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STATE OF WASH.
UTIL. AND TRANSP.
COMMISSION

**BEFORE THE WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

In the Matter of the Request of

OLYMPIC PIPE LINE COMPANY

For a General Rate Decrease, Pursuant to the
Terms of an Earlier Approved Settlement
Agreement in Docket TO-031973

Docket No. TO-040992

RESPONSE OF TESORO TO
OLYMPIC'S PETITION
PURSUANT TO DECISION OF
ARBITRATOR

1 Tesoro Refining and Marketing Company ("Tesoro"), by and through its attorneys,
Brena, Bell & Clarkson, P.C., hereby files its Response to the "Petition of Olympic Pipe Line
Company Pursuant to Decision of Arbitrator," filed with the Washington Utilities and
Transportation Commission ("WUTC") on October 23, 2004. In accordance with
WAC 480-09-420(3), the name and address of the pleading party is set forth below. Please
direct all service and correspondence regarding the above-captioned docket to the following:

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2 Tesoro concurs with Olympic Pipe Line Company's ("Olympic") Petition and
proposed rate decrease for the reasons stated herein.

3 The Arbitrator identified the following two issues raised by Tesoro relating to Olympic's 2004 annual filing. Tesoro argued that the Settlement (1) did not allow Olympic to use the Net Carryover provision (Section 3.12) to recover additional revenues from periods prior to the effective date of the Settlement and (2) required that the 2004 annual filing was to be based upon actual costs for 2003 as reported in the Uniform System of Accounts. Upon review and consideration of the evidence and arguments presented during the arbitration, the Arbitrator found that (1) the Settlement does not allow Olympic to use the Net Carryover provision to recover additional revenues from periods prior to the effective date of the Settlement and (2) that actual calendar year 2003 data as reported in the Uniform System of Accounts should be used by Olympic in the calculation of its 2004 annual filing. A copy of the Arbitrator's decision was attached by Olympic as Exhibit B to its Petition. Tesoro requests that the Arbitrator's decision be affirmed by this Commission.

4 Approval of Olympic's Petition is in the public interest for several reasons. First, after several years of expensive litigation over rates, this Commission approved a settlement agreement among the parties which included an alternative dispute resolution mechanism for resolving future disputes over rates. The parties recently resolved a dispute over Olympic's 2004 annual filing through arbitration. This Commission should affirm the Arbitrator's decision and approve Olympic's petition. Washington Courts have found that recognizing the finality of arbitration decisions is a vital aspect of the overall public policy of utilizing mandatory civil arbitration to relieve court congestion. RCW 7.06.060; Christic-Lambert Van & Storage Co. v. McLeod, 39 Wash. App. 298, 303, 693 P.2d 161 (1984). The same rationale is applicable to the congestion in the Commission's dockets. Second, none of the

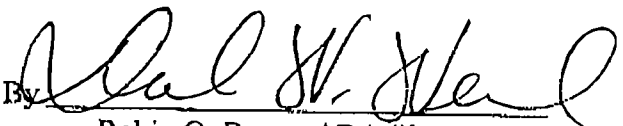
settling parties is challenging Olympic's Petition. Third, the Petition results in a reduction of intrastate transportation rates at a time when Olympic has sought bankruptcy protection, and creditors are challenging payment in full of refunds of excessive transportation rates. Finally, consistent with this Commission's Twentieth Supplemental Order, the Arbitrator's decision will ensure that the permanent transportation rates will be "cost based" and set utilizing the actual costs incurred during the calendar year with a reasonable rate of return on Olympic's rate base.

5

Tesoro respectfully requests that the Commission issue an order implementing the Arbitrator's decision resolving the dispute between Olympic and Tesoro by (a) granting the revised (decreased) rates as set forth in Exhibit A to Olympic's Petition to become effective on November 1, 2004, (b) granting refunds with respect to rates collected from July 1, 2004, to the effective date of the revised rates as set forth in Exhibit A to Olympic's Petition, and (c) closing the above-captioned docket.

DATED this 25th day of October, 2002.

BRENA, BELL & CLARKSON, P.C.
 Attorneys for Tesoro Refining and
 Marketing Company

By 

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CERTIFICATE OF SERVICE

I hereby certify that on October 25, 2003, a true and correct copy of the foregoing document was faxed and mailed to the following:

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