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August 6, 2010

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

Re: Olympic Pipe Line Company's Notification of Share Transfer, Affiliated Interest
and Financial Transactions

Dear Mr. Danner:

Pursuant to the provisions of RCW 81.16.020 and WAC 480-73-190 as well as RCW 81.08.040 and WAC 480-73-170, Olympic Pipe Line Company ("Olympic") provides notice, and files verified copies, of the Interest Purchase Agreement by and between Arco Midcon LLC and Enbridge Holdings (Olympic) L.L.C., dated August 4, 2010 (the "Purchase Agreement") and the ancillary agreements identified below.

The Purchase Agreement involves the transfer of shares of Olympic's common stock from one of Olympic's shareholders, Arco Midcon LLC ("ARCO"), to Olympic's only other shareholder, Enbridge Holdings (Olympic) L.L.C. ("Enbridge"). At present, ARCO owns a 35% interest in Olympic. Enbridge owns a 65% interest. The Purchase Agreement memorializes ARCO's agreement to transfer 5,000 of its 8,750 shares of Olympic's common stock to Enbridge, thereby changing the existing 35/65 ownership ratio to 15/85. After consummation of the transaction, Enbridge will remain the majority owner and ARCO will remain the minority owner.

Olympic is not a party to the Purchase Agreement, and Olympic understands that the Purchase Agreement itself does not trigger any formal notice obligations. The WUTC previously has determined that the transfer of ownership interests in inter-state pipelines falls outside of its regulatory purview. *See In the Matter of the Application of Olympic Pipe Line Co. for an Order Approving the Sale by ARCO Midcon LLC of a Portion of its Shares in Olympic Pipe Line Company to Enbridge, Inc.* ("In re Olympic's Application"), Dkt. No. TO-051977, Order No. 1 (Jan. 26, 2006).

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However, as part of the share transfer transaction, which alters the shareholders' relative ownership interests, ARCO, Enbridge, and Olympic have contemporaneously executed amendments to certain pre-existing agreements between and among those parties (collectively, the "Amended Agreements"). Olympic understands that the Amended Agreements do trigger the statutory and regulatory notice requirements recited above. The Amended Agreements, identified as Exhibits B-1, B-2, and B-3 to the Purchase Agreement, include the following:

- Olympic Pipe Line Company Amendment and Restatement of the 2007 Financing Agreement (the "Amended Financing Agreement");
- Amended and Restated \$60,000,000 Shareholders Loan Agreement (the "Amended Loan Agreement"); and
- Amended and Restated Olympic Pipe Line Company Shareholders Agreement (the "Amended Shareholders Agreement").

The Purchase Agreement was executed on August 4, 2010, and is to become effective as of the closing date, anticipated to be no earlier than August 9. Like the Purchase Agreement, each of the foregoing Amended Agreements also is to become effective upon closing of the transaction, no earlier than August 9.

True and correct verified copies of the Purchase Agreement, Amended Financing Agreement, Amended Loan Agreement, and Amended Shareholders Agreement are attached to the Verification of Olympic's President, Steve Maulding, submitted herewith.

The original Financing Agreement, Loan Agreement, and Shareholders Agreement were previously submitted to the WUTC, along with narrative explanations setting forth the terms and public benefits resulting from these affiliate transactions, including the financial arrangements reflected therein. *See* In re Olympic's Application (12/20/05); Olympic's 1/31/06 Affiliated Interest Filing for Olympic Pipe Line Company; Olympic's 12/20/2007 Notification of Financing Agreement.¹ These arrangements, between and among Olympic and its shareholders, have proven over the years to be effective at ensuring Olympic has means to properly maintain and improve its facilities, finance operations, and provide its common carrier services at reasonable rates, all to the ultimate benefit of the public.

The primary purpose and effect of the Amended Agreements is to adjust the shareholders' rights and obligations under the original agreements commensurate with the shift in their respective ownership interests in Olympic resulting from the share transfer that is the

¹ Each of these prior notices is re-submitted herewith as Appendices A – C for ease of reference.

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subject of the Purchase Agreement. The material terms, necessity for, and the benefit to the public flowing from these agreements remain fundamentally unchanged.

Very truly yours,

DANIELSON HARRIGAN LEYH & TOLLEFSON LLP

A handwritten signature in black ink, appearing to read 'Arthur W. Harrigan, Jr.', written over the printed name below.

Arthur W. Harrigan, Jr.

AWH:lb
Enclosures

APPENDIX A

**BEFORE THE WASHINGTON UTILITIES
AND TRANSPORTATION COMMISSION**

In the matter of the Application of)	
OLYMPIC PIPE LINE COMPANY,)	
ARCO MIDCON LLC AND)	Docket No.
ENBRIDGE, INC. for an Order)	
Approving the Sale by ARCO)	APPLICATION
MIDCON LLC of a Portion of its)	
Shares in OLYMPIC PIPE LINE)	
COMPANY to ENBRIDGE, INC.)	

OLYMPIC PIPE LINE COMPANY (“Olympic”), ARCO MIDCON LLC (“ARCO”) and ENBRIDGE, INC. (“Enbridge”) file this Application requesting an order approving the transfer by ARCO to ENBRIDGE of 16,250 common shares of Olympic, representing sixty-five percent of Olympic’s common stock, pursuant to a Share Purchase Agreement of November 22, 2005 (“SPA”). With the exception of certain Schedules containing confidential information believed not to bear on the question before the Commission, a full copy of the SPA, all Exhibits and the non-confidential Schedules is attached as Exhibit 1. If the Commission deems information contained in the redacted Schedules to be pertinent, Olympic would like to work with the Commission to provide it under an appropriate Protective Order.

Olympic, ARCO and Enbridge are collectively called the “Parties.”

I. INTRODUCTION

A. Purpose of Application

The Parties submit this Application pursuant to RCW 81.12.020, subject to a reservation of rights to contest the authority and jurisdiction of the Washington Utilities and Transportation

Commission ("Commission") to require prior approval of this transaction. As explained below, Olympic is not seeking a Commission ruling on the jurisdictional issue at this time. Olympic is submitting this Application in order to provide the Commission with full information on all elements of the transaction material to the Commission's review. Olympic seeks to expedite the Commission's review of the transaction, and to secure its concurrence that the proposed transfer is not inconsistent with, but is clearly in, the public interest.

In the event that the Commission itself determines that it must resolve the jurisdictional question, Olympic has presented in Section VII below a brief summary of its views on the subject.

B. The Parties

Olympic is a Delaware corporation and owner of a petroleum products pipeline in Washington and Oregon. ARCO is a limited liability company organized under the laws of the State of Delaware. Enbridge is a Canadian corporation. The nature, businesses, parents and affiliates of the Parties are further described below.

The full and correct name and business address for each Party hereto is as follows:

Olympic: Olympic Pipe Line Company
2319 Lind Avenue SW
Renton, Washington 98057
Attn: President
Telephone: 425-235-7736
Facsimile: 425-981-2525

ARCO: ARCO MidCon LLC
c/o BP Pipelines (North America) Inc.
28100 Torch Parkway
Warrenville, Illinois 60555
Attn: Managing Attorney
Telephone: 630-836-3451
Facsimile: 630-836-3588

Enbridge: Enbridge Pipelines Inc.
3000, 425-1st Street SW
Calgary, Alberta, Canada T2P 3L8
Attn: Vice President, Market Development
Telephone: 403-231-3900
Facsimile: 403-231-3920

C. Notification

The Parties request that all notices, correspondence and pleadings with respect to this Application be sent to each Party at the corresponding address listed above, with a copy to:

Danielson Harrigan Leyh & Tollefson, LLP
999 Third Avenue, Suite 4400
Seattle, Washington 98104
Attn: Arthur W. Harrigan, Jr.
Telephone: 206-623-1700
Facsimile: 206-623-8717

II. JURISDICTION

The Parties understand that the Commission will review this transaction under RCW 81.12.020 pursuant to its earlier assumption of jurisdiction over share transfers under RCW 80.12.020.

III. DESCRIPTION OF PROPOSED TRANSACTION

A. Prior and Current Ownership Structures

In September, 2000, ARCO, which had theretofore owned 37.45 percent of the issued and outstanding shares of Olympic, acquired the shares of GATX, raising ARCO's ownership to 62.55 percent. Prior to this transfer, in July, 2000, Olympic had entered into the Olympic Pipe Line Operating Agreement, replacing Equilon with ARCO's affiliate, BP Pipelines (North America), Inc. ("BPPNA"), as Olympic's Operator.

As a consequence of these transactions, Equilon (and its successor in interest, Shell Pipeline Company LLC ("Shell")) retained its 37.45 percent ownership interest in Olympic,

ARCO owned the balance of the shares, and BPPNA assumed control of the day-to-day operations of the pipeline. Because there was no shareholders agreement between Shell and ARCO, ownership of a majority of shares gave ARCO control of the company.

As the Commission is aware, on March 27, 2003 Olympic filed a petition under Chapter 11 of the Bankruptcy Code and on May 27, 2004 filed a Plan of Reorganization. As a requirement of the Plan of Reorganization, which was effective on November 12, 2004, and as part of the Plan, ARCO and Shell entered into a Shareholders Agreement (attached hereto as Exhibit 2). Under this Agreement, major decisions could not be made unilaterally by the majority shareholder (or by its directors), but could be made only with the concurrence of a supermajority of the Board of Directors or, in some instances, concurrence of both shareholders. Once this Agreement was in place, shareholder control over major decisions was joint, with BPPNA remaining in control of pipeline operations.

In the fall, 2005, Shell entered into an agreement to sell its shares to a third party. Effective December 1, 2005, ARCO exercised a right of first refusal under the Shareholders Agreement and acquired Shell's shares on the same terms. Olympic gave notice to the Commission of this anticipated transaction on November 30, 2005 (attached hereto as Exhibit 3) because of the possibility that it may be considered an affiliate transaction (Olympic was a party to the Shareholders Agreement). No request for advance Commission approval was made because Olympic was advised that, since ARCO would remain the majority (now sole) owner of Olympic's shares, and BPPNA would remain the Operator, the Commission did not deem the share transfer to be a change of control arguably triggering RCW 81.12.020.

B. Proposed Share Acquisition by Enbridge, Inc.

On November 22, 2005, ARCO entered into a Stock Purchase Agreement ("SPA") with Enbridge, a Canadian corporation having its office in Calgary, Alberta. The SPA was not effective until the Shell share transfer was complete and, by its terms, will not close until all required regulatory approvals are secured. Attached as Exhibit 1 hereto is the complete, unredacted SPA. The Schedules and Exhibits to the SPA are similarly provided in unredacted form, with the exception of four Schedules, which consist of confidential due diligence information and have no bearing on the substance of the SPA or the issues arising under RCW 81.12.020. These schedules have been wholly or partially redacted. If the Commission determines that it requires information of the kind referred to in these Schedules to review the transaction under RCW 81.12.020, arrangements can be made to provide such information under an appropriate Protective Order.

Under the terms of the SPA, Enbridge will acquire a sixty-five percent interest in Olympic with ARCO retaining a thirty-five percent interest.

Under a Shareholders Agreement that is required to be entered into as part of the SPA (Exhibit B to the SPA, attached hereto as Exhibit 1), control over major decisions and over such matters as asset dispositions is joint between the shareholders to a degree that parallels the shared control under the Shell/ARCO Shareholders Agreement. These provisions are summarized below.

An additional element of the SPA is a new Operating Agreement (Exhibit C to the SPA, attached hereto as Exhibit 1) under which BPPNA will remain as Olympic's Operator for a minimum of ten years subject to limited termination provisions. The previous Operating

Agreement appointing BPPNA as operator was on a year-to-year basis. The key elements of BPPNA's control over pipeline operations under this Agreement are also summarized below.

C. Shared Control Under Shareholders Agreement and Interplay With Operating Agreement

Under the new Shareholders Agreement, the following decisions require approval by either seventy-five percent of directors (i.e., by directors representing both shareholders), or, in some instances, by both shareholders directly (see Sections 5(a) and 5(b)):

1. Annual *capital and operating budgets* These budgets would include any contemplated asset disposition that could potentially fall under RCW 81.12.020.
2. Any discretionary termination or extension of the Operating Agreement except in case of breach.
3. Incurring debt or entering into an operating lease, encumbering assets, or asset, equity or business acquisition in excess of \$10 million or filing a petition in bankruptcy.
4. Any change in Olympic's charter or bylaws, any change in the scope of its business, any new connections to the system, expansion of the system or shutdown or idling of segments of the system.
5. All tariff filings, tariff agreements, settlement agreements and shipper charges.
6. Sale, lease, transfer or other disposition by the Company of all or substantially all of its assets, any extraordinary business combination involving Olympic, conversion to a non-corporate structure, and mergers or consolidations.

