

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of

OLYMPIC PIPE LINE COMPANY

For an Order Approving Terms of a Storage Lease
Agreement with BP West Coast Products, LLC

Docket No. _____

PETITION OF OLYMPIC PIPE
LINE COMPANY FOR
APPROVAL OF TRANSFER OF
PROPERTY

IDENTITY OF PETITIONER

1. Petitioner is Olympic Pipe Line Company ("Olympic"). Olympic is engaged in the business of transporting petroleum products within and beyond the State of Washington as a common carrier. Petitioner's name and address are shown below. Please direct all correspondence related to this Petition as follows:

Olympic Pipe Line Company
Steve Maulding, President
2201 Lind Avenue SW, Suite 270
Renton, WA 98057
Telephone: 425-235-7736
Fax: 425-981-2525

Mitchell D. Jones
Manager – Tariff & Regulatory Affairs
BP Pipelines (North America) Inc.
28100 Torch Parkway, Mail Code 6N
Warrenville, IL 60555
Telephone: 630-836-3446
Fax: 630-836-3580

Arthur W. Harrigan, Jr.
Christopher T. Wion
Danielson Harrigan Leyh & Tollefson LLP
999 Third Avenue, Suite 4400
Seattle, WA 98104
Telephone: 206-623-1700
Fax: 206-623-8717

RELEVANT STATUTES AND REGULATIONS

2. This Petition is submitted pursuant to RCW 81.12.020, which requires approval by the Washington Utilities and Transportation Commission (the "Commission") of any substantial transfer of property by a public service company:

No public service company shall sell, lease, assign or otherwise dispose of the whole or any part of its franchises, properties or facilities whatsoever, which are necessary or useful in the performance of its duties to the public ... without having secured from the commission an order authorizing it so to do[.]

RELIEF REQUESTED

3. Olympic respectfully petitions the Commission for an order approving a proposed Lease Storage Agreement ("Lease"), executed on August 11, 2008, by and between Petitioner and BP West Coast Products, LLC ("BPWCP"). The Lease calls for Olympic, to provide storage capacity, consisting of approximately 85% of its Bayview facility, to BPWCP for a five-year term.

STATEMENT OF FACTS

4. Olympic is a Delaware corporation that owns and operates a common carrier pipeline transporting petroleum products both within and outside 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.

5. BPWCP is an affiliate of Olympic's minority shareholder, ARCO Midcon. For that reason, simultaneously with the filing of this Petition, Olympic has submitted to the Commission a Notice of Affiliate Transaction, as required by RCW 81.16.020 and WAC 480-73-190. Ex. 1.

6. The Lease is expressly made contingent upon Commission approval, consistent with the requirements of RCW 81.12.020.

7. The Lease is also contingent upon the Commission's separate approval of an amendment to the Tariff Settlement Agreement ("TSA") between Tesoro Refining and Marketing Company ("Tesoro"), and ConocoPhillips Company ("CP"). The Commission approved the TSA on December 23, 2003, in Docket No. TO-031973.

8. Accordingly, simultaneously with this Petition, Olympic has filed a Motion to Reopen Docket No. TO-031973 to Allow Filing of Petition for Approval of Amendment No. 7 to Tariff Settlement Agreement. Olympic also has filed a separate Petition for approval of Amendment No. 7 to the TSA under that Docket.

9. Olympic, Tesoro and CP entered into the original TSA in order to end years of contentious litigation in multiple forums and to provide a framework for stable and consistent rate regulation of Olympic by allowing Olympic's rate to be readily adjusted as Olympic's throughput varies, as Olympic's investment increases, or as Olympic's project and operating costs vary.

10. The Commission approved the TSA on December 23, 2003, by its Order Granting Relief Requested in Joint Petition; Approving Settlement Agreement.

11. The parties to the TSA (and Olympic's other customers) have now had nearly five years' experience with the TSA's rate-setting methodology.

12. Under the Amended TSA, the basic rate-setting methodology that has proven effective and beneficial to shipper and carrier alike remains fundamentally unchanged. However, the parties have agreed that a portion of the Bayview facility would be removed from the rate base for purposes of the rate-setting methodology, resulting in a lower rate to all shippers.

13. In order to adjust for the economic impact of this change, Olympic has arranged to lease that portion of the Bayview facility that is excluded from the rate base under the Amended TSA, and has requested Commission approval of that disposition.

14. Because the Lease in its original form contains trade secret and proprietary information of BPWCP, Olympic has moved for a Protective Order under Docket No. TO-031973 allowing it to submit a complete, unredacted copy of the Lease to the Commission under seal. A redacted version of the Lease is filed publicly with this Petition as Ex. 2. Upon the Commission's issuance of an order on Olympic's pending motion, Olympic will file an unredacted copy of the executed Lease.

