: There are no objective financing criteria in Olympics' existing notes. Olympic has been able to finance in violation of the covenants that did exist. There is a disconnection between the amount of Olympic's debt and Olympic's investment in facilities to serve the public. Olympic has no permanent financing plan. These facts, coupled with the assumption there would be no equity infusion, Staff had no alternative (short of recommending denial of the Amended Petition) other than to apply objective financing criteria.

As Mr. Elgin indicates, it is typical to find interest coverage covenants in debt instruments of public service companies. He recommends a 1.5 times interest coverage ratio as representative. (Ex. 131-T, Direct Testimony of Mr. Elgin at 15, lines 8-17).

Staff determined the level of interest associated with an estimated amount of net plant for 2001. (Ex. 131-T, Direct Testimony of Mr. Elgin at 14-21). Applying a 1.5 times interest coverage test, the resulting interest amount was $8.880 million. (*Id.* at 21, lines 1-6 and Ex. 134).

The rate impact was found by determining the additional revenues required to reach that level of annual pre-tax revenue. Staff used the last six months of 2001 as being more representative than the first six months, made certain preliminary accounting adjustments, and annualized the results. The results show Olympic's net income before taxes is $1,765,617. (*See* Ex. 135-T, Direct Testimony of Mr. Colbo, and Ex. 137, Col. (E), line 27) Staff estimates that an additional

$7,114,383 would be required to generate pre-tax annual income of $8.880 million. The result is an interim rate increase of no more than 19.48%. (Ex. 137, Col. (F) and lines 40 and 41).[9]

IV. STAFF'S EVALUATION OF OLYMPIC'S REBUTTAL CASE

Any company seeking interim rate relief must demonstrate consistency with the position it takes in its general rate case application. The Commission recently rejected the argument that the rate case is totally independent from interim rate relief considerations:

> The Company argues that a request for interim rate relief is totally independent from the general rate case in which it arises. We believe that this characterization is inaccurate. An interim request is processed swiftly, without the full time for review afforded in a general rate case. It is more narrowly focused than a general rate proceeding. But it draws upon and rests in the context of the fully prepared evidence. In preparing its best case for general rate relief, the Company develops a panorama from which it chooses scenes for presentation in its quest for interim relief. The Company's full circumstances have been presented in its prefiled exhibits and will be explored fully at hearing. **The evidence is interrelated and consistent. The proceedings are independently prosecuted, but the two are not independent in context or content.**

Utilities & Transp. Comm'n v. Puget Sound Energy Co., Docket Nos. UE-011163 and UE-011170 (Sixth Supp. Order)(2001) at paragraph 27 (emphasis added).

Olympic's rebuttal case was filed yesterday. There is insufficient time to fully evaluate it. However, it is clear from a first reading that Olympic's rebuttal case violates this Commission holding.

Olympic believes it is entitled to recover its interest expense associated with total debt capital, regardless whether that debt is associated with its investments serving the public.[10] As

9 Mr. Colbo's Ex. 137, Col. (G) at line 27 shows the $8.880 million. The amount in column (F) shows the additional revenue needed to achieve that level)

stated by Mr. Fox (Ex. 81-T, page 6, lines 13-15): "We understand Staff's attempt to link allowed return to net plant serving the public. That is a general rate case issue. For the interim case, the debt is what it is."

This testimony by Olympic proves Staff's point: Olympic is seeking to recover through interim rates debt costs without any attempt to associate that debt with net plant. This violates several legal principles outlined earlier.

Moreover, it is clear that Olympic is not seeking to earn a return on anything other than its FERC rate base in its general rate case. (Ex. ___ (CAH-3) of Ms. Hammer (OPL-30, Schedule 3)). Thus, Olympic's interim case is purely and simply an attempt to "de-link" interim rate relief issues from the general rate case, violating the Commission's recent holding that requests for interim rate relief and general rate cases, though independently prosecuted, "are not independent in context or content." *Utilities & Transp. Comm'n v. Puget Sound Energy Co., supra.*

Olympic resists the attempt to reconcile the capital for which Olympic seeks recovery under interim rates, which is not tied to net plant, with the capital for which it seeks recovery in Olympic's general rate case, which is tied to net plant. The Commission should not countenance that strategy.

