

Decision 08-11-047 November 21, 2008

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

In the Matter of the Application of Crimson California Pipeline L.P., pursuant to Section 851 of the Public Utilities Code, for Authority to Encumber Certain Public Utility Pipeline Assets.

Application 08-09-005  
(Filed September 8, 2008)

**DECISION GRANTING APPLICATION OF CRIMSON CALIFORNIA PIPELINE, LP**

**1. Summary**

Crimson California Pipeline, LP seeks authority to encumber certain of its public utility assets in order to secure further advances under an existing revolving credit facility with the Bank of Oklahoma previously approved by the Commission in Decision 06-05-004. We grant the requested authority subject to the terms and conditions herein.

**2. Background**

Crimson California Pipeline (Applicant) is a California limited partnership authorized to do business in the State of California. Its general partner is Crimson Pipeline Management, Inc., a California corporation, whose parent, Crimson Resource Management Corp., a Colorado corporation, currently operates in excess of 30 petroleum production properties located in four different California counties, with the bulk of its operations in Kern County. Crimson is a public utility, subject to the Commission's jurisdiction pursuant to Pub. Util. Code § 216. Specifically, Crimson is a pipeline corporation as defined by Pub. Util. Code § 228, which owns and operates certain oil pipeline facilities in

Southern California. Crimson currently owns and operates six common carrier crude oil pipeline systems. Two of these systems, the Line 600 pipeline system and its associated gathering pipelines and the East Crude (Line 700) pipeline system and its associated gathering pipelines, were recently acquired from ConocoPhillips Pipeline Company (ConocoPhillips) with approval by the Commission in Decision (D.) 07-12-046.

These systems are currently unencumbered and are the utility assets that Crimson seeks authority to encumber through this Application. 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. As noted in D.07-12-046, as part of the purchase and sale agreement between Crimson and ConocoPhillips, portions of both the Line 600 and Line 700 pipeline systems will be idled because these pipeline systems run generally parallel with the pipeline systems that Crimson already owns. However, all receipt and delivery points on both the Line 600 and the Line 700 system will be maintained.

Following the issuance of D.06-05-004, Crimson, its general partner and an affiliated partnership, Cardinal Pipeline, LP that owns and operates non-public-utility pipeline assets in California, entered into<sup>1</sup> the Credit Agreement with the

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<sup>1</sup> D.06-05-004 voided a credit agreement between the Crimson entities and BOK because it was entered into without prior approval by this Commission in violation of Pub. Util. Code § 851. However, the decision authorized the parties to enter into a substantially identical agreement on a prospective basis. Pursuant to the authority granted in D.06-05-004, in December, 2006 the parties ratified the previously existing credit agreement to make it effective as of the date of issuance of D.06-05-004.

Bank of Oklahoma (BOK). The three Crimson entities are co-borrowers under the Credit Agreement, which calls for BOK to extend up to \$4 million in revolving credit with any outstanding loan due and payable May 1, 2010. The Credit Agreement further provides that BOK may, at its sole discretion, increase the maximum credit available from \$4 million to \$10 million.

### **3. Discussion**

The application includes a copy of the Credit Agreement and the related Deed of Trust. Because we have previously approved the terms of the Credit Agreement, the sole question for decision is whether Applicant should be permitted to encumber the Line 600 and Line 700 assets to secure further advances under the Credit Agreement. Applicant represents that such advances are necessary to maintain and improve the encumbered assets.

Crimson represents that it is unaware of any basis on which any person could be, or could claim to have been, injured or otherwise negatively affected by the proposed transaction. Applicant further represents that following the encumbrance of these assets, pipeline operations will be maintained (i) in a manner consistent with existing authorized uses; (ii) in compliance with all applicable federal, state and local laws; and (iii) in accordance with the rates, terms and conditions currently applicable under existing tariffs.

For the foregoing reasons, Applicant is authorized to encumber its public utility assets pursuant to the Credit Agreement and Deed of Trust attached to the application as Exhibits C and D.

### **4. Categorization and Need for Hearing**

In Resolution ALJ 176-3321, dated September 18, 2008, the Commission preliminarily categorized this proceeding 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 176-3321.

## **5. Waiver of Comment Period**

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code 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.

## **6. Assignment of Proceeding**

John A. Bohn is the assigned Commissioner and Karl J. Bemederfer is the assigned Administrative Law Judge in this proceeding.

### **Findings of Fact**

1. A notice of the filing of the application appeared in the Daily Calendar on September 10, 2008.
2. There were no protests to this application.
3. A hearing is not required.
4. The Credit Agreement and Deed of Trust were previously approved by the Commission. The requested advances are necessary and appropriate to improve the encumbered assets.
5. This proceeding should be closed.

### **Conclusions of Law**

1. The application should be granted.
2. The following order should be effective immediately.

**O R D E R**

**IT IS ORDERED** that:

1. Crimson California Pipeline, LP is authorized to encumber the public utility pipeline assets known as Line 600 and Line 700 to secure advances under Applicant's existing Credit Agreement with the Bank of Oklahoma.

2. Application 08-09-005 is closed.

This order is effective today.

Dated November 21, 2008, at San Francisco, California.

MICHAEL R. PEEVEY

President

DIAN M. GRUENEICH

JOHN A. BOHN

RACHELLE B. CHONG

TIMOTHY ALAN SIMON

Commissioners