

Exhibit 1

SETTLEMENT AGREEMENT

Among the Parties:

Olympic Pipe Line Company

Tesoro Refining and Marketing Company

Conoco Phillips Company

Dated November 7, 2003

As Amended Pursuant to Amendment No. 7,

Dated as of September 23, 2008

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SETTLEMENT AGREEMENT OF NOVEMBER 7, 2003

As Amended by AMENDMENT NUMBER SEVEN (7) Dated as of September 23, 2008

This Amended Tariff Settlement Agreement ("TSA") is executed as of this 23rd day of September, 2008, among Olympic Pipe Line Company ("Olympic"), Tesoro Refining and Marketing Company ("Tesoro"), and ConocoPhillips Company ("CP") (hereinafter sometimes referred to collectively as the "Parties," or individually a "Party"), to be effective as of the later of (1) January 1, 2009, and (2) the date on which the last of the following two approvals has been issued: (a) the Federal Energy Regulatory Commission (the "FERC") has issued a final order approving this Amended TSA; and (b) the Washington Utilities and Transportation Commission (the "WUTC") has issued a final order approving this Amended TSA, said date to be referred to herein as the "Effective Date."

This Amended TSA shall terminate automatically as provided in Section 4.1(b) if the Effective Date has not occurred before February 1, 2009.

INTRODUCTION

The Parties

Olympic is a Delaware corporation with offices at 2201 Lind Avenue S.W., Suite 270, Renton, WA 98057-1800. Olympic owns and operates a common carrier pipeline that transports petroleum products from points in the State of Washington to points within the State of Oregon and to points within the State of Washington. Olympic is a stock company owned by ARCO Midcon LLC, a business unit of BP Pipelines (North America) Inc., and Enbridge Holdings (Olympic) L.L.C.

Tesoro is a wholly owned subsidiary of Tesoro Petroleum Corporation. Tesoro is a Delaware corporation with offices at 3450 South 344th Way, Suite 100, Auburn, WA 98001. Tesoro owns and operates a refinery in Anacortes, Washington, and ships petroleum products there refined on Olympic's pipeline system.

CP, successor by merger to Tosco Corporation ("Tosco"), is a Delaware corporation with offices at 600 N. Dairy Ashford, Houston, TX 77079. CP owns and operates a refinery in Ferndale, Washington, and ships petroleum products there refined on Olympic's pipeline system, as did Tosco prior to its merger into CP.

Interstate and Intrastate Rate Regulation

The rates charged by Olympic for the interstate transportation of petroleum products are subject to regulation by the FERC under the Interstate Commerce Act. 49 U.S.C. (App.) §§ 1, et seq., and regulations promulgated by the FERC thereunder. The rates charged by Olympic for the intrastate transportation of petroleum products are subject to regulation by the WUTC under Titles 80 and 81 of the Revised Code of Washington and regulations promulgated by the WUTC thereunder.

Proceedings before the FERC and United States Court of Appeals

On May 30, 2001, Olympic filed a tariff with the FERC seeking increases in Olympic's interstate rates. Those increases were protested by Tesoro and Tosco. Those increases were accepted for filing by the FERC in Docket No. IS01-441-000 and became effective on July 1, 2001, subject to an investigation and refunds to shippers. By order issued on November 26, 2002, Olympic's tariff filing was summarily rejected, and Olympic was ordered to pay refunds to shippers of all revenues collected under the rate increases. On December 20, 2002, Olympic

filed a petition for review of the FERC's decision in the United States Court of Appeals for the District of Columbia Circuit ("Court of Appeals").

On March 31, 2003, Olympic filed a tariff with the FERC seeking increases in Olympic's interstate rates. Such increases were protested by Tesoro and CP (which had, by then, merged with Tosco), and were accepted for filing in Docket No. IS03-218-000 subject to an investigation and refunds to shippers. Olympic filed its prepared direct testimony on July 11, 2003.

Proceedings before WUTC

On October 31, 2001, Olympic filed a tariff with the WUTC seeking increases in Olympic's intrastate rates. Those increases were protested by Tesoro and Tosco. The WUTC suspended the increases on November 16, 2001, in Docket No. TO-011472. On January 31, 2002, the WUTC granted an interim increase of a lower amount than that requested by Olympic, subject to an investigation and refunds to shippers. Following hearings, by order served September 27, 2002, the WUTC rejected Olympic's proposed intrastate rate increases, enjoined Olympic from continuing to collect the interim increases authorized by the WUTC, and required Olympic to file tariff revisions that would return to shippers over a two-year period the difference between the revenues collected under the interim increase and the rate increase authorized by the WUTC – an increase of 2.52 percent. Judicial review of the WUTC's order was sought by Olympic but has since been dismissed with prejudice.

Bankruptcy

On March 27, 2003, Olympic filed for reorganization under Chapter 11 of the United States Bankruptcy Code in the Western District of Washington in Docket No. 03-14059. Olympic's bankruptcy was terminated on September 29, 2005, by Final Decree adopting the

Order Confirming Plan of Reorganization and Authorizing Assumption of Executory Contracts.

Settlement

The Parties confirm their continuing interest in avoiding controversies during the term of this Amended TSA regarding interstate and intrastate rates according to the terms set forth herein and to continue to provide for a methodology for determining such rates, as further specified herein.

Extension and Amendment

The deadline for providing notice triggering a termination of the TSA effective December 29, 2008, was December 29, 2007. As provided in Section 4.1(b), beginning before that deadline, the Parties entered into a series of amendments to the TSA to extend that notice deadline, the last of which extended the notice deadline to September 23, 2008. The purpose of such extensions was to provide time for the Parties to negotiate a mutually acceptable amendment to the substantive terms of the TSA, which they have now accomplished.

Accordingly, in consideration of the mutual promises set forth in this Amended TSA, and for good and valuable consideration, the receipt of which is hereby acknowledged with the intent of being legally bound, the Parties hereby agree as follows:¹

¹ All capitalized terms that appear in this Agreement are either proper names or are defined in the text of this Agreement. An index of these terms is attached as Exhibit A.

Article I.
SETTLEMENT RATES

Section 1.1 Settlement

[RESERVED]

Section 1.2 Initial Tariff Rates

The January 1, 2009, Tariff Rate Filing under this Amended TSA are those rates that are currently in effect through June 30, 2009, under the TSA¹ except as otherwise provided in this Section 1.2.

- (a) rates will change to the extent they would change if the TSA remained in effect through June 30, 2009;
- (b) rates will change to the extent expressly provided in this Amended TSA;
- (c) from the later of (1) the Effective Date or (2) January 1, 2009, through June 30, 2009, rates will be calculated as though Bayview had been removed from the Rate Base to the extent provided in Section 2.2, as specifically shown in Exhibit 1.2(c) attached hereto and by this reference incorporated as though fully set forth herein;
- (d) if the Effective Date has not occurred by December 29, 2008, rates from December 29, 2008, until the Effective Date shall be the same as they would be had the TSA remained in effect during that time period (with Bayview in the Rate Base), subject to Section 4.1(b) relating to termination of this Amended TSA if the Effective Date has not occurred before February 1, 2009;

¹ References to the "TSA" shall refer to the version of the TSA in effect prior to the effective date of this Amended TSA, as amended by Amendment Number 7.

- (e) if this Amended TSA is terminated as provided in Section 4.1(b), rates shall be governed by the provisions of the TSA: and
- (f) Exhibit 1.2(c) identifies the specific rate elements for the January 1, 2009, Tariff Rate Filing.

Section 1.3 Interim Tariff Filings

(a) At the end of each calendar quarter beginning with the first calendar quarter following June 30, 2009, Olympic shall calculate current throughput as provided in this Section. "Current Throughput" will be the total deliveries for the prior 12 calendar months ending with the calendar quarter for which the calculation of Current Throughput is made. The determination of Current Throughput will be completed and the results provided to Tesoro and CP within 45 days following the end of each calendar quarter. "Base Throughput" shall be the total deliveries for the 12-month period used for the calculation of the Tariff rates then on file. In the event that the Current Throughput determined according to this Section exceeds the Base Throughput by at least two percent, Olympic shall make an Interim Tariff Filing calculated as provided in subsection (c) of this Section revising the then-current interstate and intrastate tariff rates based upon the increased throughput.

(b) In the event that, in any calendar quarter, current throughput decreases by greater than 15 percent as the result of failures, outages, fires, strikes, embargoes, explosions, earthquakes, terrorism, floods, wars, the elements, labor disputes, government requirements, de-rating, civil or military authorities, acts of God, a public enemy, or other similar causes beyond Olympic's reasonable control, then upon request by any Party, the

Parties must meet within 20 days to consider the rate impact of such events. If the Parties do not reach a satisfactory resolution of the rate impact of such events, then any Party has the right to seek relief through the Dispute Resolution process in Section 4.5.

(c) **Manner of Calculating Interim Tariff Rates.** Interim interstate rates and interim intrastate rates shall be determined by proportional adjustment of each of the tariff rates then on file. Each tariff rate shall be adjusted by the ratio of the Base Throughput to the Current Throughput if the Current Throughput exceeds the Base Throughput by at least two percent. These Interim Tariff Rates shall be filed no later than 60 days following the end of the quarter in which the Current Throughput exceeds the Base Throughput by at least two percent, to be effective no later than 90 days following the end of the quarter.

Section 1.4 Annual Tariff Filings

(a) While this Amended TSA is in effect, in addition to Interim Tariff Rates required to be filed pursuant to Section 1.3 of this Amended TSA, by May 30 of each year (after 2008) Olympic shall file its interstate and intrastate rates for the period beginning on the immediately following July 1 and ending on June 30 of the following year or on the date on which this Amended TSA expires or is terminated as provided below. Such interstate and intrastate rates shall be calculated using the Olympic Settlement Methodology ("OSM") set forth in Section 3 of this Amended TSA and the cost of service model in Exhibit 1.4(a). Nothing in this Amended TSA, however, prohibits Olympic from filing an interstate or intrastate rate that is less than the maximum rate calculated in accordance with the OSM.

(b) During the term of this Amended TSA and unless as otherwise agreed among all

Parties, Olympic shall not make any filing with the FERC or the WUTC except that Olympic is expressly permitted to make (i) filings set forth in Sections 1.2, 1.3, 1.4, and 2.2 of this Amended TSA; (ii) filings for a new tariff for any product movement for which a tariff is not already in place; and (iii) filings to change its rules and regulations, other than material changes to the current nomination process. The phrase "material changes" in Section 1.4(b)(iii) of this Amended TSA shall include any change of allocated capacity from a historical-usage basis to another basis, except that a performance-based incentive/penalty plan that adjusts allocated capacity among shippers based on the ratio of actual shipments to nominated shipments shall not be considered a material change. Disputes concerning the rate filings set forth in Sections 1.2, 1.3, 1.4, and 2.2 of this Amended TSA are subject to the dispute resolution provisions set forth in Section 4.5(b) and (c) of this Amended TSA. All other disputes are subject to the dispute resolution provisions set forth in Section 4.5(a) of this Amended TSA and, if not resolved under those provisions, subject to the normal regulatory or judicial process.

(c) During the term of this Amended TSA, neither CP nor Tesoro will file with the FERC, the WUTC, the successor of either, or any other agency or court, any protest, petition or complaint, or seek to have suspended or otherwise contest the effectiveness of any rate filings set forth in Sections 1.2, 1.3, 1.4, and 2.2 of this Amended TSA and further agree to address disputes relating to such rate filings in accordance with the dispute resolution provisions set forth in Section 4.5(b) and (c) of this Amended TSA. CP and Tesoro expressly reserve the right to file with the FERC, the WUTC, the successor of either, or any other agency or court, any protest, petition, enforcement action, or complaint in response to any filing other than those set forth in Sections 1.2,

1.3, 1.4, and 2.2 of this Amended TSA.

