

Decision 98-12-043 December 17, 1998

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Joint Application of Pacific Pipeline System, Inc. ("PPSI") and Pacific Pipeline System LLC ("PPS LLC") for an ex parte order authorizing the approval of: (1) the merger of PPSI into PPS LLC; (2) the change of the ownership structure of PPSI by its merger into PPS LLC; (3) the transfer of all public utility property and rights of PPSI to PPS LLC; (4) the assumption of all public utility rights and obligations of PPSI by PPS LLC; and (5) the release of PPSI from its public utility rights and obligations.

ORIGINAL

Application 98-08-033
(Filed August 21, 1998)

FINAL OPINION APPROVING APPLICATION

By this application, Pacific Pipeline System, Inc. (PPSI), a Delaware corporation, requests a change in its corporate structure via merger into a Delaware limited liability company. We approve the application.

Background

PPSI is currently constructing a crude oil pipeline (the Pacific Pipeline Project) that will extend from Emidio in Kern County to various refinery and delivery point destinations in the Los Angeles basin. The pipeline is anticipated to commence commercial operations in the fourth quarter of this year. PPSI filed an application in October 1991 requesting that the Commission determine that it was a public utility and authorizing it to issue capital stock and evidences of indebtedness that would be used for funding the development and construction of the oil pipeline.

In a May 5, 1994 amendment to its application, PPSI indicated that it was examining different ownership structures for the Pacific Pipeline Project. In

A.98-08-033 ALJ/MEG/sid

D.96-10-056, dated April 10, 1996, the Commission recognized that PPSI was considering adopting a different ownership structure and directed PPSI to obtain authority from the Commission prior to making any such change. (Ordering Paragraph 12.)

By this application, filed on August 21, 1998, PPSI proposes to change its ownership structure to a limited liability company by merging with Pacific Pipeline System LLC (PPS LLC). PPS LLC is a limited liability company formed on July 16, 1998 pursuant to the provisions of the Delaware Limited Liability Company Act.

After the merger, PPS LLC will be the surviving entity, subject to the ongoing jurisdiction of the Commission. PPS LLC will assume all obligations of PPSI with respect to compliance with environmental mitigation measures imposed by the Commission in its ordering decision approving the financing of the Pacific Pipeline Project. All of the assets and liabilities of PPSI will become the assets and liabilities of PPS LLC. There will be no other payments made by PPSI to PPS LLC. Like PPSI, PPS LLC will be owned by PPS Holding Company; there will be no change in ownership control. All insurance will continue to stay in place and PPS LLC, like PPSI, will be subject to the Oil Pipeline Responsibility Act. (California Civil Code Section 3333.4.)

No comments or protests were filed in response to the application.

In Resolution ALJ 176-2999 dated September 3, 1998, the Commission preliminarily categorized this application as ratesetting, and preliminarily determined that hearings were not necessary. No protests have been received. Given this status, public hearing is not necessary and it is not necessary to alter the preliminary determinations made in Resolution ALJ 176-2999.

Discussion

We have carefully reviewed the application and find that it responds to the requirements set forth in Rule 35 of the Commission's Rules of Practice and Procedure and Sections 851 and 854(a) of the Public Utilities Code.¹ The organization structure proposed by applicants provides additional business flexibility and has certain potential income tax advantages for the owners. However, the change in ownership structure is for all intents and purposes an administrative act that will have no impact on shippers on the Pacific Pipeline Project or on the general public. We conclude that the proposed change in ownership structure is reasonable.

Findings of Fact

1. The joint application of PPSI and PPS LLC fulfills the requirements set forth in Rule 35 of the Commission's Rules of Practice and Procedure and Sections 851 and 854(a) of the Public Utilities Code.
2. The organization structure proposed by applicants provides additional business flexibility and has certain potential income tax advantages for the owners.
3. The change in ownership structure proposed by applicants is for all intents and purposes an administrative act that will have no impact on shippers on the Pacific Pipeline Project or on the general public.

Conclusions of Law

1. The joint application of PPSI and PPS LLC is reasonable and should be approved.

¹ The provisions of Section 854(b) are not applicable as neither PPSI nor PPS LLC is an electric, gas, or telephone utility, nor do the annual gross revenues exceed \$500 million.

2. So that PPSI may proceed with the merger as expeditiously as possible, this order should be effective today.

FINAL ORDER

IT IS ORDERED that:

1. The joint application of Pacific Pipeline System, Inc. (PPSI) and Pacific Pipeline System LLC (PPS LLC) for the merger of PPSI into PPS LLC is approved.
2. PPS LLC is a public utility as defined in Section 216 of the Public Utilities Code and is subject to the Commission's jurisdiction.
3. Upon completion of the merger with PPS LLC, PPSI will no longer be a public utility and will be relieved of all public utility obligations.
4. PPS LLC will assume all obligations of PPSI with respect to compliance with the environmental mitigation measures imposed by the Commission in its ordering decision approving the financing of the Pacific Pipeline Project.
5. Application 98-08-033 is closed.

This order is effective today.

Dated December 17, 1998, at San Francisco, California.

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