15. If the Lease is not approved, Olympic has the right to terminate the Amended TSA.

16. Tesoro and CP have expressed their support for the Lease, as reflected in Section 2.2(h) of the Amended TSA, submitted along with the Petition for Approval of Amendment No. 7 to the TSA.

NOTIFICATION TO SHIPPERS

17. Simultaneously with filing this Petition, Olympic has notified all its customers of the Lease, the Amended TSA, and of the requests for regulatory approval of both. The notice that has been sent is attached as Exhibit 3.

ARGUMENTS IN FAVOR OF RELIEF

18. It was anticipated that the TSA would provide a framework for stable and consistent rate regulation of Olympic, and it has. The parties to the TSA have had one dispute that required invocation of the arbitration mechanism of the Agreement, which resolved the matter. Other issues that have arisen have been addressed without arbitration. The rates that have resulted from the implementation of the Agreement have been fair,

though both Olympic and the other parties have had certain concerns about elements of the Agreement that they have now resolved through the Amended TSA.

19. One of the concerns of the shippers was the impact on rates of Olympic's Bayview facility. As the Commission is aware, its decision to include Bayview in the rate base embodied in its Final Order of September 27, 2002, was subject to later review based on certain criteria. This potential source of disagreement is addressed, at least for the next five years.

20. In consideration of the removal of Bayview from the rate base for purposes of setting tariffs under the Amended TSA, Tesoro and CP have agreed to address certain concerns of Olympic. One of these concerns was the subject of the arbitration referred to above--the timing of recognition of capital expenditures. The others include clarification of the treatment of right-of-way maintenance costs and pipeline taxes.

21. The Amended TSA, like its predecessor, provides a rational methodology for the continued economic regulation of Olympic based upon agreed criteria that enable Olympic's shippers to understand and to predict the transportation costs associated with transporting their refined products to the marketplace. As in the case of the Agreement, the method is fundamentally the depreciated original cost method previously approved by this Commission.

22. Olympic's facilities perform a vital function. It is important for Olympic's rates to be set in a manner that is fair and efficient, and that results in rates that yield a fair return and provide the funding necessary to assure safe, efficient operation. The TSA has produced these results. There is every reason to anticipate that the Amended TSA will do so.

23. As in the case of the original TSA, the negotiation of the Amended TSA took place only among Olympic, Tesoro, and CP. Tesoro and CP's interests are aligned with those of the other shippers with respect to tariff-setting methodology. In the approximately nine months of negotiations, Tesoro and CP effectively represented those interests.

24. The Lease is a direct outgrowth of Olympic's agreeing to remove Bayview from the rate base. Approximately 85% of the Bayview facilities are removed under the Amended TSA, and only that portion of Bayview will be subject to the Lease. It is anticipated that the Lease will provide the revenue necessary for Olympic to be able to accommodate the tariff revenue reduction inherent in Bayview's removal from the rate base. Tesoro and CP have indicated their recognition of this fact in their agreement to support regulatory approval of the Lease.

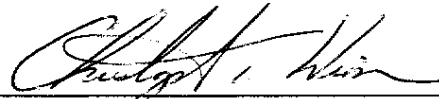
PRAYER FOR RELIEF

25. Petitioner respectfully requests that the Commission issue an order approving the terms of the Lease.

DATED this 30th day of September, 2008.

Respectfully submitted,

OLYMPIC PIPE LINE COMPANY



Arthur W. Harrigan, Jr.

Christopher T. Wion

Danielson Harrigan Leyh & Tollefson LLP

Exhibit 1

LAW OFFICES
DANIELSON HARRIGAN LEYH & TOLLEFSON LLP
999 THIRD AVENUE, SUITE 4400
SEATTLE, WASHINGTON 98104
(206) 623-1700

CHRISTOPHER T. WION

E-MAIL: CHRISW@DHLT.COM
FACSIMILE: (206) 623-8717

September 30, 2008

Mr. Dave Danner
Secretary and Executive Director
Washington Utilities and Transportation Commission
P.O. Box 47250
1300 Evergreen Park Drive S.W.
Olympia, Washington 98504-7250

RE: Olympic Pipe Line Company –
Notice of Affiliate Transaction re Lease of Bayview Facility

Dear Mr. Danner:

Olympic Pipe Line Company (“Olympic”) hereby provides notice regarding a proposed Lease Storage Agreement (“Lease”), executed on August 11, 2008, by and between Olympic and BP West Coast Products LLC (“BPWCP”). BPWCP is an affiliate of Olympic’s minority shareholder, ARCO Midcon LLC. As such, the Lease is considered an Affiliate Transaction, requiring notice to the Commission pursuant to RCW 81.16.020 and WAC 480-73-190.

