

Agenda Date: February 27, 2002
Item Number: 3C

Docket: TO-020169
Company: Olympic Pipe Line Company

Staff: Danny Kermode, Regulatory Analysis

Recommendation:

Approve the application of Olympic Pipe Line Company (Olympic) requesting Commission authorization of the sale and transfer of certain facilities located in or around the Seattle-Tacoma International (Sea-Tac) Airport to the Port of Seattle while deferring the consideration of the regulatory treatment of any gain and the use of the proceeds of the sale to Olympic's general rate case in Docket TO-011472.

Discussion:

On February 12, 2002, Olympic filed an application for the Commission to approve the sale and transfer of certain of the company's terminal facilities at Sea-Tac Airport to the Port of Seattle for eleven million dollars. Among other things, the property includes a tank farm, two truck racks, and certain local pipeline. The application seeks expedited action from the Commission approving the sale and transfer. The agreement is expected to be signed on February 28, 2002.

The purchase of the airport facilities is an integral part of a project by the Port of Seattle to upgrade its current fuel-handling system to a new hydrant system at Sea-Tac. With the proposed system, fuel would no longer be transported by fuel truck but would instead be delivered to each gate by a system of underground pipelines thereby reducing the risks of accidental spills, collisions or other possible accidents. In addition, airport security would be improved by the reduction of the number of vehicles and personnel having access to planes and the tarmac.

As a result of the sale and transfer Olympic will receive eleven million dollars. Olympic, in its application, has proposed that it will use the proceeds to "help pay normal operating expenses, planned major maintenance and capital improvements, and ... [pay] a portion of its promissory note with Prudential..." Staff recommends that Olympic use the proceeds to finance Olympic's major maintenance projects and capital improvements.

Staff has reviewed the proposed Sale and Transfer and believes that it is in the public interest and therefore recommends the Sale and Transfer be approved. However, Staff recommends that consideration and determination of the regulatory treatment of the gain associated with the sale and the use of the proceeds of the sale be addressed in the current rate proceeding before the Commission and not be part of this docket's authorizing order.