(d) The Parties intend that the rate filings set forth in Sections 1.2, 1.3, 1.4, and 2.2 of this Amended TSA will be the only rate filings made by Olympic, and FERC's approval of this Settlement shall include its waiver of its regulations regarding indexed rate filings during the term of this Amended TSA.

(e) The Parties acknowledge that any filings with the FERC or the WUTC are subject to their normal regulatory authority and that no provision of this Amended TSA supersedes or restricts their authority in any regard.

Section 1.5 Provision of Information

(a) Olympic will provide Tesoro and CP with all supporting data necessary to calculate the maximum rate no less than 60 days prior to Olympic's filing of new interstate or intrastate rates while this Amended TSA is in effect. Tesoro or CP, upon written request to Olympic, shall be permitted to verify the data used in calculating the new maximum rate by a procedure agreed upon by the Parties, which shall include, if requested, an audit consisting of direct examination of original source data identified by Olympic as being all of the data relied upon in calculating the maximum rate. CP and/or Tesoro shall communicate to Olympic any question about, or disagreement with, the data used by Olympic or the manner in which such data was used to calculate the maximum rate. CP and/or Tesoro and Olympic shall seek in good faith to resolve the questions or disagreements raised by Tesoro and CP prior to the rate filing.

(b) Insofar as any of these data would fall within the prohibition against disclosure set forth in Section 15(13) of the Interstate Commerce Act, such data shall be disclosed only

to reviewing representatives as defined in the protective order issued in FERC Docket Nos. IS01-441-000 and IS03-218-000 and WUTC Docket No. T0-011472.

(c) The agreement by CP and Tesoro to refrain from protest, complaint, or seeking suspension of rates filed in conformity with the procedures provided for in this Amended TSA shall be without prejudice to the rights of CP and/or Tesoro to: (1) conduct independent audits of the company source data relied on by Olympic for the Annual Tariff Adjustment, and (2) initiate a Dispute Resolution process based on the results of any such audit for the purpose of compelling Olympic to revise its tariff as determined by the outcome of such Dispute Resolution process, including providing refunds as determined to be appropriate based on the results of any such Dispute Resolution proceeding. During the pendency of any such Dispute Resolution proceeding, the tariff arising from any current rate filing by Olympic made in conformity with the procedures called for under this Amended TSA shall remain in effect.

Article II.

OPERATIONAL UNDERTAKINGS BY OLYMPIC

Section 2.1 Best Efforts to Achieve 100 percent MAOP Operation

Olympic's pipeline is currently operating under the Maximum Allowable Operating Pressure ("MAOP"). Olympic shall continue and maintain its best efforts to operate at 100 percent MAOP and seek economic enhancements to increase throughput capacity from Renton to Portland.

Section 2.2. Removal of Bayview from the Rate Base; Bayview Lease

(a) Olympic's Bayview facility shall be removed from Olympic's Rate Base for the purpose of determining rates under this Amended TSA, except for the following elements of the Bayview facility: the operations building and warehouse, all furnishings, all mainline equipment, tools, spare parts, and vehicles; the pressure relief surge tank and related fittings and equipment necessary for the tank to perform its function. In calculating the value of the assets remaining in carrier property, the following chart will be used for current balances.

FERC Account	Description	Common Carrier %
151	LAND	5%
152	RIGHT OF WAY	5%
153	LINE PIPE	5%
154	LINE PIPE FITTINGS	5%
155	PIPELINE CONSTRUCTION	5%
156	BUILDINGS	100%
158	PUMPING EQUIPMENT	5%
160	OTHER STATION EQUIPMENT	5%
161	OIL TANKS	5%
163	COMMUNICATION SYSTEMS	5%
164	OFFICE FURNITURE AND EQUIPMENT	100%
165	VEHICLES AND OTHER WORK EQUIPMENT	5%

(b) Carrier Property in Service: The gross property balance related to the Bayview terminal as of December 31, 2008 is stipulated to be \$26,219,160 (Exhibit 3.4(c), WP1, Sheet 1A, Line 14). The amount deemed to remain in carrier property is stipulated to be \$4,100,507 (Exhibit 3.4(c) WP1, Sheet 1B, Line 14). The balance of \$22,118,653 is deemed to be non-carrier property (Exhibit 3.4(c) WP1, Sheet 1C, Line 14) and will be removed from the OSM rate base as of January 1, 2009.

(c) Accumulated Depreciation: The accumulated depreciation balance for all Bayview Terminal property as of December 31, 2008 is stipulated to be \$4,487,618 (Exhibit 3.4(c) WP2, Sheet 2A, Line 14). The amount of accumulated depreciation deemed to be related to Bayview carrier property is \$748,603 (Exhibit 3.4(c) WP2, Sheet 2B, Line 14). The remaining accumulated depreciation of \$3,739,015 is deemed to be attributable to non-carrier property (Exhibit 3.4(c) WP2, Sheet 2C, Line 14).

(d) Accumulated Deferred Income Taxes: The reclassification of Bayview property into carrier and non-carrier categories has concomitant effects on the accumulated depreciation attributable to the Bayview property remaining in OSM rate base after reclassification. Likewise, there are effects on the amount of tax depreciation attributable to the Bayview carrier property that remains in rate base. The adjustment to the ADIT balance as of January 1, 2009, attributable to reclassification of Bayview property, is a reduction of \$3,823,000 (Exhibit 3.4(c) WP4, Sheet 4C, Line 5).

(e) Actual and reasonable capital spending in 2008 for the transmix/surge tank injection pump will remain as carrier property and be fully included in the rate base and used for mainline operations.

(f) For reasons related to regulatory filings and for other reasons, Bayview will be formally removed from the Rate Base effective July 1, 2009. Initial Tariff Rates will, however, be calculated as provided in Section 1.2.

(g) If this Amended TSA is terminated as provided in Section 4.1(b), no provision of this Amended TSA relating to removal of Bayview from the Rate Base shall be effective, and the provisions of this Amended TSA relating to removal of Bayview from the Rate Base shall not be used by any Party as a basis for arguing that Bayview should in whole or part be removed from the Rate Base for regulatory or other purposes or that rates should be determined as though Bayview had been removed from the Rate Base.

(h) The Parties recognize that Olympic has entered into a certain storage agreement for five tanks at the Bayview facility, a redacted version of which is attached hereto as Exhibit C (the "Lease") and agree to support all required regulatory approvals of the Lease and amended tariffs required to implement the Lease. The amended tariffs will include new tariffs relating to shipment of product out of Bayview as depicted in Exhibit D attached hereto and by this reference incorporated as though fully set forth herein.

Article III.
REFUNDS AND TARIFF RATE METHODOLOGY

Section 3.1 Reserved

[RESERVED]

Section 3.2 Total Revenue Requirement

The tariff revenues that Olympic is entitled to for a 12-month period is the sum of: Operating Expense; Depreciation Expense; Amortization of AFUDC; Return on Rate Base; Income Tax Allowance; and Net Carryover. These elements of Total Revenue Requirement are defined below.

Section 3.3 Operating Expense

Operating Expense shall mean only those normally recoverable, reasonable, non-Whatcom Creek expenses related to providing regulated service that would properly be included in Account 610 under the Uniform System of Accounts ("USOA") prescribed for oil pipeline companies subject to the provisions of the Interstate Commerce Act, 18 C.F.R. pt. 352 (2003), and the actual expenditures accrued in prior periods in accordance with generally accepted accounting principles and the USOA, but excluding any provision for the depreciation or amortization of a capitalized cost and accruals anticipated in future periods. For purposes of calculating rates in this Amended TSA only, Operating Expenses for any calendar year in which an Annual Tariff Filing occurs shall be deemed to be the same as Operating Expenses through the end of the preceding calendar year. Determination of Operating Expense included in the Total Revenue Requirement requires placing amounts recorded in Account 610 into four

categories:

- (a) Pass-Through Operating Expenses -- The Parties agree that, for the purposes of this Amended TSA only, Operating Expenses relating to fuel and power, Drag Reduction Agent, amounts in Project Expense and amounts recorded in FERC USOA 610.580 (Pipeline Taxes) shall be fully recoverable in the year following the year in which expenses were incurred, in the amount of the actual expenses for the prior year.
- (b) Transition Costs – The Parties agree that, for the purposes of this Amended TSA only, the costs incurred for the purposes of complying with the requirements of Chapter 11 for costs incurred during the current Chapter 11 filing (“Transition Costs-Bankruptcy”) shall be recoverable in rates. The total amounts recovered annually in rates from the Transition Costs-Bankruptcy shall be limited to the lesser of the Annual Maximum Amortization of Transition Costs or the Other Operating Expenses Deficit Amount.

The Annual Maximum Amortization of Transition Costs shall be the Annual Maximum Amortization of Transition Costs-Bankruptcy divided by 24, but not to exceed the actual amount incurred. Transition Costs-Bankruptcy shall be the costs relating to the Olympic bankruptcy proceeding recorded in FERC Account 610.520.

- (c) Excluded Costs – The Parties agree that, for the purposes of this Amended TSA only, direct costs attributable to the Whatcom Creek accident and its aftermath (“Whatcom Creek Costs”) have been and shall be in the future excluded from the Cost of Service as defined below. To minimize potential disagreement regarding the classification of specific costs, the Parties agree that, for the purposes of this Amended TSA only, Whatcom Creek Costs include the following specific costs: environmental remediation and restoration costs related to the accident; payment of claims arising from the accident,

including personal injury, wrongful death, property damage and business interruption claims; regulatory and criminal fines or penalties imposed as a result of the accident or of conduct allegedly precipitating the accident; litigation costs incurred in defending claims and criminal prosecution.

- (d) **Included Costs** – The Parties agree that, for the purposes of this Amended TSA only, the following post-2002 costs may be included within the COS: costs of complying with the Corrective Action Order (“CAO”) of June 18, 1999, and subsequent amendments of the CAO or related regulatory requirements; costs of complying with the plea agreement (i.e., the consent decree and injunctive relief) Olympic has entered into with the Department of Justice and/or of complying with related agreements with any municipal, state, and/or federal agencies and/or regulatory authorities; increased insurance expense; costs associated with returning the pipeline to 100 percent MAOP operation; costs of inspection, testing, repair or replacement of the pipeline or of systems associated with pipeline operations; costs of regulatory requirements for continued operation brought by reason of the accident or by reason of conduct allegedly precipitating the accident; other costs incurred to enable the pipeline to continue in operation or otherwise required by regulatory authorities.
- (e) **Other Operating Expenses** – The Parties agree that, for the purposes of this Amended TSA only, amounts recorded in Account 610 shall be classified as “Other Operating Expenses” excluding, however, the amounts referenced in subsection (a) (“Pass-Through Operating Expense”), subsection (b) (“Transition Costs”), subsection (c) (“Excluded Costs”), and amounts recorded in Account 610.540 (“Depreciation and Amortization”). Right of way maintenance shall be deemed to be an Other Operating Expense. Special

right-of-way projects such as major tree-clearing and other right-of-way work requiring permits shall continue to be treated as a Project Expense. Other Operating Expense meeting the criteria set forth in this Section 3.3 shall be includable in the cost of service subject to limitation of Maximum Allowable Other Operating Expense.

