

Agenda Date: June 30, 2010
Item Number: B3

Docket: TO-110970
Company Name: Olympic Pipeline Company

Staff: Layne Demas, Regulatory Analyst

Recommendation

Take no action and allow Olympic Pipeline Company's proposed rates filed on May 27, 2011, in Docket TO-110970 to become effective July 1, 2011, by operation of law.

Discussion

On May 27, 2010, Olympic Pipeline Company (Olympic) filed to increase rates in tariff WUTC No. 35 to become effective July 1, 2011. Olympic filed the proposed rate increase under the terms of a settlement agreement accepted by the Utilities and Transportation Commission (commission) in Dockets TO-031973 and TO-040992. The current settlement agreement became effective January 1, 2009, and will remain in effect through 2013. The filing proposes to increase annual revenue by approximately \$8.9 million (15.2 percent).

In compliance with the settlement agreement, Olympic provided the rate case documents to Tesoro, Conoco-Phillips, Chevron, and Shell in March to allow the shippers to review and comment on the filing prior to Olympic filing the rate case with the commission. The commission has not received any comments from shippers.

The settlement agreement includes a "true-up" mechanism for 2010 throughput and revenue. The true-up is calculated by taking the 2010 revenue requirement less actual 2010 revenue. The true-up component of the overall 2011 proposed rate increase was caused, in part, by lower throughput volumes in 2010 stemming from the explosion at Tesoro's Anacortes refinery in April 2010. The true-up set forth in the settlement agreement would increase 2011 revenue requirement by approximately \$2.6 million. However, Olympic recognizes that if 2011 throughput normalizes, Olympic will significantly overearn in 2011, causing high refunds in 2012. Therefore, Olympic chose not to lower 2010 forecasted revenues to account for all lost revenues from Tesoro being offline. Instead, the forecasted revenues were modified to mitigate a portion of the lost revenue and lower the 2011 true-up to \$1.4 million. Olympic advised the shippers of the revised methodology for the forecasted revenue and Olympic's desire to avoid a large swing in rates in later years. The shippers have not objected to the proposed treatment.

Staff has analyzed the proposed filing and concludes the proposed rates comply with the terms of the settlement agreement and are fair, just, reasonable and sufficient.

Conclusion

Take no action, allowing Olympic Pipeline Company's proposed rates filed on May 27, 2011, in Docket TO-110970 to become effective July 1, 2011, by operation of law.