

BEFORE THE GUAM PUBLIC UTILITIES COMMISSION

IN THE MATTER OF:)	GPA Docket 18-10
)	
The Application of the Guam Power)	PUC COUNSEL REPORT
Authority to Approve the Contract)	
Extension with Tristar 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 the contract review and approval of the Contract Extension with Tristar Terminals Guam Inc., for the Dock Facility User Agreement, Pipeline Agreement, and Fuel Storage Agreement for GPA.¹

BACKGROUND

2. On July 30, 2013, the PUC approved the Dock Facility User and Pipeline agreements between GPA and Tristar Terminals Guam Inc. [hereinafter "Tristar"].²
3. On September 24, 2013, the PUC approved the Storage Agreement between GPA and Tristar.³
4. All three agreements had a contract term for the period of September 1, 2013 through August 31, 2018. Each of the three agreements terminates on August 31, 2018.⁴
5. In its present Petition, GPA seeks to extend the term of the three contracts for four years, from September 1, 2018 to August 31, 2022.
6. The Guam Consolidated Commission on Utilities, in Resolution No. 2017-43 approved the contract extension for Dock Facility User Agreement, Pipeline

¹ GPA Petition for Review and Approval of Contract Extension with Tristar Terminals Guam Inc. for the Dock Facility User Agreement, Pipeline Agreement, and Fuel Storage Agreement for GPA, GPA Docket 18-10, filed March 13, 2018.

² PUC Order, GPA Docket 13-11, dated July 30, 2013, at p. 5.

³ PUC Supplemental Order, GPA Docket 13-11, dated September 24, 2013, at p. 3.

⁴ GPA Petition for Review and Approval of Contract Extension with Tristar Terminals Guam Inc. for the Dock Facility User Agreement, Pipeline Agreement, and Fuel Storage Agreement for GPA, GPA Docket 18-10, filed March 13, 2018, at p. 1.

Agreement, and Fuel Storage Agreement for a 4-year period through August 31, 2022.⁵

7. In GPA Docket 13-11, the PUC explored in detail the nature and purpose of the Docking facilities, the Pipelines, and the Storage facilities with Tristar which are utilized by GPA in these agreements. Attached for reference is Exhibit "A", the PUC Counsel Report in GPA Docket 13-11, dated July 24, 2013.⁶
8. GPA essentially utilizes the services of Tristar for three different purposes: (1) the Pier facility for the docking of ocean freight vessels delivering fuel to GPA facilities through a Dock Facility User Agreement; (2) Fuel pipeline facilities for the delivery and transport of fuel oil to and from GPA's fuel storage facilities through a Pipeline Agreement; and (3) GPA's additional RFO storage requirements through a RFO Storage Lease Agreement.⁷

ANALYSIS

9. GPA has provided "TRISTAR AGREEMENTS-ESTIMATED EXPENSES", attached as Exhibit "A" to CCU Resolution No. 2017-43, which indicates the total expenses for a 4-year contract extension periods under each of the three contracts.
10. Also attached to CCU Resolution No. 2017-43, as Exhibit "B" is "TRISTAR AGREEMENTS-FEE COMPARISON", which compares the contract fees under the three agreements for the prior 5-year contract period and the proposed 4-year contract extension period. Copies of CCU Exhibits "A" and "B" are attached hereto collectively as Exhibit "B".⁸
11. The estimated total expense for the three agreements for the 4-year extension period is as follows: \$6,324,564 for the Dock Agreement; \$2,138,024 for the Pipeline Agreement; and \$6,674,891 for the RFO Storage Agreement.⁹

⁵ Guam Consolidated Commission on Utilities, Resolution No. 2017-43, Authorizing the Management of the Guam Power Authority (GPA) to enter into an agreement Extension Term with Tristar Terminals Guam Inc. for the Dock Facility, Pipeline Facilities and RFO Storage, adopted November 22, 2017.

⁶ PUC Counsel Report, GPA Docket 13-11, dated July 24, 2013, attached hereto as Exhibit "A".