- (i) Maximum Allowable Other Operating Expense –The maximum Other Operating Expense for the 12-month period that may be included in the Total Revenue Requirement. The calculation of the Maximum Allowable Other Operating Expense shall be determined by the following equation:

2003 tariff filing = \$19.5 million

2004 tariff filing = [(\$19.5 million * [(1 + CPI-U²⁰⁰³)]

2005 tariff filing = [(\$19.5 million * [(1 + CPI-U²⁰⁰³) * (1 + CPI-U²⁰⁰⁴)

200N tariff filing = [(\$19.5 million * [(1 + CPI-U²⁰⁰³) * (1 + CPI-U²⁰⁰⁴)... * (1 + CPI-U^N)

- (ii) Other Operating Expense Excess - In the event that Olympic's Other Operating Expenses exceed the amount determined by the Maximum Allowable Other Operating Expense by more than \$750 thousand, this excess amount shall be defined as the Other Operating Expenses Excess. Olympic may request that the other Parties allow inclusion of all or a portion of the Other Operating Expenses Excess in the Total Revenue Requirement. If Olympic does not receive the requested relief, it has the right to provide a Notice of Termination to the other Parties. If no satisfactory resolution related to the Other Operating Expenses Excess is reached within 90 days of the Notice of Termination, Olympic may terminate this Amended TSA.
- (iii) Other Operating Expenses Deficit – In the event that Olympic's Other Operating

Expenses are less than the Maximum Allowable Other Operating Expense, Olympic may amortize any remaining balance of Transition Costs and add to Other Operating Expense an amount for Amortization of Transition Costs. The amounts to be added for Amortization of Transition Costs shall be the lesser of Annual Maximum Amortization of Transition Costs or the Other Operating Expenses Deficit.

- (1) Other Operating Expenses Deficit shall be the amount by which the Maximum Allowable Other Operating Expense exceeds Other Operating Expenses.
- (2) Amortization of Transition Costs
 - (a) Amortization of Transition Costs – Bankruptcy: If the Other Operating Expenses Deficit is greater than or equal to the Annual Maximum Amortization-Bankruptcy, then the Amortization of Transition Costs-Bankruptcy shall be the Annual Maximum Amortization of Transition Costs-Bankruptcy. Otherwise, the Amortization of Transition Costs-Bankruptcy shall be the Other Operating Expenses Deficit.
 - (b) Amortization of Transition Costs – Rate Litigation: The Amortization of Transition Costs-Rate Litigation is \$0.
- (3) Unamortized Transition Costs: For any 12-month period, the Unamortized Transition Costs shall be the Unamortized Balance of Transition Costs-Bankruptcy at the end of the prior period.
 - (a) Unamortized Balance Transition Costs-Bankruptcy at the

end of a period shall be the Unamortized Balance Transition Costs-Bankruptcy at the beginning of the period, minus Amortization of Transition Costs – Bankruptcy for the period.

- (b) Unamortized Balance Transition Costs-Rate Litigation is zero.

Section 3.4 Depreciation Expense

- (a) The Depreciation Expense equals the annual amount reported in the “Grand Total for Debits” to Account No. 610.540 of the USOA as described in 18 C.F.R. § 352.4.

- (b) Accumulated Depreciation at the beginning of a year equals Accumulated Depreciation at the beginning of the previous year, plus Depreciation Expense for the previous year, net of Depreciation retirements and other adjustments recorded in Account No. 31 of the USOA as described in 18 C.F.R. § 352.4.

- (c) Effective July 1, 2009, Bayview shall be removed from the Rate Base to the extent provided in Section 2.2, and the portion of Bayview that is removed from the Rate Base shall be transferred to Non-Carrier Property; provided, however, that Initial Tariff Rates from the Effective Date through June 30, 2009, shall be determined as provided in Sections 1.2 and 2.2.

- (d) Amortization Rate is the Depreciation Expense divided by the arithmetical averages of Carrier Property, excluding land, for the beginning of the year and the end of the year.

Section 3.5 Amortization of AFUDC

Amortization of AFUDC shall be equal to the sum of the annual Equity AFUDC Amortization, plus the annual Debt AFUDC Amortization.

- (a) The Annual Equity AFUDC Amortization for a year shall equal the Accumulated Equity AFUDC at the beginning of that year, plus one half of the Additions to Equity AFUDC for that year, multiplied by the Amortization Rate for that year.
- (b) Accumulated Equity AFUDC at the beginning of a year shall equal the Equity AFUDC Amortization Base at the beginning of the previous year, plus Additions to Equity AFUDC for the previous year.

The Accumulated Equity AFUDC at the beginning of 2003 is stipulated to be \$3,936,145

- (c) Additions to Equity AFUDC for a year shall equal the Equity AFUDC Base for that year, multiplied by the Return on Equity.
- (d) The Equity AFUDC Base for a year shall equal the average CWIP balance for that year, multiplied by the Equity Ratio.
- (e) Accumulated Amortization of Equity AFUDC for a year shall equal the Accumulated Amortization of Equity AFUDC from the prior year, plus Amortization of Equity AFUDC for the current year.

The balance of Accumulated Amortization of Equity AFUDC at the beginning of 2003 is stipulated to be \$438,343.

- (f) Annual Debt AFUDC Amortization for a year shall equal the Accumulated Debt AFUDC at the beginning of that year, plus one half of the Additions to Debt AFUDC for that year, multiplied by the Amortization Rate for that year.

- (g) Accumulated Debt AFUDC at the beginning of a year shall equal the Debt AFUDC Amortization Base at the beginning of the previous year, plus Additions to Debt AFUDC for the previous year.

The Accumulated Debt AFUDC at the beginning of 2003 is stipulated to be \$2,431,828.

- (h) Additions to Debt AFUDC for a year shall equal the Debt AFUDC Base for that year, multiplied by the Return on Debt.
- (i) The Debt AFUDC Base for a year shall equal the average CWIP balance for that year, multiplied by the Debt Ratio.
- (j) Accumulated Amortization of Debt AFUDC for a year shall equal the Accumulated Amortization of Debt AFUDC from the prior year, plus Amortization of Debt AFUDC for the current year.

The balance of Accumulated Amortization of Debt AFUDC at the beginning of 2003 is stipulated to be \$259,181.

Section 3.6 Return on Rate Base

- (a) Return on Rate Base shall be equal to the product of the Average Rate Base, multiplied by the Weighted Cost of Capital.
- (b) Weighted Cost of Capital shall be defined by the following three parameters stipulated to by the parties while this Amended TSA is in effect:
 - (i) Capital Structure shall consist of 50 percent equity (Equity Ratio) and 50 percent debt (Debt Ratio).
 - (ii) Cost of Debt shall be 7.80 percent.

(iii) Nominal Rate of Return on Equity shall be 12.38 percent in the Initial Period (2004).

Return on Equity shall be 10.00 percent real. The nominal rate of return to be applied to Rate Base is the sum of 10.00 percent plus, for each subsequent period, the change in the CPI-U annual rate of inflation for the prior year as measured December to December without seasonal adjustment as published by the Bureau of Labor Statistics, U.S. Department of Labor for the preceding calendar year calculated for each subsequent period on a non-cumulative basis.

The Weighted Cost of Capital (at a 50% Capital Structure) shall be the average of the Cost of Debt and the Nominal Rate of Return on Equity.

Section 3.7 Rate Base

(a) Rate Base for any Annual Tariff Filing shall be determined as of the end of the calendar year in which the Annual Tariff Filing occurs and shall equal the Carrier Property at the end of that year, minus the Accumulated Depreciation at the end of that year, plus Accumulated AFUDC at the end of that year, minus Accumulated Amortization of AFUDC at the end of that year, plus the Working Capital Balance at the end of that year, minus the ADIT Balance at the end of that year. In determining Carrier Property as of the end of the calendar year in which any Annual Tariff Filing occurs, Additions to Carrier Property shall be included, and shall consist of the sum of (i) actual Additions to Carrier Property through December 31 of the preceding calendar year and (ii) actual Additions to Carrier Property during the current calendar year (to the extent known) plus Olympic's projected Additions to Carrier Property for the entire calendar year in which the Annual Tariff Filing occurs; provided, however, that such projected Additions to Carrier Property

are (1) known and measurable and reasonably expected to occur during the calendar year, (2) normally recoverable and reasonable capital expenses that are related to providing regulated service, and (3) capital expenses that would be properly included in Accounts 101 through 186 of the USOA carrier property accounts. Prior to inclusion, Olympic agrees to provide detailed financial information regarding any known and measurable capital expenses it intends to include in rate base. In determining Accumulated Depreciation and Working Capital Balance the actual dollar amount as of the end of the preceding calendar year shall be used to calculate the projected amount as of the end of the year in which the Annual Tariff Filing occurs. In determining Accumulated AFUDC, Accumulated Amortization of AFUDC and the ADIT Balance as of the end of any calendar year in which an Annual Tariff Filing occurs, the amounts shall be calculated using the projected and actual (if known) amounts of Additions to Carrier Property during the calendar year in which the Annual Tariff Filing occurs, as further provided in Sections 3.5 and 3.9.

- (b) The Average Rate Base is the arithmetic average of (i) Rate Base at the end of the year preceding the year in which the Annual Tariff Filing occurs and (ii) Rate Base at the end of that calendar year; provided, however, that for the purposes of determining rates effective July 1, 2009, the Average Rate Base calculation will be performed as though Bayview had been removed from Rate Base as of the end of the preceding calendar year, as provided for in Section 2.2, but this calculation methodology shall not alter the actual date on which the formal removal of Bayview from Rate Base is effective: i.e., July 1, 2009.

Section 3.8 Carrier Property

- (a) The balance of Carrier Property at the beginning of a year equals Carrier Property at the beginning of the previous year, plus Additions to Carrier Property for the previous year. Carrier Property at the beginning of 2003 is stipulated to be \$138,272,430. Carrier Property as of July 1, 2009, shall reflect the removal of Bayview from the Rate Base, as provided in Section 2.2.
- (b) Additions to Carrier Property for a year equals the amount by which additions during that year to USOA carrier property accounts 101 through 186 exceed net proceeds from retirements of property and other adjustments or transfers during that year from USOA carrier property accounts 101 through 186. Additions to Carrier Property shall be only those normally recoverable, reasonable capital expenses related to providing the regulated service that would properly be Additions to Carrier Property under the USOA.
- (c) The Carrier Property Balance for Bayview as of July 1, 2009, shall be calculated using the December 31, 2008, figures set forth above in Section 2.2, subject to adjustment for capital additions and depreciation through June 30, 2009.

Section 3.9 Accumulated Deferred Income Taxes

- (a) The Federal ADIT Balance at the beginning of a year equals the Federal ADIT Balance at the beginning of the previous year, plus the Tax Effect of Federal Timing Difference for the previous year.
- (b) The Tax Effect of Federal Timing Difference for a year shall equal the Federal Income Tax Rate for that year, multiplied by the Federal Tax Timing Difference for that year.
- (c) The Federal Tax Timing Difference for a year shall equal the Federal Tax Depreciation

for that year, minus Depreciation Expense for that year, minus IDC Amortization for that year, plus TEFRA Adjustment Amortization for that year.

- (d) Federal Tax Depreciation for a year shall equal the sum of Federal Tax Depreciation for Additions to Carrier Property for the current and all previous years. Federal Tax Depreciation for Additions to Carrier Property for the current or a previous year shall equal the appropriate Federal Tax Depreciation Factor, multiplied by the sum of Additions to Carrier Property, plus Additions to Debt AFUDC for that current or previous year. The appropriate Federal Tax Depreciation Factor, which varies with the time elapsed between the year of the Additions to Carrier Property and the year for which Federal Tax Depreciation is being calculated, shall be the 15-year schedule using the half-year convention according to the IRS Modified Accelerated Cost Recovery System ("MACRS") as shown in Exhibit 3.9(d). If Federal income tax laws are amended after the date of this Amended TSA, the Federal Tax Depreciation Factor Schedule in Exhibit 3.9(d) may be renegotiated pursuant to Section 3.13. The ADIT Balance at the beginning of 2003 is stipulated to be \$11,901,259.

