

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

DECLARATION OF HOWARD B. FOX
IN SUPPORT OF MOTION TO AMEND
HEARING SCHEDULE

I, Howard B. Fox, hereby declare as follows:

1. I am Olympic's Assistant Treasurer, and I make this declaration based on my personal knowledge. My background and qualifications were attached to my previous testimony in this matter (HBF-IT).

2. I testified in the interim rate case proceeding on rebuttal regarding the status of Olympic's efforts to complete the independent audit of its 1999 and subsequent financial records. As I have stated, the audit for the 1999 financial records was being done by Olympic's previous accounting firm, Arthur Andersen. After BP became the operator of Olympic, Arthur Andersen was replaced by Ernst & Young as Olympic's auditor for the 2000 and 2001 audit years and it likely will replace Andersen for the 1999 audit. I believe the change was made because Ernst & Young is BP's primary audit firm and it is efficient to have BP's auditor also audit Olympic's finances.

3. In June of 1999, the Whatcom Creek incident occurred. This incident created the unusual conditions that form one of the primary reasons for the delay in completion of the 1999

audit. Another issue that has delayed completion of the 1999 audit concerned the exact amount of Olympic's indebtedness to Equilon. But as I have testified, in my opinion, the disagreement between Olympic and Equilon is estimated to be over a relatively small percentage of the total amount reflected on the Equilon promissory notes. The litigation involving the dispute that includes the Equilon promissory notes currently has no trial date and is not expected to be resolved, at the earliest, until at least the Fourth Quarter of 2002. Since my testimony and appearance before this Commission in January, we have attempted to work out a solution with Equilon that would allow the 1999 audit to be completed. So far we have not been successful, but the effort is ongoing.

4. Similarly, an issue has arisen regarding whether the 1999 audit would require a formal inquiry by the auditors regarding all of the events that have taken place since 1999, particularly with regard to the lawsuits and other events following the Whatcom Creek incident. In other words, the auditors insist on including **all events** impacting Olympic's financial condition through yearend 2001 in the 1999 audit report.

5. Since my testimony in the interim case in January of this year, I also have had discussions with Arthur Andersen about the work papers they prepared for the 1999 audit. . Arthur Andersen has promised that they will make these work papers available to Ernst & Young, if they takeover as auditor for 1999.

6. Olympic has taken steps to expedite the audit by trying to remove the need for an unqualified opinion and by meeting with Ernst and Young to establish an expedited audit schedule. Despite these efforts, I understand that the 1999 audit cannot be completed by Ernst & Young (or Andersen, if not replaced) until late November or December, 2002.

7. I have communicated this information to the WUTC staff, Mr. Colbo and Mr. Twitchell, who have called me directly with questions on Olympic's financial information. Based on my discussions with them, it is my understanding that they believe it is essential for them

to have audited financial information in order to present Staff's case. It is my understanding from Staff that whether Staff supports a particular Olympic rate increase request could depend on whether Olympic can provide audited financial statements.

8. Olympic is also being requested to present financial data in a form and format that Olympic does not use for regular business purposes. We have tried to explain the significant additional time and effort that is required to create accounting reports by specific response items by month in the formats requested by Tesoro. Tesoro was to have limited its request, but in my view to date it has not limited the requests sufficiently. This ongoing effort is taking a significant amount of time beyond what Olympic anticipated and will be the subject of Olympic's additional production of documents and a discovery status report on March 22.

EXECUTED this _____ day of March, 2002 at Lisle.

Howard B. Fox