

Decision 07-12-046 December 20, 2007

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Joint Application of ConocoPhillips Pipeline Company and Crimson California Pipeline L.P., pursuant to Section 851 of the Public Utilities Code, for Approval of the Purchase and Sale of Certain Public Utility Pipeline Assets.

Application 07-10-010
(Filed October 10, 2007)

DECISION GRANTING APPLICATION

Summary

ConocoPhillips Pipeline Company (Conoco) and Crimson California Pipeline L.P. (Crimson) (Joint Applicants) request authority for Conoco to sell and Crimson to acquire certain public utility pipeline assets, pursuant to Section 851 of the Public Utilities Code.

Applicant Conoco is a Delaware limited liability company. Conoco's principal place of business is located in Houston, Texas. Conoco owns and operates more than 11,000 miles of pipelines and more than 60 storage terminals in the United States. In California it provides gathering and transportation of crude petroleum under tariffs on file with the Commission on six major pipeline systems designated as Lines 100, 200, 300, 400, 600 and 700, comprising approximately 1,100 miles of oil pipelines. Conoco is a wholly-owned subsidiary of ConocoPhillips Company.

Applicant Crimson is a California limited partnership. Its principal place of business is located in Long Beach, California. 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. CPMI is privately held.¹ Applicant Crimson has been 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 currently owns and operates four common carrier crude oil pipeline systems. One system, the Brea Crude Pipeline system, transports crude oil produced in the Brea area to the Conoco Line 700 pipeline system. The Thums eight-inch pipeline system transports crude oil produced in the Long Beach harbor area to various refineries and terminals in the Los Angeles area. The Ventura gathering pipeline system transports crude oil produced in the Fillmore and Ventura areas to the Crimson Ventura Tank Farm. Finally, the Ventura 10-inch pipeline system 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. This pipeline also transports crude oil from a connection to the Conoco Line 600 pipeline system to one refinery in the Los Angeles Area.

The total throughput on all of these pipeline systems is approximately 50,000 barrels per day and the total mileage is approximately 123 miles. The system includes two active and two idle tanks with approximately 275,000 barrels of storage in Ventura.

¹ The parent of CPMI is Crimson Resource Management Corp. (CRMC), a Colorado corporation. CRMC currently operates in excess of thirty petroleum production properties located in four different counties, with the bulk of its operations in Kern County. CRMC, which has about 50 employees, produces about 4,000 BOEPD (barrels oil equivalent per day).

Conoco and Crimson have executed a Purchase and Sale Agreement (PSA) which sets forth the terms and conditions under which certain pipeline assets currently devoted to public utility service will be sold by Conoco to Crimson. The PSA has been submitted under seal. Under the terms of the PSA, following receipt of Commission approval and satisfaction of other conditions to closing, certain pipeline assets will be transferred to Crimson. The assets included in the sale include the Line 600 pipeline system and associated gathering pipelines and the Line 700 pipeline system and associated gathering pipelines. The Line 600 pipeline system includes approximately 100 miles of pipe, three tanks with over 200,000 barrels of storage capacity, and a crude oil truck unloading facility. The Line 700 system includes over 30 miles of pipe, one tank with approximately 5,000 barrels of storage capacity, and a crude oil truck unloading facility.

The Line 600 and Line 700 pipeline systems generally parallel the pipeline systems currently owned by Crimson, and since the pipeline systems currently serve the same delivery customers. It is therefore Crimson's intention to make certain interconnections between these pipelines which will allow portions of both the Line 600 pipeline system and the Line 700 pipeline system to be idled while maintaining all current receipt and delivery points. Crimson will discontinue use of these idle assets and reroute current customers who use the assets through Crimson's existing pipelines that follow all existing safety and pipeline integrity policies. Despite the use of a different physical pipeline at various places, receipt and delivery points for current customers of Conoco will be identical with Crimson. In addition, Crimson will adopt the current Conoco tariff rates applicable for current movements on Line 600 and Line 700. Movements will be subject to the terms and conditions in Crimson's current Commission tariff Rules.

Third-party customers will experience no change in the breadth of options that they had prior to this transaction. There will be no difference in the manner that services are delivered to these customers other than the fact that these services will be rendered under the name of Crimson and not Conoco.