⁷ Issues for Decision on GPA Resolution No. 2017-43, submitted in board packet for CCU Regular Meeting, dated November 22, 2017.

⁸ CCU Resolution 2017-43, Exhibits A and B, attached hereto collectively as Exhibit "B".

⁹ Issues for Decision on GPA Resolution No. 2017-43, submitted in board packet for CCU Regular Meeting, dated November 22, 2017, at p. 45 of the Board Packet.

12. For the contract extension period, the fee schedule under the Dock Agreement remains the same as it was under the prior 5-year contract period until March 31, 2019.
13. The fee schedule after March 31, 2019, is dependent upon Tristar's contract renewal with the Port Authority of Guam (PAG) beyond the March 31, 2019 date. There is uncertainty as to the applicable fee scale for a substantial portion of the 4-year contract renewal period.
14. The Pipeline Agreement and the RFO Storage Lease Agreement for the 4-year extension period contain the same provision in the original contracts for an automatic annual Consumer Price Index increase at the rate of the 4% allegedly based on Consumer Price Index changes and increased operational cost.¹⁰
15. Inclusion of automatic 4% annual increases for the proposed 4-year contract extension period would increase GPA's costs under the Pipeline Agreement considerably. Under the prior 5-year contract period, the average annual cost for the Pipeline Agreement was \$450,504.36. For the proposed 4-year extension period, the average annual cost will be \$534,506.02.
16. The same substantial annual increases are evident with regard to the Storage Agreement. For the prior 5-year contract period, the average annual cost for storage lease fees was \$1,530,678.18. The average annual cost for the proposed 4-year extension period is \$1,366,322.76.
17. GPA has reduced the extent to which it utilizes the storage facilities of Tristar. For the initial 5-year contract period, GPA leased storage capacity of 422,150 bbls. from Tristar. However, for the proposed 4-year extension period, GPA will only lease 315,500 bbls from Tristar.
18. If one reduces the cost for the prior 5-year contract period based upon a proportionate reduction to 315,500 bbls per year, the annual cost for storage, was \$1,148,008. Thus, the annual cost for the Storage Contract for the same storage capacity has increased by over \$200,000, or over \$800,000 for the entire four-year period.
19. These rapidly increasing contract costs, which are compounded annually as a result of the 4% automatic annual increases, create a problem for the ratepayers. The funding source for all of these contracts is the Levelized Energy Adjustment Clause.

¹⁰ CCU Resolution No. 2017-43, adopted November 22, 2017, at p. 1.

20. These contract costs are all added to the LEAC expense as “fuel handling charges.” These costs are a factor which increase the fuel charges paid by ratepayers under LEAC.
21. The issue is, what, if anything, can be done to reduce these so called annual consumer price increase charges. There does not appear to be any evidence demonstrating that 4% automatic annual increases under the Pipeline and the Fuel Storage Agreements are related to actual CPI increases, or to any demonstrable costs incurred by Tristar.
22. As a matter of contract negotiation, GPA previously agreed to increases in its contract with Tristar which were not justified. An agreement would arguably have a more rational relationship to CPI if increases (or decreases) in a particular contract year were based upon the actual CPI in the prior year.
23. Tristar has not previously demonstrated any willingness to reduce its charges. When the initial 5-year term was approved by the PUC in 2013, PUC questioned the pricing of the Storage Agreement and required further information from GPA and Tristar concerning the charges and costs. Tristar claimed that all of the charges were reasonable and did not reduce any charges.
24. Between 2009 and 2012, the CPI average annual percent change did not exceed the 4% in any year and was between 1.7% and 3.3%. For 2013, the CPI percentage increase was 0.0%; for 2014, the increase was 0.8%; and for 2015 there was a decrease of 0.9%.¹¹
25. Between the 4th Quarters of 2016 and 2017, the CPI rose 3.2%.¹² The automatic annual increase of the 4% seems to have been pulled out of thin air; it is not based upon actual price increases that have occurred. A fairer method would be basing an increase on the previous year CPI or on the most recent actual data available.
26. As the CCU has pointed out, Tristar “is the **sole service provider for the Dock Facility User Agreement, Pipeline Agreement, and RFO Storage Lease Agreement.**”¹³

¹¹ Guam consumer price index, 1st Quarter 2016, Bureau of Statistics and Plans (Business and Economic Statistics Program, Government of Guam (vol. XLII No. 1).

¹² KUAM News, dated March 5, 2018, citing data from the Bureau of Statistics and Planning.

¹³ CCU Resolution No. 2017-43, adopted November 22, 2017, at p. 1.

27. However, the PUC has an obligation to ensure that all rates and charges born by the ratepayers are just and reasonable. An automatic 4 % charge for CPI in years where there was no increase or a lesser increase is not just or reasonable.
28. There is no rational basis for such an automatic charge which is completely unrelated to any CPI increase.
29. GPA needs the services provided by Tristar for “ensuring uninterrupted supply of fuel to GPA through the use of Tristar’s fuel handling facilities...”¹⁴ However, GPA cannot be expected to bear any charge demanded, no matter how unreasonable.

RECOMMENDATION

30. As was the case in 2013, Counsel is not convinced that the cost increases for the proposed 4-year contract extensions of the Pipeline and Storage Agreements are appropriate.
31. GPA does have a need for the services provided by Tristar.
32. Counsel recommends that the PUC approve the proposed 4-year contract extension for the Dock Facility Agreement, subject to PUC approval of any fee increase after March 31, 2019.
33. PUC should require GPA to renegotiate the automatic 4% increase in the Pipeline and Storage Agreements, and to negotiate a CPI provision related to actual increases.
34. GPA should carefully consider and evaluate alternative plans by which it can reduce its reliance upon Tristar’s facilities.
35. GPA must obtain approval from PUC before agreeing to any increase in the Dock Facility User Agreement after March 31, 2019.
36. An Order is submitted herewith to the Commissioners for their consideration.

¹⁴ Id. at p. 2.

PUC Counsel Report
Agreements with Tristar
GPA Docket 18-10
March 24, 2018

Dated this 24th day of March, 2018.

Frederick J. Horecky
PUC Legal Counsel

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) PUC COUNSEL REPORT
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. GPA is requesting that the PUC approve three agreements related to the delivery and storage of fuel; the Dock Facility User Agreement, Pipeline Agreement, and Fuel Storage Agreement.
3. Tristar is the current manager of the Dock Facility, owned by the Port Authority of Guam.²
4. GPA is requesting that the above Agreements be approved for a five year period from September 1, 2013, to August 31, 2018.³
5. The Dock Facility User Agreement allows GPA to discharge or load fuel from and to GPA's vessels that the F-1 Dock Facility. The Agreement sets forth the terms and conditions pursuant to which GPA may utilize the Dock Facility.⁴

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 Id. at p. 1.

³ Id. at p. 2.

⁴ See Facility User Agreement F-1 Dock, attached to GPA Petition for Review and Approval of the Contract with Tristar Terminals Guam, Inc., GPA Docket 13-11, filed July 12, 2013.

Ex. A

6. As indicated, Tristar operates the facility known as the F-1 Dock. Tristar has pipelines which run through the Port Authority leases and easements from the F-1 Dock to a point of intersection referred to as the Navy Valve Pit. GPA's pipelines run from the Navy Valve Pit to storage and power generating facilities of GPA in Cabras, Guam.⁵
7. Under the Pipeline Agreement, Tristar grants GPA the non-exclusive use of the B Pipeline for fuel resupply from the F-1 Dock to the Navy Valve Pit for further transfer by GPA from the Navy Valve Pit through the GPA controlled pipelines through the GPA storage and power generating facilities at Cabras.⁶
8. Tristar maintains and operates a facility known as the Agat Terminal. Tristar holds a perpetual pipeline easement granted by the US DoD which extends from the Navy Valve Pit to the Tristar Facilities at the Agat Terminal. The B Pipeline also transmits oil from the F-1 Dock to GPA's line at the Navy Valve Pit and to the Agat Terminal.⁷
9. GPA resupplies its Piti storage facility using fuel stored at the Agat Terminal. In the Storage Agreement GPA will use storage tanks of Tristar with a total storage capacity of 422,150 barrels for the storage of fuel oil. GPA sells the excess fuel stored at the Agat Terminal to third parties for fuel oil bunkering purposes; it also resupplies its Piti storage facility using fuel oil stored at the Agat Terminal.⁸
10. On June 25, 2013, the Guam Consolidated Commission on Utilities approved Resolution No. 2013-38, which authorizes Management of GPA to petition the PUC to enter into Agreements with Tristar Terminals Guam for fuel delivery and storage through the Dock Facility, Pipeline and Fuel Storage Agreements.⁹
11. According to the CCU, Tristar "is the sole service provider of the Dock Facility, Pipeline, and Fuel Storage Services...".¹⁰

