

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION



IN THE MATTER OF:) GPA Docket 17-23
)
THE APPLICATION OF THE GUAM)
POWER AUTHORITY TO APPROVE) **PUC COUNSEL REPORT**
THE CONTRACT WITH TRISTAR)
TERMINALS GUAM, INC. FOR THE)
LEASE OF AN ADDITIONAL STORAGE)
TANK FOR DIESEL FUEL)

INTRODUCTION

1. This matter comes before the Guam Public Utilities Commission [“PUC”] upon the Guam Power Authority’s [“GPA”] Petition for approval of the Contract with Tristar Terminals Guam, Inc. for the lease of an additional 196,000-barrel capacity Storage Tank for diesel fuel.¹

BACKGROUND

2. GPA currently has a Dock Facility User Agreement, Pipeline Agreement and Fuel Storage Agreement with Tristar Terminals Inc. (hereinafter “Tristar”). These agreements were approved by the PUC in GPA Docket 13-11.²
3. As indicated in GPA Docket 17-18, GPA has been required to secure additional quantities of diesel fuel oil No. 2 as a result of the Cabras 3 & 4 explosion of August 2015. GPA needs additional diesel fuel oil up to a capacity of 1M gallons per year.³
4. At present, GPA’s current suppliers of diesel fuel oil are “unable to obtain sufficient diesel tank storage to support GPA’s increased diesel consumption.”⁴
5. GPA is currently renting tanks for ULSD storage, with a combined total usable capacity of about 95,000 bbls.⁵

¹ GPA Petition to Approve the Contract with Tristar Terminals Guam, Inc. for the Lease of an Additional Storage Tank for Diesel Fuel, GPA Docket 17-23, filed September 18, 2017.

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

³ PUC Counsel Report, GPA Docket 17-18, dated September 18, 2017.

⁴ Id. at p. 2.

⁵ Issues for Decision on Guam Consolidated Commission on Utilities Resolution No. 2017-31, Board Packet for CCU Commissioners, dated July 25, 2017.

6. In order to meet increasing consumption of diesel fuel, and the need for additional tank storage, GPA requests that the PUC authorize it to enter into a lease agreement with Tristar for the lease of a 196,000-barrel capacity storage tank.
7. The cost will be an additional \$6/bbl or approximately \$1,176,000 annually excluding handling and throughput fees.⁶
8. On July 25, 2017, the CCU authorized the General Manager to enter into a lease agreement with Tristar Terminals Inc. for the lease of a 196,000 barrel capacity ULSD storage tank. The General Manager was authorized to expend up to \$1,176,000 annually for the lease of the storage tank.⁷

ANALYSIS

9. GPA has demonstrated that ULSD consumption is increasing significantly. For the months of April through June of 2017, the ULSD consumption was between 75,000 and 92,000 barrels per month.⁸
10. Because of significant changes in consumption due to baseload plant outages, MW demand and other reasons, GPA's current ULSD supply or storage capacity is insufficient to meet GPA's supply volume requirement.⁹
11. The intended tank for lease is located in Agat, at the Tristar facilities.¹⁰
12. As with Residual Fuel Oil, GPA intends to store about 60 days of ULSD inventory level, comprising 30 days operating and 30 days reserve, to ensure uninterrupted fuel supply in the event of extended baseload outages and increased ULSD consumption. Based on the current ULSD consumption of approximately 3,000 bbl per day, GPA would need to increase the storage currently leased from Tristar to approximately 180,000 bbls.¹¹

⁶ Guam Consolidated Commission on Utilities Resolution No. 2017-31, Authorizing Management of Guam Power Authority to Lease an Additional Storage Tank from Tristar Terminals Guam, Inc., adopted July 25, 2017.

⁷ Id. at p. 2.

⁸ Issues for Decision on Guam Consolidated Commission on Utilities Resolution No. 2017-31, Board Packet for CCU Commissioners, dated July 25, 2017.

⁹ Id.

¹⁰ Id.

¹¹ Id.

13. Counsel is concerned that GPA is recommending a new expense of over \$1M per year for leased “storage” capacity. The increased need for this new storage, at least in part, must be traced to the Cabras 3 & 4 explosion, and the resulting need for use and reliance upon additional diesel fuel.
14. The need for this storage again indicates the unfortunate impacts on ratepayers resulting from the Cabras 3 & 4 explosion. Ratepayers are being compelled to bear additional expense as a result of the Cabras explosion.
15. GPA anticipates that the need for this additional storage will extend up to five years, the time period until new generation is available. At a cost of nearly \$6M, this contract alone will negate the proposed present value net savings from cash flow of nearly \$5M which GPA intends to garner from the issuance of revenue refunding bonds (See GPA Docket 17-20).
16. GPA indicates that the lease will not be perpetual, but for no more than a five year period.¹²
17. Unfortunately for ratepayers, there seems to be no option but for GPA to expend nearly \$1.2M annually to provide sufficient fuel storage tank capacity.
18. Tristar will need a minimum “lead time” of six months to refurbish the tank.¹³
19. GPA has submitted a lease agreement proposed by Tristar to effectuate the tank rental. As presently written, the lease provides a term from the effective date through December 31, 2018; GPA would have an option to extend the term for five (5) years.¹⁴

RECOMMENDATION

20. Counsel recommends that the PUC authorize GPA to enter into a lease with Tristar for storage capacity of 196,000 bbls, at a cost not to exceed \$1,176,000 annually, excluding costs for the transfer of fuels.

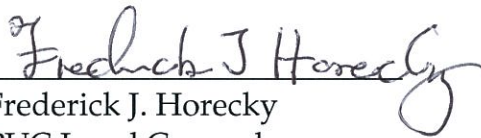
¹² Discussion between PUC Counsel Fred Horecky and GPA Counsel Graham Botha on September 15, 2017.

¹³ Issues for Decision on Guam Consolidated Commission on Utilities Resolution No. 2017-31, Board Packet for CCU Commissioners, dated July 25, 2017.

¹⁴ Tristar and GPA Throughput, Operating and Pipeline Use Agreement for Wet Stock (Attached to GPA Petition), at p. 8.

21. The term of the contract/lease with Tristar should not exceed five years total, with extension. The extension should only be for four years.
22. Upon execution of the Contract, GPA should file a copy thereof with the PUC.
23. A Proposed Order is submitted herewith for the consideration of the Commissioners.

Dated this 19th day of September, 2017.



Frederick J. Horecky
PUC Legal Counsel