

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of

OLYMPIC PIPE LINE COMPANY

For an Order Authorizing an Immediate Rate
Increase

Docket No. TO-011472

AMENDED [PETITION OF OLYMPIC
PIPE LINE COMPANY](#) FOR AN ORDER
AUTHORIZING IMMEDIATE RATE
RELIEF

I. PETITIONER

1. Petitioner, Olympic Pipe Line Company ("Olympic") is engaged in the business of transporting oil and other petroleum products within and beyond the State of Washington as a common carrier. In accordance with WAC 480-09-420, the name and address of Petitioner Olympic is as shown below. Please direct all correspondence related to this Petition as follows:

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II. RELEVANT STATUTES AND REGULATIONS

2. This Amended Petition is based upon, or may bring into issue, the following statutes and rules: RCW 81.04.130, RCW 81.04.250, RCW 81.28.010, RCW 81.28.050, WAC 480-09-200, WAC 480-09-230, WAC 480-09-330, WAC 480-09-420, and WAC 480-09-460.

III. AMENDED REQUEST FOR RELIEF

3. In accordance with WAC 480-09-420(7), Olympic respectfully petitions the Washington Utilities & Transportation Commission (the "Commission") for an order for an immediate rate increase of intrastate rates of \$8.74 million to become effective on December 1, 2001. The amount of the request remains the same as Olympic's prior filing. The basis for the request, however, has been simplified and narrowed to separate it completely from issues that might arise in the context of the general rate request.

4. Olympic is rapidly losing money and is \$150 million in debt. It has accrued unpaid interest of \$8,000,000 and incurs additional interest obligations at a rate of over \$9,000,000 per year. Olympic is in need of an immediate interim rate increase for intrastate rates of \$8.74 million to help prevent future deterioration of its financial condition and to help fund \$23.8 million in finance safety-related capital expenditures for 2002.

5. Under these unusual circumstances, such immediate rate relief is in the public interest and is warranted under Commission precedent. See WUTC v. Washington Natural Gas Co., Cause No. U-80-111, 1981 Wash. UTC LEXIS 10 (March 3, 1981) (interim rate relief granted to help prevent further deterioration of its financial condition and to ensure the company has sufficient capital from external sources to finance capital projects).

IV. SUPPLEMENTAL STATEMENT OF FACTS

6. As Bob Batch, Olympic's president, states in his supplemental direct testimony:

My supplemental testimony will show that Olympic's current debt is approximately \$150 million, which includes unpaid interest. Olympic faces a deteriorating financial condition at the same time it needs to borrow additional funds in order to pay for the estimated \$23.8 million of safety-related capital expenses planned for 2002.

The request Olympic has made for interim rates is needed immediately, starting on December 1, 2001. We have separated the basis for the request for interim rates completely from the general rate case so that the parties can now focus entirely on the immediate need for interim relief without delay and to avoid potential confusion with general rate case issues. The amount of the intrastate request, \$8.74 million, remains unchanged from Olympic's initial filing.

Supplemental Testimony of Bob Batch, p. 1-2. (BCB-5)

V. SUMMARY OF ARGUMENTS

7. Granting Olympic's amended petition is warranted under precedent established by the Commission for granting an immediate rate increase. See, e.g., WUTC v. Washington Natural Gas Co., Cause No. U-80-111, 1981 Wash. UTC LEXIS 10 (March 3, 1981) (Washington Natural Gas). In Washington Natural Gas, the Commission approved an immediate interim rate increase after determining the rate was necessary to prevent the continued downward trend in its financial situation and to ensure the company could raise money from external sources to finance its construction projects. *Id.* at *12-13. In reaching this decision, the Commission said:

Upon examination of the testimony both oral and documentary, the evidence does indicate rather strongly that the Respondent is presently experiencing a deterioration in its financial condition. **This deteriorating position manifests itself in the declining trend of the Company's rate of return, interest coverage, earnings per share, and the inability of**

the Company to generate sufficient capital from internal sources to finance its construction projects. The Commission believes that without immediate rate relief the Company is and will continue to experience a downward trend in its financial situation, and without immediate rate relief will not be able to raise sufficient capital from external sources to finance its 1981 construction projects. This situation in our opinion warrants a conclusion that the Company is in an emergent financial situation and does require immediate rate relief in order to forestall further deterioration. From the evidence at hand we conclude that the Company should be granted an interim rate increase on an annual basis in the amount of \$16,010,366. This will afford the Company approximately \$5,000,000 in additional revenues by July 31, 1981, and will alleviate the Respondent's immediate financial plight.

