

VIA Electronic Submission

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

Re: Olympic Pipe Line Company LLC Notice of Agreements with Affiliated Interest

Dear Mr. King:

This letter provides notices by Olympic Pipe Line Company LLC (“Olympic”) to Washington Utilities and Transportation Commission (“Commission”), as required by the provisions of RCW 81.16.020 and WAC 480-73-190 as well as RCW 81.08 and WAC 480-73-170.

I. Agreements Between Olympic’s Members

Olympic notifies the Commission of two agreements between its member, ARCO Midcon LLC (“ARCO”), and SeaPort Pipeline Holdings, LLC: a Securities Purchase Agreement (“SPA”) and an Amended and Restated Limited Liability Company Agreement (“LLC Agreement”). Olympic is not a party to the SPA or the LLC Agreement.

Following the execution of the SPA and the LLC Agreement, ARCO and SeaPort Pipeline Holdings, LLC (each, a “Member”) will hold a 70% membership interest and a 30% membership interest, respectively, of Olympic. Olympic will initially be managed by a management committee comprised of one representative from each Member. Each representative will have full authority to act on behalf of the Member that designated such representative. Generally, voting shall be according to the Members’ respective membership interest in Olympic. Actions and proposals will generally be approved by two or more unaffiliated Members collectively holding at least 60% of all of the membership interest in Olympic. However, certain actions must be approved by either (i) two or more unaffiliated Members collectively holding at least 71% of the membership interest in Olympic (a “Supermajority Interest”), or (ii) Members collectively holding 100% of the membership interests in Olympic (a “Unanimous Interest”). Olympic will have one or more officers, which may include a President, one or more Vice Presidents, a Treasurer, Assistant Treasurer(s), a Secretary, Assistant

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Secretary(s) or others. The management committee can appoint officers or fill any officer vacancies by approval of a Unanimous Interest. The relevant excerpts of the LLC Agreement that provide for Olympic's management are included with the Verification of Noel Dike, which is submitted with this notice. The LLC Agreement will not result in material changes to the rights and duties of Olympic's members as compared to the rights and duties of Olympic's prior shareholders.

The Commission requires prior notice of and retains jurisdiction to disapprove contracts or arrangements between public service companies and affiliated interests if the Commission is not satisfied that the transaction is reasonable and in the public interest. *See* RCW 81.16.020. Because Olympic is not a party the agreements between ARCO and SeaPort Pipeline Holdings, LLC, the agreements do not qualify as dealings with affiliated interests under RCW 81.16.020. Accordingly, the notice provisions of RCW 81.16.020 do not apply. Regardless, the public interest is not impacted by the agreement between ARCO and SeaPort Pipeline Holdings, LLC because the management and financing of Olympic's are not materially altered by these agreements.

II. Agreements Between Olympic and Affiliated Interests

Olympic notifies the Commission of the following agreements between and among Olympic, ARCO, and SeaPort Pipeline Holdings, LLC, which replace agreements between ARCO and Olympic that were provided to the Commission by Notice dated July 31, 2017:

- Amended and Restated 2017 Financing Agreement dated September 5, 2017 between Arco, SeaPort Pipeline Holdings, LLC, and Olympic ("New Financing Agreement"); and
- Amended and Restated \$67,500,000 Member Loan Agreement, dated as of September 5, 2017, by and between Arco, SeaPort Pipeline Holdings, LLC, and Olympic ("New Loan Agreement").

Finally, Olympic notifies the Commission of the following agreements between and among Olympic and BP Pipelines (North America) Inc., its operator:

- Amended and Restated Operating Agreement between BP Pipelines (North America) Inc. and Olympic Pipe Line Company LLC, dated September 5, 2017 between Arco and Olympic ("New Operating Agreement").

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True and correct verified copies of the New Financing Agreement, New Loan Agreement, and New Operating Agreement are attached to the Noel Dike Verification. These agreements are to become effective as of September 5, 2017.

III. Background of Agreements Previously Disclosed to the Commission

By Notice dated July 31, 2017, Olympic advised the Commission of financial agreements between Olympic and its sole member, ARCO, following ARCO's acquisition of all shares of common stock of Olympic and Olympic's conversion to a Delaware limited liability company. See Letters to Commission dated July 28 and 31, 2017 (Filings TO-170324 and TO-170865).