(e) The ADIT calculation for rates effective July 1, 2009, and thereafter, shall be appropriately adjusted to account for the removal of Bayview from the Rate Base to the extent provided in Section 2.2 (Exhibit 3.4(c), WP 3 Sheet 3C Line 12 and WP4, Sheet 4C, Line 5).

Section 3.10 Working Capital Balance

The Working Capital Balance shall be calculated based on the balances in USOA accounts 16, 17 and 18 as of the end of the calendar year preceding the year in which the Annual Tariff Filing occurs. To the extent the Working Capital Balance calculation impacts rates from

the Effective Date through June 30, 2009, the calculation shall be made as though Bayview had been removed from the Rate Base on the Effective Date as provided in Sections 1.2 and 2.2.

Section 3.11 Income Tax Allowance

- (a) The Income Tax Allowance equals the product of the Federal Income Tax Factor, multiplied by the Federal Income Tax Base for that year.
- (b) The Federal Income Tax Factor shall equal the ratio of the Federal Income Tax Rate to the difference of one, minus the Federal Income Tax Rate.
- (c) The Federal Income Tax Rate shall equal the maximum rate of tax applied by the United States Government to net income derived by a corporation from the operation of a common carrier petroleum pipeline within the United States.
- (d) The Federal Income Tax Base for a year shall equal the Equity Portion of Return on Rate Base for that year, plus the Equity AFUDC Amortization for that year.

Section 3.12 Net Carryover

- (a) The Net Carryover is equal to the sum of the Revenue Excess (Deficit), plus the Interest on Revenue Excess (Deficit).
- (b) The Revenue Excess (Deficit) is based on the difference between the Tariff Revenue as reported in USOA Account 600, Sub accounts 200-260, (except Sub account 250) minus the Total Revenue Requirement for the period that the prior tariff(s) have been in effect. In any event, Tariff Revenue shall not include payments made under the Lease. If Tariff Revenue exceeds the Total Revenue Requirement for the period, there is a Revenue Excess. If Tariff Revenue is less than the Total Revenue Requirement for the period,

there is a Revenue Deficit. Upon termination of this Amended TSA, the final Net Carryover shall be trued up in a manner resolved through the Dispute Resolution process in Section 4.5.

- (c) The Interest on Revenue Excess (Deficit) equals the Revenue Excess (Deficit) for a year, multiplied by the interest rate used to compute Interest on Revenue Excess (Deficit).
- (d) The interest rate used to compute Interest on Revenue Excess (Deficit) for a year is based on the rate of interest obtained by taking the arithmetic average of the 12 monthly prime rates to the nearest one hundredth of one percent, as published in the Federal Reserves' "Selected Interest Rates" (Statistical Release H 15) for the 12 months starting with January of the previous year and ending with December of the previous year, and increasing the annual interest rate resulting from the previous step to reflect a quarterly compounding of interest.

Section 3.13 Effect of Income Tax Amendments

- (a) If Federal income tax laws are amended after the date of the original TSA, the Income Tax Allowance and the ADIT Balance will continue to be calculated as described in Section 3.9, unless a Party to this Amended TSA objects to the manner of computation within one year of such amendment. Upon written notice by a Party of an objection, the Parties have 60 days in which to negotiate a new method of determining the Income Tax Allowance and the ADIT Balance. This method will be consistent with the following requirements:
 - (i) The Federal Income Tax shall equal the maximum of tax applied by the United States Government to net income derived by a corporation from the operation of a common

carrier petroleum pipeline within the United States.

- (ii) It shall be assumed that the most accelerated methods of depreciation allowed under Federal income tax laws will be used and that other elections under Federal income tax laws will be made in a manner that will minimize or defer the total income tax liability to the maximum extent possible;
 - (iii) Any imbalance in the ADIT Balance (positive or negative) arising from a change in tax rates shall be amortized using the Amortization Rate described in Section 3.4(d);
 - (iv) Federal Tax Timing Differences shall be reflected in the ADIT Balance, not in the Income Tax Allowance;
 - (v) Applicable provisions of Federal income tax law shall be taken into account consistent with Federal regulatory policy;
- (b) If the Parties are unable to agree on a new method of determining the Income Tax Allowance and the ADIT Balance within 60 days after written notice by a Party pursuant to subsection (a) of this section, the method for calculating these amounts will be determined by a mutually agreed-upon, independent expert who shall apply the requirements above to the then-applicable Federal tax laws.

Section 3.14 Determination of Tariff Rates – Generally

- (a) The determination of rates for each Movement in each jurisdiction for which tariffs are posted shall be based on an equal percentage increase across all existing FERC and WUTC tariffs. For the purpose of this Amended TSA, Adjusted Tariff Rate shall be determined as follows:

- (i) The Adjusted Tariff is the tariff rate in effect prior to the Tariff Effective Date for the Annual Tariff Filing, multiplied by the Rate Adjustment Factor.
- (ii) The Rate Adjustment Factor shall be determined by dividing the Total Revenue Requirement by forecasted Tariff Revenue. For purposes of this Amended TSA only, forecasted Tariff Revenue for any calendar year in which an Annual Tariff Filing occurs shall be deemed to be the same as actual Tariff Revenue through the end of the preceding calendar year. Tariff Revenue does not include FERC Sub Account 250 rental revenue and specifically does not include Lease revenue related to Bayview.
- (iii) The Rate Adjustment Factor shall be determined by dividing the Total Revenue Requirement by forecasted Tariff Revenue.
- (b) The determination of tariff rates for which tariff rates are posted shall be rounded to the nearest \$0.0001 per barrel.

Article IV.
GENERAL PROVISIONS

Section 4.1 Term of this Amended TSA

- (a) The Parties shall be bound to devote their best efforts to secure approval of this Amended TSA in its entirety by the FERC and the WUTC upon execution of this Amended TSA by all Parties and shall be bound by all other terms of this Amended TSA upon the Effective Date.
- (b) This Amended TSA shall terminate automatically if the Effective Date has not occurred before February 1, 2009; otherwise this Amended TSA shall continue in full force and

effect for five (5) years from the Effective Date, after which this Amended TSA shall continue from year to year subject to termination by any Party giving notice within sixty days after the fifth and every subsequent annual filing under Section 1.4 and effective at the end of that year. Upon mutual agreement of the Parties, the notice period may be changed.

- (c) If Parties have not reached a new agreement prior to the termination date, Olympic's interstate and intrastate rates shall be those in effect upon the termination date subject to complaint before the FERC and/or WUTC by Tesoro and/or CP; provided, however, that the relief sought in any such complaint shall be prospective from the termination date only and shall not include reparations or damages for any period prior to the termination date.

Section 4.2 Duty to Defend this Amended TSA

All Parties will use their best efforts, each Party at its own expense, to defend the validity and enforceability of this Amended TSA.

Section 4.3 Approval of this Amended TSA

(a) If the FERC or the WUTC disapproves this Amended TSA or the agency in question does not waive any regulation inconsistent with the terms and conditions of this Amended TSA, or if the FERC or the WUTC rejects any provision of this Amended TSA, or if the FERC or the WUTC makes approval of this Amended TSA contingent upon any modification of any provision of this Amended TSA, or if a court reviewing an order of the FERC or the WUTC regarding this Amended TSA shall take any of such actions, where such action affects this Amended TSA, any Party may terminate this Amended TSA by written notice to the other

Parties within 30 days after any of the actions specified herein have occurred.

(b) Termination pursuant to Subsection (a) of this Section 4.3 shall become effective 10 days after the non-terminating Parties' receipt of written notice of termination. In the event of such termination, and except to the extent the provisions of the original TSA may remain in effect and require otherwise, Olympic shall have no further obligation to file or maintain its interstate or intrastate rates in conformance with the maximum rates determined under the OSM, and neither Olympic or Tesoro and CP shall be bound by this Amended TSA in any regard.

(c) If during the period in which this Amended TSA is in effect, an agency or court shall thereafter declare invalid any provision of this Amended TSA that has an impact upon a Party, then the Parties will undertake to negotiate diligently and in good faith to make reasonable and appropriate modifications to this Amended TSA so as to achieve substantially the same benefits for each Party that were originally contemplated by this Amended TSA, consistent with the order invalidating such provision. If the Parties are unable to agree on such modifications within a period of 30 days after the order invalidating such provision is issued (or such additional period as the Parties shall mutually agree in writing) then any Party may terminate this Amended TSA by giving written notice to the other Parties within 30 days after the expiration of the period of negotiations.

Section 4.4 No Precedential Effect

No part of the original TSA or of this Amended TSA, including, without limitation, the Term, the characterizations of expenses as recoverable or non-recoverable in rates, or the underlying methodology shall have any precedential effect for any other matter. Neither the original TSA nor this Amended TSA shall constitute an admission by the Parties concerning any question of fact or law, and neither the original TSA nor this Amended TSA represents in any

way the position of any Party regarding pipeline regulation in general or its application. Further, in the event that any interstate or intrastate rate established pursuant to the original TSA or this Amended TSA is ever challenged by any third party who is not a signatory to either agreement, nothing in the original TSA or in this Amended TSA or in the OSM set forth in Article II may be relied upon or cited as evidence to establish that such interstate or intrastate rate is excessive, discriminatory, or otherwise unlawful, or to set a new rate or rates that differ from those determined under the original TSA or under this Amended TSA.

Section 4.5 Dispute Resolution

- (a) Any controversy or claim arising under this Amended TSA shall first be subject to good-faith negotiation among the Parties and then, if such negotiation shall fail to resolve the controversy or claim, shall be subject to either binding arbitration among the Parties or the normal legal or judicial process, whichever is provided for in this Amended TSA. A controversy or claim may be raised by any Party at any time by serving notice upon the other Parties. Within 10 days from the receipt of the notice of controversy or claim, the Parties shall hold an initial meeting to discuss how best to proceed to resolve the controversy or claim through good-faith negotiation. Unless otherwise agreed among all Parties, the Parties shall have 30 days from the date of the initial meeting to resolve the controversy or claim. In the event a controversy or claim relating to a filing set forth in Sections 1.2, 1.3, 1.4, and 2.2 of this Amended TSA is not resolved within this 30-day negotiation period, a Party may initiate binding arbitration by serving an Arbitration Demand on the other Parties. In the event a controversy or claim relating to any other matter is not resolved within this 30-day negotiation period, any Party may file with the FERC, the WUTC, the successor of either, or any other agency or court, any protest,

petition or complaint or any other action allowable at law or equity.