Additionally, Olympic seems to agree in principle with Staff witness Elgin's times interest coverage analysis. (Ex. 101-T, Rebuttal Testimony of Mr. Schink at 4, line 19 to page 5, line 11).

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10 (For Olympic rebuttal testimony to the same effect, *see also* Ex. 81-T, Rebuttal Testimony of Mr. Fox at 5, line 21 to page 6, line 4; Ex. 101-T, Rebuttal Testimony of Mr. Schink at 8, lines 1-9.

However, Olympic contends the times interest target should be no less than 2.6, not 1.5 as Mr. Elgin used.[11] (*Id.* at 6-7). Staff will show at hearing why Olympic's proposed 2.6 times interest factor is excessive. One thing is clear: A high times interest factor is unjustified by Olympic's operating risk profile. Currently, Olympic is rationing the use of its pipeline. It has more customer demand for service than it can satisfy. Demand exceeds supply by a large margin. Refinery output in Northwest Washington is 570,000 barrels per day, yet only about half (290,000 bbls.) can be shipped via the pipeline. (Ex. 3-T, Rebuttal Testimony of Mr. Batch at 11, lines 6-16). Alternative modes of transportation are not price competitive. At present, barge rates exceed pipeline rates by 334%, and trucking rates exceed pipeline rates by 584%.[12]

VI. STAFF'S EVALUATION OF THE INTERVENERS' CASE

In a nutshell, the Interveners contend Olympic's alleged financial difficulties are a product of Olympic's own making. (*See* the confidential list of items contained in Ex. 114-TC, Direct Testimony of Mr. Grasso at 5, line 13 to page 14, line 4). According to the Interveners, had Olympic been capitalized more appropriately, with perhaps as much as 50% equity, Olympic would not be in the situation it claims it is in now. (Ex. 111-T, Direct Testimony of Mr. Hanley at 7, lines 1-14).

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11 Mr. Schink also argues that interest on all debt should be included, as opposed to Staff's effort to limit the interest used in the calculation to an estimate of the debt supporting net plant. (Ex. 101-T, Rebuttal Testimony of Mr. Schink at 8, lines 10-14). This argument should be rejected for the same reasons addressed previously.

12 Barge rates are $.84/bbl. and trucking rates $1.47/bbl. From Northwest refineries to Seattle. (Ex. 3-T, Rebuttal Testimony of Mr. Batch at 14, lines 10-15. The pipeline transportation rates in Olympic's existing tariff on file with the Commission show the pipeline rate from Ferndale to Seattle is $.247/bbl. and the rate from Cherry Point to Seattle is $.256. The average of these two rates is .2515/bbl. So the barge rate ($.84/bbl.) is 334% of the pipeline rate (.84/.2515 = 334%), and the trucking rate is 584% of the pipeline rate (1.47/.2515).

Olympic's proposed rate from Ferndale to Seattle is $.4001, and from Cherry Point to Seattle it is $.4147. The average of these two rates is $.4074. So the barge rate is 206% of the proposed pipeline rate (.84/.4074) and the trucking rate is 361% higher than the proposed pipeline rate (1.47/.4074).

The Interveners make relevant points. Staff witnesses did address two of the items on Mr. Grasso's list. However, given the limited time to evaluate Olympic's interim case, Staff is not prepared to address the impacts of all of those items at this time. Staff intends to address all of them in the general rate case.

A key issue in the general rate case is the appropriate capital structure for Olympic. As Mr. Elgin testifies, Olympic is currently 100% debt financed. (Ex. 131-T, Direct Testimony at 19, lines 1-2). The appropriate capital structure issue warrants full consideration in the general rate case. Staff and Interveners can agree that, to a significant degree, Olympic's current financial position is a problem of Olympic's own making and that Olympic's financial results are improving, now that the full effect of 91% utilization of the pipeline is being experienced.

The Interveners expect Olympic's owners to make an equity infusion, or at least they hold Olympic and its owners accountable for one. They view any increase in rates as an invalid attempt to foist a self-induced capitalization problem onto ratepayers.

