

ALJ/WRI/jva

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Decision 98-07-079 July 23, 1998

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Plains All American Inc. for
Authority to Acquire Control of All American
Pipeline Company.

Application 98-04-005
(Filed April 6, 1998)

O P I N I O N

Plains All American Inc. (Applicant), a Delaware corporation, requests approval, pursuant to Public Utilities (PU) Code Section 854, to acquire control of All American Pipeline Company (All American), a Texas corporation.

Notice of filing of the application appeared in the Commission's Daily Calendar of April 8, 1998. No protests have been received. A public hearing is not required.

Charter of Business and Territory To Be Served

Applicant's parent, Plains Resources Inc. (PRI), is an independent energy company engaged in the acquisition, exploitation, development, exploration, and production of crude oil and natural gas. Through its wholly-owned subsidiaries, PRI is engaged in the midstream activities of marketing, transportation, storage, and terminaling of crude oil. The midstream operations include a 2,000,000-barrel storage and terminaling facility in Cushing, Oklahoma, a 360,000-barrel terminal and barge facility near Ingleside, Texas, and 11 crude oil transport trucks in Oklahoma and Kansas. Through its wholly-owned subsidiary, Stocker Resources, Inc., PRI already operates about six miles of proprietary pipeline in Los Angeles County, California; and through its wholly-owned subsidiary, Calumet Florida, Inc., PRI operates a 23-mile pipeline in South Florida.

All American, a Texas corporation, is a wholly-owned subsidiary of Wingfoot Ventures Seven Inc. (WVS) which, in turn, is a wholly-owned subsidiary of The Goodyear Tire and Rubber Company (Goodyear). All American's pipeline system essentially consists of a 1,233-mile crude oil pipeline extending from California to Texas. Celeron Gathering Corporation (CGC), which is a wholly-owned subsidiary of All American, owns and operates a 45-mile proprietary crude oil gathering system in the San Joaquin Valley of California.

Description of Property

On March 23, 1998, PRI announced that it had entered into a Stock Purchase Agreement to acquire all of the outstanding capital stock of All American, CGC, and Celeron Trading and Transportation Company from WVS. Aggregate proceeds to WVS through closing are estimated at \$420 million. The principal assets of the entities to be acquired include the All American Pipeline System, a 1,233-mile crude oil pipeline extending from California to Texas and a 45 mile proprietary crude oil gathering system in the San Joaquin Valley of California as well as other assets related to such operations.

Both Applicant's parent and All American have proven technical expertise and environmental compliance records that will be maintained by Applicant's acquisition of all of the capital stock of All American.

Financial statements attached to the application show that Applicant has the financial capability to maintain and continue the viability of All American's common carrier pipeline operations.

As an owner and operator of interstate common carrier pipelines, Applicant has the technical capabilities and expertise to provide common carrier pipeline services in California in a safe and efficient manner and consistent with the Commission's rules and regulations.

Approval of the instant application will have no effect on the terms or conditions under which any intrastate shipper currently receiving service from All American receives such service.

Public Interest

Applicant and All American believe the Stock Purchase Agreement is in the best interest of both companies for the following reasons:

- All American will become an integral part of an entity that is committed to providing service to the midstream and downstream sectors of the energy business.
- Synergies will be achieved by consolidating the operations and expertise of the single largest crude oil pipeline connecting California to West Texas, where it connects with pipelines that transport crude oil to Cushing, Oklahoma and the Gulf Coast, with PRI's operations in Cushing. The Cushing Interchange is the largest crude oil trading location in the United States and the designated delivery point for the New York Mercantile Exchange crude oil futures contract. At Cushing, PRI, through its wholly-owned subsidiaries, owns and operates a two-million barrel crude oil terminal and storage facility, the largest terminal facility in Cushing not owned by a major oil company and the fourth largest overall.
- Over the long term, the acquiring and acquired companies will be in a better position to enhance their services in the growing regional pipeline markets.

As a result of the Stock Purchase Agreement, Applicant will own and operate the single largest crude oil pipeline connecting California to West Texas. This, coupled with the combined experience and technical expertise that Applicant (through its parent and affiliated companies) and All American have developed over the years, will result in Applicant being able to better serve the needs of both its present and future customers.

Categorization

The Applicants requested that this matter be categorized as ratesetting and stated that no hearings were required. By Resolution ALJ 176-2990 the Commission ratified the preliminary determination that this was a ratesetting proceeding, and determined that no hearings were expected. Given the lack of protests, a public hearing is not necessary, and it is not necessary to disturb the preliminary determinations made in Resolution ALJ 176-2990.

Findings of Fact

1. Applicant, a Delaware corporation, requests approval of a Stock Purchase Agreement whereby it will acquire control of All American, a Texas corporation.
2. All American owns and operates crude oil pipeline systems in California and interstate.
3. Applicant own and operates crude oil pipeline systems interstate.
4. Notice of the filing of the application appeared in the Commission's Daily Calendar of April 8, 1998. No protests have been received. A public hearing is not required.
5. It can be seen with certainty that granting the application will not have a significant effect upon the environment.
6. As this matter is noncontroversial, this order should be effective immediately.

Conclusion of Law

1. Transfer of control of All American to Applicant is in the public interest.
2. This application should be granted.

O R D E R

IT IS ORDERED that:

1. On or before December 31, 1998, Plains All American Inc., may acquire control of All American Pipeline Company pursuant to the terms of the Stock Purchase Agreement attached to the application.

2. Within ten days after transfer of control, Plains All American Inc. shall inform the Commission in writing of the date of transfer. A copy of the transfer documents shall be attached to this written communication.

3. Application 98-04-005 is closed.

This order is effective today.

Dated July 23, 1998, at San Francisco, California.

RICHARD A. BILAS
President
P. GREGORY CONLON
JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
JOSIAH L. NEEPER
Commissioners