The Lease calls for Olympic to provide storage capacity, consisting of approximately 85% of its Bayview facility, to BPWCP for a five-year term. The Lease cannot become effective unless and until the Commission (a) allows the affected portion of the facility to be removed from the rate base for tariff-setting purposes (during the term of the Lease), and (b) approves the Lease as a proper transfer of common carrier property. These issues are addressed separately in the following two petitions, filed contemporaneously with this Notice:

1. Petition of Olympic Pipe Line Company for Approval of Amendment No. 7 to Tariff Settlement Agreement of 2003 (“Petition for TSA Amendment Approval”) (Docket No. TO-031973); and
2. Petition of Olympic Pipe Line Company for Approval of Transfer of Property re Bayview Lease (“Petition for Lease Approval”).

Olympic requests that the two Petitions (and this Notice) be considered together, as the issues raised therein are closely related and interdependent: the Lease is made expressly contingent upon approval of the Petition for TSA Amendment Approval, and Olympic has the right to terminate the Amended TSA if the Lease is disapproved. Accordingly, in order to place the present Notice in its proper context, Olympic provides the following brief summary of the above-referenced petitions.

1. Petition for TSA Amendment Approval

For approximately the last five years, the Bayview facility has been included in the rate base calculations under the methodology established pursuant to the Tariff Settlement Agreement ("TSA") by and among Olympic, Tesoro Refining and Marketing Company ("Tesoro"), and ConocoPhillips Company ("CP"). The Commission approved the TSA on December 23, 2003, in Docket No. TO-031973.

Olympic has moved to reopen that Docket for the purpose of allowing the Commission to consider its Petition for TSA Amendment Approval, which requests an order (a) approving Amendment No. 7 to the TSA ("Amended TSA"), which was entered into on or about September 23, 2008, by and among Olympic, Tesoro and CP, and (b) allowing the initial rate filing under the terms of the Amended TSA to go into effect by operation of law without suspension on January 1, 2009.

If approved, the immediate impact of the Amended TSA on rates for all shippers will be to reduce rates below those that would apply under the original TSA as of January 1, 2009, primarily as a result of the provision in the Amended TSA that 85% of Olympic's Bayview facility will be removed from the rate base for the purpose of the tariff calculation called for under the Amended TSA. This reduction in rate base will apply throughout the term of the Amended TSA.

2. Petition for Lease Approval

Separate and apart from the question of whether a portion of the Bayview facility may be removed from the rate base, Olympic is required to obtain Commission approval of the Lease under RCW 81.12.020 because it contemplates a transfer of common carrier property – *i.e.*, the lease of 85% of the Bayview facility to BPWCP. RCW 81.12.020 provides, in pertinent part, that:

No public service company shall sell, lease, assign or otherwise dispose of the whole or any part of its franchises, properties or facilities whatsoever, which are necessary or useful in the performance of its duties to the public ... without having secured from the commission an order authorizing it so to do[.]

With the foregoing as background, Olympic submits the present Notice in accordance with RCW 81.16.020 and WAC 480-73-190 (affiliate transactions). Under that authority, Olympic must show that the transaction is in the public interest and must submit a verified copy of the underlying agreement prior to its effective date.

The terms of the Lease and the Amended TSA are both reasonable and in the public interest. The Lease is made expressly contingent on the Commission's (and the Federal Energy Regulatory Commission's) approval of the Amended TSA. The Amended TSA is the result of

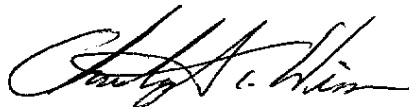
extensive negotiations between and among Olympic, Tesoro, and CP that have taken place over approximately the last nine months. The basic mechanism of the Amended TSA parallels that of the original TSA, which the Commission approved in 2003. The best argument in favor of approval of the Amended TSA is that the basic rate setting methodology of the TSA has worked well, and the parties' experience with it has enabled them to improve upon it in certain respects in the Amended TSA. The Amended TSA, like its predecessor, provides a rational methodology for the continued economic regulation of Olympic based upon agreed criteria that enable Olympic's shippers to understand and to predict the transportation costs associated with transporting their refined products to the marketplace. As in the case of the original TSA, the evolved methodology proposed in the Amended TSA is fundamentally the depreciated original cost method previously approved by this Commission.

