

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Joint Application of Pacific Pipeline System LLC ("PPS LLC") (the successor in interest to Pacific Pipeline System, Inc.) and Arco Pipe Line Company ("APL") for an order authorizing the approval of: (1) the assignment of public utility oil pipeline facilities to PPS LLC; (2) the partial transfer of control of PPS LLC; (3) the re-issuance by PPS LLC of rate tariffs applicable to APL's transferred facilities; and (4) the release of APL from its public utility obligations.

Application 98-10-029
(Filed October 16, 1998)

OPINION

Summary

This decision grants the application of Pacific Pipeline System Inc. (PPSI) and ARCO Pipe Line Company (APL) for approval of an agreement between them which will result in a joint venture that combines APL's Line 63 pipeline system with the pipeline facilities currently being constructed by PPSI. The combined system will be owned by Pacific Pipeline System LLC (PPS LLC).

Discussion

This application, filed October 16, 1998, asks the Commission to:

- a. Authorize the transfer of APL's Line 63 pipeline system public utility assets to PPS LLC, pursuant to Section 851 of the Public Utilities Code;
- b. Authorize APL's interest in and control of certain shares of PPS LLC pursuant to Section 854;
- c. Authorize proposed tariffs regarding APL's Line 63 in PPS LLC's name; and

d. Release APL from its public utility obligations.

PPS LLC is a limited liability company formed July 16, 1998 and authorized to do business in California. When PPSI is merged with PPS LLC, and following approval of the authorization requested herein, PPS LLC's pipeline facilities will extend from Emidio in Kern County to various refineries and other destinations in the Los Angeles basin.

APL is a wholly owned subsidiary of Atlantic Richfield Company and is authorized to do business in California as a common carrier pipeline company. It has tariffs on file with the Commission.

The agreement which is the subject of this application provides that APL would contribute its Line 63 pipeline system to PPS LLC in exchange for a 26.5% membership interest in PPS LLC. PPS Holding Company would own the remaining shares of PPS LLC. The new system would carry light and heavy crude oils and be capable of moving an average of 235,000 barrels of oil daily. The system would include gathering and distribution lines in the San Joaquin valley and crude oil distribution lines in the Los Angeles basin. Applicants provide additional information regarding control of the new system and the terms of the agreement.

Applicants believe the new system will be in the public interest by increasing operational flexibility, providing a competitive alternative for crude oil now flowing north and east, as well as for crude oil currently delivered into the Los Angeles basin by rail, truck and marine vessels.

On December 3, 1998, applicants sent a letter to the assigned administrative law judge stating that they had resolved certain outstanding concerns raised informally by shippers regarding the application. In the letter, applicants clarify their intentions as follows:

1. PPS LLC will maintain existing tariffs for Line 63 and the associated cost-based methodology for establishing rates for a period of 10 years from the date the Commission approves the agreement presented in the application;

2. If, within 10 years, PPS LLC alters operation of the Line 63 system such that outer-continental shelf (OCS) crude oil cannot be transported on the system, the shipper may ship such volumes on the Pacific Pipeline system subject to the terms and conditions of its tariff at charges equal to the prevailing tariff charges over Line 63 from Pentland Station to Los Angeles destinations served by the Pacific Pipeline system, plus applicable All American Pipeline pumpover and blending charge. PPSI agrees to file associated tariff provisions following approval of this application;

3. Subject to provisions of Paragraph 4 below, applicants agree that the current types of crudes which may be transported on either the Line 63 system or the Pacific Pipeline system will not be reduced or eliminated for 10 years from the date of approval of this application such that on the Line 63 system the total throughput capacity or the throughput capacity for OCS crude is reduced or eliminated; and

4. The provisions in Paragraphs 2 and 3 above are not applicable if the alteration in operation is pursuant to an unsolicited legal or regulatory order, unsolicited permit constraints or is due to events beyond the control of PPS LLC, including events of force majeure, and the scheduled or unscheduled maintenance or outages. PPS LLC agrees to take all reasonable efforts to implement the provisions of this clarification of the application and/or defend against challenges to the provisions of this clarification of the application.

No party filed a formal protest to the application. Applicants have apparently resolved outstanding concerns with interested shippers. They have

presented reasonable protections for the public in pursuing the transaction before us. With the conditions they propose, we herein approve the subject transfer.

This matter is uncontested and we grant the relief requested. Accordingly, pursuant to Public Utilities Code § 311(g)(2), we waive the otherwise applicable 30-day period for public review and comment.

Findings of Fact

1. Applicants seeks approval of a proposed transfer of utility property pursuant to §§ 851 and 854 and propose certain conditions of the transfer on behalf of shipper interests. No party has protested this application.

2. Approval of this application would not compromise the interests of the public or shippers of oil.

Conclusion of Law

1. The Commission should approve the application with the terms and conditions proposed by applicants.

2. The Commission should grant Applicant's motion for limited protective order on the basis that the material for which it seeks confidentiality may reasonably be considered to be sensitive from a business standpoint.

O R D E R

IT IS ORDERED that:

1. The application of Pacific Pipeline System LLC and Arco Pipe Line Company to assign oil pipeline facilities to PPS LLC, to transfer partial control of PPS LLC, to reissue APL's rate tariffs in PPS LLC's name, and to release APL from its public utility obligations is approved with the conditions set forth herein as proposed by applicants.

A.98-10-029 ALJ/KLM/naz

2. Applicant's motion for a limited protective order dated October 16, 1998 is granted.

3. Application 98-10-029 is closed.

This order is effective today.

Dated February 4, 1999, at San Francisco, California.

RICHARD A. BILAS

President

HENRY M. DUQUE

JOSIAH L. NEPPER

Commissioners