In the event of a subsequent share transfer, these provisions will remain in place because 1) any such proposed transfer triggers a right of first refusal on the part of the other shareholder (Section 3(b)) and 2) in the event the right is not exercised and a third party acquires the shares, the transfer is conditioned upon the buyer's assuming all obligations under the Shareholders Agreement (Section 3(b)). This assumption requirement applies to a transfer to an affiliate. Section 3(c).

Because of the interplay between the supermajority provisions of the Shareholders Agreement and the terms of the Operating Agreement, the proposed transaction does not diminish the effective control of ARCO/BPPNA (together with Enbridge) over the safe and efficient operation of Olympic or over transactions of the kind addressed by RCW 81.12.020.

Under the Operating Agreement, BPPNA has “responsibility for the operation, maintenance and repair of the System,” can expend Company funds as needed for the “proper operation, maintenance and repair” of the System, must inspect and repair the System to correct damage or conditions that “could affect the safe, efficient and economical operation” of the System, and is charged with emergency response power “as it deems appropriate on behalf of the Company and at Company’s expense.” Section 2.1.

Under the Operating Agreement, expenditures are limited to those in conformity with the *approved Budget*.¹ Section 2.1(c), 4.1. As Operator, BPPNA also has the responsibility to *create a proposed budget and present it* to the Board and to propose any required amendments to the Budget. Section 4.1(b), (c).

Since a supermajority of the Board is required for “approval of capital and operating budgets” (Shareholders Agreement, Section 5(a)(i)), no Budget proposed by BPPNA can be altered and then adopted in such altered form, or amended, without ARCO’s consent. This pattern of control is not materially different from the pattern that has existed since the ARCO/Shell Shareholders Agreement of November 12, 2004.

Once adopted, the Budget defines the allocation of resources and controls the acquisition and disposition of assets. Sections 4.1-4.5. It reflects the Operator’s and Shareholders’ decisions on allocation of funds to maintenance, environmental and human safety measures, upgrades,

¹ BPPNA can expend up to 115% over the budget in some circumstances and has full discretionary spending power in case of emergency.

adoption of new systems—essentially every element of pipeline operations that ARCO and BPPNA have jointly been managing since July, 2000. The Budget will include any contemplated acquisition or disposition of property.²

Because of the budgeting process outlined in the Shareholders and Operating Agreements, control over the property or other assets enumerated in RCW 81.12.020 is joint, and no material disposition of such assets can occur without the consent of ARCO under a budget proposed for adoption by BPPNA as Operator. Obviously, any such disposition would also fall within the terms of RCW 81.12.020; assuming that statute applies to Olympic at all and is not federally preempted, the Commission would have authority to pre-approve any such disposition.

Joint shareholder control under the new Shareholders Agreement is not materially different from the control pattern that has been in place at Olympic since November 12, 2004, when the Shell/ARCO Shareholders Agreement became effective. The supermajority requirements in that agreement were no greater than those in Exhibit B to the SPA. BPPNA's rights and obligations with respect to pipeline operation under the Operating Agreement then in existence were also no greater than those contained in Exhibit C to the SPA.

In summary, under Exhibits B and C to the SPA, BPPNA remains in control of Olympic's operations, and ARCO's consent is required for any deviation from the Budget proposed by BPPNA as Operator (as is the consent of Enbridge), and for any of the other major decisions enumerated above. The practical effect of these agreements is to leave in place the key elements of the management structure that has succeeded in turning Olympic around in the five years since BPPNA first became involved with Olympic, with the addition of a very strong new

² The Operator may sell "worn out, defective, replaced or idle" property, but must secure Board approval even as to these items if the value of the property exceeds \$25,000. Section 8.

partner: Enbridge. Enbridge is dedicated to environmental, personal safety and other sound management policies parallel to those that BPPNA and ARCO have instilled in Olympic.

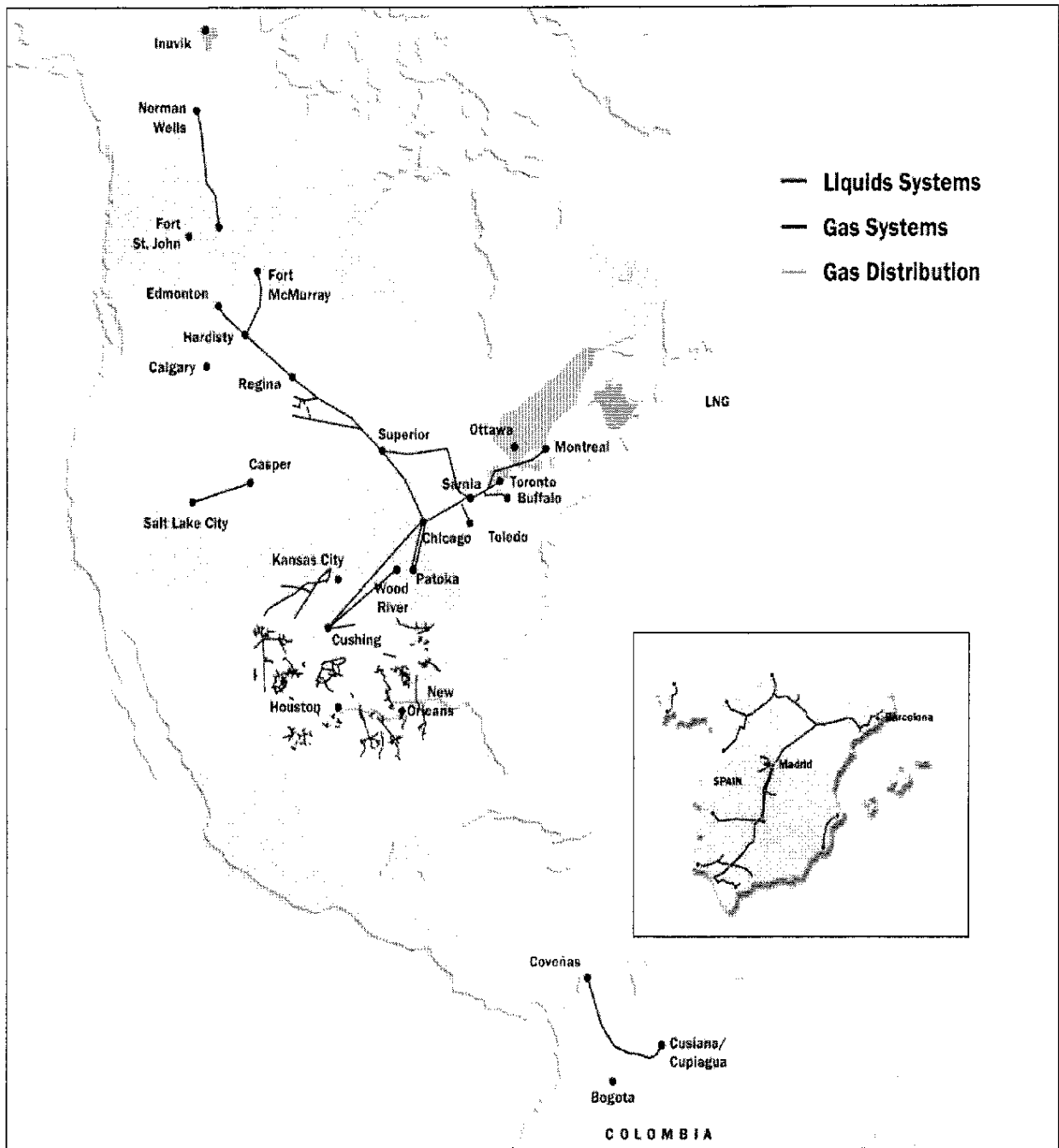
IV. ENBRIDGE BRINGS TO OLYMPIC A RECORD OF HIGH PROFESSIONALISM, EXTENSIVE EXPERIENCE, AND DEDICATION TO ENVIRONMENTAL AND HUMAN SAFETY

A. Enbridge Overview

Enbridge is a leader in energy transportation and distribution in North America and internationally. The company has ownership in, and operates, the world's longest crude oil and liquid petroleum pipeline, delivering more than 2 million barrels per day from reserves in western Canada to refining centers in the U.S. Midwest and Ontario, Canada. As a distributor of energy, Enbridge owns and operates Canada's largest natural gas distribution company, which serves over 1.7 million customers in Ontario, Quebec, and New York State.

In the United States, Enbridge has interests in and operates petroleum liquids transportation and natural gas gathering, processing and transportation assets, including offshore systems that gather and transport approximately half of the deepwater natural gas production in the Gulf of Mexico. The company is also involved in international energy projects and employs more than 4,000 people, primarily in Canada, the U.S. and South America.

Enbridge Inc. common shares trade on the Toronto Stock Exchange in Canada and the New York Stock Exchange (NYSE) in the U.S. under the symbol "ENB."



B. International

Internationally, Enbridge and five other companies formed Oleoducto Central S.A. (OCENSA), to build, own and operate a CDN\$2.9 billion crude oil pipeline in Colombia, South America, in 1994. This 520-mile, 550,000 barrel per day system originates in eastern Colombia, traverses two ranges of the Andes Mountains and extends to a ship-loading terminal in the Caribbean Sea. Enbridge owns a 25% interest in OCENSA. In early 2002, Enbridge acquired a 25% interest in Compañía Logística de Hidrocarburos S.A. (CLH), Spain's largest network of pipelines and terminals including more than 2100 miles of refined products pipelines, 37 products storage facilities with 38 million barrels of capacity, 9 marine tankers, and 130 road tanker trailers. Since then, several senior Enbridge personnel have been seconded to CLH, serving in various roles and responsibilities.

C. Enbridge Energy Partners, L.P.

Enbridge Energy Partners, L.P. (EEP), headquartered in Houston, Texas, is a leader in energy transportation in the Mid-Continent and Gulf Coast regions of the United States. EEP transports crude oil, liquid petroleum and natural gas and operates natural gas midstream businesses. EEP's petroleum liquids segment is conducted in large part through ownership of the U.S. portion of the world's longest crude oil and liquid petroleum pipeline. EEP's natural gas segment consists of gathering, transmission, processing, treating and marketing subsidiaries operating in the Mid-Continent and Gulf Coast regions.

Enbridge Inc. holds a 10.9 percent interest in EEP through its U.S. subsidiary Enbridge Energy Company, Inc. (the general partner of EEP). Enbridge Energy Management, L.L.C. (which manages the business and affairs of EEP), together with approximately 90,000

unitholders, owns the remaining interests in EEP. EEP's units trade on the New York Stock Exchange (NYSE) under the symbol "EEP."

D. Liquids Pipelines Business Activities

Enbridge's 11,000 miles of liquid hydrocarbon pipelines extend across North America. Its mainline system runs from oilfields in Western Canada to marketing and refining centers in the Midwest United States and eastern Canada. Through its subsidiaries, Enbridge:

- transports close to 2 million barrels per day of crude oil for more than 60 different suppliers, comprising more than 50 different crude types;
- transports over 80,000 barrels per day of around 25 different refined products, including diesel fuels, heating fuels, gasolines and jet fuels;
- transports an average of 125,000 barrels per day of natural gas liquids, which consist of propane, butane, ethane, and condensate;
- operates more than 35 receipt/delivery terminals with a total storage capacity of 39 million barrels, which together handle more than 75 different products or commodity types;
- operates underground salt cavern oil storage with a capacity of 3 million barrels; and
- operates regional gathering/truck terminals, marine terminals, and large, complex terminals integrated into main trunkline systems.

E. Experience and Expertise

1. Batching and Scheduling

Since inception, the Enbridge system has operated in a segregation, or batch mode, whereby volumes are segregated and transported according to commodity type and ownership, and are scheduled and tracked through the system from point of injection to delivery. Currently, about 1,000 batches per month are transported, and at any time, there can be in excess of 300 segregated batches of crude oil, refined products and natural gas liquids in the system.

2. Commodity Control

Enbridge is recognized as an industry leader for its ability to maintain the quality of individual commodities while operating a multi-batch pipeline system over long distances. Products entering and leaving the system are continuously metered to ensure accurate custody transfer and safe, efficient operation. Procedures, measurement techniques and training programs have been developed and implemented by Enbridge to control quality and minimize product loss. Enbridge's experience in measurement encompasses product quality specification control, quality testing, facility design specification for quality and measurement, operations auditing, operations procedures maintenance for measurement, trouble shooting and risk based marginal opportunity analysis.