Applicants have provided system maps illustrating the regulated crude oil pipeline systems that are being sold. They have also identified the real property interests that are the subject of the transaction and the rights-of-way and permits that will be transferred from Conoco to Crimson under the PSA.

Applicants assert that:

- (a) The book cost and original cost of the regulated assets being transferred from Conoco to Crimson are unknown. The agreed purchase price for the regulated assets is set forth in Article III of the PSA. The total purchase price is allocated to the purchase of the regulated assets being sold under the PSA.
- (b) Crimson has entered into the subject transaction and acquired the regulated pipeline assets with the intent to maximize efficiencies and increase the return associated with existing regulated assets, while maintaining operational safety and reliability and environmental protection. Conoco is entering into this transaction because the assets are presently not strategic to Conoco's current business objectives. However, Conoco may continue to be a shipper on the pipelines after the sale.
- (c) The transfer of the assets will not result in any reduction in the quality of operations. Crimson will possess the technical capability to own, manage, operate, and maintain the public utility assets which it intends to acquire. Oil pipeline safety, including operator personnel, is governed by the United States Department of Transportation regulations, which are administered by the California State Fire Marshal.

Applicants state that Crimson will have both the technical and financial capability to maintain operations of the utility assets in a safe and reliable manner consistent with their existing authorized uses; Crimson will manage the utility assets in a manner intended to optimize their economic efficiency, consistent with its obligation to maintain the safety and reliability of the pipeline operations, thereby improving the quality of service provided to the public.

**Rule 2.4 – Information Submitted in
Compliance with CEQA**

The transfers of assets for which authority is sought are categorically exempt from the requirement for the preparation of environmental documents and do not have a significant effect on the environment within the meaning of California Environmental Quality Act (CEQA) Guidelines 15300 *et seq.* Crimson will continue to operate its existing lines consistent with its current authorized use. The purchased assets will not be expanded, and will either be idled or used in accordance with their current authorized use. In order to allow for the idling of certain lines, modifications to segments of the purchased assets will be required. To the extent any construction is necessary to allow the idling of certain lines, such construction will involve (i) a change to existing facilities that does not expand the use or capacity of existing facilities and that is therefore categorically exempt with the meaning of CEQA Guideline 15301; or (ii) the replacement or reconstruction of existing facilities that will be located on the same site as the facility replaced and with the same purpose and capacity as the structure replaced and that is therefore categorically exempt within the meaning of CEQA Guideline 15302. Because the transactions are categorically exempt from CEQA, no Proponent's Environmental Assessment is required pursuant to Rule 2.4. Therefore, it can be seen with certainty that there is no possibility that the project may have a significant effect on the environment.

Comments on Proposed Decision

This is an uncontested matter, in which the decision grants the relief requested. Accordingly, pursuant to Pub. Util. Code Section 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 176-3201, dated October 18, 2007 the Commission preliminarily categorized this application as ratesetting, and preliminarily determined that hearings were not necessary. No protests have been received. There is no apparent reason why the application should not be granted. Given these developments, a public hearing is not necessary, and it is not necessary to disturb the preliminary determinations.

Assignment of Proceeding

Timothy Alan Simon is the Assigned Commissioner and Karl J. Bemesderfer is the assigned ALJ in this proceeding.

Findings of Fact

1. It can be seen with certainty that the proposed transfer will not have a significant effect on the environment.
2. The proposed transfer will not affect the terms and conditions under which current shippers receive service.
3. CRMC is qualified technically and financially to support the pipeline service of Crimson.

Conclusions of Law

1. The transfer of assets subject to this application is exempt from CEQA review pursuant to CEQA Guideline Section 15061(b)(3).
2. The Application should be approved.

O R D E R

IT IS ORDERED that:

1. The Application is approved.
2. ConocoPhillips Pipeline Company may sell to Crimson California Pipeline L.P. the public utility pipeline assets, described in the Purchase and Sale Agreement (PSA), the subject of this application, for the price and on the other terms and conditions of the PSA.
3. Application 07-10-010 is closed.

This order is effective today.

Dated December 20, 2007, at San Francisco, California.

MICHAEL R. PEEVEY
President
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners