

Decision 10-11-019 November 19, 2010

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

In the Matter of the Application of Crimson California Pipeline L.P., (PLC-26) pursuant to Section 854 of the Public Utilities Code for Approval of Transfer of Control.

Application 10-07-024  
(Filed July 27, 2010)

**DECISION APPROVING TRANSFER OF CONTROL**

Today's decision approves the unopposed request of the applicant, Crimson California Pipeline L.P., for approval of transfer of control over the applicant. The transfer will not affect the rates, operations, or day-to-day management of the applicant. The proceeding is closed.

**Background**

As described in the application, Crimson California Pipeline L.P. (Crimson California) is a California limited partnership. Its principal place of business is 2459 Redondo Ave., Long Beach, California 90806. Its general partner is Crimson Pipeline L.P. In turn, the general partner of Crimson Pipeline L.P. is Crimson Pipeline Management, Inc. (CPMI), a California corporation. Crimson California was formed as a limited partnership for the specific purpose, among others, of owning, operating, and managing smaller, marginal, or idle pipelines and providing pipeline transportation services to the public.

Crimson California currently owns and operates five common carrier crude oil pipeline systems acquired pursuant to Commission authorization. In Decision (D.) 05-04-006, the Commission authorized Crimson California's acquisition of: (i) the Thums 8-inch pipeline system, which transports crude oil

produced in the Long Beach Harbor area to various refineries and terminals in the Los Angeles area; (ii) the Ventura gathering pipeline system, which transports crude oil produced in the Fillmore and Ventura areas to the Crimson Ventura Tank Farm; and (iii) the Ventura 10-inch pipeline system, which transports crude oil from the Crimson Ventura Tank Farm and crude oil produced in the Inglewood area to various refineries in the Los Angeles area. D.07-12-046 authorized Crimson California's acquisition of the Line 600 pipeline system and the Line 700/East Crude pipeline system and its associated gathering pipelines, which generally parallel Crimson California's preexisting pipeline systems.

John Grier and Gary Buntmann, the two individuals who currently exercise joint control of Crimson California, have executed a Reorganization Agreement (Attachment B to the application) that, among other things, contemplates a transfer of control of Crimson California. Grier and Buntmann are long-time business partners, each with direct and indirect interests in various companies identified in the Reorganization Agreement, including Crimson California. They have decided to part ways amicably; and the Reorganization Agreement is intended to accommodate the fair division and redistribution of their respective interests, including their interests in Crimson California. The application represents that the proposed transfer of control will have no effect on rates or operations of Crimson California, and the day-to-day management of the public utility will remain unchanged.

According to the application, the proposed transfer of control would be carried out as follows. Under the existing ownership structure, Crimson California's general partner is Crimson Pipeline L.P. In turn, the general partner of Crimson Pipeline L.P. is CPMI, a privately held California corporation, which

is owned 49.5% by Grier, and 49.5% by Buntmann. The parent of CPMI is Crimson Resource Management Corp. (CRMC), a Colorado corporation. CRMC is owned equally by individuals, Grier and Buntmann. Effectively, Grier and Buntmann together exercise control of the public utility, Crimson California. Under the terms of the Reorganization Agreement, Crimson Pipeline L.P. remains as the general partner of the public utility, Crimson California. CPMI remains as the general partner of Crimson Pipeline L.P. CPMI, previously owned equally (49.5% each) by Grier and Buntmann, will be 100% owned by Crimson Midstream LLC, which in turn will be 100% owned by Grier.

The effect of the Reorganization Agreement upon control of the public utility, Crimson California, will be transfer of control from CRMC (currently owned equally by Grier and Buntmann) to Crimson Midstream LLC, owned 100% by Grier. Thus, Grier would exercise control of the public utility, Crimson California.

### **Discussion**

There has been no protest to the application. We see no reason to doubt the applicant's representation to us that pipeline operations will be maintained (i) in a manner consistent with existing authorized uses; (ii) in continued compliance with all applicable federal, state, and local laws; and (iii) in accordance with the rates, terms, and conditions currently applicable under existing tariffs. Furthermore, the transfer of control will have no foreseeable consequences that would cause Crimson California's customers to prefer the current ownership structure over that proposed in the application. Accordingly, ex parte approval of this application is appropriate.

Approval of transfer of control is a discretionary act by the Commission, so we must determine whether environmental review of the proposed transfer is

required under the California Environmental Quality Act (CEQA). In this case, there will be no change in Crimson California's operations resulting from the transfer of control. Thus, there is no reasonably foreseeable direct or indirect physical change in the environment that will occur as a result of the transfer of control. Furthermore, the Commission has exempted projects from CEQA review where, as here, "it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment." CEQA Guidelines, 14 Cal. Code of Regs. § 15061(b)(3). Therefore, no CEQA review of this transfer of control is required.

The Reorganization Agreement (Attachment B to the application) was submitted together with a motion requesting that Attachment B be filed under seal. According to the motion, the Reorganization Agreement sets forth the terms and conditions for the redistribution of assets currently held by Grier and Buntmann, including Crimson California. The Reorganization Agreement has not been made public, and we agree with the applicant that, in light of the lack of impact the transfer of control will have on Crimson California's rates and operations, the public interest in disclosure of the material terms of the transfer is slight. However, disclosure could place Crimson California and its existing investors at a disadvantage, should the transfer not be consummated.