3. Pipeline Control System

In 1968, Enbridge became one of the first pipeline companies in the world to implement computer control of its pipeline systems, commonly referred to as SCADA. Enbridge has continued its preeminent role with the development and implementation of its pipeline control system which controls and monitors the complex multi-commodity batch system from centralized locations. This system provides pipeline operations staff with the ability to continuously monitor pipeline flow and pressure conditions and trends, and to start and stop pumping units and open or close pressure control valves, all from a central control center. The main pipeline control system has been expanded and now monitors and controls many Enbridge-owned pipeline systems in North America. A second control center located in Houston, Texas operates a number of gathering and offshore natural gas systems in the U.S.

4. Leak Detection

Enbridge has configured and implemented a sophisticated, reliable and accurate real-time, software-based leak detection system. The system uses data from strategically located pipeline flow meters, pressure and temperature sensors, and densitometers to perform mass balance calculations and calculate the volume of liquid hydrocarbons in the pipeline system, as well as entering and leaving segments of the system. The system will trigger an alarm if there are any system anomalies that could indicate a leak. Recently, Enbridge has been leading development of an aerial infrared natural gas leak detection system along its Texas-based natural gas systems.

5. Pipeline Integrity and Maintenance

Enbridge's pipeline integrity and maintenance programs have resulted in a very good pipeline safety record that has moved the company closer to its ultimate goal of zero releases from its pipeline system. Enbridge is a leader in the implementation of pipeline internal inspection, corrosion and crack data analysis, pipeline repair methodologies, coatings and cathodic protection. In addition, Enbridge has developed a number of maintenance tools, including repair sleeves, vapour plugs, isolation tools and inertial geometry pigs, and techniques to enhance pipeline integrity and reduce downtime associated with pipeline maintenance programs.

F. Corporate Values/Corporate Social Responsibility

1. Corporate Social Responsibility

Enbridge is committed to being recognized as a leader in the field of Corporate Social Responsibility. This applies to activities undertaken by or on behalf of Enbridge Inc. and its controlled subsidiaries anywhere in the world. Enbridge leaders commit to act as role models by

incorporating these considerations into decision-making in all business activities. Enbridge's definition of Corporate Social Responsibility includes:

- Conducting business in a socially responsible and ethical manner;
- Protecting the environment and the safety of people;
- Supporting human rights; and
- Engaging, learning from, respecting and supporting the communities and cultures with which the corporation works.

In 2005, Enbridge was named to the list of the 100 most sustainable corporations in the World at the World Economic Forum in Switzerland. Enbridge was identified as being in the top 100 out of a list of more than 2000 global firms that were evaluated on the basis of environmental responsibility, corporate governance and labor standards.

2. Environment & Safety

Enbridge is committed to the protection of the health and safety of its employees and the public, and to sound environmental stewardship. Enbridge believes that prevention of accidents and injuries and protection of the environment benefit everyone, and deliver increased value to its shareholders, customers and employees. Its goal is to have no accidents and to cause no harm to the environment. To achieve this, Enbridge:

- consults openly with its customers, neighbors, employees and partners,
- works with its regulators, industry peers, and other partners to promote responsible environmental, health and safety practices and performance;
- strives for continuous improvement, with all Enbridge operations establishing business-specific policies compatible with this policy, setting measurable targets, and reporting on performance; and
- conducts business in a manner that recognizes health and safety management as an integral part of its activities, and that promotes pollution prevention and resource conservation to achieve environmental sustainability.

Enbridge recognizes that pollution prevention, biodiversity and resource conservation are key to a sustainable environment, and strives to effectively integrate these concepts into its business decision-making. All Enbridge employees are responsible and accountable for contributing to a safe working environment, for fostering safe working attitudes, and for operating in an environmentally responsible manner. Some highlights from its 2004

Environment and Safety performance include:

- reducing greenhouse gas emission intensity in its Canadian operations to 23% below 1990 levels;
- taking innovative steps in its U.S. Natural Gas Business to reduce the loss of methane in gathering pipelines;
- investing in the 30 MW Magrath wind power project in southern Alberta, Canada; and
- carrying out more than 780 pipeline integrity digs along its Liquids Pipelines system in Canada and the United States.

Enbridge has developed an Environmental Management System (EMS) that formalizes the corporation's commitment to protecting the environment. Its purpose is to ensure that all environmental issues are addressed and to achieve the highest standards of environmental protection. The EMS consists of a number of integrated, proactive programs and policies, each developed to address specific environmental issues in pipeline operations. Over the years, the environmental policies and programs of Enbridge companies have led to one of the strongest records of environmental protection in the industry.

Enbridge has also developed and implemented a formal Safety Management System (SMS) that integrates all safety components into a comprehensive system of policies, programs and procedures. The SMS is aimed at ensuring a safe work environment, by identifying and controlling health and safety hazards and promoting safety to all company and contract personnel.

Enbridge's approach to safety has proven very successful. The corporation's injury rate has declined steadily over the past 15 years and has been consistently superior to the industry average. As a result, Enbridge companies have been recognized by various industry and government organizations as leaders in safety awareness and performance, including the Minnesota Governor's Meritorious Achievement Award in Occupational Safety for above-average performance in incident rates and the Canadian Energy Pipeline Association (CEPA) Safety Award for Lowest Recordable Injury Frequency Rate for category 2 companies.

3. Government Regulation

Enbridge closely cooperates with industry and government regulatory agencies at local, regional, national and international levels. Enbridge was extensively involved in leading the initiative towards incentive regulation, which has resulted in benefits for all stakeholders. Incentive regulation has helped enhance cost performance, resulting in increased earnings that are then shared with customers.

4. Involvement in Trade and Standards Associations

Enbridge has invested in the value of professional development and trade association organizations. The corporation believes that its contribution to policy, initiatives and standards development help achieve the safety goals of the entire industry. Following are some of the key North American pipeline and energy transportation safety associations in which Enbridge representatives have been closely involved:

- Association of Oil Pipelines
- American Petroleum Institute
- Department of Transportation, Pipeline and Hazardous Materials Safety Administration's "Hazardous Liquid Safety Standards Advisory Committee"
- Interstate Natural Gas Association of America (INGAA)

- INGAA Foundation (research and studies)
- Development of API Recommended Practice 1162 – Public Awareness along Operating Pipelines
- Texas Pipeline Association
- Gas Processors Association (GPA)
- Pipeline Research Consortium International
- Petroleum Feedstock Association of America
- Texas Oil and Gas Association – pipeline committee
- API Tank risk assessment standards
- Environmental Protection Agency’s “Natural Gas Star” program
- National Association of Corrosion Engineers
- Center for Legislative Energy and Environmental Research
- Canada Standards Organizations
- Industry Advisory Committee to Alberta Government on Aboriginal Affairs and Northern Development
- Chair, International Pipeline Conference 2006
- Canadian Energy Pipeline Association

Enbridge personnel have also taken an active role in sponsoring and presenting at technical conferences and seminars throughout the world, such as the International Pipeline Conference, American Petroleum Institute’s Pipeline Conference, Department of Transportation’s Pipeline Workshops and Public Meetings, China International Oil and Gas Pipeline Conference, among others. Enbridge’s professional and technical staff are frequent contributors to trade publications such as the Oil and Gas Journal, Pipeline Journal, Pipeline World, and others. Many of these papers and presentations are peer-reviewed and published under the standards established by the sponsoring professional association such as the American

Society for Mechanical Engineers. Through its involvement in industry associations and conferences, Enbridge feels that both its staff, and the industry as a whole, greatly benefit through professional growth and shared expertise and experience.

5. Community Relations

The Enbridge group of companies also provides significant financial support to a variety of educational, cultural, health, social, and environmental groups, and strongly encourages the involvement of its employees in worthwhile community activities. In 2003, Enbridge's community investment program donated more than \$3 million to charitable and non-profit organizations across Canada and the United States.

Enbridge was recently named by Alberta Venture Magazine as "Alberta's Most Respected Corporation for Community Support." The recognition cited the company's "thoughtful and integrated involvement with its community at large, through philanthropic activities, contribution of resources such as volunteers or expertise, and/or development of partnerships with community organizations." Canada's Corporate Knights Magazine also placed Enbridge first among utility companies and seventh among Canada's top 50 corporate citizens for community investment. In Houston, Enbridge was recognized in this city of four million as one of the "best places to work" in a recent survey taken city-wide.

G. Enbridge Technology Inc.

Enbridge Technology Inc. (ETI) is the wholly-owned consulting arm of Enbridge Inc. and offers one of the widest ranges of pipeline training and advisory services available in the world today. Its mission is to provide solutions for challenges experienced by the oil and gas pipeline industry worldwide. ETI collaborates with its clients to identify and understand operational challenges, make objective recommendations based on industry best practices,

provide resources for implementation, and plan for long-term support. ETI uses fully qualified and experienced staff experts, most of whom come from operating divisions of Enbridge Inc. and are world-class experts in their fields, to provide manpower for international projects. Some of ETI's recent international clients include SINOPEC Pipeline Storage & Transportation (China), ECOPETROL (Colombia), PETROZUATA (Venezuela), Bharat Petroleum Corporation (India), Transredes (Bolivia), KazTransOil (Kazakhstan), Petrobras (Brazil), Gas Malaysia (Malaysia), and DOPCO (Korea).

One key service offering of ETI is Operator Qualification (OQ) programs to ensure pipeline operators comply with the U.S. Dept. of Transportation Pipeline and Hazardous Materials Safety Administration regulations on pipeline worker (operator) qualification. ETI has significant experience helping operators comply with OQ regulatory requirements, including Dynegy Midstream Services, CITGO, Equistar, and Conoco.

In 2003, ETI was selected by Olympic and the Environmental Protection Agency (EPA) to be the Independent Monitoring Contractor (IMC) for Olympic, in accordance with the Olympic Pipeline Consent Decree. The IMC's role is to conduct each year up to four physical site visits, which include employee or contractor interviews, records reviews, and inspections and observations of various activities, with the purpose of assessing whether or not Olympic is complying with the Consent Decree. In light of Enbridge's acquisition of 65% of Olympic, BPPNA, Enbridge and ETI plan to consult with the EPA to discuss what steps the EPA would like Olympic and ETI to take to satisfy the on-going IMC requirements within the Consent Decree.

H. Enbridge Energy Company and Enbridge Holdings (Olympic) L.L.C.

Enbridge's Olympic shares will be held by Enbridge Holdings (Olympic) L.L.C. ("Enbridge Holdings"), a direct subsidiary of Enbridge Energy Company, Inc. ("EECI"). Based in Houston, Texas, EECI is an indirect and wholly owned subsidiary of Enbridge Inc. of Calgary, Alberta, Canada ("Enbridge"). Through EECI, Enbridge holds certain United States assets, including the Spearhead Pipeline in the Mid-Continent and the Frontier Pipeline in the Rocky Mountain States. EECI is the General Partner of Enbridge Energy Partners, L.P. – a publicly traded entity that directly or indirectly owns liquid petroleum and natural gas pipelines and midstream businesses in the United States. In addition, EECI's affiliate, Enbridge Energy Management, L.L.C., operates and manages the Partnership's systems and businesses via a delegation agreement with Enbridge Energy. EECI employs approximately 1,000 employees in the United States through a subsidiary, Enbridge Employee Services, Inc.

The corporate structure above Enbridge Holdings is depicted on Exhibit 4 hereto. As a part of the Enbridge group of companies, Enbridge Holdings will carry out its management responsibilities at Olympic in accordance with Enbridge's policies of professionalism, environmental and human safety, and sound fiscal management. The Enbridge Holdings directors on the Olympic board will share these commitments and will otherwise act in strict accordance with their fiduciary duties to Olympic.

V. BP, BP PIPELINES NORTH AMERICA AND ARCO MIDCON LLC.

Since September, 2000, ARCO has been Olympic's majority shareholder, and BPPNA has been Olympic's Operator. Both are subsidiaries of BP. A corporate organization chart depicting these relationships is attached as Exhibit 5.