⁵ See Pipeline Agreement, attached to GPA Petition for Review and Approval of the Contract with Tristar Terminals Guam, Inc., GPA Docket 13-11, filed July 12, 2013.

⁶ Id.

⁷ See Storage Agreement, attached to the GPA Petition for Review and Approval of the Contract with Tristar Terminals Guam, Inc., GPA Docket 13-11, filed July 12, 2013.

⁸ Id.

⁹ CCU Resolution No. 2013-38, adopted on June 25, 2013.

¹⁰ Id.

12. The CCU indicates that GPA and Tristar have negotiated a new five-year contract period for the three agreements the new contract cost for which are set forth in exhibits to the Resolution.¹¹
13. The estimated total expenses for renewal of the three agreements for the five-year period are: \$7,375,440.00 for the Dock Agreement; \$2,252,342.16 for the Pipeline Agreement; and \$9,165,390.88 for the Storage Agreement.¹²
14. The CCU submits that the three Agreements will serve the best interests of GPA ratepayers by insuring an uninterrupted supply of fuel to GPA through the use of Tristar's fuel handling facilities.¹³

ANALYSIS

15. GPA has provided a "CONTRACT FEE COMPARISON", attached as Exhibit "A" to the CCU Resolution, which indicates comparison between the current contract prices (which expire August 31, 2013) and the New Contract prices from September 2013 to August 2018.¹⁴ Attached to the CCU Resolution as Exhibit "B" are the "NEW CONTRACT EXPENSES (ESTIMATED)".¹⁵ Copies of Exhibits "A" and "B" are attached hereto.
16. The Fees for the use of the Dock Facility [i.e. Facility User Agreement F-1 Dock] remain unchanged from the existing contract and are based on hourly rates for the dock operators, excess lay time costs, and imports and exports of RFO on a per barrel basis.¹⁶
17. However, under the Pipeline Agreement, there is a 20% increase in the first year of the new contract (SEP.2013-AUG.2014). In the prior contract the yearly pipeline rental fee was \$323,485.44. Under the new contract, the first year fee is \$418,182.00. In addition, for each of the four succeeding years under the Pipeline Agreement, the Pipeline Rental Fee increases by 4%. By the fifth year of the contract (SEP.2017-AUG.2018) the yearly rental fee is \$484,071.24.¹⁷

¹¹ Id.

¹² Id.

¹³ Id.

¹⁴ See Exhibit "A" to CCU Resolution No. 2013-38.

¹⁵ See Exhibit "B" to CCU Resolution No. 2013-38.

¹⁶ CCU Resolution No. 2013-38, adopted June 25, 2013, at p. 1.

¹⁷ See Exhibit A attached hereto.

