

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION

Complainant,

v.

OLYMPIC PIPE LINE COMPANY, INC.,

Respondent.

DOCKET NO. TO-011472

ANSWER ON BEHALF OF
COMMISSION STAFF TO
TESORO'S JULY 25, 2002,
MOTION FOR
RECONSIDERATION

1 This Answer is filed on behalf of the Staff of the Commission, in response to “Tesoro Refining and Marketing Company’s Motion of Consideration of Fifteenth Supplemental Order, Dated July 19, 2002” (“Motion”). The issues presented here go directly to the Commission’s discretion, and there are no specific statutes or rules governing the result. Good judgment should be the touchstone here. Staff offers its best judgment on the issues presented.

Considerations that should guide the Commission.

2 Since the close of hearings, Staff has expended significant effort in preparing its initial brief to the Commission. Of course, that effort is ongoing. But as a result of the effort it has expended to date, Staff is now convinced the current outline is too detailed and overlapping to be helpful to either the Commission or the parties.

3 The two considerations the Commission followed in preparing the outline for the briefs were: 1) the need for briefs to be prepared on a consistent basis; and 2) the concern that a party proposing a briefing category should have that category included. Twelfth Supp. Order (May 7, 2002) at fn. 10, p. 3.

4 Unfortunately, the result is a current table of contents with 74 entries for a 70 page brief. The two considerations guiding the Commission are now in conflict. Staff therefore recommends that within reason, and based on good judgment, the Commission should require more general outline categories, and fewer specific categories.

5 Staff sees both merit and demerit to Tesoro’s proposal to eliminate II.B.i through iv. (Tesoro Motion at ¶ 4-7). Consolidation would still permit the issues to be argued. And Tesoro is correct that some of the issues relate to judicial standards. However, Staff believes the Commission will benefit from a discussion of these issues, however the outline characterizes them. Staff is therefore ambivalent whether II.B.i through iv should remain, or be consolidated

6 Staff agrees with Tesoro that investor expectations do not vary the principle that Olympic has no vested right to a particular ratemaking methodology. (Tesoro Motion at ¶ 8). However, that issue should be discussed, and its current location is as good as any, in Staff’s view.

7 On the other hand, Staff agrees that Section IV.B.i and ii should be collapsed under one category: IV.B.i, “Overview and Rationale” for the reasons advance by Tesoro. (Tesoro Motion at ¶ 9).

8 And Staff agrees with Tesoro that the following pairs of brief sections are identical and should be consolidated into a single topic each:

1. Tesoro Motion at ¶ 10: Section IV.B.iii.1 “Trended Original Cost” and 3 “Deferred Return.”
2. Tesoro Motion at ¶ 13: Section VI.D “One Time Maintenance Costs” and VI.E “Major Maintenance Costs.”

9 Staff agrees with Tesoro that the category in IV.B.iii.4 “Parent’s capital structure,” should be changed to “Capital Structure” to more broadly and more accurately state the issue. (Tesoro’s

Motion at ¶ 11)(Staff also recommended Cost of Equity be included in this section in its pending Motion for Clarification and/or Reconsideration).

- 10 Staff agrees that Section IV.B.iv.1 and 2 “Consistency with Interstate Rates,” and “Past Practices,” respectively, are subsumed under other outline categories (Tesoro Motion at ¶ 12). Staff finds the discussion of the facts for these two categories best fits under “History of Regulation,” which Tesoro proposes to collapse into “Overview and Rationale.”
- 11 Staff has discovered an illogic to the separation of Section VIII “Capital Structure” and IX “Rate of Return,” since capital structure is part of the determination of rate of return. Staff suggests VIII be eliminated and a new IX.C “Capital Structure” replace it (current Section IX.C “Overall Cost of Capital would become IX.D).¹ This is more logical and will simplify the outline.

Conclusion

- 12 For the reasons stated above, in general, the Commission should require less specificity in the brief outline. It should grant Tesoro’s Motion and change the outline to the extent of Staff’s Answer herein.

Respectfully submitted this 29th day of July, 2002.

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¹ In addition, there appears to be some overlap between VIII.A “Actual Capital Structure” and VIII.B.i. Historical Capital Structure. And no party (to our knowledge) is arguing for use of the Parent’s capital structure apart from FERC’s rationale, so VIII.B.ii is unnecessary. But more to the point, simply eliminating VIII and adding a single IX.D “Capital Structure” will simplify the outline, make it more rational, and still permit all parties to argue as they wish.