A. BP

BP is one of the world's ten largest companies with over 100,000 employees, in 100 countries spanning five continents, Europe, North and South America, Asia, and Africa. BP has a market capitalization of over \$200 billion. BP has proven reserves of 18.6 billion barrels of oil and gas equivalent and is engaged in resource exploration in 26 countries. For the twelfth straight year, in 2004, BP discovered more reserves of oil and gas than it extracted. Through production activities in 23 countries, BP produces 2.5 million barrels of oil and 8.5 billion cubic feet of natural gas daily. BP owns or has an interest in 21 refineries, five of which are located in the United States, with the capacity to refine 3.2 million barrels of crude oil per day. BP sells 6.4 million barrels of refined product each day. It has 28,500 service stations in the United States and another 12,600 internationally, serving an estimated 13 million customers daily.

B. BP Core Values and Objectives

BP strives in all of its activities to display the unchanging qualities of integrity and honest dealing, to treat everyone with whom it deals with respect and dignity, to pursue mutual advantage and to meaningfully contribute to human progress. BP's steadfast commitment to environmentally sound, and safe, practices in all of its global operations is widely-recognized. In all aspects of its operations and conduct, BP also strives to meet or exceed expectations, whether those expectations are governmentally imposed, shareholder driven, or internally established. These fundamental values and objectives of the parent corporation pervade its subsidiaries at every level and form the core of the corporate culture of ARCO and BPPNA.

As one of the world's leading energy companies, BP believes that it has a responsibility to set high standards: to be, and be seen to be, a business which is committed to integrity. The cornerstone of this commitment is BP's code of conduct, which employees at every level within

the BP group must follow. It defines what the company expects of its business and its people, regardless of location or background. Among the core elements of the code that are of particular interest in BP's operation of and ownership interest in Olympic are provisions addressing health, safety, security and the environment – fundamental rules and guidelines to help BP and its subsidiaries protect the natural environment, the safety of the communities in which it operates, and the health, safety and security of BP's own employees.

The specific goals of BP's health, safety and environment policies are:

Health and safety: to ensure that there are no accidents, no harm to people and that no one is subject to unnecessary risk while working for the group. No activity is so important that it cannot be done safely.

Environmentally sound operations: to conduct the group's activities in a manner that, consistent with the broad goals, is environmentally responsible with the aspiration of 'no damage to the environment'. The group will seek to drive down the environmental impact of its operations by reducing waste, emissions and discharges, and by using energy efficiently.

'Transcending the environmental trade-off': to contribute to human progress by applying the group's resources in such a way that the perceived trade-off between global access to heat, light and mobility and the protection and improvement of the natural environment may be overcome.

C. BP Pipelines (North America)

As Olympic's Operator, BPPNA is committed to following these policies. It has done so with great effectiveness in its operation of Olympic since mid-2000. As an Olympic shareholder with corporate governance responsibilities over the company, ARCO is committed to following the same policies.

D. BPPNA United States Pipeline Operations

BPPNA is the second-largest liquids pipeline company in the U.S., transporting more than 450 million barrel-miles of oil, refined products, natural gas liquids, carbon dioxide and chemicals daily, representing about 9 percent of the U.S. liquids pipeline market.

BPPNA and its affiliates are also involved in joint venture pipelines of which Olympic is one. BPPNA's core and joint venture pipeline operations span 20 states and are managed from pipeline control centers in Oklahoma, California and, in the case of Olympic, Washington.

Altogether, BPPNA operates about 10,000 miles of pipelines owned and operated by BPPNA or its subsidiaries, affiliates and joint ventures, and holds joint venture interests in another approximately 7,500 miles of pipelines, which are operated by third parties.

E. Olympic's Resurgence

Together, BPPNA, as Operator, and ARCO, as shareholder, have worked hard over the last five years to bring Olympic up to the operational, environmental and safety standards that BP insists upon in its world-wide operations and to overcome the many problems the company faced in the aftermath of the Whatcom Creek accident. Olympic's story since mid-2000 is a compelling example of the efficacy of BPPNA's commitment to high standards in every aspect of its operations.

In acquiring a majority ownership of Olympic and assuming responsibility for Olympic's operation, BPPNA and ARCO inherited a steep financial, operational, and legal challenge arising from the June 10, 1999, pipeline rupture and fire in Bellingham, Washington. They immediately launched a massive infusion of capital for major remediation, repair, inspection, and maintenance projects. With BPPNA help, Olympic has met or exceeded all statutory, regulatory, and administrative requirements and pronouncements flowing from the June 10, 1999 incident and otherwise required for the safe operation of a common carrier pipeline.

F. Meeting Objectives at Olympic: Safety, Reputation, Community, Financial Stability

BPPNA has pursued four primary objectives. First, and foremost, operate the pipeline safely. Second, enhance Olympic's reputation as a responsible and secure part of the Pacific

Northwest petroleum products supply chain. Third, build Olympic's relationship with the regional community and build a culture of responsible corporate citizenship. And fourth, restructure Olympic to create a viable ongoing, cash-flow positive business over the long term. BPPNA has achieved these objectives.

As part of its ongoing efforts at safety and quality assurance, BPPNA has repaired or replaced damaged or substandard pipeline equipment and mechanical systems as required by regulators or, where BPPNA's standards are higher, has met those strict operational standards; has overhauled and/or upgraded pipeline control systems; has placed new emphasis on safety with all employees; has installed an ambitious safety and integrity program, and has installed or reinforced procedures directed towards damage protection.

BPPNA drew on its national resources, including those from its Chicago headquarters, to execute all compliance projects and additional projects necessary to meet regulators' and BPPNA's own stringent operational standards. Some of the major achievements are discussed below.

1. Early Compliance with Safety Regulations

Olympic has always been subject to safety regulations promulgated by the United States Department of Transportation Office of Pipeline Safety ("OPS") that are applicable to pipelines generally. In December 2001, the High Consequence Area ("HCA") regulations became effective. *See* 49 C.F.R. § 195.452. The HCA regulations increased inspection and repair requirements for hazardous liquid pipelines. They had a particularly significant impact on Olympic because 79% of Olympic's line is in an HCA, which is defined by characteristics such as population density, environmental sensitivity, and risk factors such as seismic activity, erosion, and river crossings.

An important requirement of the HCA regulations is adoption and implementation of an Integrity Management Plan (“IMP”), through which the operator establishes inspection, repair, remediation and similar requirements tailored to the particular pipeline, based on its judgment of pipeline characteristics and risk factors. Thus, an operator may undertake certain activities earlier, or more frequently, than the HCA regulations suggest if the operator believes additional caution is appropriate because of characteristics of the pipeline or its surroundings or the results of inspections.

BPPNA adopted an IMP in advance of the effective date of the HCA regulations. As a result, by the beginning of 2002, OPL had progressed further in implementing line inspection work required by the HCA regulations than otherwise would have been the case.

2. Extensive Pipeline Inspections and Testing

Between 2000 and 2004 BPPNA caused the inspection of the 400-mile Olympic pipeline system multiple times, using multiple technologies, resulting in inspection of an aggregate 2,400 miles of pipeline at a cost of \$8.64 million. Internal inspection of the pipeline was conducted in 2005 at an estimated cost of over \$600,000. Olympic also expended over \$6.3 million hydrotesting the pipeline between 2000 and 2003.

3. Pipeline Repair Criteria Reevaluation

BPPNA also evaluated Olympic’s pipeline repair criteria and determined that it should implement more stringent repair criteria than those mandated under industry standards. As a result, between 2000 and 2004 BPPNA oversaw over 530 pipeline excavations and repairs resulting from internal inspections at a cost of over \$24 million. Excavation and repair expenses for 2005 and 2006 are currently forecast to be \$1.2 million.

4. Unique Environmental Challenges Required Improved Monitoring and Repair

There are several physical conditions present to an unusual degree in Western Washington (compared to many other pipeline locations in the United States) that necessitate a continuous process of geotechnical monitoring and repair work to avoid loss of or damage to the line, or to move quickly to repair such damage before it causes an accident. These factors include: (a) frequent seismic activity; (b) slides in areas of steep slopes; and (c) erosion, washouts and similar events that regularly occur at stream or river crossings and in other wet areas, and that occur unpredictably elsewhere during particularly wet years.

Because of the unique characteristics of Olympic's line, BPPNA overhauled Olympic's geotechnical monitoring and repair program to include the following elements: 1) when rainfall exceeds a specified level, dispatching inspectors to vulnerable locations to check for soil movement; 2) bringing in outside experts where such movement is detected to diagnose the nature and severity of the problem and assist in devising a repair or further monitoring plan; 3) designing, permitting and scheduling required repair work, which normally must occur during the dry season and may include run-off management (of culverts and the like), retaining walls, and fill to restore cover; 4) examining the effect of elevation changes on the need for additional monitoring devices or other safety measures; and 5) ongoing strain gauge monitoring of sites known to be prone to movement.

To comply with these stringent standards, Olympic performed geotechnical repairs and reinforcements between 2000 and 2004 at a cost of over \$15.4 million, with 2005 projected expenses for similar work at \$4.1 million. Olympic has also completed several secondary containment projects between 2000 and 2004, including Cherry Point, Ferndale, and Anacortes boosters, and other containment projects are continuing, including Renton Station.

5. Security Audits

Under the IMP instituted by BPPNA, Olympic must continuously determine the need for specific risk assessments that suit the unique characteristics of Olympic's pipeline, and implement the results of those studies. Olympic performs security audits through BPPNA's Health, Safety, Security and Environment ("HSSE") group, BPPNA and BP Group security personnel. They evaluate security measures and recommend improvements which Olympic is in the process of implementing. They include such devices as barricades, ecology blocks (using large chunks of concrete to create barriers at entrance points), remote monitoring and many other measures.

6. Hardware Upgrade Program

BPPNA has also ensured that Olympic has an ongoing program to upgrade station PLC hardware as well as standardize the programming. PLC upgrades improve the supervisory controls, which enhance the safety and efficiency of the pipeline. Standardization eases the burden of troubleshooting and promotes consistency with respect to field maintenance and operations. Olympic also relocated a backup computer off-site to improve security and reliability, and physically replaced the PLC hardware at Allen and Renton. Olympic also upgraded the system by standardizing the equipment.

7. Modernization Efforts

Olympic has reduced maintenance costs, improved flexibility in overseeing the safety and quality of its services, simplified the training of maintenance personnel, and improved the automation of valves and other elements of the control system. Olympic replaced obsolete SCADA and host hardware and took additional security measures to mitigate the risk of damage to the main frame. Since 2000, Olympic has spent over \$4 million on SCADA enhancements

alone. Olympic also upgraded all its communications systems, including installing triple-loop communications to enhance reliability.

8. Training Procedure Implementation

BPPNA has also overseen the implementation of comprehensive general training procedures of all Olympic personnel in an effort to ensure overall operational safety of all aspects of pipeline operation. BPPNA oversaw a “table top” spill response drill in 2002 at a cost of \$29,000 and again in 2004, at a cost of approximately \$50,000. BPPNA further ensures Olympic performs such annual table top drills, which are now required by regulation, and field drills which must occur every three years. *See* 49 C.F.R. § 194.

9. Maintenance Manual Updates

Olympic maintains a very detailed maintenance manual containing specific instructions for spill responses that are unique to the various segments of the pipeline and its facilities. For example, the manual includes pre-identified geographic response points to contain or capture product from accidental releases. The manual consists of three thick volumes. In 2002, Olympic expended \$38,191.05 on updating the manual. BPPNA requires Olympic to continually update this manual as regulations and circumstances in each locale change. Olympic also maintains and follows a manual of written safety procedures which must be reviewed and, as appropriate, supplemented at least once a year. *See* 49 C.F.R. § 195.402(a).

10. Community Outreach

BPPNA has also played a central role in Olympic’s efforts to re-establish credibility with the Northwest community following the June 10, 1999 incident in Bellingham. These efforts included regular media availabilities and editorial boards; monthly community meetings; regular meetings with elected officials, regulators and other key leaders; meetings with pipeline safety

advocacy groups and other NGO's for constructive, and continuing, dialogue; and otherwise ensured open and timely communication. BPPNA's efforts have gone a long way toward restoring the public's perception of Olympic as not only an operation dedicated to safety, but also a valuable addition to the community, and BPPNA is dedicated to ensuring that these efforts continue.

11. In the News

The following is a sampling of statements prominent Northwest individuals and institutions have made in recent years regarding BPPNA's efforts on Olympic's behalf:

"...the new pipeline management, installed after the accident, has an impressive safety record."

- Seattle Post-Intelligencer Editorial, July 29, 2003

"As odd as it sounds, hooray for Olympic ... Olympic, owned by British giant BP, is hardly doing this expensive, time-consuming test out of the goodness of its heart. The company inherited a terrible tragedy from the previous owner ... BP has set a good example."