18. Thus, the five year total for the new Pipeline Agreement is \$2,252,342.16. The increase over the five year period is roughly \$634,914.96.¹⁸
19. In his letter dated May 20, 2013, to the General Manager of GPA, the General Manager of Tristar states that the increase on the initial term of the Pipeline Rental Fee is "only a portion" of certain cost drivers. The cost drivers referenced are as follows:
 - a) On February 2010, Port Authority of Guam Increased Easement Fees at 124% of the original easement rate of which Tristar has not passed on portions of the B line cost to GPA for 40 months.
 - b) Tristar has taken the pipeline integrity testing done every 5 years as part of the routine maintenance cost on this renewal with annual amortization cost of \$30,000.00 per year.
 - c) Other operational cost increases on insurances and environmental considerations.¹⁹
20. Under the Storage Agreement, GPA previously leased tanks 1902, 1910, & 1911 at the Agat Terminal. However, under the new Storage Agreement GPA will only lease tank 1902. This results in a reduction in storage capacity of 75,000 barrels from 497,150 barrels to 422,150 barrels.²⁰
21. Under the prior Storage Agreement, yearly rental for the three tanks was \$1,386,720.00. On a prorated basis, this would equate to a \$1,117,519.56 annual lease fee for Tank 1902. However, there is a 20% increase in the first year. Thus, the lease fee for Tank 1902 for the first year will be \$1,413,023.47, which is more than the previous charge for all three tanks.²¹
22. The first year increase in the Storage Agreement is 20%, or \$235,503.91. There is also a 4% annual cost of living increase.²²

¹⁸ Id.

¹⁹ Letter from K. Vikraman, General Manager of Tristar, to Joaquin Flores, General Manager GPA, dated May 20, 2013.

²⁰ CCU Resolution No. 2013-38, adopted June 25, 2013, at p. 2.

²¹ See Exhibit "A" attached hereto.

²² See Exhibit "A" attached hereto.

23. With regard to the price escalation for the Storage Agreement, the General Manager of Tristar states as follows:

The 20% increase on the initial term is only a portion of the expected tank refurbishment cost for Tank 1902 as per API 653 which is estimated to be about \$0.79 annual contribution to the construction in progress (CIP).

The 4% flat adjustment on the 4 years that follows is a result of allocation on the standard Consumer Price Index Changes and increased operational cost accorded by various regulating agencies.²³

24. A further justification for the price increases in the Pipeline and Storage Agreements is attached hereto as Exhibit "C".²⁴

RECOMMENDATION

25. Counsel believes that the cost increases for the Pipeline and Storage Agreements are high. However, given that Tristar is a "sole source" provider, and GPA lacks viable options, it is not clear that GPA has much leverage for negotiation purposes. GPA has sought to negotiate with Tristar; at this point however, Tristar appears unwilling to negotiate further.
26. The costs to GPA in these Agreements will be passed on to ratepayers through the LEAC Factor.
27. The Dock Agreement pricing has remained the same; Counsel recommends that the Facility User Agreement F-1 Dock be approved.
28. While the increases in the Pipeline and Storage Agreements appear high, these Agreements are likely the best that GPA can achieve under the circumstances.


²³ Letter from General Manager K. Vikraman of Tristar to General Manager of GPA, Joaquin Flores, dated May 20, 2013.

²⁴ See Exhibit C attached hereto

PUC Counsel Report
GPA Request for Contract Review and
Approval of Agreements with
Tristar Terminals Guam, Inc.
GPA Docket 13-11
July 24, 2013

29. An Order is submitted herewith to the Commissioners for their consideration.

Dated this 24th day of July, 2013.