In short, the potential harm to private interests arising from disclosure is significantly greater than any public interest that would be served by making the confidential information freely available. Pursuant to Pub. Util. Code § 583 and General Order 66-C, we grant the motion to file under seal, subject to our usual terms for treatment of confidential information.

### **Categorization; Waiver of Comment Period**

By Resolution ALJ 176-3259 (August 12, 2010), the Commission preliminarily determined that this application is a ratesetting matter, and that a hearing would be required. The ratesetting categorization is confirmed, but upon consideration of the record, and the fact that no protests were filed, we now find that a hearing is not needed.

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Pub. Util. Code § 311(g)(2) and Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

### **Assignment of Proceeding**

Timothy Alan Simon is the assigned Commissioner and Steven Kotz is the assigned Administrative Law Judge in this proceeding.

### **Findings of Fact**

1. Under the existing ownership structure, Applicant Crimson California's general partner is Crimson Pipeline L.P. The general partner of Crimson Pipeline L.P. is CPMI, a California corporation, which is owned 49.5% by Grier, an individual, and 49.5% by Buntmann, an individual. The parent of CPMI is CRMC, a Colorado corporation, which is owned equally by the individuals Grier and Buntmann. Effectively, Grier and Buntmann now exercise control of the public utility, Crimson California.

2. Under the Reorganization Agreement (Attachment B to the application), Crimson Pipeline L.P. would remain as general partner of Crimson California, and CPMI would remain as general partner of Crimson Pipeline L.P. However, CPMI (currently owned equally by Grier and Buntmann) would be 100% owned by Crimson Midstream LLC, which would be 100% owned by Grier. The effect

of implementing the Reorganization Agreement upon control of the public utility, Crimson California, would be the transfer of control from CRMC (currently owned equally by Grier and Buntmann) to Crimson Midstream LLC owned 100% by Grier; thereafter, Grier would exercise control of Crimson California.

3. The transfer of control described in Finding of Fact 2 would not affect the rates, operations, or day-to-day management of Crimson California.

4. The transfer of control described in Finding of Fact 2 would have no foreseeable consequences that would cause Crimson California's customers to prefer the current ownership structure over the proposed ownership structure.

5. There is no reasonably foreseeable direct or indirect physical change in the environment that would occur due to the transfer of control described in Finding of Fact 2, and it can be seen with certainty that there is no possibility the transfer would have a significant effect on the environment.

6. Public disclosure of Attachment B (the Reorganization Agreement), which was submitted under seal together with a motion requesting confidential treatment, is unlikely to benefit the public interest but could place Crimson California and its existing investors at a disadvantage, should the transfer not be consummated.

7. The requested transfer of control is unopposed.

### **Conclusions of Law**

1. The transfer of control described in Finding of Fact 2 should be approved.

2. The transfer of control described in Finding of Fact 2 should not be subject to review under the CEQA.

3. The motion to file Attachment B (the Reorganization Agreement) under seal should be granted, subject to the Commission's usual terms for treatment of confidential information.

4. This is an uncontested matter in which the decision grants the relief requested. A hearing is not needed.

5. To enable the proposed transfer of control to be carried out promptly, today's order should be made effective immediately.

## **O R D E R**

### **IT IS ORDERED** that:

1. The application of Crimson California Pipeline L.P. for approval of a transfer of control, as described in the foregoing opinion and Finding of Fact 2, is granted.

2. The transfer of control authorized in Ordering Paragraph 1 must be carried out within 12 months of the effective date of today's decision, and the authority will expire if not so carried out within that period.

3. Within 30 days of completing the transfer of control authorized in Ordering Paragraph 1, Crimson California Pipeline L.P. must send a letter to the Director of the Energy Division confirming the completion of the transfer.

4. The Reorganization Agreement, Attachment B to the application, is accepted for filing under seal, and it will remain under seal for two years from the effective date of today's decision. During this two-year period, Attachment B may not be made accessible or disclosed to anyone other than Commission staff except pursuant to (a) the further order or ruling of the Commission, the assigned Commissioner, the assigned Administrative Law Judge, or the Administrative Law Judge then designated as Law and Motion Judge, or (b) the

terms of a reasonable nondisclosure agreement for purposes of this proceeding. If the applicant believes the information that today's decision places under seal should be protected beyond two years, the applicant may state by motion the justification for further withholding the information from public inspection. The motion must explain with specificity why the information still needs protection in light of the passage of time involved, and the motion must be filed at least 30 days before expiration of the protection under today's decision.

5. The preliminary determination regarding the need for hearing is changed from yes to no. Hearings are not necessary.

6. Application 10-07-024 is closed.

This order is effective today.

Dated November 19, 2010, at San Francisco, California.

MICHAEL R. PEEVEY

President

DIAN M. GRUENEICH

JOHN A. BOHN

TIMOTHY ALAN SIMON

NANCY E. RYAN

Commissioners