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August 22, 2013

Public Utilities Commission of Guam
Suite 207, GCIC Building
Post Office Box 862
Hagatna, Guam 96932

Re: Counsel Report on GPA-Tristar Storage Agreement, GPA Docket 13-11

Dear Commissioners:

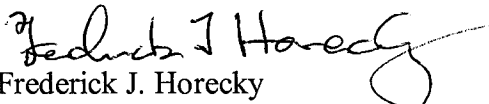
At the last meeting on July 30, 2013, you approved the Dock Facility User Agreement and the Pipeline Agreement between GPA and Tristar. However, as to the proposed Fuel Storage Agreement, you requested additional information.

GPA and Tristar have submitted additional information for justification of the Storage Agreement. Such documentation is attached hereto collectively as Exhibit "A". Tristar indicates that this is its first opportunity to "right-size" the prices in the GPA Storage Agreement since Tristar took over operation of the Agat Terminal from Shell Guam Inc. Tristar has provided information that the current per barrel charges have resulted in operating losses. The per barrel charge of Tristar to GPA for the first year, \$3.35 per barrel, is less than GPA's estimated cost for its own tanks (\$3.86 per barrel). Tristar has also demonstrated increased maintenance costs for the storage tanks.

As previously indicated, GPA has no other option at present for the storage of its fuel oil. It does not have additional tanks of its own, nor can it lease tanks from another operator. Tristar is simply not willing to lower the charges further. Therefore, it appears that GPA has no option but to accept the terms of the Storage Agreement.

I therefore recommend PUC approval of the Storage Agreement between GPA and Tristar for a five year period. I have prepared a Supplemental Order for your consideration. Please let me know if you have any questions in this regard.

Sincerely,


Frederick J. Horecky