April 29, 2003

Ms. Carole Washburn, Secretary
Washington Utilities and Transportation Commission
P. O. Box 47250
Olympia, WA 98504-7250

Re: Proposed Rules Docket No. TO-030288

Dear Ms. Washburn:

Thank you for the opportunity to submit comments on the above-referenced rule-making. These comments are not final nor detailed and Olympic will seek to amend these comments after the May 9th, 2003 stakeholders meeting.

As we indicated in the April 10th workshop, Olympic does not feel that the regulations for economic rule-making are necessary for the liquids pipeline industry. The history and nature of liquids pipeline regulation have always been to insure fair access to the pipeline by all shippers, and the charging of just and reasonable rates. By imposing the rules of the electric and gas distribution utility model on this industry, there will be nothing but increased cost, a high chance for unintentional rule violations, and NO new benefits to the customer or to the public that they do not already enjoy through the rate making process.

In Olympic's case, there are only a couple of dozen "consumers", all of whom are corporations including the four area refinery owners and their affiliates who ship the majority of the volumes. The regulations proposed would constitute an unreasonable cost to Olympic that in turn would increase costs to those same customers who you are seeking to protect from higher costs.

Comments to more specific reporting requirements:

1) Annual reports: Olympic does not mind submitting a copy of the FERC Form 6 as proposed at the April meeting. It makes sense to share a report that is already prepared and used in benchmarking throughout the industry.
2) Special Reports:
    a. Financial transaction reports: Olympic feels that advanced notice in this industry is not warranted, and that twenty days notice is unreasonable. That would delay the decision making process and unduly burden our

financial transactions with rules that don't even effect rate making. Olympic also feels that the threshold is too low to screen the "extra-ordinary" transactions that the commission is looking for. In addition the limits are not clear: is the 5% of the gross revenue that of the intrastate movements which the commission has jurisdiction over, or 5% of the entire companies revenues including unregulated revenue? And by using the word "between …its affiliates", is the commission trying to limit injections of cash into the "public service company" as well?

b. Annual subsidiary transaction report: This is also unnecessary in the liquids pipeline business as the regulated entities in a state rarely if ever have subsidiaries. Olympic does not have subsidiaries nor does it plan to have any.
c. Annual affiliated interest transactions reports:
Under the Interstate Commerce Act, a regulated pipeline company is not allowed to share shipper's volumes or revenues whether affiliate or not. It appears that this rule could jeopardize the confidential nature of pipeline shipments. If not applied to shipments, it could jeopardize the strategy of affiliates if it discloses financial transactions totally unrelated to the pipeline company. Again, this rule does not fit the liquid pipeline industry well and appears to try to fix a problem that isn't even there. The actual transactions between affiliates in this industry such as capital infusions, dividends, loans, stock issuance, and operations of the shareholders has no bearing on the rate payers under the WUTC rate making methodology as it is a totally independent process. Why burden the carrier with a flurry of new rules designed for alternate circumstances that arguably work against the very purpose of minimizing costs to the consumer. Lastly, as the reorganization through bankruptcy of Olympic has shown, the liquid pipeline companies should be treated as self-sustaining, independent companies whose transactions with affiliates are irrelevant under the rules of utilities in the State of Washington. Liquid pipelines do not benefit from any of the competition restrictions, risk mitigation, or confidentiality rights that gas and electric utilities enjoy and fall under completely different statutes, so why force their regulations onto this industry?

Upon review of the Hazardous Liquid Pipeline Statutes, whose short title is the "Washington State Pipeline SAFETY Act" (emphasis added), we find no intent of the legislature to regulate the economic aspects of pipelines. We do find specific reference to the fact that the legislature understands that "gas pipelines are different than liquid pipelines….and must be regulated differently."

Nominations:
It appears that rules are being proposed to address nomination and pro-ration issues that have never been an issue in the State of Washington. Nomination procedures are tactical in nature and vary from system to system. These procedures should not nor cannot be legislated generally because no two systems are alike. This process is not broken, it should not be changed.

In conclusion, we are concerned that the proposed legislation would serve to generate reports and data for data's sake, but will have no real benefit to the customer or to the industry. At the very least, we would propose that this effort to generate new legislation be postponed for a 6 month period as it is further developed by the utility sectors to which they are truly aimed at regulating, and while Olympic struggles to overcome its reorganization and tariff issues.

We look forward to discussing these and other changes with you and the utilities at the May 9th workshop.

Thanks again for this opportunity to comment on the proposal. We would be more than willing to discuss other activities that would have a better cost-benefit ratio for the consumer.

Sincerely,

Mitchell D. Jones
Director, Tariffs and Regulatory Compliance
BP Pipelines (North America) Inc. as Operator of Olympic Pipe Line Company