--Seattle Times Editorial, May 14, 2001, re: Olympic Hydrotests

"It is encouraging, moreover, to see the excellent example of increased attention to safety on the part of BP Pipelines, the new operators of the Olympic Pipe Line ..."

--Everett Herald Editorial, August 30, 2001

"They have exceeded all state and federal requirements in their inspection, repair, and maintenance of the pipeline. Meeting these expectations however, comes with a price."

-- Tom Fitzsimmons, Director of Washington State Department of Ecology, Dec. 14, 2001, in a letter to WUTC Chair Marilyn Showalter re: Olympic tariff increase

VI. THE PUBLIC INTEREST STANDARD IS SATISFIED

RCW 81.12.020 addresses dispositions of the property of public service companies.

Assuming for purposes of this analysis of the public interest standard that the Commission has jurisdiction under RCW 81.12.020 to require a review of, and to approve, this sale of shares by ARCO to Enbridge, the public interest standard is met.

Under WAC 480-143-170 (which is referenced by analogy in the absence of a parallel regulation under Title 81):

If, upon the examination of any application and accompanying exhibits, or upon a hearing concerning the same, the commission finds the proposed transaction is not consistent with the public interest, it shall deny the application.

The proposed share transfer is consistent with the public interest for several reasons.

The basis on which the Commission has in the past asserted authority over a transfer of shares in a public service company even though such a transfer does not fall within the literal terms of RCW 80.12.020 (which is identical to RCW 81.12.020 except for the ICC exemption that applies to the latter) is that a new entity will have control over the property of the public service company. The apparent public interest issue, then, is whether the characteristics of the new entity are such that its control over the public service company's assets threatens the public interest.

This transaction should trigger no such concern. First, control is not materially changing. The new entity, Enbridge, cannot unilaterally take any material action with respect to Olympic's assets because of the combined protections of the Shareholders Agreement and the Operating Agreement. Second, Enbridge is a highly respected group of companies with a strong and demonstrated commitment to environmental and human safety, efficient and well-managed operations, and high professional standards of corporate conduct.

The team of ARCO and BPPNA, which now has a nearly five-year track record of managing Olympic that all knowledgeable observers applaud, remains in place. It is in large measure the track record of this team that attracted a partner of the caliber of Enbridge. The Parties' agreements reflect Enbridge's intent that the team remain in place. There is every reason to believe that Olympic, its shippers and the Northwest will continue to benefit from the high qualities of the ARCO/BPPNA management team, and will benefit further from the addition of Enbridge to the partnership.

ARCO's new partner, Enbridge, will contribute its own experience, expertise and professionalism to the management of Olympic. Based on Enbridge's record and reputation, there is every reason to believe that the addition of Enbridge as a shareholder will enhance Olympic's management.

In summary, Enbridge will not control the kinds of asset dispositions covered by RCW 81.12.020. Any such dispositions will be jointly controlled by the two shareholders, both of which are committed to safety, environmental protection and efficient, professional operation. As Operator, BPPNA will carry out its obligations to operate Olympic safely, efficiently and in compliance with all regulations. Any change that occurs in Olympic's management and operation as a result of this transaction will be for the better.

This transaction meets the public interest standard.

VII. RCW 81.12.020 DOES NOT CONFER JURISDICTION OVER THIS TRANSACTION

The Parties do not seek a ruling from the Commission on the issue of its jurisdiction. In the event that the Commission itself decides to address the jurisdictional issue as part of its review, the Parties wish to present their view that the Commission lacks such jurisdiction but

will confine the statement in this Application to a brief summary of the three grounds for this view.

1. The exemption for ICC-regulated public service companies in Title 81 distinguishes this case from the *Scottish Power*³ and *GTE*⁴ cases, and should be interpreted to apply to Olympic because the authority exercised by the ICC at the time the exemption was adopted is substantively identical to the authority exercised by FERC today—i.e., there is no reason to infer that the legislative intent underlying the exemption depended upon which federal agency exercised that regulatory authority.
2. In the *Scottish Power* and *GTE* cases, the Commission interpreted a statute that by its terms applies only to asset dispositions to a disposition of shares because the latter entailed a complete change of control over assets and their potential disposition. This interpretation of RCW 80.12.020 is inconsistent with other statutory provisions that do require approval of sales of public service company stock, but appear to deliberately omit sales to non-public service companies from that requirement. There is also no basis for deeming the buyer or seller in this case to be the same corporate entity as Olympic since the criteria for piercing the corporate veil are not met. In any event, the rationale of the *Scottish Power* and *GTE* cases does not apply to this transaction, which does not entail a material change in control over the potential or actual disposition of assets. The distribution of control between ARCO and the new shareholder is not materially different from the distribution of control between ARCO and Shell that was in place from November, 2004, until December 1, 2005.
3. As a matter of federal law, because Olympic's pipeline is in interstate commerce, federal preemption bars the exercise of Commission jurisdiction over a purchase of shares under the reasoning of *Schneidewind v. ANR Pipeline Company*, 485 U.S. 293, 108 S.Ct. 1145, 99 L.Ed.2d 316 (1988).

VIII. CONCLUSION

The Parties request that the Commission enter an Order approving the transfer from ARCO to Enbridge of 16,250 common shares of Olympic, representing sixty-five percent of Olympic's common stock as being consistent with the public interest. This transaction is clearly in the public interest: a) it preserves the management team that has succeeded in turning

³ *In the Matter of the Application of PacifiCorp and Scottish Power PLC*, Docket No. UE-981627, Second Supp. Order, 1999 Wash. UTC LEXIS 124; 192 P.U.R. 4th 143 (March 16, 1999).

Olympic around over the last five years; b) it preserves the essence of the corporate control structure that has been in place since November 12, 2004, in which both shareholders must act jointly on all major decisions, including asset dispositions; c) it adds a highly respected partner, Enbridge, with a well-deserved reputation for professionalism, human and environmental safety and a wealth of experience in pipeline management.

The Parties reserve their right to contest the exercise of jurisdiction by the Commission over this transaction, but do not seek the a Commission ruling on that issue at this time. Rather, the Parties propose to furnish the Commission as promptly as possible with any additional information it requires to make a public interest determination regarding this transaction, and the Parties request as expeditious a ruling as is consistent with the Commission's procedures.

DATED this 20th day of December, 2005, in Seattle, Washington.

DANIELSON HARRIGAN LEYH & TOLLEFSON LLP

Arthur W. Harrigan, Jr.
Attorneys for Olympic Pipe Line Company

⁴ *In the Matter of the Application of GTE Corporation and Bell Atlantic Corporation*, Docket No. UT-981367, Fourth Supp. Order, 1999 Wash. UTC LEXIS 630 (December 16, 1999).

CERTIFICATION

I, Arthur W. Harrigan, Jr., am a partner with the law firm of Danielson, Harrigan, Leyh & Tollefson, LLP, attorneys for Olympic Pipe Line Company and, in connection with the preparation of this Application, for all Parties. I am authorized to make this Certification on behalf of the Parties to the Application filed herewith.

In accordance with WAC 480-143-140, I hereby certify, under penalty of perjury, that the information contained in the Application is true and correct to the best of my knowledge and belief.

Executed on December 20, 2005, at Seattle, Washington.

Arthur W. Harrigan, Jr.

APPENDIX B

TO-060183 (AF)
3-15-06

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

ARTHUR W. HARRIGAN, JR.

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

January 31, 2006

Ms. Carole Washburn
Executive Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
1300 Evergreen Park Drive S.W.
Olympia, Washington 98504-7250

RECEIVED
RECORDS MANAGEMENT UNIT
06 JAN 31 PM 3:54
STATE OF WASH
OIL AND TRAFFIC
DEPT. OF TRANSPORTATION

RE: Affiliated Interest Filing for Olympic Pipe Line Company

Dear Ms. Washburn:

Pursuant to the provisions of RCW 81.16.020 and WAC 480-73-190, Olympic Pipe Line Company ("Olympic") files this notice and the enclosed verified copies of the following agreements, executed on January 31, 2006 and effective as of closing of a Share Purchase Agreement between ARCO Midcon LLC ("ARCO"), and Enbridge Inc. ("Enbridge"), but no earlier than February 1, 2006:

1. Olympic Pipeline Company Shareholders Agreement, between and among Olympic, ARCO, and Enbridge Holdings (Olympic) L.L.C. ("Enbridge Holdings") (the "ARCO/Enbridge Shareholders Agreement");
2. Olympic Pipe Line Operating Agreement, between Olympic and BP Pipelines (North America) Inc. ("BPPNA") (the "Operating Agreement"); and
3. Financing Agreement, between Olympic, ARCO, and Enbridge Holdings (the "Financing Agreement").

On November 30, 2005, Olympic provided notice to the Commission that an earlier shareholders agreement executed by and among Olympic, ARCO, and Shell Pipeline Company LP ("Shell"), was to be formally terminated as of December 1, 2005. The shareholders agreement was terminated as a result of ARCO's agreement to purchase all of Shell's shares in Olympic, effective as of December 1, 2005, pursuant to which ARCO temporarily became Olympic's sole shareholder.

Ms. Carole Washburn
January 31, 2006
Page 2

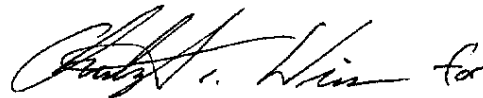
On December 20, 2005, Olympic, ARCO and Enbridge filed an application for approval of a separate Share Purchase Agreement between ARCO and Enbridge (the "SPA"). By its terms, upon securing all required regulatory approvals, Enbridge would acquire a sixty-five percent interest in Olympic (to be held by its affiliate, Enbridge Holdings) and ARCO would retain a thirty-five percent interest. The SPA requires the execution of the ARCO/Enbridge Shareholders Agreement, Financing Agreement, and new Operating Agreement with a ten-year initial term. These agreements were submitted, in substantially final form, for review as part of Olympic's application for approval of the SPA.

The overall benefits of this transaction were outlined in Olympic's Application and were also explored with the Commission at a public meeting on January 25, 2006. The Commission's decision was that it lacked jurisdiction over the SPA transaction, but, during the course of discussion, the consensus appeared to be that the Commission was pleased with the strong new partnership between ARCO and Enbridge and with the strengthening of BP's commitment to remain as Olympic's operator for the foreseeable future. A key element of the Shareholders Agreement was also highlighted as a benefit of the transaction in the Staff's recommendation to the Commission: i.e., that major decisions still require the consent of ARCO (and of Enbridge) under supermajority provisions.

Since all conditions of closing now appear to be satisfied, it is currently anticipated that closing of the SPA will occur on February 1, 2006, at which time the agreements will become effective. With this letter Olympic encloses verified copies of the new Shareholders Agreement, the new Operating Agreement, and the Financing Agreement.

Very truly yours,

DANIELSON HARRIGAN LEYH & TOLLEFSON LLP



Arthur W. Harrigan, Jr.

AWH:lb
Enclosures

APPENDIX C

To - 072412 - AF

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

ARTHUR W. HARRIGAN, JR.

E-MAIL: ARTHURH@DHLT.COM
FACSIMILE: (206) 623-0717

December 20, 2007

07 DEC 21 11:18
RECEIVED
COMMUNICATIONS SECTION

Ms. Carole Washburn
Executive Secretary
Washington Utilities and Transportation Commission
P.O. Box 47250
1300 Evergreen Park Drive S.W.
Olympia, Washington 98504-7250

RE: Olympic Pipe Line Company – Notification of Financing Agreement

Dear Ms. Washburn:

Olympic Pipe Line Company (“Olympic”) hereby provides notice regarding a proposed Financing Agreement, effective as of December 31, 2007, by and among Olympic and its two shareholders, Enbridge Holdings (Olympic) LLC (“Enbridge”) and ARCO Midcon LLC (“ARCO”) (collectively, “the Parties”).

One of the primary purposes of the Financing Agreement is to revise, update, and extend Olympic’s repayment obligations under a pre-existing financing agreement with parallel terms, executed on or about January 31, 2006 (the “2006 Agreement”). Olympic provided the WUTC with notice of the 2006 Agreement by letter dated January 31, 2006 (a copy of which is enclosed).

Under the 2006 Agreement, Enbridge and ARCO agreed to advance a combined total of up to \$15,000,000 to Olympic, in proportion to their respective ownership interests. Enbridge, which owns sixty-five percent (65%) of the issued and outstanding stock of Olympic, agreed to advance a maximum amount of \$9,750,000. ARCO, which owns the remaining thirty-five percent (35%) of Olympic’s stock, agreed to advance a maximum amount of \$5,250,000. Any advances made pursuant to the 2006 Agreement were secured by promissory notes which, by their terms, are to become due on December 31, 2007.