Id. at *13 (emphasis added).

8. Based upon the evidence offered with this Amended Petition and in the prefiled testimony and supplemental testimony, and on the other financial records on file, Olympic faces a deteriorating financial situation and requires immediate rate relief in order to forestall further deterioration. Without immediate rate relief, Olympic will continue to experience a downward trend in its financial situation and will likely not be able to raise sufficient capital from external sources to finance its future safety-related capital improvements. In his prior prefiled testimony, Bob Batch detailed the facts showing Olympic's losses and continuing deteriorating financial condition. Bob Batch has also now detailed Olympic's debt obligations in his prefiled supplemental testimony:

- "Olympic currently has a total of almost \$150,000,000 in outstanding debt, consisting of more than \$141,800,000 in outstanding principal and nearly \$8,000,000 in accrued but unpaid interest. Interest obligations on the debt total approximately \$750,500 per month."
- "As will be detailed in the next section, Olympic plans to invest \$23.8 million in 2002 in safety-related capital improvements. See Exhibit (BCB-6). In 2001

Olympic will have spent \$24.4 million in safety-related capital improvements. In short, Olympic has had a need to continue its capital spending despite the \$150 million of debt. In management's best judgment, the safety-related capital investments Olympic has made and plans to make are prudent, reasonable, and in the best interests of the public and Olympic's shippers."

Supplemental Testimony of Bob Batch, p. 3-4. (BCB-5)

Olympic has a need for capital for 2001-2002 safety-related investments. Mr. Batch has stated in his supplemental testimony:

- "On July 1, 2000, BP became the new operator of Olympic. BP's philosophy, as set forth in my prior testimony, is simply stated: "No accidents, no harm to people, no damage to the environment." Consistent with that philosophy, Olympic plans to make safety-related capital investments of \$23.8 million in 2002. Exhibit (BCB-6) shows the total 2001 Expected Spending and the total 2002 Proposed Spending on capital expenditures, which we believe are prudent investments for safety."
- "Olympic needs to borrow the \$23.8 million needed for 2002 capital expenditures. As explained in my initial testimony, Olympic's financial condition continues to deteriorate. Without immediate rate relief, Olympic will not be able to raise sufficient capital from external sources to finance its future capital expenditures."

Supplemental Testimony of Bob Batch, p. 4-5. (BCB-5)

VI. AMENDED PRAYER FOR RELIEF

9. Olympic faces an emergent financial situation that requires immediate rate relief in order to prevent further deterioration. In order to be able to obtain capital from external commercial sources to finance its future capital expenditures, including the \$23.8 million in safety-related capital improvements for 2002, Olympic must first be able to pay both the accrued and ongoing interest on its existing debt. Olympic has nearly \$8,000,000 in accrued but unpaid interest, and over \$9,000,000 in annual interest payments. Olympic needs to borrow \$23.8 million in 2002 in order to finance safety-related projects. With the interest on this additional debt of over \$1.6 million, Olympic will have a total of almost \$19,000,000 in interest obligations for 2002.

The FERC interim rates will help address the deteriorating financial situation, but those amounts are subject to refund and are thus subject to being discounted by external financial sources considering whether to extend additional credit to Olympic. Therefore, in order to address its immediate need for capital, and to allow the continued future investment in safety-related improvements, including \$23.8 million for 2002, Olympic is requesting immediate interim rate relief for intrastate rates in the amount of \$8.74 million.

10. Based on the foregoing, Olympic respectfully requests that the Commission issue an Order approving an immediate rate increase for intrastate rates to \$8.74 million to become effective December 1, 2001.

DATED this 21st day of November, 2001.

PERKINS COIE LLP

By _____
Steven C. Marshall, WSBA #5272
Patrick W. Ryan, WSBA #25499

VERIFICATION

STATE OF WASHINGTON)
)
COUNTY OF KING) ss.

_____, being first duly sworn, on oath deposes and says:

That he is the legal representative of Olympic Pipeline Company, that he has read the foregoing Amended Petition for an Order For an Order Authorizing an Immediate Rate Increase, that he knows the contents thereof and that he believes the same to be true to the best of his knowledge and belief.

Patrick Ryan, WSBA #25499
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SUBSCRIBED and SWORN to before me this 21st day of November, 2001.

Print Name: _____
Notary Public in and for the State of
Washington, residing at _____
My commission expires: _____