

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:)	GPA DOCKET 13-11
THE APPLICATION OF THE GUAM)	
POWER AUTHORITY TO APPROVE)	
THE CONTRACT WITH TRISTAR)	SUPPLEMENTAL ORDER
TERMINALS GUAM, INC. FOR THE)	
DOCK FACILITY USER AGREEMENT,)	
PIPELINE AGREEMENT, AND FUEL)	
STORAGE AGREEMENT FOR GPA)	
_____)	

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission ["PUC"] upon the Petition of the Guam Power Authority ["GPA"] for contract review and approval of the Contract with Tristar Terminals Guam Inc., for the Dock Facility User Agreement, Pipeline Agreement, and Fuel Storage Agreement for GPA.¹

BACKGROUND

2. At its meeting on July 30, 2013, the PUC approved the Dock Facility User Agreement and the Pipeline Agreement.²
3. However, with regard to the Storage Agreement, the Commission determined that it did not have sufficient information to justify approval. It required justification for the 20% increase and the automatic 4% annual increase.³
4. In the meantime, GPA has submitted additional information in support of approval of the Fuel Storage Agreement, including a letter from Tristar dated August 12, 2013, to Melinda Camacho, Assistant General Manager, Operations, Guam Power Authority.⁴
5. Tristar indicates that the new per barrel charge under the Storage Agreement will be \$3.35 for the first year (a 20% increase) with a 4% increase per year for the next

¹ GPA Petition for Review and Approval of Contract with Tristar Terminals Guam, Inc. for the Dock Facility User Agreement, Pipeline Agreement, and Fuel Storage Agreement for GPA, GPA Docket 13-11, filed July 12, 2013.

² PUC Order, GPA Docket 13-11, issued July 30, 2013.

³Id. at p. 5.

⁴Letter from Tristar, John Dennett, Corporate Secretary, to Melinda Camacho AGMO, GPA, dated August 12, 2013.

four years of the Agreement. Tristar further indicates that the prior fee of \$2.75/bbl resulted in operating losses. This has been TTGI's first opportunity to adjust the Storage Agreement since TTGI took over control of the Agat Terminal from the prior owner Shell Guam.⁵

6. Refurbishment of Tank 1903 will cost over \$2M. Thereafter a \$3M cleaning, repair and upgrade project will be undertaken for Tank 1903. TTGI submits that its per barrel charges to GPA are lower than those for other commercial customers.⁶
7. At the PUC meeting on August 27, 2013, Commissioner Pangelinan requested that the GPA-Tristar Fuel Storage Agreement be referred to PUC's Consultant for a determination of the reasonableness of the contract price, and whether the contract is consistent with industry practice standards.
8. Lummus Consultants submitted its Report on the Review of the Fuel Storage Contract on September 18, 2013.⁷ It concurs that GPA has little choice but to engage in a contract with Tristar to utilize its fuel storage tanks as there appear to be no other alternatives at this time.⁸
9. Lummus raises questions concerning the accuracy of the 4% annual, automatic cost of living increase; it points out that the impact from the Agreement ultimately results in a 40.4% increase from the present contract cost.
10. However, Lummus recommends that the Fuel Storage Contract be approved.⁹

DETERMINATIONS

11. As previously indicated, GPA at present, has little choice but to utilize the storage tanks of Tristar.
12. GPA has submitted information establishing that the storage costs for its own tanks (1934 & 1935) is \$3.86 per barrel. GPA's cost for its tanks is more expensive than the \$3.35 charged by Tristar per barrel for FY2014.

⁵Id. at p. 1.

⁶Id. at p. 3.

⁷Lummus Consultants Review of Fuel Storage Contract, GPA Docket 13-11, filed September 19, 2013.

⁸Id. at p. 1.

⁹Id. at p. 2.

13. Tristar has submitted evidence of increased costs for the maintenance of its storage tanks.
14. PUC adopts the recommendation of its Consultant Lummus that the Storage Agreement should be approved. GPA should consider the costs of alternatives to the Storage Agreement as a part of its long term planning process.
15. PUC also adopts Lummus' recommendation that, for any future contract reviews of the Tristar Agreements, Tristar should be required to provide additional information concerning its assumption of a 4% annual cost of living increase.

ORDERING PROVISIONS

After careful review and consideration of the above determinations, the Petition of GPA, the Supplemental Evidence provided, the Report of Lummus Consultants, and the Storage Agreement, for good cause shown, on motion duly made, seconded, and carried by the undersigned Commissioners, the Guam Public Utilities Commission hereby ORDERS that:

1. The PUC hereby grants GPA's request for approval of the Storage Agreement.
2. GPA is authorized to enter into the Storage Agreement for a five-year period, from September 1, 2013 through August 31, 2018.
3. In accordance with the recommendation of Lummus, GPA should consider the costs of alternatives to the Storage Agreement as a part of its long term planning process. For any future contract reviews, Tristar should be required to submit further information concerning its assumption of a 4% annual cost of living increase.
4. GPA is ordered to pay the Commission's regulatory fees and expenses, including, without limitation, consulting and counsel fees and the fees and expenses of conducting the hearing proceedings. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 GCA §12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the Public Utilities Commission.

Dated this 24th day of September, 2013.

Supplemental Order
GPA Request for Contract Review and
Approval of Agreement with
Tristar Terminals Guam, Inc.
GPA Docket 13-11
September 24, 2013

Jeffrey C. Johnson
Chairman

Joseph M. McDonald
Commissioner

Rowena E. Perez
Commissioner

Peter Montinola
Commissioner

Michael A. Pangelinan
Commissioner