The financial arrangements disclosed in the July 31, 2017, Notice are replaced with new agreements, described below, to be consistent with the change in the ownership of Olympic from ARCO (100%) to ARCO (70% issued and outstanding membership interests) and SeaPort Pipeline Holdings, LLC (30% issued and outstanding membership interests).

IV. Effect of New Loan Agreement and New Financing Agreement on Previously Disclosed Agreements

The New Loan Agreement replaces the \$67,500,000 Member Loan Agreement, dated as of August 1, 2017, by and between ARCO, as lender, and Olympic, as borrower (the "Prior Loan Agreement"). The New Loan Agreement amends the terms of the Prior Loan Agreement by making SeaPort Pipeline Holdings, LLC a party to the New Loan Agreement consistent with the changes in the ownership of Olympic. No other material term (e.g., term, interest rate, or principal amount) of the Prior Loan Agreement is altered by the New Loan Agreement.

The New Financing Agreement replaces the \$15,000,000 2017 Financing Agreement dated as of August 1, 2017, by and between ARCO and Olympic (the "Prior Financing Agreement"). The New Financing Agreement amends the terms of the Prior Financing Agreement by making SeaPort Pipeline Holdings, LLC a party to the New Financing Agreement consistent with the changes in the ownership of Olympic and the assignment of the rights and obligations by ARCO to SeaPort Pipeline Holdings, LLC. No other material term (e.g., maturity date, maximum commitment or interest rate) of the Prior Financing Agreement is altered by the New Financing Agreement.

V. Effect of New Operating Agreement on Prior Agreements

The New Operating Agreement replaces the 2006 Operating Agreement between Olympic and BP Pipelines (North America) ("BPPL"). The only material change between the

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2006 Operating Agreement and the 2017 Operating Agreement is a change to the management fee payable to BPPL for BPPL's physical operation and maintenance of Olympic's pipeline, pump and metering stations, and facilities and equipment. The management fee is set at \$3,000,000 in the New Operating Agreement, which is increase from the management fee that is presently paid to BPPL for 2017 (\$2,506,000). (The management fee was set at \$2,100,000 in the 2006 Operating Agreement, but annual adjustments can and do result in increases in the management fee.) The management fee is based on detailed analysis by BPPL and review by Olympic. It includes executive, administrative and planning personnel and other support such as systems/software/information technology, human resources, general management, transactional accounting, legal, and health/safety/security/environmental services.

VI. The Agreements Are in the Public Interest

The New Loan Agreement and the New Financing Agreement between Olympic, ARCO, and SeaPort Pipeline Holdings, LLC replace the financial arrangements described in the prior notices by adding SeaPort Pipeline Holdings, LLC consistent with the changes in the ownership of Olympic. The key terms of the new agreements – financing and lending amounts, interest rates, maturity and repayment deadlines – have not changed from prior agreements. These financial arrangement have proven over the years to be effective at ensuring Olympic has the means to properly maintain and improve its facilities, finance operations, and provide its common carrier services at reasonable rates, all to the benefit of the public. Other than the change to the parties, the material terms of the agreements disclosed with this notice have not changed and the benefits to the public continue unchanged.

The operating agreement between Olympic and BPPL replaces an operating agreement between Olympic and BPPL pursuant to which BPPL has been operating Olympic for many years. The operating agreement has served Olympic's and the public's interest by ensuring that Olympic is operated by a company with extensive experience in pipeline operations and with demonstrated capability to reliably perform the day-to-day operation and maintenance of the system, conduct routine and emergency repair of the system, as well as performing other administrative, regulatory, and business and commercial functions necessary to maintain the business of Olympic. The operating agreement between Olympic and BPPL has proven over the years to be effective at ensuring Olympic is properly maintained and able to provide its common carrier services at reasonable rates, all to the benefit of the public. Other than the management fee change, the material terms of the Operating Agreement disclosed with this notice has not changed and the benefits to the public continue unchanged.

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Should you have any questions regarding the foregoing, please do not hesitate to contact the undersigned.

Sincerely,

/s/ Diane M. Meyers

Diane M. Meyers