As further detailed below, the Financing Agreement replaces and supersedes the 2006 Agreement, extending the deadline for Olympic’s repayment of any prior advances and allowing Olympic continued access to the line of credit made available by Enbridge and ARCO.

Although Olympic has already provided notice with respect to the 2006 Agreement, we understand that the modifications thereto contained in the Financing Agreement require a separate notice pursuant to RCW 81.08.040 and WAC 480-73-170 (issuance of debt instruments) and RCW 81.16.020 and WAC 480-73-190 (affiliate transactions). Accordingly, Olympic is required to provide the WUTC with the following information and materials, prior to the effective date of the transaction:

- Verified copies of the relevant transactional documents;
- A description of the proposed terms of financing;
- A description of the purposes for which the financing is made, including a certification that the proceeds from such financing will be used for an authorized purpose;
- A statement as to why the transaction is in the public interest; and
- An affidavit certifying the truth and accuracy of the contents of this Notice.

To satisfy these requirements, Olympic states as follows:

With this Notice, Olympic is submitting a verified copy of the Financing Agreement, including a "Line of Credit Promissory Note" for both Enbridge and ARCO (attached as Exhibits A and B thereto).

The complete terms of the financing are described in the Financing Agreement. In summary, Enbridge and ARCO have agreed to advance funds to Olympic up to a combined maximum amount of \$15,000,000 – including any amounts previously advanced under the 2006 Agreement. Interest is to accrue on any loan proceeds at a rate equal to the London Interbank Offered Rate ("LIBOR") plus three hundred (300) basis points. The principal and any outstanding interest are due and payable on December 31, 2010 (the "Maturity Date").

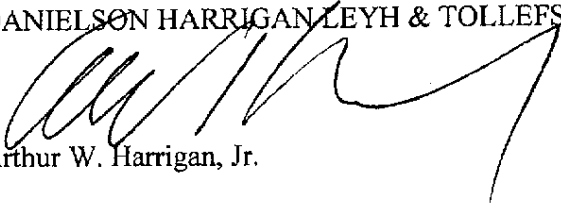
The Financing Agreement is in the public interest because it provides Olympic continued ready access to a line of credit that it can draw on as needed for the acquisition of property, improvement of its facilities, and/or improvement and maintenance of its services. Olympic intends to apply any loan proceeds towards these purposes, as expressly authorized by RCW 81.08.030.

Although WAC 480-73-170 specifies that Olympic must file a verified statement regarding the disposition of any loan proceeds (including the final amount used for each authorized purpose) within sixty (60) days of the effective date of the Financing Agreement, Olympic does not expect to draw down the full amount of the available funds within such time period. Rather, under the terms of the Financing Agreement, the funds will remain available for Olympic to draw upon, as needed, at any time prior to the Maturity Date. Accordingly, Olympic intends to satisfy the foregoing notification requirement by notifying the WUTC of the disposition of any loan proceeds within sixty (60) days from receipt of any actual loan proceeds, rather than from the effective date of the Financing Agreement.

With this Notice, Olympic encloses a Verification signed by an officer of Olympic, pursuant to RCW 81.08.040 and WAC 480-73-170.

Very truly yours,

DANIELSON HARRIGAN LEYH & TOLLEFSON LLP


Arthur W. Harrigan, Jr.

AWH:lb
Enclosures

VERIFICATION

I, Steve Maulding, am an officer of Olympic Pipe Line Company ("Olympic"), and am authorized to make this Verification on its behalf.

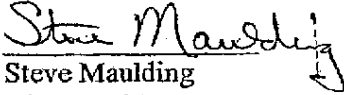
Filed herewith are true and correct copies of the following documents:

- Olympic Pipe Line Company 2007 Financing Agreement, by and among Olympic, ARCO MidCon LLC, and Enbridge Holdings (Olympic) L.L.C., dated as of December 31, 2007 (the "Financing Agreement");
- Exhibit A to the Financing Agreement, a Line of Credit Promissory Note executed by Olympic and dated as of December 31, 2007; and
- Exhibit B to the Financing Agreement, a second Line of Credit Promissory Note executed by Olympic and dated as of December 31, 2007.

Olympic intends to use the proceeds from the Financing Agreement for one or more of the purposes authorized by RCW 81.08.030, including acquisition of property, improvement of Olympic's facilities, and/or improvement and maintenance of Olympic's services.

I hereby declare under penalty of perjury that, to the best of my knowledge, the statements contained herein and in Olympic's Notification of Financing Agreement, dated December 20, 2007, are true and correct.

Executed on December 29 2007, at Renton, Washington


Steve Maulding
Vice-President
Olympic Pipe Line Company

Olympic Pipe Line Company

2007 FINANCING AGREEMENT

THIS FINANCING AGREEMENT (this "2007 Financing Agreement") is made as of December 31, 2007, by and among ARCO MidCon LLC ("ARCO"), Enbridge Holdings (Olympic) L.L.C. ("Enbridge") and Olympic Pipe Line Company ("Olympic") (each a "Party," and collectively, the "Parties"), according to the terms herein.

WHEREAS, ARCO and Enbridge collectively own one-hundred percent (100%) of the issued and outstanding stock of Olympic;

WHEREAS, Enbridge owns sixty-five percent (65.00%) of the issued and outstanding stock of Olympic;

WHEREAS, ARCO owns thirty-five percent (35.00%) of the issued and outstanding stock of Olympic;

WHEREAS, ARCO and Enbridge have advanced certain sums to Olympic pursuant to the Financing Agreement by and among ARCO, Enbridge, and Olympic ("2006 Financing Agreement"), dated as of January 31, 2006;

WHEREAS, the Notes evidencing advances made by each Shareholder pursuant to the 2006 Financing Agreement expire on December 31, 2007; and

WHEREAS, the Parties desire to provide certain additional financing for Olympic.

NOW THEREFORE, the Parties agree as follows:

1. Defined Terms. As used in this 2007 Financing Agreement, the following terms have the following meanings, which apply to both the singular and plural forms of the terms defined:

"2006 Financing Agreement" shall have the meaning set forth in the Recitals hereto.

"Advance" means an advance by a Shareholder to Olympic of cash.

"ARCO" shall have the meaning set forth in the Preamble hereof.

"ARCO's Commitment" means ARCO's maximum commitment to advance a portion of the Financing, consisting of five-million two-hundred and fifty-thousand dollars (\$5,250,000.00) of Advances.

"Budget" means any Budget approved in accordance with Olympic's organizational documents from time to time.

"Enbridge" shall have the meaning set forth in the Preamble hereof.

"*Enbridge's Commitment*" means Enbridge's maximum commitment to advance a portion of the Financing, consisting of [nine-million seven-hundred and fifty-thousand dollars (\$9,750,000.00)] of Advances.

"*Financing*" means the total amount of outstanding Advances made by the Shareholders pursuant to this 2007 Financing Agreement.

"*Financing Documents*" means this 2007 Financing Agreement, the Notes and such other documents as may be required by the Shareholders hereunder from time to time consistent with this 2007 Financing Agreement.

"*Notes*" means the promissory notes payable to the order of each of ARCO and Enbridge, respectively, attached hereto as *Exhibits A* and *B*.

"*Shareholder(s)*" shall mean ARCO or Enbridge, or both, as the case may be.

2. Shareholders Financing Obligations.

2.1 Commitment to Advance Loans. Each of the Shareholders hereby severally (and not jointly) agrees to advance loans from time to time in Olympic's favor subject to and in accordance with this 2007 Financing Agreement. Notwithstanding anything in this 2007 Financing Agreement to the contrary, ARCO does not have any obligation to make any portion of an Advance if such Advance would result in ARCO's Advance exceeding ARCO's Commitment. Notwithstanding anything in this 2007 Financing Agreement to the contrary, Enbridge has no obligation to make any portion of an Advance if such Advance would result in Enbridge's Advance exceeding Enbridge's Commitment. Notwithstanding anything herein to the contrary, neither Enbridge nor ARCO shall have any obligation to make an Advance requested by Olympic to the extent that the requested Advance, when aggregated with all previous Advances, made pursuant to the 2006 Financing Agreement or this 2007 Financing Agreement (without duplication), would exceed FIFTEEN MILLION DOLLARS (\$15,000,000.00).

2.2 Advances.

2.2.1. Advances Generally. Subject to the terms of this 2007 Financing Agreement, including the conditions precedent set forth in Section 3 below, Shareholders shall make Advances at the times and in the amounts as contemplated by the Budget. As to any particular Advance, Enbridge shall be responsible for funding sixty-five percent (65.00%) of such Advance, and ARCO shall be responsible for funding thirty-five percent (35.00%) of such Advance.

2.2.2. Advances in Excess of Budget. Olympic may, from time to time, request Advances in excess of amounts contemplated by the Budget. The Shareholders shall have the obligation to make such an Advance if (a) the board of directors of Olympic (or the person or persons to whom Olympic may delegate the authority to make such requests) shall have requested such Advance, and (b) such an Advance is used to cover (i) revenue shortfalls Olympic may reasonably determine may occur in comparison to the Budget, (ii) reasonable and actual

operating or other expenses in excess of the amounts provided in the Budget, (iii) costs of new capital projects, or (iv) similar matters.

2.3 Repayment.

2.3.1. Repayment of Advances. All Advances made pursuant to the 2006 Financing Agreement or this 2007 Financing Agreement (without duplication) shall be treated as indebtedness. Olympic shall repay to the Shareholders such indebtedness and pay interest on the unpaid balance of such indebtedness outstanding, from time to time, on the terms set forth in the Notes.

3. Conditions.

3.1 Conditions to Initial Advance. The following conditions to each Shareholder's obligations under this 2007 Financing Agreement have been satisfied or waived.

3.1.1. Financing Documents. Such Shareholder shall have received the Financing Documents, each duly executed and delivered, and in form and substance reasonably satisfactory to such Shareholder in such Shareholder's sole discretion.

3.1.2. Corporate Authority. Such Shareholder shall have received, in form and substance reasonably satisfactory to it, a certified copy of resolutions adopted by the board of directors of Olympic authorizing the execution, delivery and performance of the Financing Documents and the borrowing hereunder.

3.1.3. Budget. Each Shareholder shall have approved the Budget in accordance with the Budget approval process set forth in Olympic's governance documents.

3.2 Conditions to All Advances. Each Shareholder's obligation to make its share of all Advances shall be subject to the prior satisfaction or waiver of the following conditions:

3.2.1. No Default. No Event of Default shall have occurred and be continuing, nor shall an event have occurred which, with the passage of time or the giving of notice, or both, would constitute an Event of Default.

3.2.2. Representations and Warranties. All representations and warranties of Olympic set forth in each Financing Document shall be true and correct in all material respects on the date of the Advance in question.

3.2.3. No Material Adverse Change. There shall have been no material adverse change in the condition, financial or otherwise, of Olympic, nor shall there have occurred any event, action or condition of any nature whatsoever that might reasonably be expected to have a material adverse effect on the business, operations, assets or affairs of Olympic.

3.2.4. Litigation. No action, proceeding, investigation, regulation or legislation shall have been instituted, threatened or proposed before any court, governmental agency or legislative body to enjoin, restrain or prohibit, or to obtain damages in respect of, or which is

related to or arises out of, this 2007 Financing Agreement or the consummation of the transactions contemplated hereby.

3.2.5. Other Documents. Olympic shall have delivered to such Shareholder such other certificates and documents as such Shareholder may reasonably request.

4. Representations and Warranties of Olympic. Olympic hereby represents to Shareholders, as of the date hereof:

4.1 Commercial Purposes. Olympic intends to use the proceeds of the Advances solely for business or commercial purposes.

4.2 Existence and Power. Olympic is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware, and has full corporate power, authority and legal right to execute, deliver and perform the Financing Documents.

4.3 Corporate Authorization. The execution, delivery and performance by Olympic of the Financing Documents to which it is a party and any borrowing hereunder have been duly authorized by all necessary corporate or other action of Olympic.

4.4 Binding Obligations, Etc. This 2007 Financing Agreement has been duly executed and delivered by Olympic, and constitutes, and each of the other Financing Documents to which it is a party when duly executed and delivered will constitute, the legal, valid and binding obligation of Olympic enforceable against Olympic in accordance with their respective terms, except as enforcement may be limited by general principles of equity, contract, and regulatory laws, including, without limitation, those enforced by the Washington State Utilities and Transportation Commission and/or the Federal Energy Regulatory Commission, and its or their successors, and by bankruptcy and other laws affecting creditors' rights generally.

