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Bravo, Bell & Clarkson, P.C.

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION

Complainant,

v.

OLYMPIC PIPE LINE COMPANY, INC.,

Respondent.

DOCKET NO. TO-011472

JOINT DECLARATION OF  
ROBERT COLBO AND MAURICE  
TWITCHELL IN SUPPORT OF  
STAFF'S MOTION TO DISMISS

Maurice Twitchell and Robert Colbo, do hereby declare as follows:

1. We are the two accountants employed by the Commission that are assigned to analyze the accounting issues in the present rate filing of Olympic Pipe Line (Olympic or Company) in Docket No. TO-011472. We make this declaration of our own personal knowledge. Other than the statements in paragraphs 2 and 3, the statements made in this declaration are statements of both of us.
2. I, Robert Colbo, have been employed by the Commission as an accounting analyst since 1972.
3. I, Maurice Twitchell, was employed by the Commission as an accounting analyst or accounting advisor since 1970. I retired from state service in July 2001, but was hired again by the Commission in November 2001 to assist in the Olympic rate case.

JOINT DECLARATION IN SUPPORT OF  
STAFF MOTION TO DISMISS - 1

WRITE DOCKET NO. TO-011472  
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4. On January 17, 2002, we met with Olympic Pipe Line Co. representatives Cindy Hammer and Brett Collins at the Company's offices in Renton, Washington. The purpose of the meeting was to discuss the details and support behind Company Exhibit OPL-31, (CAH-4), one of the main exhibits in the company's case supporting Olympic's effort to increase rates in Tariff WUTC No. 21 by 62%. OPL-31 contains actual and projected results of operations for Olympic Pipe Line Co. using the 12 months ended September, 2001 as its starting point, and then in general, it makes adjustments to reach the expense levels Olympic expects in budget year 2002. OPL-31 is sponsored by Ms. Hammer, but it was prepared by, or with substantial assistance from, Mr. Collins.
5. We spent most of the day on January 17, 2002 asking Ms. Hammer and Mr. Collins clarifying questions regarding the exhibit and its multitude of supporting schedules. We also asked for whatever other information the Company might be able to provide that would assist the staff in putting together its case in this matter. One thing we made very clear was our desire to update the base period expenses in OPL-31 to calendar year 2001 actual results, since the pipeline had been restarted in July, 2001 at 80% pressure. That would provide 3 more months of more "normal" operations. A great deal of effort was expended making sure Ms. Hammer and Mr. Collins understood exactly what we wanted, and that it would be based on information that was reasonably available to the Company. Mr. Collins agreed this could be done.
6. As a result of our discussions on January 17, 2002, we reached agreement with Ms. Hammer and Mr. Collins that they would draft the requests for the information we needed so that the data requests would exactly match the response we had discussed, and be in an acceptable form. We were assured by Ms. Hammer and Mr. Collins that this

(their typed questions, not the responses) would be provided to us within a few days.

Despite many delays and follow-up phone calls, the Company never did this. Finally, among other related requests, Staff itself drafted Data Request No. 376 and issued it February 5, 2002. This was one of many data requests that resulted from that meeting.

7. Staff Data Request No. 376 stated: "Provide for the twelve months ended December 31, 2001 an update to your Exhibit OPL-31 and all the schedules. This information should be in accordance as it was requested during the Staff visit of January 17, 2002."
8. Staff wanted this information because the pipeline only returned to 80% pressure, and 91% utilization in July 2001. Olympic's case presented two "test years." One, reflected in OPL-31, was based on actual results through September 2001, adjusted to budget year 2002. Staff wanted the most recent, reasonably available actual results of operations. We therefore asked that OPL-31 be updated for actual results through December 31, 2001. In addition, Olympic made changes in its accounting systems in 2001, and we were concerned that it would be very difficult to evaluate any year 2000 information on Olympic's books.
9. A copy of Staff Data Request No. 376 is in Exhibit A to Staff's Motion to Dismiss.
10. Olympic's first response to Staff Data Request No. 376 was received on January 21, 2002. The response did not provide the information requested. Olympic has declared this response confidential. A true and correct copy of this response is provided under seal in Exhibit b to Staff's Motion.
11. We did not request that Ms. Hammer travel to Houston as indicated in Olympic's initial responses. She insisted on accompanying us. In addition, it was our understanding that Mr. Collins would be the person who would provide this updated exhibit.

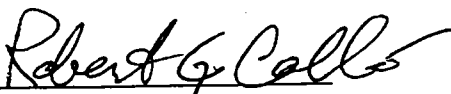
12. On March 4, 2002, Staff sent a letter to Olympic asking for Olympic to indicate when it would respond to Staff Data Request No. 376. See page 2 of Staff's March 4, 2002 letter, which is Exhibit C. to Staff's Motion to Dismiss.
13. On March 11, 2002, Staff sent a letter to Olympic and on page 1 identified Staff Data Request No. 376 as a priority data request, and on page 4 noted it was Staff's understanding that as a result of technical conferences the week before, Olympic had agreed to supply the information requested. Staff's March 11, 2002 letter is Exhibit D to Staff's Motion to Dismiss.
14. A draft of Olympic's supplemental response to Data Request No. 376 was received March 8, 2002. The response did not provide the information requested. Olympic has declared this response confidential. A true and correct copy of this response is provided under seal in Exhibit B to Staff's Motion, the "March 8, 2002," section of the company's response to Staff Data Request No. 376.
15. Finally, on March 22, 2002, Olympic provided its response on the merits to Staff Data Request No. 376.
16. The Company did not respond to Staff Data Request No. 376 as Staff had requested. Recall that Olympic's Exhibit OPL-31 started with year ended September 30, 2001, actual results. The Company's response to Staff Data Request No. 376 does not update OPL-31 by starting with actual results for calendar year 2001, that is, by adding three months of actual data (October through December 2001). Instead, the Company's results of operations in its response starts with calendar year 2000 actual results, and purports to adjust these year 2000 figures to 2001. The 2001 figures that were supplied as a result of these adjustments are not all calendar year 2001 per books amounts. It will take

considerable time for us to reconcile the Company's response to Staff Data Request No. 376 to actual calendar year 2001 results.

In addition, the Company changed certain items between OPL-31 and its response to Staff Data Request No. 376. For example, in OPL-31 the Company used an equity return of 13.23%. In its response to Staff Data Request No. 376, Olympic used an equity return of 14%, without explanation. Also, in its response to Staff Data Request No. 376, Olympic used a different CWIP balance than actual calendar year 2001 CWIP balances, again without explanation. Olympic has declared this response confidential. True and correct copies of selected pages of this response are included in Exhibit B to Staff's Motion. We have circled the points on these pages that refer to certain of our concerns stated in this declaration.

17. Our ability to produce a reliable evaluation of Olympic's results of operations based on calendar 2001 results of operations is now in jeopardy. At this time, we cannot estimate the amount of time it will take to evaluate the Company's response to Staff Data Request No. 376, sort out all of the problems it presents, and be in a position to prepare a pro forma and restated results of operations.

Executed this 27<sup>th</sup> day of March, 2002, at Olympia, Washington.

  
Robert Colbo


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Maurice Twitchell

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Executed this 27<sup>th</sup> day of March, 2002, at Olympia, Washington.

  
Robert Colbo

  
Maurice Twitchell

JOINT DECLARATION IN SUPPORT OF  
STAFF MOTION TO DISMISS - 5