Frederick J. Horecky
PUC Legal Counsel

Amended 6/25/13

EXHIBIT A - CONTRACT FEE COMPARISON

Fee Schedule		Current Contract Expires Aug 31, 2013	New Contract Sep2013-Aug2018	Variance	
A. Dock Agreement					
1. Dock Operator O.T. Fee per Operator (Minimum of 3 Operators) Outside 0800H-1800H on Weekdays All hrs on weekdays & holidays	per Hour	\$38.00	\$38.00	\$0.00	
2. Excess Laytime	per Hour	\$0.00	\$0.00	\$0.00	
0-36 hrs upon start of discharge	per Hour	\$1,000.00	\$1,000.00	\$0.00	
Over 36 hrs & less than 72 hrs	per Hour	\$600.00	\$600.00	\$0.00	
Over 72 hrs					
3. Imports (RFO Receiving)					
a. Throughput Fee (PAG Fee) (RFO delivered-Gross)	\$/bbl	\$0.50	\$0.50	\$0.00	
4. Exports (Bunkering)					
(RFO delivered-Gross)					
a. Port Royalty Fee (PAG Fee)	\$/bbl	\$0.66	\$0.66	\$0.00	
b. Maritime Security Fee (PAG Fee)	\$/bbl	\$0.02	\$0.02	\$0.00	
B. Pipeline Agreement					
1. Pipeline Rental Fee					
(Pipeline from Dock to Navy tie-in)					
Sep 2013- Aug 2014	\$/yr	\$323,485.44	\$418,182.00	\$94,696.56	29% Increase
Sep 2014- Aug 2015	\$/yr		\$433,687.64	\$15,485.64	4% Increase
Sep 2015- Aug 2016	\$/yr		\$448,814.38	\$16,146.72	4% Increase
Sep 2016- Aug 2017	\$/yr		\$466,606.92	\$16,792.56	4% Increase
Sep 2017- Aug 2018	\$/yr		\$484,071.24	\$17,464.32	4% Increase
C. Storage Agreement					
1. Lease Fees					
	\$/yr				
		Based on 497,150 bbls safe capacity (Tk1902/1910 &1911)	Based on 422,150 bbls safe capacity (Tk 1902)		
Sep 2013- Aug 2014	\$/yr	\$1,386,720.00	\$1,177,519.56 (prorated)		
Sep 2014- Aug 2015	\$/yr		\$1,413,023.47	\$235,503.91	20% Increase
Sep 2015- Aug 2016	\$/yr		\$1,489,544.41	\$56,520.94	4% Increase
Sep 2016- Aug 2017	\$/yr		\$1,528,326.18	\$58,781.77	4% Increase
Sep 2017- Aug 2018	\$/yr		\$1,589,459.23	\$61,133.04	4% Increase
	\$/yr		\$1,653,037.60	\$63,578.37	4% Increase
2. Bunkering Fee					
(P/L Fee from storage to navy tie-in) (RFO delivered-Net)	\$/bbl	\$4.20	\$4.20	\$0.00	

Amended 8/25/13

EXHIBIT B - NEW CONTRACT EXPENSES (ESTIMATED)

Fee Schedule	Parameters		New Contract		
			Sep2013-Aug2018		
A. Dock Agreement					
1. Dock Operator O.T. Fee (Minimum of 3 Operators)	Outside 0800H-1800H on Weekdays All hrs on weekends & holidays	\$38.00 per manhour 32 hrs/shipment 11 ships/yr	<u>\$/Shipment</u> \$3,648.00	<u>Annual \$/yr</u> \$40,128.00	<u>5-Year Total \$</u> \$200,840.00
2. Excess Laytime	a. 0-36 hrs upon start of discharge b. Over 36 hrs & less than 72 hrs c. Over 72 hrs	\$0.00 per Hour \$1,000.00 per Hour \$600.00 per Hour			
	Excess hrs	6 hrs/shipment 11 shipment/yr	\$6,000.00	\$66,000.00	\$330,000.00
3. Imports (RFO Receiving) a. Throughput Fee PAG Fees	RFO bbls received	\$0.50 \$/bbl 240,000 bbl/shipment 11 shipment/yr	\$120,000.00	\$1,320,000.00	\$6,600,000.00
4. Exports (Bunkering) (PAG Fees) a. Port Royalty b. Maritime Security	RFO bbls delivered RFO bbls delivered	3000 bbl/shipment 24 shipment/yr \$0.66 \$/bbl \$0.02 \$/bbl	\$1,980.00 \$60.00	\$47,520.00 \$1,440.00	\$237,600.00 \$7,200.00
SUB-TOTAL			\$131,688.00	\$1,475,688.00	\$7,375,440.00
B. Pipeline Agreement					
1. Pipeline Rental (B-Line) Sep 2013- Aug 2014 Sep 2014- Aug 2015 Sep 2015- Aug 2016 Sep 2016- Aug 2017 Sep 2017- Aug 2018	Pipeline Fee (Dock to Navy Tie-In)		<u>\$/Month</u> \$34,848.50 \$36,138.97 \$37,484.53 \$38,883.91 \$40,338.27 \$37,638.04 avg	<u>Annual \$/yr</u> \$418,182.00 \$433,687.64 \$449,814.36 \$466,608.92 \$484,071.24 \$450,468.43 avg	<u>5-Year Total \$</u> \$2,252,342.16
SUB-TOTAL					
C. Storage Agreement					
1. Lease Fees Sep 2013- Aug 2014 Sep 2014- Aug 2015 Sep 2015- Aug 2016 Sep 2016- Aug 2017 Sep 2017- Aug 2018	Based on 422,150 bbls capacity (Tk1902)		<u>\$/Month</u> \$138,672.00 \$144,218.87 \$149,987.62 \$155,987.11 \$162,228.58	<u>Annual \$/yr</u> \$1,413,023.47 \$1,469,544.41 \$1,526,326.18 \$1,589,459.23 \$1,653,037.60	<u>5-Year Total \$</u> \$9,185,390.88
2. Bunkering Fee	Pipeline Fee Tanks to Navy Tie-In RFO delivered (Net)	\$4.20 \$/bbl	\$12,600.00 \$108,397.10 avg	\$302,400.00	\$1,512,000.00
SUB-TOTAL				\$1,325,968.12 avg	\$9,185,390.88
OVER-ALL COSTS			\$277,624.13 \$/Month (avg)	\$3,281,521.36 \$/yr (avg)	\$16,793,173.04 Total for 5 Yrs