Staff's case assumes no equity infusion is forthcoming. Staff 's interim rate relief analysis is based on the level of Olympic's debt capital that appears to be funding assets used to serve the public. Though the Staff and Intervener cases are not the same in result, the Staff and Intervener approaches both seek to hold Olympic accountable in varying degrees for the financing decisions it has made.

VII. THE SUBJECT TO REFUND ISSUE: ANY INTERIM RATE RELIEF THAT IS GRANTED SHOULD BE MADE SUBJECT TO REFUND

Olympic's original Petition requested interim rate relief subject to refund,[13] while Olympic's Amended Petition is silent on the refund issue. Olympic states this issue "remains a matter for the Commission."[14]

There is ample reason to impose a refund condition. To review, there are at least three major "disconnections" that need to be sorted out. These disconnections could not be sorted out in the limited examination that has occurred to date. These matters will have significant rate consequences:

- Olympic's debt currently exceeds net plant by more than a third: $146 million compared to $98 million.[15]

- At present, Olympic is 100% debt financed, yet it is seeking general rate relief based on a capital structure of 82.92% equity and 17.08% debt.[16] If Olympic actually had only 17.08% debt in its capital structure, instead of a 100% debt ratio, it would have no trouble paying interest. Olympic's interim and general rate cases are not "interrelated and consistent," as the Commission requires. *Utilities & Transp. Comm'n v. Puget Sound Energy Co., supra,* Docket Nos. UE-011163 and UE-011170 (Sixth Supp. Order((2001) at paragraph 27. Olympic violates this principle in important respects.

- Staff's projected results of operations is presented on a best efforts basis. Olympic's books have not been subjected to full audit. Discovery is not complete. Due to the impact of the Whatcom Creek explosion and Olympic's only recent return to 91% pipeline utilization, significant accounting analysis is required to determine a representative level of operations on a going forward basis.[17]

Accordingly, a refund condition is required to assure Olympic does not charge rates that are ultimately deemed excessive based on the Commission's decision in the general rate case.

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13 Petition of Olympic Pipe Line Company for and Order Authorizing an Immediate Rate Increase Subject to Refund (October 31, 2001) at ¶ III.3, 6; IV.13, 14.
14 Ex. 2-T, Supplemental Testimony of Mr. Bob Batch at 6, lines 18-19.
15 Ex. 131-T, Direct Testimony of Mr. Elgin at 18, lines 18-20).
16 Ex. 131-T, Direct Testimony of Mr. Elgin at 19, lines 1-2 and Ex. 101-T (GRS-3T), Direct Testimony of Olympic witness Mr. Shink at 3, lines 47-48).
17 Ex. 135-T, Direct Testimony of Mr. Colbo at 2, lines 4-11 and at 4, lines 5-12.

VIII. CONCLUSION

For the reasons stated above, the Commission should permit Olympic to file a tariff sheet implementing an increase at a level no greater than 19.48% over all of Olympic's existing intrastate transportation rates. The tariff should contain the following express conditions:

1. Any revenues collected under this tariff sheet are collected subject to refund, based on the level of permanent rates found to be appropriate in Docket TO-001472. If there are refunds, interest will be added, and will be computed based on the fair rate of return determined by the Commission in its order establishing permanent rates in Docket No. TO-001472;

2. This tariff sheet will expire on the effective date of the Commission's order establishing permanent rates in Docket No. TO-001472, unless the Commission orders a different expiration date.

3. The Commission has retained jurisdiction over the rates set forth in this tariff sheet, and the Commission has expressly reserved the right to make whatever changes are necessary and appropriate, if any, pending a final order in Docket No. TO-011472.

Olympic should be ordered to maintain sufficient records so that if refunds are required, customers will receive refunds promptly, and in the proper amount.

DATED this 11th day of January, 2002.

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CERTIFICATE

I certify this day that I served a copy of the foregoing Prehearing Memorandum on Behalf of Commission Staff Regarding Olympic's Request for Interim Rate Relief upon the parties listed below via U.S. mail, postage prepaid:

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