- (b) Except as otherwise agreed by all Parties, the arbitration of a controversy or claim relating to a filing set forth in Sections 1.2, 1.3, 1.4, and 2.2 of this Amended TSA shall be conducted by a single arbitrator with both substantial and suitable experience related to rate regulation. The arbitrator is to be selected by mutual agreement among the Parties within 10 days from the date of the Arbitration Demand. In the event of a failure to agree, any Party may petition the American Arbitration Association (“AAA”) to name an arbitrator. Such arbitration shall be held in Seattle, Washington, in conformity with the Commercial Arbitration Rules of the AAA and administered by the AAA. Except as may otherwise be agreed by all Parties, such arbitration shall be completed and a final decision issued within 90 days of the date on which Arbitration Demand was served. The arbitrator shall issue a final decision consistent with the Commercial Arbitration Rules of the AAA and the regulations and precedent governing the arbitration of FERC and WUTC tariff and rate matters, except that the final decision shall not include an award of special, consequential, or punitive damages. The Parties agree that the final decision of the arbitrator shall be final as amongst the Parties and further agree to waive any and all rights to appeal or request review of the final decision by any court or regulatory agency. In the event the arbitrator’s final decision requires enforcement, any Party may petition for enforcement of the final decision through the appropriate channels established by the FERC or the WUTC.
- (c) The fees and expenses of the arbitrator and costs of AAA’s administration shall be borne by the party who is deemed by the arbitrator to be the losing party. Other than arbitrator fees and expenses and AAA administration costs, each party shall be responsible for its

own costs and attorney fees regardless of outcome.

- (d) No provision of this Amended TSA is intended to nor shall be interpreted to limit the regulatory jurisdiction or authority of the FERC or the WUTC in any regard. In the event a dispute arises under the terms of this Amended TSA that is not resolved prior to the termination of this Amended TSA, the dispute resolution provisions of this Section 4.5 shall apply and shall survive the termination of this Amended TSA.

Section 4.6 Parties in Interest

This Amended TSA shall be binding upon and inure solely to the benefit of the Parties and their respective successors and assigns. No obligation under this Amended TSA shall be for the benefit of or be enforceable by any third party.

Section 4.7 Construction of this Amended TSA

- (a) The language of this Amended TSA shall, in all cases, be construed according to its fair meaning and not strictly for or against either Party. Headings of articles and sections of this Amended TSA are solely for the convenience of the Parties and are not a part of this Amended TSA. This Amended TSA shall be governed by, and construed in accordance with the laws of the State of Washington.
- (b) Attached hereto as Exhibit 1.4(a) illustrating the OSM are electronic files with the computer program used to calculate rates along with other formulae based support, stipulated amounts, and projected data for calendar year 2009. It is the understanding of the Parties that the language of this Amended TSA and the calculations shown in Exhibit 1.4(a) are consistent. If any question shall arise as to the consistency of the language of this Amended TSA and the calculations shown in Exhibit 1.4(a), the Parties shall resolve

such controversy in accordance with Section 4.5 of this Amended TSA.

- (c) The language of this Amended TSA, together with the electronic files shown in Exhibit 1.4(a), shall control over any other computer program or other document prepared by the Parties, or any of them, describing or explaining this Amended TSA or the OSM.

Section 4.8 Amendment

This Amended TSA may be modified, amended or supplemented only by a written instrument executed by the Parties.

Section 4.9 Notices

Any notice required or permitted by this Amended TSA shall be effective when deposited in the mails, postage prepaid, certified mail, return receipt requested, or when dispatched by overnight delivery service or by facsimile, addressed to the respective Party at its address set forth below:

If to Olympic:

Legal Department
Olympic Pipe Line Company
4101 Winfield Rd.
Warrenville, IL 60555
Attn: General Counsel
Facsimile: (630) 821-3396

If to CP:

ConocoPhillips Company
600 North Dairy Ashford Road

Houston, TX 77079
Attention: Manager/West Coast Supply
Facsimile: (918) 662-5621

If to Tesoro:

Legal Department
Tesoro Petroleum Corporation
300 Concord Plaza Drive
San Antonio, Texas 78216
Facsimile: (210) 283-2400

Legal Department
Tesoro Refining and Marketing Company
3450 South 344th Way, Suite 100
Auburn, WA 98001
Facsimile: (253) 896-8845

A Party may, at any time, substitute a different person or address for that shown in the previous sentence by giving written notice to the other.

Section 4.10 No Waiver

Unless otherwise specifically provided in this Amended TSA, no failure to exercise, and no delay in exercising, any right, power, or remedy under this Amended TSA shall impair or be construed as a waiver of this right, power, or remedy of a Party, nor shall any failure to exercise or delay in exercising any right, power, or remedy be construed to be an acquiescence in any breach or default under this Amended TSA. The rights and remedies specified for the enforcement of this Amended TSA are cumulative.

Section 4.11 Section Counterparts

This Amended TSA may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 4.12 Disclaimer of OSM Model Data

The data for future periods demonstrate the mechanics of the OSM model and while based on prior projections, cannot be warranted to represent actual future performance by Olympic.

Section 4.13. Termination

In addition to any other right to terminate set forth above (including Section 4.1(b)), the Parties shall have the following termination rights:

(a) If the FERC or the WUTC approves the Amended TSA, but disapproves the Lease, Olympic shall have the right to terminate the Amended TSA.

(b) If either the FERC or the WUTC approves the Amended TSA, but requires all aspects of Olympic's Bayview facility to remain in the Rate Base, Tesoro and CP shall have the right to terminate the Amended TSA.

(c) A Party exercising its rights under Section 4.13(a) or 4.13(b) shall do so by providing written notice to the other Parties within 30 days of the specified regulatory action. Termination shall become effective 10 days after the non-terminating parties have received the termination notice. In the event of such termination, and except to the extent the provisions of the original TSA may remain in effect and require otherwise, Olympic shall have no further obligation to file or maintain its interstate or intrastate rates in conformance with the maximum rates determined under the OSM, and neither Olympic nor Tesoro and CP shall be bound by this Amended TSA in any regard.

Being duly authorized, the Parties execute this Amended TSA as of the date first written above.

Olympic Pipe Line Company

By: Steve Maulding

Printed Name: Steve Maulding

Title: President

Tesoro Refining and Marketing Company

By: _____

Printed Name: _____

Title: _____

ConocoPhillips Company

By: _____

Printed Name: _____

Title: _____

Being duly authorized, the Parties execute this Amended TSA as of the date first written above.

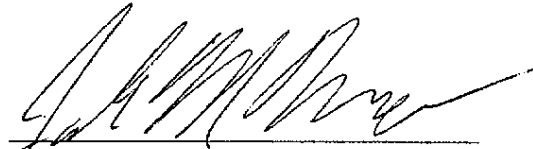
Olympic Pipe Line Company

By: _____

Printed Name: _____

Title: _____

Tesoro Refining and Marketing Company

By:  _____

Printed Name: Joseph M Monroe

Title: SVP Corporate Development

ConocoPhillips Company

By: _____

Printed Name: _____

Title: _____

Being duly authorized, the Parties execute this Amended TSA as of the date first written above.

Olympic Pipe Line Company

By: _____

Printed Name: _____

Title: _____

Tesoro Refining and Marketing Company

By: _____

Printed Name: _____

Title: _____

ConocoPhillips Company

Not *ES* By: Chris W. Conway

Printed Name: Chris W. Conway

Title: President, Supply & Trading Americas

Exhibit B

**EXHIBIT B
GLOSSARY**

AAA-American Arbitration Association

See Section 4.5 of the Settlement Agreement.

Additions to Carrier Property

Amounts added to Carrier Property in Service during a defined period.

Adversary Proceeding

See Page 10, Introduction, of the Settlement Agreement

ADIT Balance

Amount of Accumulated Deferred Income Tax at the end of a defined period as determined in the OSM. See Section 3.9 of the Settlement Agreement. Also covers Federal ADIT Balance

AFUDC

An allowance included in Rate Base reflecting earnings on the balance of the Construction Work In Progress (“CWIP”) account as determined in the OSM. See Section 3.5 of the Settlement Agreement for all references to AFUDC including Debt AFUDC, Equity AFUDC, Amortization of AFUDC and Accumulations thereof.

Agreement

The Settlement Agreement dated November, 2003 between Olympic, Tesoro, and ConocoPhillips that sets initial tariff rates and concludes litigation between the Parties.

Amortization Rate

The Depreciation Expense divided by the arithmetical averages of Carrier Property (excluding land) for the beginning of the year and the end of the year.

Annual Tariff Adjustment

Filing submitted for tariff effective July 1 of each year—See Section 1.5 of the Settlement Agreement

Arbitration Demand-see Section 4.5 of the Settlement Agreement.

Average Annual Composite Depreciation Rate

The result of dividing Depreciation by the average of the depreciable Carrier Property at the beginning and the end of the year for which Depreciation is determined

Average Rate Base

Average of the balance of Rate Base at the beginning and the end of a calendar year

Bankruptcy Court-See Introduction in Settlement Agreement

Base Throughput

The total deliveries over a 12 month period used to set an existing tariff rate.

Capital Structure

Stipulated portion of Rate Base that is funded by Equity (50%), with the balance funded by Debt

Carrier Property

Property devoted to providing common carrier pipeline transportation service. See Section 3.8 of the Settlement Agreement for Carrier Property, additions thereto

Corrective Action Order

See Section 3.3 of the Settlement Agreement

Cost of Debt

Stipulated rate of return (7.80%) for the portion Rate Base funded by Debt.

Court of Appeals

See Introduction to Settlement Agreement, Page 9.

CPI-U

Consumer Price Index Factor used for escalation of Operating Expense and Nominal Rate of Return.

CWIP

Construction Work In Progress amounts recorded in USOA Account 30.187

Debt Ratio

Stipulated ratio of the portion of OPL capital funded by Debt (50%) to total capital, expressed in percent.

Depreciation and Amortization Amounts

Recorded in USOA Account 610.540 See Section 3.4 of the Settlement Agreement for Depreciation definitions including its Amortization and Accumulation, and Average Annual Composite Depreciation Rate.

Depreciation Factors

Ratio of Depreciation Expense to the balance of Carrier Property. See Exhibit 3.9(d).

Dispute Resolution

The process to resolve differences between the parties involved in this agreement. See Section 4.5 of the Settlement Agreement.

Direct Costs

Those portions of the Whatcom Creek Costs that are directly related to the Accident. See Section 3.3 of the Settlement Agreement.

Drag Reduction Agent

Chemical additive used by pipelines to increase transportation capacity.

Effective Date

See Introduction, page 7 of the Settlement Agreement.

Equity Portion of Return

The Rate of Return earnings attributed to the part of the Rate Base funded by equity capital.

Equity Ratio

Stipulated ratio of the portion of OPL capital funded by Equity (50%) to total capital expressed as a percent. See Capital Structure.

Excluded Costs

See Section 3.3 of the Settlement Agreement.

FERC

Federal Energy Regulatory Commission.

Federal Income Tax Rate

Maximum rate of tax applied by the United States Government to net income derived by a corporation from the operation of a common carrier petroleum pipeline within United States. See Section 3.11 of Settlement Agreement.

Federal Tax Depreciation

Amount calculated by applying the mid-year depreciation schedule applicable to 15-year property under MACRS to the depreciable portion of Additions to Carrier Property in the current and all previous years. See Section 3.4 of Settlement Agreement.

Federal Tax Depreciation Factor

The amount of Federal Tax Depreciation is allowed in a year as a decimal fraction of the undepreciated cost of depreciable Carrier Property when it was placed in service. See Exhibit 3.9 d for Schedule.

Federal Tax Timing Difference

See Section 3.9 of the Settlement Agreement

Income Tax Allowance

The product of the Federal Income Tax Factor multiplied by the Federal Income Tax Base. See Section 3.11 of the Settlement Agreement.

Initial Tariff Rate

See Section 1.2 of the Settlement Agreement

Initial FERC Rate

Cost based tariff rate as determined under terms of this Agreement for movements made under FERC tariffs after April 30, 2003 and prior to July 1, 2004

Interstate Transportation

Transportation that is subject to regulation by the FERC.

Intrastate Transportation

Transportation that is subject to regulation by the WUTC.

MACRS

Modified Accelerated Cost Recovery System (of Depreciation)—See Section 3.4 of the Settlement Agreement.

