

Agenda Date: June 27, 2001  
Item Number: 3C

**Docket: TO-010792**

Company: Olympic Pipe Line Company, Inc.

Staff: Bob Colbo, Transportation Program Staff  
Danny Kermode, Revenue Requirements Staff

Recommendation:

Suspend the filing of Olympic Pipe Line Company, Inc., in Docket TO-010792 and set the matter for hearing .

Discussion:

On May 31, 2001, the above-named company (Olympic) filed new tariff WUTC No. 22 canceling WUTC No. 21 and naming increased intrastate rates for petroleum products proposed to become effective July 1, 2001. The stated impact of the filing is \$24,600,000 (76.0 %.) Present rates have been in effect since February 1, 1999. The pipeline runs from refineries in Whatcom and Skagit Counties in the north along the eastern edge of Puget Sound to Portland, Oregon, in the south. A concurrent and identical filing has also been made with the Federal Energy Regulatory Commission (FERC) for interstate service. Olympic notified customers of the pipeline regarding the proposed increase in a meeting held in Seattle on May 10, 2001.

In July, 2000, operation of the pipeline was taken over by BP Pipelines of North America (BP), after acquiring Arco and another minority partner's interest in Olympic. The letter of transmittal accompanying the filing indicates that the filing is in response to "... increased power rates, system enhancements and an aggressive internal inspection and repair program; increased regulatory and internal requirements surrounding safety; and increased routine operating costs."

The justification material submitted in support of the application was prepared using FERC estimated calendar year 2001 cost-of-service methodologies. This approach is different from the traditional utility proforma income statement/rate of return on investment analysis traditionally used by this Commission. The Commission has not officially approved that method in a formal proceeding. Because of the recent change in ownership and operational differences of the company, the magnitude of the present proposals, and the 1999 Whatcom Creek explosion, Staff has asked the company to provide justification material using the traditional WUTC approach. Those recast numbers were received Friday, June 22, 2001. In both the FERC and proforma approaches, Olympic represents that all expenses, fines and penalties directly associated with the explosion have been removed from consideration in its presentations. The

company and staff have begun discussing possible audit dates, but nothing certain has been worked out yet.

The Company has not yet demonstrated that the proposed rates are fair, just, reasonable and sufficient. Additionally, we are in receipt of a letter from Tesoro West Coast Company expressing their concerns with the magnitude of the proposals and asking for a suspension of the filing.

It is therefore recommended that the Commission suspend the filing of Olympic Pipe Line Company, Inc., in Docket TO-010792. Because of the short (seven month) suspension period, staff also recommends that the Commission set this matter for hearing.

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