4.5 Financial Condition. All statements, reports and information provided to Shareholders regarding the financial condition of Olympic fairly present the financial condition of Olympic as of the dates thereof, and, except as disclosed by Olympic to the Shareholders, there has been no material adverse change to Olympic's financial condition as of the date hereof and as of each date on which an Advance is made.

5. Covenants. Until payment in full of the Notes and performance of all other obligations of Olympic under the Financing Documents, Olympic agrees to do all of the following unless each Shareholder shall otherwise consent in writing,

5.1 Use of Proceeds. Olympic will use the proceeds of the Advances, as set forth in the Budget, and for expenses in excess of Budget as permitted in Section 2.2.2.

5.2 Payments. Olympic will pay the principal and interest in accordance with the terms of the Notes and will pay when due all other amounts payable by Olympic under the Financing Documents.

5.3 Visitation Rights. At any reasonable time during business hours, and from time to time, Olympic will permit each Shareholder to examine and make copies of and abstracts from

the records and books of account and to visit the properties of Olympic and to discuss the affairs, finances and accounts of Olympic with any of its officers or directors.

5.4 Keeping of Books and Records. Olympic will keep adequate records and books of account in which complete entries will be made, in accordance with generally accepted accounting principles consistently applied, reflecting all financial transactions of Olympic.

5.5 Compliance with Laws. Olympic will comply in all material respects with all laws, regulations, rules, and orders of governmental authorities applicable to Olympic or to its operations or property except any thereof whose validity is being contested in good faith by appropriate proceedings upon stay of execution of the enforcement thereof.

5.6 Negative Pledge. Olympic shall not voluntarily create, nor permit to be created, any lien, pledge, security interest or charge in excess of one million dollars (\$1,000,000.00) upon any property of Olympic without the express prior written consent of the Shareholders. Olympic will pay and discharge before the same shall become delinquent all indebtedness, taxes and other obligations for which Olympic is liable or to which its income or property is subject and all claims for labor and materials or supplies which, if unpaid, might become by law a lien upon assets of Olympic.

5.7 Insurance. Olympic shall keep in force upon all of its properties and operations policies of insurance carried with responsible companies in such amounts and covering all such risks as shall be customary in the industry and satisfactory to the Shareholders. Olympic shall, on request, furnish to the Shareholders certificates of insurance or duplicate policies evidencing such coverage.

5.8 Financial Information. Olympic will deliver to the Shareholders: (a) as soon as available and in any event within one hundred eighty (180) days after the end of each fiscal year of Olympic, the balance sheet of Olympic as of the end of such fiscal year and the related statements of income and retained earnings and statement of changes in financial position of Olympic for such year, accompanied by the audit report thereon by independent certified public accountants satisfactory to the Shareholders; (b) as soon as available and in any event within thirty (30) days after the end of each fiscal quarter of Olympic, the unaudited balance sheet and statement of income and retained earnings of Olympic as of the end of such fiscal quarter (including the fiscal year to the end of such fiscal quarter), accompanied by a certificate of the chief financial officer of Olympic that such unaudited balance sheet and statement of income and retained earnings have been prepared in accordance with generally accepted accounting principles consistently applied and present fairly the financial position and the results of operations of Olympic as of the end of and for such fiscal quarter; and (c) unless prohibited by law, all other statements, reports and other information as the Shareholders may reasonably request concerning the financial condition and business affairs of Olympic.

5.9 Notification. Promptly after learning thereof, Olympic will notify the Shareholders of (a) any material action, proceeding, investigation or claim against or affecting Olympic instituted before any court, arbitrator or governmental authority or, to Olympic's knowledge, threatened to be instituted; (b) any substantial dispute between Olympic and any governmental authority; (c) any labor controversy which has resulted in or, to Olympic's knowledge, threatens to result in

a strike that would materially affect the business operations of Olympic; and (d) the occurrence of any Event of Default.

5.10 Additional Acts. From time to time, Olympic will execute and deliver all such instruments and perform all such other acts as the Shareholders may reasonably request to carry out the transactions contemplated by the Financing Documents.

5.11 Prohibition on Debt. Olympic shall not incur any indebtedness to any party other than to the Shareholders, save for (a) indebtedness for trade obligations incurred in the ordinary course of Olympic's business, (b) debt contemplated in the Budget, or (c) otherwise with the express written consent of the Shareholders.

6. Events of Default.

6.1 Events of Default Defined. The occurrence of any of the following events shall constitute an "Event of Default":

6.1.1. Payment Default. Olympic fails to pay when due any amount of principal or interest under any Note, or any other amount payable by it under any Financing Document; or

6.1.2. Breach of Warranty. Any representation or warranty made or deemed to be made by Olympic under or in connection with any Financing Document proves to have been incorrect in any material respect when made; or

6.1.3. Breach of Covenant. Olympic fails to perform or observe any other covenant, obligation or term of any Financing Document, and such failure is material; or

6.1.4. Cross Default. Olympic fails to pay or perform when due any obligation, which failure has a material adverse effect on Olympic; or

6.1.5. Impairment. The Shareholders shall determine in good faith that, as a result of (a) a material adverse change in the financial condition or operations of Olympic or (b) any action taken or instituted by any governmental agency or by any court of competent jurisdiction, the prospect of payment or performance of the obligations of Olympic are materially impaired; or

6.1.6. Adverse Actions. Any judgment or order for the payment of money in excess of five million dollars (\$5,000,000.00) shall be rendered against Olympic, which judgment or order is neither timely paid nor appealed and the effect of the judgment or order is not stayed pending the outcome of the appeal; or any of Olympic's assets having a value in excess of one million dollars (\$1,000,000.00) shall be seized, attached, garnished or levied upon and such seizure, attachment, garnishment or levy shall not be dissolved within ten (10) days thereafter; or

6.1.7. Voluntary Bankruptcy. Olympic (a) files a petition seeking relief for itself under the United States Bankruptcy Code, as now constituted or hereafter amended or (b) fails timely to controvert a petition filed against it seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended; or

6.1.8. Involuntary Bankruptcy. An order for relief is entered against Olympic under the United States Bankruptcy Code, as now constituted or hereafter amended, which order is not stayed; or appointing a receiver, liquidator, or custodian of Olympic or of any substantial part of its property; or upon the expiration of sixty (60) days after the filing of any involuntary petition against it seeking any of the relief specified in Section 6.1.6 or this Section 6.1.8 without the petition being dismissed prior to that time; or

6.1.9. Insolvency. Olympic or any Obligor (a) makes a general assignment for the benefit of its creditors or (b) consents to the appointment of or taking possession by a receiver, liquidator, or custodian of all or a substantial part of the property of Olympic, or (c) admits its insolvency or inability to pay its debts generally as they become due, or (d) fails generally to pay its debts as they become due or (e) liquidates or dissolves.

6.2 Consequences of Default. If any Event of Default shall occur and be continuing, without notice or demand, at the option of the holder of any Note (or in the event of bankruptcy of Olympic, automatically) any obligation to make Advances shall terminate, and all principal of and the interest owing under the Notes and all other sums payable by Olympic under the Financing Documents shall become immediately due and payable, whereupon the same shall become immediately due and payable without protest, presentment, notice or demand, all of which Olympic expressly waives, and the Shareholders may exercise all remedies available to them under law or pursuant to any Financing Document. Olympic agrees to pay on demand all reasonable attorneys' fees, costs and other expenses, and the reasonable fees, costs and other expenses of other professionals, including accountants, appraisers and expert witnesses, incurred in connection with the collection of all principal, interest and other amounts payable hereunder, the enforcement of the Notes and the other Financing Documents (whether in arbitration or in judicial proceedings, including bankruptcy proceedings), the preservation of holder's rights and interests in property, and in investigating Events of Default, and determining relative rights and obligations arising under the Notes and the other Financing Documents upon the occurrence of an Event of Default, and all such reasonable fees, costs and expenses of holder shall become a part of the indebtedness evidenced by the Notes, and shall bear interest at the rate hereunder from time to time.

7. Miscellaneous.

7.1 No Waiver; Remedies Cumulative. No failure by any Shareholder to exercise, and no delay in exercising, any right, power or remedy under any Financing Document shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or remedy under any Financing Documents preclude any other or further exercise thereof or the exercise of any other right, power, or remedy. The exercise of any right, power, or remedy shall in no event constitute a cure or waiver of any Event of Default nor prejudice the right of any Shareholder in the exercise of any right hereunder or thereunder, unless in the exercise of such right, all obligations of Olympic under the Financing Documents are paid in full. The rights and remedies provided herein and therein are cumulative and not exclusive of any right or remedy provided by law.

7.2 Governing Law. This 2007 Financing Agreement shall be governed by and construed in accordance with the laws of the State of Washington applicable to contracts to be performed entirely within the State of Washington, as supplemented by applicable federal law.

7.3 Consent to Jurisdiction. Each of the Parties hereby irrevocably submits to the jurisdiction of the United States District Courts or the state courts of general jurisdiction sitting in Chicago, Illinois, in any action or proceeding brought to enforce or otherwise arising out of or relating to this 2007 Financing Agreement and irrevocably waives to the fullest extent permitted by law any objection which it may now or hereafter have to the laying of venue in any such action or proceeding in any such forum, and hereby further irrevocably waives any claim that any such forum is an inconvenient forum.

7.4 Notices.

- (a) Any notice required or permitted to be given under this 2007 Financing Agreement or any other Financing Document will be in writing and may be given by delivering, sending by facsimile transmission or other means of electronic communication capable of producing a printed copy, or sending by prepaid first class mail, the notice to the following address or number:

If to Shareholders:

ARCO

ARCO MidCon LLC
c/o BP Pipelines (North America) Inc.
Attn: Managing Attorney
27100 Torch Parkway, Suite 600
Warrenville, IL 60555

Facsimile number: 630-836-3588

ENBRIDGE

Enbridge Holdings (Olympic) L.L.C.
Attn: Joel Kanvik
1100 Louisiana, Ste. 3300
Houston, TX 77002

If to Olympic:

Olympic Pipe Line Company
Attn: President
2201 Lind Ave. SW, Suite 270
Renton, Washington 98057

Facsimile number: 425-981-2525

(or to such other address or number as any Party may specify by notice in writing to another Party).

- (b) Any notice delivered or sent by facsimile transmission or other means of electronic communication capable of producing a printed copy on a business day will be deemed conclusively to have been effectively given on the day the notice was delivered, or the transmission was sent successfully to the number set out above, as the case may be.
- (c) Any notice sent by prepaid first class mail will be deemed conclusively to have been effectively given on the fifth (5th) business day after posting.

7.5 Assignment. This 2007 Financing Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and assigns, except that Olympic may not assign or otherwise transfer all or any part of its rights or obligations hereunder without the prior written consent of both Shareholders, and any such assignment or transfer purported to be made without such consent shall be ineffective.

7.6 Entire 2007 Financing Agreement; Amendment. The Financing Documents comprise the entire agreement of the Parties and may not be amended or modified except by written agreement of Olympic and each Shareholder. No provision of any Financing Document may be waived except in writing and then only in the specific instance and for the specific purpose for which given.

-----*Remainder of page left blank intentionally*-----

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

IN WITNESS WHEREOF, the Parties hereto have caused this 2007 Financing Agreement to be executed by their respective officers or agents thereunto duly authorized as of the date first above written.

OLYMPIC PIPE LINE COMPANY

ARCO MIDCON LLC

By: _____

By: _____

Its: _____

Its: _____

**ENBRIDGE HOLDINGS (OLYMPIC)
L.L.C.**

By: _____

Its: _____

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING PAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW

IN WITNESS WHEREOF, the Parties hereto have caused this 2007 Financing Agreement to be executed by their respective officers or agents thereunto duly authorized as of the date first above written.

OLYMPIC PIPE LINE COMPANY

ARCOM CON LLC

By: Steve Maulding

By: [Signature]

Its: Vice President

Its: President

ENBRIDGE HOLDINGS (OLYMPIC)
L.L.C.

By: _____

Its: _____

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

IN WITNESS WHEREOF, the Parties hereto have caused this 2007 Financing Agreement to be executed by their respective officers or agents thereunto duly authorized as of the date first above written.

