

BEFORE THE STATE OF WASHINGTON  
ENERGY FACILITY SITE EVALUATION COUNCIL

In the Matter of Application No. 96-1

Olympic Pipe Line Company

Cross Cascade Pipeline Project

**PRE-FILED TESTIMONY OF  
RODNEY D. SMITH**

ISSUE:

TRUCK TRAFFIC

SPONSOR:

City of North Bend, Washington  
City of Snoqualmie, Washington  
Cascade Columbia Alliance

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**What is your name?**

Rodney Daniel Smith.

**What business are you in?**

I truck petroleum products and sell petroleum products. My sales are through 35 Conoco branch stations I own or supply in eastern Washington and 5 to 10 unbranded stations. I truck products to my own stations and also deliver product to farmers and other commercial users in eastern Washington. I do business under the name R.H. Smith Dist. Co., Inc.

**From where do you get most of your product?**

We pick up 55 to 60 percent of our product at the Tidewater Terminal in Pasco. We probably have 10 or 12 trips in there each day. Much of the remainder (40 percent) comes from the Moses Lake terminal, but some of our product is trucked over from Harbor Island (Seattle). Each truck carries a full load of 10,000 to 12,000 gallons.

**Do you ever have a problem with a shortage of petroleum product at the Tidewater Terminal?**

Never. It has been an incredibly reliable system.

**A few years back there was a temporary problem with getting barges up the Columbia River -- during the winter of 1996 or 1997. Didn't you have problems with supply then?**

No, not even then. There may have been one other supplier at that time who had a spot problem but it was very limited both in terms of the number of suppliers affected and the duration of the problem. We never were affected even though we are one of the largest customers at that terminal.

**How long have you been a customer at the Pasco terminal?**

More than 30 years.

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**In all those years, has there ever been another time when there was even a short-term problem like the one in early 1996?**

No.

**You stated you sometimes truck product from Harbor Island (Seattle) over Snoqualmie Pass to eastern Washington. Is that because of short supplies at the Pasco terminal?**

No.

**Well, isn't the terminal in Pasco a lot more convenient? Why would you truck product over from Harbor Island?**

Actually, there are terminals both in Pasco and in Moses Lake that are closer to all of our customers. But distance is not the only factor. Sometimes it is less expensive to buy product at Harbor Island and truck it across the pass than it is to buy the same product (at a higher price) in Pasco and truck it a shorter distance. In my experience, this has been particularly true for diesel products.

**Do you anticipate that if Olympic were to build its proposed pipeline to Pasco that that would eliminate truck traffic over the pass?**

No, for at least two reasons. First, if history is any guide, there will still be times when it will be cheaper to buy product at Harbor Island and truck it over than to buy the same product in Pasco or Kittitas. The "rack price" of petroleum products (i.e., at the terminal) is obviously based on a lot of things other than transportation costs. Whenever there is an excess supply (relatively) of products in the wholesale market at Harbor Island, that price will be depressed relative to the price of that same product in Pasco. The transportation costs from Seattle to Pasco can easily be offset by differences in the underlying wholesale price.

Second, I expect there will be a new type of truck traffic over the pass if the pipeline is built: filled trucks going east to west. Olympic is proposing not only to build a pipeline but to build a terminal in Kittitas. Most of the year, it will be easier for truckers to supply product to eastern King County (North Bend, Snoqualmie, maybe Issaquah) by bringing the product over from Kittitas. There is a terrible amount of congestion in the Seattle Metropolitan area. It's hard for trucks to get in and out of Harbor Island. If price and other considerations are equal, a lot of

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truckers will start using the Kittitas terminal to supply customers in eastern King County.

**Do you see a need for the proposed pipeline?**

No. I have been in this business for 18 years and know it well. My family has been in this business for a total of 52 years. We have multiple sources for a wide variety of petroleum products in eastern Washington. We do not need another one.

In fact, the pipeline will lead to a decrease in the number of fuel suppliers in eastern Washington. I think it will be used by Texaco and Arco to knock out competitors at the retail level. Those are companies with deep pockets and they can depress prices in the market long enough to force out independent competition. They can target any market for a short time (two to five years for an oil company), depress that market, and drive out the competition. They will, as they have done many times in the past, give up short-term profits for long-term market share and subsequently higher margins/profits. Of course, this means higher retail prices at that time.

END OF DIRECT TESTIMONY OF WITNESS

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