Maximum Allowable Operating Pressure (MAOP)

The maximum pressure allowed under federal government safety guidelines.

Maximum Rate

Maximum cost based rate determined by the Olympic Settlement Methodology (“OSM”) methodology defined in this Agreement.

Maximum Allowable Other Operating Expense

See Section 3.3 of the Settlement Agreement.

Net Carryover

An amount equal to the sum of the Revenue Excess (Deficit) plus the interest on Revenue Excess (Deficit).

Non-Carrier Property

Property held by OPL but not devoted to provision of common carrier pipeline transportation

Notice of Termination

See Section 4.9 of the Settlement Agreement

Olympic Settlement Methodology (OSM)

See Section 1.4 of the Settlement Agreement

100% Operation Date

See Section 2.1 of the Settlement Agreement

Operating Expense

Normally recoverable expenses related to the routine operation of the pipeline as recorded in Account 610 of the Uniform System of Accounts for Oil Pipeline Companies. See Section 3.3 of the Settlement Agreement.

Other Operating Expense

See Section 3.3 of the Settlement Agreement. Also covers Deficits or Excesses of Other Operating Expense.

Parties

Olympic, Tesoro, and ConocoPhillips. See Introduction to Settlement Agreement.

Pass-Through Operating Expenses-See Section 3.3 of the Settlement Agreement.

Project Expense—See Section 3.3 of the Settlement Agreement

Projected Volume

The Volume estimates expected for a given period.

Proportional Adjustment

Adjustments made in the same proportion to each quantity that is adjusted

Rate Base

As defined in Section 3.7 (a) of this agreement.

Rate Litigation—see Transition Costs.

Refunds, (Refund Balances)—See Section 3.1 of the Settlement Agreement

Return on Rate Base

An amount equal to the product of the Average Rate Base multiplied by the Weighted Cost of Capital. See Section 3.6 of the Settlement Agreement. Also covers Equity Portion of Return,

Return on Equity (real)

Stipulated rate of return (10.00% + CPI-U) for the portion of Rate Base funded by Equity. Return on Equity (nominal) – Equal to the Return on Equity (real) plus the change in the CPI-U as published by the Bureau of Labor Statistics, U.S. Department of Labor for the preceding calendar year

Revenue Excess/ (Deficit)

See Net Carryover

Tariff Rates

Cents-per-barrel charges to shippers for transportation service provided by Carrier. Tariff rate documents are filed with appropriate federal and state regulatory agencies.

Tariff Rate Effective Date

As defined in Sections 1.2, 1.3 and 1.4 of this agreement.

Tariff Revenue

Amounts reported in USOA Account 600.210. Throughput Quantity of refined petroleum product delivered out of OPL for a defined period. (Typically 12 months)

Throughput

Volumes transported through Olympic Pipeline.

Total Revenue Requirement

See Section 3.2 of the Settlement Agreement

Transition Costs

See Section 3.3 of the Settlement Agreement. This section also covers Transition Costs-Bankruptcy, Transition Costs-Rate Litigation, and Amortizations thereof.

Uniform System of Accounts ("USOA")

Accounting system applied to oil pipelines by the FERC

Washington Utilities and Transportation Commission (WUTC)

Regulatory agency for the State of Washington.

Weighted Cost of Capital

Weighted average of the Cost of Debt and the Return on Equity in proportion to the Capital Structure. See Section 3.6 of the Settlement Agreement.

Whatcom Creek Costs

See Section 3.3 of the Settlement Agreement

Working Capital Balance

Balance reported for USOA asset accounts 16, 17 and 18 for a specified period. See Section 3.10 of the Settlement Agreement.

Exhibit C

LEASE STORAGE AGREEMENT

THIS AGREEMENT covers the leasing of storage between Olympic Pipe Line Company ("Lessor" or "Olympic") and [REDACTED] ("Lessee" or "Redacted") at Lessor's facilities located in Mount Vernon, Washington, subject to the terms and conditions in the paragraphs below. Lessor and Lessee are also referred to as "Party" or "Parties."

The storage capacity being leased hereunder shall be called the "Lease Storage." The facilities required to provide such storage, which are identified in Schedule A attached hereto and by this reference incorporated herein, shall be called the "Lease Storage Facilities," commonly known as "Bayview".

A. TERM & RENEWAL

The initial term of this Agreement shall commence on January 1, 2009, and end on December 31, 2013 ("Initial Term" with the first day of each year of the Initial Term called the "Anniversary").

At Lessee's option, conditioned upon six (6) months' written notice prior to the expiration of the Initial Term, the Agreement may be renewed for an additional five-year term ("Option Term") at an annual lease rate equal to the rate provided for in Section D, adjusted by the change in the Consumer Price Index from the first Anniversary to the first day of the Option Term; provided, however, if, prior to the expiration of the Initial Term, Lessor has received an offer to lease the Lease Storage (as defined below) or the Lease Storage Facilities to a third party for all or part of the Option Term, or for a longer term, that Lessor wishes to accept, Lessor shall give Lessee written notice of the material terms of any such offer, and Lessee shall have a right of first refusal ("RFR") with respect to such offer. The notice shall include a copy of the offer. The RFR shall supersede Lessee's option to renew, which, upon notice of the offer by Lessor, shall be of no further effect. If Lessee notifies Lessor within thirty (30) days of notice that it elects to exercise the RFR, then the Parties will enter into a new lease on terms materially equivalent to those of the third party offer and in any event at a lease rate no lower than the third party offer. If Lessee does not so notify Lessor within thirty (30) days of notice, then Lessor shall be free to lease the Lease Storage and/or the Lease Storage Facilities to any other party on terms materially equivalent to or more favorable to Lessor than those of the third party offer. At Lessee's option, in the event the term of the third party offer is less than five years, Lessee may, on exercise of the RFR, elect to extend the term of the new lease to five years on otherwise materially identical terms to those of the third party offer, including the annual lease rate. If the third party offer is for a term of more than five years, the RFR may be exercised only by entering into a lease for the same term as the third party offer.

It is anticipated that capital improvements will be completed during the first year of the lease term, resulting in periods of down time for the Lease Storage Facilities.

B. LEASED STORAGE

Lessor hereby leases to Lessee storage at Lessee's facilities at the Bayview Terminal. The Lease Storage shall consist of the right to use the Lease Storage Facilities for storage in exclusive service on the terms and conditions set forth herein.

C. PRODUCT

The product to be handled shall be [x, y, or z] ("Product"). Unless Lessor is notified in writing and grants written approval, the Lease Storage Facilities will be not be used by Lessee for storage of any material other than the Product. Condensates may not be stored in the Lease Storage Facilities.

D. CHARGE

Lessee agrees to pay \$[redacted] ("Lease Payment") on the commencement date (first Anniversary) and annually thereafter. The Lease Payment shall be made regardless of the number of barrels of Product actually stored in the Lease Storage Facilities during the year.

If Product is being stored by or for Lessee in the Lease Storage Facilities on the date of cancellation or termination of this Agreement, Lessee will pay the Lessor for a further one month's storage for Product remaining in such facilities. Lessor reserves the right to remove and dispose of all such Product remaining in such storage on the date of cancellation or termination, at Lessee's risk of loss and expense. Lessee shall be responsible for removing any Product tank bottoms after removal of the Product. Lessor reserves the right to remove such Product tank bottoms at Lessee's expense.

E. CONTINGENCIES

The Parties' obligations hereunder are contingent on the occurrence of each of the following events:

- (1) the filing of an agreed amendment to the current Tariff Settlement Agreement among Olympic, Conoco Phillips Company, and Tesoro Refining and Marketing Company, dated November 7, 2003 ("TSA"), which amendment includes removal of substantial elements of the Bayview Terminal from Olympic's rate base as defined in the TSA and provisions relating to the treatment of revenue derived from this Agreement during any period before effective date of removal of the Bayview Terminal from the rate base, and receipt of all required regulatory approvals of the amended TSA, including approval of the amendment providing for removal of the Bayview Terminal from the rate base; and
- (2) filing of this Agreement with the Washington Utilities Commission ("WUTC") and obtaining all required regulatory or governmental approvals of this Agreement, including, but not limited to, WUTC approval.

F. CAPITAL MODIFICATIONS

Olympic agrees to make the capital modifications to the Lease Storage Facilities described in Exhibit A hereto (which includes Attachment 1 to Exhibit A) (the "Exhibit A Improvements") with the cost of such modifications to be reimbursed by the Lessee to the extent provided herein. [NOTE: Exhibit A is Redacted in its entirety because of Confidentiality Agreements]. At the time the project reaches the "Execute" stage as defined in Lessor's Capital Value Process which the Parties anticipate will occur before January 1, 2009, Lessor will provide Lessee with the then estimated cost of the Exhibit A Improvements. If the estimated cost is under \$[redacted-amount "A"], Lessee shall pay the cost of the Exhibit A Improvements as provided below. If the estimated cost exceeds \$A [redacted], then within ten (10) days of receiving the estimated cost, Lessee shall elect either to approve the estimated costs or to terminate this Agreement by providing written notice. Lessor shall have the right, within ten (10) days of receiving any such notice of termination, to commit to complete the Exhibit A Improvements for \$A[redacted] and thereby negate Lessee's termination right under this Section F.

- (1) If Lessee approves the estimated costs, or the estimated costs are below \$A [redacted], Lessee will reimburse Lessor for any sum actually expended to complete the Exhibit A Improvements up to the amount of the approved estimate or \$A[redacted], whichever is greater. Lessor will bear any excess costs not required to be paid by Lessee.
- (2) If Lessee timely elects to terminate the Agreement, Lessee shall reimburse Lessor for all non-recoverable costs Lessor has incurred in connection with any improvements for which Lessee is required to pay under this Section F, including but not limited to all engineering, estimating, and legal costs and costs incurred to order equipment or materials necessary to meet the schedule for completion of the capital modifications had such modifications been completed. No reimbursement shall be required of any costs in excess of \$A [redacted].
- (3) If Lessor has negated a termination as provided above, then Lessee shall pay to Lessor the sum of \$A[redacted], regardless of the actual cost of the Exhibit A Improvements.

In the event additional modifications over and above those described in Exhibit A are requested by the Lessee, the costs of such modifications shall also be reimbursed by the Lessee.

In the event additional capital improvements or modifications are required to be made to the Lease Storage Facilities by virtue of regulatory action or other third party requirements imposed on either Party ("Compliance Improvements"), the cost of such Compliance Improvements shall be paid by Lessee. Lessor shall give Lessee reasonable notice of such anticipated Compliance Improvements and an estimate of cost. Lessee's obligation to reimburse these costs shall be subject to its approval of the estimate, which will not be withheld if the estimate is reasonable or if, after objection, the estimate is modified to be reasonable. However, if the reasonable cost of the Compliance

Improvements exceeds the sum set forth below opposite each year of the Initial Term (the "Compliance Improvement Maximum"), Lessee shall have the right to terminate this Agreement on thirty (30) days' written notice of termination provided no later than ten (10) days after notice is provided of the estimated cost. Absent such notice of termination, Lessee shall be obligated to reimburse Lessor for the reasonable cost of the Compliance Improvements. However, if Lessee gives notice of termination, Lessor shall have the right, within ten (10) days of receiving any such notice of termination, to commit to complete the Compliance Improvements and to pay any cost in excess of the Compliance Improvement Maximum and thereby negate any termination right arising under this paragraph.