OLYMPIC PIPE LINE COMPANY

ARCO MIDCON LLC


By: _____

By: _____

Its: _____

Its: _____

**ENBRIDGE HOLDINGS (OLYMPIC)
L.L.C.**

By:  _____

Its: _____

EXHIBIT A

LINE OF CREDIT PROMISSORY NOTE

\$5,250,000.00

December 31, 2007
Seattle, Washington

FOR VALUE RECEIVED, the undersigned (the "*Borrower*") hereby promises to pay to the order of Arco MidCon LLC ("*Lender*") at 28100 Torch Parkway, Warrenville, IL 60555, or to such other person or at such other place as the holder of this Line of Credit Promissory Note (this "Note") may from time to time designate in writing, the principal sum of FIVE MILLION, TWO HUNDRED AND FIFTY THOUSAND AND NO/100THS DOLLARS (\$5,250,000.00)] (the "*Maximum Loan Amount*") or such lesser amount as may have been advanced and remains outstanding hereunder, together with interest on the unpaid balance and costs, fees and expenses payable hereunder (the "*Line of Credit*") as set forth below. Capitalized terms not otherwise defined herein shall have the same meanings as set forth in the Financing Agreement (referred to in Section 4 below).

1. Repayment. The Borrower may repay all or any portion of the Line of Credit or any advances thereunder at any time without penalty, and notwithstanding anything to the contrary herein:

1.1 The entire principal balance shall be due and payable on December 31, 2010 (the "*Maturity Date*").

1.2 Payments of accrued interest shall be made monthly starting on the first day of the month after the month in which the first advance is made and continuing on the first day of each month thereafter until the Maturity Date.

1.3 Notwithstanding anything to the contrary herein, all principal, interest and all other amounts arising pursuant to this Note shall be due and payable no later than the Maturity Date.

2. Prepayment. Borrower may prepay this Note at any time, with ten (10) days' prior written notice to Lender. Prepayments shall be applied first towards interest and other non-principal charges, and second towards reduction of principal. This Note does not evidence a revolving line of credit; sums prepaid may not be re-advanced to Borrower.

3. Interest Rate. All principal outstanding from time to time shall bear interest at a rate equal to the lesser of the highest rate permitted by Washington law or LIBOR plus three hundred (300) basis points. If an Event of Default (as defined in Section 5 hereof) shall have occurred and be continuing, interest shall thereupon accrue daily on the aggregate outstanding principal balance until such amount is paid in full at a fixed rate per annum equal to the lesser of the highest rate permitted by Washington law or LIBOR plus eight hundred (800) basis points (the "*Default Rate*"). Default interest shall be payable from time to time on demand of the Lender. Notwithstanding any other provision of this Note, interest, fees, and expenses payable by reason of the indebtedness evidenced hereby shall not exceed the maximum, if any, permitted by applicable law. As used in this Section 3, "LIBOR" means one month LIBOR quoted daily as a per annum rate in *The Wall Street Journal*. Each day each rate shall be applied to the previous day's outstanding balance except that the rate printed on each Monday shall apply to the previous Friday, Saturday and Sunday.

4. Loan Documents. This Note is subject to the terms and conditions of the Financing Agreement among the Borrower, Enbridge Holdings (Olympic) L.L.C. and ARCO MidCon LLC dated as of even date (the "*Financing Agreement*"), and is entitled to the benefit thereof, and such other agreements, instruments, documents and certificates as may be executed by the Borrower in connection therewith (the "*Financing Documents*").

5. Default. If the Borrower otherwise shall become in default hereunder or any Event of Default shall occur pursuant to the Financing Agreement (an "*Event of Default*"), then the Lender shall enjoy all rights and remedies which may arise at law, in equity or under any Financing Document. The Borrower agrees to pay on demand all reasonable attorneys' fees, costs and other expenses incurred in legal proceedings to collect all sums owing under this Note.

6. Miscellaneous Provisions. Each and every right and remedy given herein or in any other Financing Document or otherwise existing in connection therewith shall be cumulative and shall be in addition to every other right and remedy now or hereafter existing by agreement, at law or in equity, and each and every other right and remedy may be exercised, wholly or in part, from time to time, and as often, and in any order, as holder chooses, and the exercise or the beginning of the exercise of any right or remedy shall not be construed to be an election of rights or remedies, or a waiver of the right to exercise at the same time or thereafter any other right or remedy. Neither holder's acceptance of partial or delinquent payments nor any delay or omission by holder in the exercise of any right, power or remedy hereunder shall be impair any such right, power or remedy or be construed to be a waiver of any right to exercise such right, power or remedy or to constitute a modification of this Note.

7. Waiver. The Borrower and all endorsers and all other persons liable or to become liable on this Note agree that the liability of each of them hereon shall be joint and several, and waive presentment, demand, protest and notice of protest, dishonor and nonpayment, and consent to any and all renewals and extensions of time of payment. The Borrower and the holder of this Note agree that the terms of payment hereof may be modified by their mutual consent without affecting the liability of the Borrower or any endorser or other person liable or to become liable on this Note.

This Note shall be governed by, and construed in accordance with the laws of the State of Washington without reference to choice of law rules.

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

OLYMPIC PIPE LINE COMPANY

By: _____

Its: _____

4. Loan Documents. This Note is subject to the terms and conditions of the Financing Agreement among the Borrower, Enbridge Holdings (Olympic) L.L.C. and ARCO MidCon LLC dated as of even date (the "*Financing Agreement*"), and is entitled to the benefit thereof, and such other agreements, instruments, documents and certificates as may be executed by the Borrower in connection therewith (the "*Financing Documents*").

5. Default. If the Borrower otherwise shall become in default hereunder or any Event of Default shall occur pursuant to the Financing Agreement (an "*Event of Default*"), then the Lender shall enjoy all rights and remedies which may arise at law, in equity or otherwise under any Financing Document. The Borrower agrees to pay on demand all reasonable attorneys' fees, costs and other expenses incurred in legal proceedings to collect all sums owing under this Note.

6. Miscellaneous Provisions. Each and every right and remedy given herein or in any other Financing Document or otherwise existing in connection therewith shall be cumulative and shall be in addition to every other right and remedy now or hereafter existing in connection with this agreement, at law or in equity, and each and every other right and remedy may be exercised, wholly or in part, from time to time, and as often, and in any order, as holder chooses. and the exercising of the exercise of any right or remedy shall not be construed to be an election of rights or remedies, or a waiver of the right to exercise at the same time or thereafter any other right or remedy. Neither holder's acceptance of partial or delinquent payments nor any delay or omission by holder in the exercise of any right, power or remedy hereunder shall be construed to be a waiver of any right to exercise such right, power or remedy or to constitute a modification of this Note.

7. Waiver. The Borrower and all endorsers and all other persons liable or to become liable on this Note agree that the liability of each of them hereon shall be joint and several, and waive presentment, demand, protest and notice of protest, dishonor and non-payment, and consent to any and all renewals and extensions of time of payment. The Borrower and the holder of this Note agree that the terms of payment hereof may be modified by their mutual consent without affecting the liability of the Borrower or any endorser or other person liable or to become liable on this Note.

This Note shall be governed by, and construed in accordance with the laws of the State of Washington without reference to choice of law rules.

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING PAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW

OLYMPIC PIPE LINE COMPANY

By: Ken Maudlin
Its: Vice President

EXHIBIT B

LINE OF CREDIT PROMISSORY NOTE

\$9,750,000.00

December 31, 2007
Seattle, Washington

FOR VALUE RECEIVED, the undersigned (the "*Borrower*") hereby promises to pay to the order of Enbridge Holdings (Olympic) L.L.C. ("*Lender*") at 1100 Louisiana, Ste. 3300, Houston, TX 77002, or to such other person or at such other place as the holder of this Line of Credit Promissory Note (this "*Note*") may from time to time designate in writing, the principal sum of NINE MILLION, SEVEN HUNDRED AND FIFTY THOUSAND AND NO/100THS DOLLARS (\$9,750,000.00) (the "*Maximum Loan Amount*") or such lesser amount as may have been advanced and remains outstanding hereunder, together with interest on the unpaid balance and costs, fees and expenses payable hereunder (the "*Line of Credit*") as set forth below. Capitalized terms not otherwise defined herein shall have the same meanings as set forth in the Financing Agreement (referred to in Section 4 below).

1. Repayment. The Borrower may repay all or any portion of the Line of Credit or any advances thereunder at any time without penalty, and notwithstanding anything to the contrary herein:

1.1 The entire principal balance shall be due and payable on December 31, 2010 (the "*Maturity Date*").

1.2 Payments of accrued interest shall be made monthly starting on the first day of the month after the month in which the first advance is made and continuing on the first day of each month thereafter until the Maturity Date.

1.3 Notwithstanding anything to the contrary herein, all principal, interest and all other amounts arising pursuant to this Note shall be due and payable no later than the Maturity Date.

2. Prepayment. Borrower may prepay this Note at any time, with ten 10 days' prior written notice to Lender. Prepayments shall be applied first towards interest and other non-principal charges, and second towards reduction of principal. This Note does not evidence a revolving line of credit; sums prepaid may not be re-advanced to Borrower.

3. Interest Rate. All principal outstanding from time to time shall bear interest at a rate equal to the lesser of the highest rate permitted by Washington law or LIBOR plus three hundred (300) basis points. If an Event of Default (as defined in Section 5 hereof) shall have occurred and be continuing, interest shall thereupon accrue daily on the aggregate outstanding principal balance until such amount is paid in full at a fixed rate per annum equal to the lesser of the highest rate permitted by Washington law or LIBOR plus eight hundred (800) basis points (the "*Default Rate*"). Default interest shall be payable from time to time on demand of the Lender. Notwithstanding any other provision of this Note, interest, fees, and expenses payable by reason of the indebtedness evidenced hereby shall not exceed the maximum, if any, permitted by applicable law. As used in this Section 3, "LIBOR" means one month LIBOR quoted daily as a per annum rate in *The Wall Street Journal*. Each day each rate shall be applied to the previous day's outstanding balance except that the rate printed on each Monday shall apply to the previous Friday, Saturday and Sunday.

4. Loan Documents. This Note is subject to the terms and conditions of the Financing Agreement among the Borrower, the Lender and ARCO MidCon LLC of even date (the "*Financing Agreement*"), and is entitled to the benefit thereof, and such other agreements, instruments, documents and certificates as may be executed by the Borrower in connection therewith (the "*Financing Documents*").

5. Default. If the Borrower otherwise shall become in default hereunder or any Event of Default shall occur pursuant to the Financing Agreement (an "*Event of Default*"), then the Lender shall enjoy all rights and remedies which may arise at law, in equity or under any Financing Document. The Borrower agrees to pay on demand all reasonable attorneys' fees, costs and other expenses incurred in legal proceedings to collect all sums owing under this Note.

6. Miscellaneous Provisions. Each and every right and remedy given herein or in any other Financing Document or otherwise existing in connection therewith shall be cumulative and shall be in addition to every other right and remedy now or hereafter existing by agreement, at law or in equity, and each and every other right and remedy may be exercised, wholly or in part, from time to time, and as often, and in any order, as holder chooses, and the exercise or the beginning of the exercise of any right or remedy shall not be construed to be an election of rights or remedies, or a waiver of the right to exercise at the same time or thereafter any other right or remedy. Neither holder's acceptance of partial or delinquent payments nor any delay or omission by holder in the exercise of any right, power or remedy hereunder shall be impair any such right, power or remedy or be construed to be a waiver of any right to exercise such right, power or remedy or to constitute a modification of this Note.

7. Waiver. The Borrower and all endorsers and all other persons liable or to become liable on this Note agree that the liability of each of them hereon shall be joint and several, and waive presentment, demand, protest and notice of protest, dishonor and nonpayment, and consent to any and all renewals and extensions of time of payment. The Borrower and the holder of this Note agree that the terms of payment hereof may be modified by their mutual consent without affecting the liability of the Borrower or any endorser or other person liable or to become liable on this Note.

This Note shall be governed by, and construed in accordance with the laws of the State of Washington without reference to choice of law rules.

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

OLYMPIC PIPE LINE COMPANY

By: _____

Its: _____

4. Loan Documents. This Note is subject to the terms and conditions of the Financing Agreement among the Borrower, the Lender and ARCO MidCo, L.P. of even date (the "Financing Agreement"), and is entitled to the benefit thereof, and such other agreements, instruments, documents and certificates as may be executed by the Borrower in connection therewith (the "Financing Documents").

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OLYMPIC PIPE LINE COMPANY

By: Tom Mauldin
Its: Vice President