

Decision 06-04-054 April 27, 2006

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Join Application of Royal Dutch Shell plc, N.V., Koninklijke Nederlandsche Petroleum Maatschappij (Royal Dutch Petroleum Company), The Shell Transport and Trading Company Limited, Shell Petroleum N.V. and Shell California Pipeline Company LLC Pursuant to Pub. Util. Code § 854(a) for Expedited, *Ex Parte* Authorization to Transfer Control of Shell California Pipeline Company LLC.

Application 05-12-015
(Filed December 16, 2005)

DECISION GRANTING APPLICATION

Summary

In this decision, we grant the joint application of Royal Dutch Shell plc, N.V. (Royal Dutch Shell) and several of its subsidiaries to change the corporate ownership structure of Shell California Pipeline Company LLC, a Commission-regulated entity (Shell Pipeline). The change in structure will simplify the ownership of Shell Pipeline by reducing the number of intermediate corporations between Royal Dutch Shell and Shell Pipeline from three to one. The change in corporate structure will have no effects on the business or operations of Shell Pipeline and no environmental impacts.

Background

Shell Pipeline is a 100% owned subsidiary of Shell Petroleum, N.V. (Shell Petroleum). Shell Petroleum is 60% owned by Royal Dutch Petroleum Company (Royal Dutch Petroleum) and 40% owned by the Shell Transport and Trading Company Limited (Shell Transport). With immaterial exceptions, both

Royal Dutch Petroleum and Shell Transport are 100% owned subsidiaries of Royal Dutch Shell.¹ This ownership structure for Shell Pipeline was approved by the Commission in Decision (D.) 05-06-059. Applicants now seek permission to simplify this structure by first merging Shell Transport into Royal Dutch Petroleum, then merging Royal Dutch Petroleum into Shell Petroleum. At the conclusion of these corporate changes, Royal Dutch Shell will own nearly 100% of Shell Petroleum which will own 100% of Shell Pipeline. Other than the reduction in corporate entities brought about by the described mergers, nothing about Shell Pipeline's business operations will be changed by this corporate rearrangement.

Discussion

Pub. Util. Code § 854 requires Commission authorization before a company may "merge, acquire, or control . . . any public utility organized and doing business in this state" The purpose of this section is to enable the Commission, before any transfer of public utility property is consummated, to review the situation and to take such action, as a condition of the transfer, as the public interest may require. (*San Jose Water Co.* (1916) 10 CRS 56.)

As noted above, simplification of the corporate structure of the Shell group of companies will have no effect on the operations of Shell Pipeline. The restructuring is expected to produce cost savings and tax savings that will flow through to Shell Pipeline and other subsidiaries that are not part of this

¹ Royal Dutch Shell owns 100% of the interests in Shell Transport (save for one dividend access share) and approximately 98.5% of the interests in Royal Dutch Petroleum.

application. Thus, the transaction promises benefits to Shell Pipeline and its customers.

The California Environmental Quality Act (CEQA) requires the Commission as the designated lead agency to assess the potential impact of a project to ensure that adverse effects are avoided, alternatives are investigated, and environmental quality is restored or enhanced to the fullest degree possible. Applicants will not be constructing any facilities beyond those already in use. Therefore, it can be seen with certainty that there is no possibility that granting this application will have an adverse effect on the environment.

Waiver of Comments

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Pub. Util. Code § 311(g)(2), the otherwise applicable 30-day period for public review and comment is being waived.

Categorization and Need for Hearings

In Resolution ALJ 176-3165, dated January 12, 2006, the Commission preliminarily categorized this proceeding as ratesetting and preliminarily determined that hearings were not necessary. Based on the record, we conclude that it is not necessary to alter the preliminary determinations in Resolution ALJ 176-3165.

The application is granted, subject to the terms and conditions set forth below.

Assignment of Proceeding

Michael R. Peevey is the Assigned Commissioner and Karl J. Bemesderfer is the assigned ALJ in this proceeding.

Findings of Fact

1. Notice of this application appeared in the Commission's Daily Calendar of December 16, 2005.
2. Applicants seek approval pursuant to Pub. Util. Code § 854 of an internal reorganization that will result in a change of control of Shell Pipeline.
3. Shell Pipeline is a common carrier pipeline corporation subject to the jurisdiction of this Commission.
4. There will be no change in name, current services or rates provided by Shell Pipeline as a result of the change of control.

Conclusions of Law

1. The proposed change of control is not adverse to the public interest.
2. This proceeding is designated a ratesetting proceeding; no protests having been received, no hearing is necessary.
3. The application should be approved.

O R D E R

IT IS ORDERED that:

1. Shell California Pipeline Company LLC (Shell Pipeline) and its direct and indirect parent corporations are authorized pursuant to § 854 of the Pub. Util. Code to enter into a reorganization, as more fully described in the application and its exhibits, that will result in a change of control of Shell Pipeline.
2. Applicants shall notify the Director of the Commission's Energy Division in writing of the transfer of control, as authorized herein, within 10 days of the date of consummation of such transfer. A true copy of the instruments of transfer shall be attached to the notification.

3. Shell Pipeline shall make all books and records available for review and inspection upon Commission staff request.

4. The authority granted herein shall expire if not exercised within one year of the date of this order.

5. Application 05-12-015 is closed.

This order is effective today.

Dated April 27, 2006, at San Francisco, California.

MICHAEL R. PEEVEY
President
GEOFFREY F. BROWN
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
Commissioners