The Compliance Improvement Maximum is as follows for any cost estimate for Compliance Improvements provided during each of the listed years of the Initial Term:

Year One/four+ years remaining	\$E [redacted].
Year Two/three+ years remaining	\$D [redacted].
Year Three/two+ years remaining	\$C [redacted].
Year Four/one+ year remaining	\$B [redacted].
Year Five/less than one year remaining	\$0.

In the event the Lessee has renewed this Agreement before the end of the Initial Term, the Compliance Improvement Maximum shall be the same as in the above table based upon the remaining years in the term of any such renewed lease. By way of example and for avoidance of doubt, if the Lessee renewed in the middle of Year Three of the Initial Term for a total renewal term of five years, the Compliance Improvement Maximum for a Compliance Improvement cost estimate provided during the year following renewal would be the same as in Year One in the table above because during that entire year more than four years would remain in the term of the renewed Agreement.

In the event that Compliance Improvements to any tank result in more than six (6) months of down time, the Lease Payment shall be reduced for the period of such down time by thirty percent (30%).

With respect to the cost of any capital modifications for which Lessee is responsible under this Section F that are made before December 31, 2009, Lessee shall pay the principal amount in five equal installments beginning on substantial completion of the capital improvements in question, with the remaining installments paid beginning on January 1, 2010, and annually thereafter, in each case together with interest on the outstanding principal balance at a rate per annum equal to the weighted cost of capital in effect from time to time under the TSA ("Interest"). In the case of such costs incurred after December 31, 2009, the entire principal shall be paid over the remaining Initial Term in equal annual installments beginning on the next Anniversary after such costs are incurred, together with Interest thereon, so that the entire principal and Interest have been paid as of the first day of the last year of the Initial Term. Any reimbursable capital modification costs incurred or billed during the last year of the Initial Term shall be paid, together with Interest, no later than the last day of the Initial Term. In the case of all improvements bearing Interest under this Section F, Interest shall accrue beginning on the date or dates that Olympic delivers a statement of the reimbursable costs of such improvements to Lessee.

Lessor agrees to use its best efforts to ensure that the Exhibit A Improvements are substantially completed (meaning that they can be used in the ordinary course of storage operations even though non-critical elements may not be complete) within twelve (12) months after the first Anniversary. The Parties recognize that substantial completion may be delayed as a result of factors outside of Lessor's reasonable control, including, but not limited to, delays associated with the provisioning by third parties of necessary equipment and materials ("Excusable Delay"). If the Exhibit A Improvements are not substantially completed by twelve (12) months after the first Anniversary plus any period of Excusable Delay (the "Substantial Completion Date"), the Lease Payment due on the next Anniversary after substantial completion is achieved shall be reduced pro rata for the period from the Substantial Completion Date until the Exhibit A Improvements are substantially complete. The Exhibit A Improvements shall be fully completed before the end of the Initial Term.

G. TERMINATION RIGHT BASED ON VOLUME

Lessee may elect to terminate this Agreement by giving written notice within thirty (30) days of the occurrence of all of the following events:

(1) [Redacted-related to availability of OPL capacity in getting volume in and out of Bayview, i.e. if OPL Segment 1 is consistently pro-rated, then lessee can't utilize Bayview and can get out of lease]

(2) [Redacted-specific conditions related to item 1 termination]

In the event Lessee elects to terminate the Agreement under this Section G, Lessee will continue to make all otherwise required payments under Section F until such time as a subsequent lessee commences (pursuant to a subsequent lease agreement) actual use of the capital improvements for which reimbursement is required under Section F. Lessee will continue to make all required payments associated with capital improvements that are not used by the subsequent lessee.

In the event Lessee elects to terminate the Agreement under this Section G, within twenty (20) days of the effective date of termination, Lessor shall refund Lessee a pro-rated portion of Lessee's annual Lease Payment for the year in which termination occurred (the "Pro-rated Refund"). The Pro-rated Refund shall be calculated by dividing the annual Lease Payment by 365 and multiplying that amount by the number of days between the effective date of termination and the next Anniversary.

The Parties agree that Lessee shall be subject to all nomination requirements set forth in the Shipper's Manual and that nothing in this Agreement is intended to provide Lessee with any preferential right to nominate Product for shipment on Lessor's pipeline system.

H. OPERATIONAL REQUIREMENTS

Olympic agrees to meet operational requirements, which are fully described in Exhibit B hereto.

Olympic agrees to perform routine service and compliance activities. Olympic also agrees to perform 100 hours per year of non-routine service and compliance activities ("Budgeted Hours"). (See Exhibit B for definition of routine and non-routine service.) For non-routine activities and compliance activities above the Budgeted Hours, Lessee agrees to pay Olympic \$125 per hour upon presentation of an accounting for such excess hours following the end of the calendar year in which they were performed and regardless of whether the number of non-routine hours in any preceding or following year was or is greater or less than the Budgeted Hours.

I. NOTIFICATION

The addresses and contacts listed below shall be used for any correspondence or invoicing relative to this Agreement.

LESSOR:

Olympic Pipe Line Company
2201 Lind Avenue SW, Suite 270
Renton, WA 98055
Phone: (425) 235-7736
Attn: Steve Maulding
President/District Manager

LESSEE:

[Redacted]

J. ADDITIONAL PROVISIONS

The provisions contained in the attached General Provisions are included in and are a part of this Agreement.

EXECUTED THIS ____ day of ____ [signed on 8/11/08] _____, 2008.

OLYMPIC PIPE LINE COMPANY

[Redacted]

By: _____

By: _____

Title: _____

Title: _____

GENERAL PROVISIONS

1. STORAGE HANDLING

Lessee shall make its own arrangements with Lessor for the handling of the Product in and out of storage, it being understood that the Lease Storage Facilities are not equipped with barge loading or unloading facilities and are connected by pipeline to the Lessor's pipeline system.

2. PAYMENT AND BILLING

At least twenty days prior to each Anniversary (including the commencement date), Lessor shall provide Lessee an invoice covering the rent due for the Lease Storage for the following year. All sums due under any invoice shall be paid at least ten days before the Anniversary.

In the event of late payment, Lessor shall charge and Lessee agrees to pay a late payment charge on the amount then due and payable by the Lessee at a per annum rate of interest equal to the prime rate charged by the First National Bank of Chicago plus two percent (2%) or the highest rate allowed by law in the State of Washington, whichever is lower.

3. PRODUCT TITLE

Lessor shall not acquire title to the Product stored hereunder by virtue of this Agreement. Title and risk of loss shall remain with the Lessee, except as provided in Section 4 and Section 5 below.

4. FACILITIES AND LOSSES

It is agreed that Lessee shall have the right to inspect the Lease Storage Facilities for suitability before initial receipt of Product by Lessor. It is agreed that Lessee is familiar in all respects with Lessor's facility and operation.

Lessor shall not be responsible for verifying the quality or specification of Product tendered for storage. Lessee warrants and represents that the Product tendered for storage meets the specification for Product as identified in paragraph "C".

Lessor shall not be liable for any loss or damage to the Product stored under this Agreement, except for any loss or damage arising out of or resulting from the negligent acts or willful wrongdoing of Lessor and its officers, employees or agents. Without limiting the generality of the foregoing, Lessor shall not be responsible for shrinkage, evaporation, interface losses and normal "over and short" losses. Where such conditions of Lessor liability are met, liability shall be limited to the reduction in value of any damaged or lost Product, which shall be determined using OPIS PNW Spot at the time such loss or damage occurs. Under no circumstances, regardless of negligent acts or willful wrongdoing of Lessor, shall Lessor be liable for special, incidental, punitive or

consequential damages, which terms include lost profits. Lessor shall not be responsible for any loss whatsoever after redelivery of Product, and full risk of loss, possession and control shall pass from the Lessor to the Lessee as the Product passes the unloading flange of the Lease Storage into the pipeline(s) arranged for by the Lessee, subject only to such tariffs, regulations or laws as may apply to Lessor in its capacity as owner of the pipeline.

5. DEDUCTIONS AND ADJUSTMENTS

Petroleum quantities stored may be adjusted to allow for inherent losses, including but not limited to shrinkage, evaporation, interface losses and normal "over and short" losses. A deduction based on losses will be made to cover evaporation, interface losses, and other normal losses during storage.

Olympic Pipe Line Company will generate invoices two times per month to collect over/short adjustments billable to Lessee. The invoice periods will be the 1st thru the 15th and the 16th thru the last day of the month. Olympic's invoices will be DUE & PAYABLE UPON RECEIPT. Invoices that are not paid within 15 days from the date of the invoice will bear interest from the last day of the invoice period and at the monthly rate of one percent (1%).

6. TAXES

Lessee shall pay or cause to be paid all taxes, licenses, fees, charges and sums due of any nature whatsoever imposed by any federal, state or local government on the Product owned by it or storage, transfer or movement thereof as covered by this Agreement. If Lessor is required to pay such items, Lessee shall immediately reimburse Lessor.

7. INDEMNIFICATION

Lessee shall indemnify and save Lessor, its affiliates and its and their officers, employees and agents harmless from any and all claims, suits, judgments, fines, penalties, liabilities, damages, loss, costs and expenses for personal injuries, including death, to any person, including the employees of either Party, and for property damage of any nature, including damage to or loss of the Product covered herein, including fees and costs of recovering under this indemnity provision, arising from the negligence or intentional acts or omissions of Lessee, its officers, employees, agents or invitees under this Agreement or its failure to comply with any federal, state or local law or regulation.

The Lessee shall also indemnify and save Lessor harmless from and against all fines, penalties, damages, loss, costs and expenses arising from or connected with Product discharges, spills or leaks emanating from pipelines and associated transfer equipment used in or connected with delivering or receiving Product hereunder, including fees and costs of recovering under this indemnity provision, except to the extent caused by the negligence of Lessor, its agents or employees or by Acts of God.

Lessor shall indemnify and save Lessee, its affiliates and its and their officers, employees and agents harmless from any and all claims, suits, judgments, fines, penalties, liabilities, damages, loss,

costs and expenses for personal injuries, including death, to any person, including the employees of either Party, and for property damage of any nature, including damage to or loss of the Product covered herein, including fees and costs of recovering under this indemnity provision, arising from the negligence or intentional acts or omissions of Lessor, its officers, employees, agents or invitees under this Agreement or its failure to comply with any federal, state or local law or regulation.

The Lessor shall also indemnify and save Lessee harmless from and against all fines, penalties, damages, loss, costs and expenses arising from or connected with Product discharges, spills or leaks emanating from pipelines and associated transfer equipment used in or connected with delivering or receiving Product hereunder, including fees and costs of recovering under this indemnity provision, to the extent caused by the negligence of Lessor, its agents or employees.

8. FORCE MAJEURE

In the event either Party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this Agreement, other than to make payment when due, it is agreed that such Party shall give full notice of the particulars of such force majeure in writing or by telegram to the other Party as soon as reasonably possible after the occurrence of the cause relied on, and that the obligations of the Party giving such notice, so far as they affect performance, shall be suspended during the continuance of any actual inability so caused but for no longer period, and such cause shall, as far as reasonably possible, be remedied with all reasonable dispatch. The obligations of the Party receiving such notice shall be suspended concurrently, to the extent necessary, with any such suspension of the obligations of the Party giving such notice.

The term "force majeure" as used herein shall mean acts of God, strikes, lockouts or other industrial disturbances, acts of public enemy, war, lightning, earthquakes, fires, storms, floods, washouts, restraints, rules, regulations and laws of any government, civil disturbances, explosions, breakage or accident to the storage tanks and lines of pipe and any other cause whether of the kind herein enumerated or otherwise, not within the control of the Party claiming excused performance. It is understood that the settlement of strikes and labor disputes shall be at the sole discretion of the Party affected.