During the course of their negotiations over the Amended TSA, Olympic, Tesoro, and CP recognized that the Lease was an important factor in arriving at a mutually acceptable amendment. The Lease is a direct outgrowth of Olympic's agreeing to remove Bayview from the rate base as part of the Amended TSA. Approximately 85% of the Bayview facilities are removed under the Amended TSA, and only that portion of Bayview will be subject to the Lease. It is anticipated that the Lease will provide the revenue necessary for Olympic to be able to accommodate the tariff revenue reduction inherent in Bayview's removal from the rate base. As stated in Section 2.2(h) of the Amended TSA (submitted with the Petition for TSA Amendment Approval), Tesoro and CP agreed to "support all required regulatory approvals of the Lease and amended tariffs required to implement the Lease."

Olympic intends to comply fully with its obligation to submit a verified copy of the Lease. However, because the Lease in its executed form contains trade secret and proprietary information of BPWCP, Olympic has filed a Motion for Protective Order (under Docket No. TO-031973), requesting permission to submit a complete, unredacted copy of the Lease under seal, to prevent unwarranted disclosure of BPWCP's confidential information. Olympic has submitted a redacted version of the Lease in connection with its Petition for Lease Approval. Olympic will submit an unredacted version of the Lease upon issuance of an appropriate order in connection with Olympic's pending motion for a protective order.

Very truly yours,

DANIELSON HARRIGAN LEYH & TOLLEFSON LLP



Christopher T. Wion

Exhibit 2

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 SA [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 3 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 strap-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.

Exhibit 3



September 30, 2008

Dear Shipper,

The purpose of this communication is to inform Olympic Pipe Line Company's (Olympic) shippers of changes to the Tariff Settlement Agreement (TSA), which annually sets product transportation rates. The original TSA is set to expire near the end of 2008. Over the last nine months, Olympic has negotiated an Amended TSA with the Parties (Tesoro and ConocoPhillips), resulting in the changes described below.

The TSA has worked well over the last five years because it facilitates a collaborative relationship among the shippers and the carrier. Olympic believes that the terms reached in the Amended TSA will continue to support a positive relationship with its shippers and regulators.

Simultaneous to this communication, petitions for approval of this Amended TSA are being filed with the Washington Utilities and Transportation Commission (WUTC) and the Federal Energy Regulatory Commission (FERC).

The Amended TSA contains the following substantive changes to the rate-setting elements of the Agreement (the following is a summarization and is not reproduced verbatim):

- Tariffs calculated under the Amended TSA will now exclude the storage tank facilities at Bayview from the rate base (see Sections 1.2 and 2.2), resulting in an immediate tariff reduction of approximately 2.7% on January 1, 2009 (or the effective date).
- Pipeline taxes have been moved from Other Operating Expenses category and are now included in Pass-Through Operating Expenses (see Section 3.3(a))
- Normal right-of-way maintenance has moved from Pass-Through Operating Expense category to Other Operating Expense (see Section 3.3(e)).

- Capital expense for each year is revised to include an estimate of known, measurable and reasonably expected capital expenditures to be made during that year (see Section 3.7(a)).

Other significant provisions of the Amended TSA include the following:

- The Bayview storage tank facilities removed from the rate base will be leased to BP West Coast Products, LLC, an affiliate of the minority owner. Olympic is petitioning for WUTC approval of the tariff reduction and the associated Lease in conjunction with the Amended TSA.
- The termination notice period has been reduced (see Section 4.1(b)).
- Olympic agrees to continue using its best efforts to operate at 100% Maximum Allowable Operating Pressure (see Section 2.1).
- Olympic agrees to seek additional means to enhance throughput capacity in the Renton to Portland segment (see Section 2.1).
- The Parties agree to support WUTC approval of the Lease and of the Amended TSA, including removal of Bayview from the rate base for purposes of tariff-setting under the Amended TSA (see Sections 2.2(h) and 4.1(a)).
- The Amended TSA will automatically terminate if it has not become effective (i.e., if all regulatory approvals are not in place) by February 1, 2009 (see Section 4.1(b)).
- Olympic may terminate the Amended TSA if the WUTC does not approve the Lease (see Sections 4.3 and 4.13(a)).
- Tesoro or CP may terminate the Amended TSA if the WUTC or FERC does not allow Bayview to be removed from the rate base for tariff-setting purposes under the Amended TSA (see Sections 4.3(a) and 4.13(b)).

A copy of the Amended TSA is attached hereto, in addition to a red-lined version comparison to the Original TSA.

If you have any questions, you may contact Mitch Jones (630) 836-3446, or Steve Maulding (425) 235-7736. In addition, feel free to contact the WUTC or the FERC directly.