9. INGRESS AND EGRESS

Lessor grants to Lessee, its agents and employees, conditional access to and the right of ingress and egress via Lessor's established gates and roadways for all necessary purposes in connection with the existence and performance of this Agreement. Such access to and right of ingress and egress is conditional upon the same day, verbal approval of Lessor's operations personnel stationed at the tank farm of which the Lease Storage Facilities are a part.

Lessee shall obtain any and all governmental permits and authorizations necessary to carry out its activities in connection with this Agreement and shall observe all safety requirements of Lessor in its activities hereunder and shall use no open flame upon the premises without Lessor's prior written approval.

All rights of ingress and egress for any purpose whatsoever shall be restricted to Lessor's normal business hours.

Notwithstanding the foregoing, throughout the term of the Lease, the Parties shall be allowed unrestricted access to the Lease Storage Facilities for routine and non-routine maintenance, monitoring, and inspection.

10. ENVIRONMENTAL

In the event of any Product spill, leak or discharge or any other environmental pollution caused by or in connection with use of any storage tanks, delivery or receiving operations at the Lease Storage Facilities, Lessor may commence containment or clean-up operations as reasonably deemed appropriate or necessary by Lessor or required by any governmental authorities and shall notify or arrange to notify Lessee immediately of any such spill, leak or discharge and of any such operations, without affecting any obligations of Lessee under paragraph 7 hereof.

11. ARRANGEMENTS AND ENCUMBRANCES

Lessee agrees that it will not assign, mortgage or encumber this Agreement or the leasehold provided for in it, or lease or sublet the Lease Storage or Lease Storage Facilities, nor shall Lessee suffer any lien or encumbrance to be placed on the property of Lessor by operation of law or otherwise, without the written consent of Lessor first obtained.

12. WAIVER AND ENTIRE CONTRACT

No amendments or modifications of any of the terms or provisions of this Agreement shall be binding on the other Party unless the same be reduced to writing and signed by the other Party.

No waiver by any Party of any one or more defaults of the other Party in the performance of this Agreement shall operate or be construed as a waiver of any future default or defaults, whether of a like or of a different character.

13. ARBITRATION

In the event that a dispute arises concerning the meaning or interpretation of this Agreement, or either party's performance under this Agreement, such dispute shall be resolved consensually if possible and, if not possible, by binding arbitration as follows:

- (1) A demand for arbitration shall be in writing and shall include the name of an arbitrator to be appointed by the party demanding arbitration together with a statement of the matter in dispute.

- (2) Within thirty (30) days of receipt of the demand, the other party shall name an arbitrator and submit the name and its counter-statement of the matter in dispute. The two arbitrators so selected shall name a third arbitrator within fifteen (15) days of the date the second arbitrator was named.
- (3) An arbitration hearing to resolve the matter shall be held in Seattle, Washington, at a time and place to be decided by the arbitrators on forty-five (45) days' notice to the parties. The arbitration rules and procedures of the American Arbitration Association shall be employed.
- (4) An award by a majority of the arbitrators shall be final and binding on the parties. Each party shall bear its own costs, including the fees and expenses of its selected arbitrator. The parties shall share equally the fees and expenses of the third arbitrator.

LEASE STORAGE AGREEMENT

Exhibit B

- Olympic will retain use of its mainline relief system and interface tank, along with the ability to re-inject into the appropriate outgoing lines.
- Olympic will provide availability of receipts and deliveries with 48 hours notice during a week day (M-F to 1pm) dependent on main line schedule availability. (shipper manual/tariff rules)
- Olympic will manage tank levels within their specifications and processes. (e.g. can not land roof on legs without sr. mgmt approval). [redacted-specific usage instructions]
- Olympic will maintain and operate assets within regulatory and Olympic standards.
- [redacted-specific product instructions]
- Shipment from a tank can not take place during a delivery into the same tank.
- [redacted-specific quality instructions]
- [redacted-specific measurement instructions]
- Routine Services includes items associated with day to day operations of the Bayview terminal as outlined above. Examples are:
 - Tank Operations and Sampling
 - Pipe & Valve Maintenance
 - Pump Maintenance
 - Tank Maintenance & Painting
 - Tank API 653 Inspection & Repair
- Non-Routine Services would be items above and beyond normal business operations. Example are:
 - Tank Product Contaminations – requiring removal of product
 - Tank Product Switching

SCHEDULE A

1. **Pumping Units:** Bayview Products Terminal (BPT) has three booster pump units (1, 2, 3) and one tank transfer pump (P205)
 - a. Unit 1 is a SULZER BINGHAM 14x14x26 H.A.S one stage pump with TECO-WESTINGHOUSE 1250 HP, 1786 RPM electric motor.
 - b. Unit 2 is SULZER BINGHAM 14x14x26 H.A.S one stage pump with TECO-WESTINGHOUSE 1250 HP, 1786 RPM electric motor.
 - c. Unit 2 is SULZER BINGHAM 14x14x26 H.A.S one stage pump with TECO-WESTINGHOUSE 1250 HP, 1786 RPM electric motor.
 - d. P205 is a 650-gallon per minute pump with a 20-hp. electric motor.

A Multilin 269+ monitor provides pump and motor protection.
Pertinent data on these units, the station, and the automatic shutdowns are located in Figure 2.
2. **Motor-Operated Mainline Block Valves (MOV):** There are four valves.
 - a. The Ferndale Inlet. ANSI 600 16"-inch. (V-1903)
 - b. The Anacortes Inlet. ANSI 600 16"-inch. (V-1915)
 - c. The B-16 Station Outlet. ANSI 600 16"-inch (V1934)
 - d. The B-20 Station Outlet. ANSI 600 16"-inch (V1925)
3. **Manifold Header:** There are four manifold headers that direct flow in and out of BPT.
 - a. The Ferndale incoming header contains six ANSI 300 16" inlet valves to direct flow to tanks 202 through tank 206 and tank 209 (Tk 209 is shared with Mainline Operations).
 - b. The Anacortes incoming header contains six ANSI 300 16" inlet valves to direct flow to tanks 202 through tank 206 and tank 209 (Tk 209 is shared with Mainline Operations).
 - c. The B-016 outlet header contains five ANSI 150 20" outlet valves from tanks 202 through tank 206. The header has one ANSI 300 20" Manifold outlet valve that isolates this header from the suction of the booster pumps.
 - d. The B-20 outlet header contains five ANSI 150 20" outlet valves from tanks 202 through tank 206. The header has one ANSI 300 20" Mainfold outlet valve that isolates this header form the suction of the booster pumps.
4. **Bypass manifold header:** BPT can be bypassed by the alignment of four ANSI 600 16" valves that allow the stream from the Ferndale Inlet Bypass and the Anacortes Inlet Bypass to the B-16 or B-20 line.
 - Ferndale Inlet bypass (V-1902)
 - Anacortes Inlet bypass (V-1914)
 - B-16 outlet bypass. (V-1935)
 - B-20 outlet bypass. (V-1926)
5. **Pump Loop Valves:**
 - a. Pump 1 has a suction and discharge valve off the B-20 line.
 - b. Pump 2 has a suction and discharge valve off both the B-16 and B-20 lines
 - c. Pump 3 has a suction and discharge valve off the B-16 line.
6. **Control Valves:** There are two GROVE W/THUNDERCO QT ACTUATOR/9020 INTERFACE ADAPTER control valves:
 - a. One on each incoming line, downstream of the inlet valve.
7. **Check Valves:** Check valves are in the following locations:
 - a. One downstream of each incoming control valve.

- b. One downstream of each "Refinery Source" Tank Inlet Manifold valve:

MV-2036	MV-2030
MV 2037	MV-2031
MV-2038	MV-2032
MV-2039	MV-2033
MV-2040	MV-2034
MV-2041	MV-2035

- c. Each unit has a check valve between its suction and discharge valves.
d. One upstream of the B16 outlet (V-1934)
e. One upstream of the B20 outlet (V-1925)

Various appurtenances have check valves such as the fill lines to each unit, on the discharge lines of the injection pump, and sump pump.

8. **Manifold Relief Valves:** BPT has 11 manifold relief valves:
- A Relief valve is located downstream of each station incoming valve.
 - ANSI 300, Ferndale SRV-1919 and Anacortes SRV-1923.
 - A Relief valve is located upstream of each station outlet valve.
 - ANSI 300, B16 SRV-1941 and B20 SRV-1932.
 - A relief valve is located upstream of each outlet manifold headers.
 - ANSI 150, B16 SRV-2005 and B20 SRV-2002.
 - Manifold surge relief is directed to tank 209 (transmix).
 - Tanks 202 through 206 have an ANSI 150 relief valve at each tank valve.
9. **Sampling:** Samples can be drawn manually through a sample sink or automatically by a Caltrol sampler in the sample pad area. Sample quills are located:
- Upstream of the B16 Outlet valve. (V-1934)
 - Upstream of the B20 Outlet valve. (V-1925)
10. **Meters:** There are four meters at BPT.
- One strap-on Controlatron sonic meter downstream of the Ferndale incoming control valve.
 - One stop-on Controlatron sonic meter downstream of the Anacortes incoming control valve.
 - One strap-on Controlatron sonic meter upstream of the B-16 outlet valve.
 - One strap-on Controlatron sonic meter upstream of the B-20 outlet valve.
11. **Flow Computer:**
- OMNI
12. **LC (programmable Logic Controller):** BPT has a General Electric 9030 PLC w/ Genius I/O to sequence the units and valves and generally monitor the Terminal.
13. **Pressure Transmitters:** There are remotely monitored Rosemont pressure transmitters located:
- Incoming Pressure:
 - Upstream of the Ferndale Inlet valve. (V-1903)
 - Upstream of the Anacortes Inlet valve. (V-1915)
 - Upstream meter pressure:
 - Downstream of the Ferndale control valve.
 - Downstream of the Anacortes control valve
 - Upstream of U-2 (B16 suction)

- Upstream of U-3 (B20 suction)
- Downstream of U-1 (B16 control)
- Downstream of U-2 (B20 control)
- Outgoing Pressure (also used for facility discharge on RCC screen):
 - Downstream of the B-16 Outlet valve. (V-1934)
 - Downstream of the B-20 Outlet valve. (V-1925)

14. **Temperature Transmitters:** There are remotely monitored Rosemont temperature transmitters located:

- Tanks: T-202, T-203, T-204, T-205, T-206, and T-209 (Shared with Mainline Operations).
- Downstream of the Ferndale incoming check valve.
- Downstream of the Anacortes incoming check valve.
- Upstream of the B-16 outlet valve. (V-1934)
- Upstream of the B-20 outlet valve. (V-1925)

15. **Sumps (Shared with Mainline Operations):**

- One 35-barrel double wall underground sump by Springs Fabrication, with a MTS gauge.
- It has a Goulds pump with a 7.5-horsepower explosion proof motor that pumps to the utility tank.

16. **CONTAINMENT:** There are two containment areas to collect rainwater run off. These areas are monitored for water and product levels.

- The Pad Drain collects water runoff into an Oil/Water Separator (OWS) from the areas surrounding the samplers, meters, strainers, and pumps.
- The Tank Dike Storm Drain Area collects water runoff into a Storm Drain Sump from the paved tank dike area.

17. **HYDROCARBON DETECTOR:** Both the OWS and Storm Drain Sump have a hydrocarbon detector.

18. **Fire Detection:** Omnigaurd ultra-violet “fire eyes”.

19. **Fire Control Systems:** There is a Fike fire alarm system that monitors the fire/smoke in the control building and fir pull stations located around the piping and pump area. A water activated foam system is delivered by an Ansel sprinkler system.