Schedule of Price Escalation

Schedule I. Pipelines Fees

			New Agreement	388,182.53		
			Old Agreement	(323,485.44)		
			Variance (Increase)	64,697.09		
				20%		20%
A	1st Year of Escalation:	20%	64,697.09	64,697		
a1	Easement Lease	Current	16,496.79			
	Started in February 01, 2010	Old	(7,373.05)			
		Increase	9,123.74	-124%		
	No. of Pipeline functional laid on at Easement Lease		3.00			
	GPA Share		3,041.25			
	No. of Month TTGI did not pass on to GPA		12.00			
	Total Easement Cost		36,494.96			
				(36,495)	56%	-11%
				28,202		
a2	Actual cost of insurance during Shell's time is not available. Operating cost on the repairs and maintenance of the pipelines have gone up of more than 12% of which 9% is the only cost that is pass along to GPA. Expenses such as staff & mgt, Insurance directly related to the operation of F1, repairs & maint. of pipelines has been increased.					
				(28,202)	44%	-9%
				(0.00)	100%	0%
B	Average for 2nd Year to 5th Year	4%		60,003.53		
	2nd Year Agreement			403,709.83		
	1st Year Agreement			(388,182.53)		
	Variance (Increase)			15,527.30		
	Based on Consumer Price Index Allocation			4%		

Consumer Price Index

2005	544.5		
2006	576.4		
2007	604.289		
2008	630.047		
2009	633.315		
2010	646.589		
2011	670.684	126.18	(2011-2005)
2012		5.00	year
		25.24	
		7.00	year
		4%	CIP Average Increase

Schedule II. Storage Fees

	Annual Storage Cost	No. Of Contracted BBIs	Rates Per Barrels	
New Agreement	1,413,023.47	422,150	3.35	
Old Agreement	(1,177,519.56)	422,150	(2.79)	
Variance (Increase)	235,503.91		0.56	
	20%			20%

1st Year of Escalation: 20% \$ 235,503.91

A Operating Cost to Maintain the Facility in Operational Standards

Year 2012	8,672,356.68
Year 2009 (Annualized)	(5,661,028.08)
Variance Increased in 3 years	<u>3,011,328.60</u>
% of Increase for 3 years	53%
Average Annual Increase in Operating Cost per year	18%

Note:

For the past 3 years, the company has incurred around 53% increase on its operating cost to keep the facility to its standard operating condition and has pass along only 20% to GPA.

B Average for 2nd Year to 5th Year

2nd Year Agreement	1,469,544.41
1st Year Agreement	(1,413,023.47)
Variance (Increase)	56,520.94
% of Escalation	4%

B1 Operating Cost to Maintain the Facility in Operational Standards

Year 2012	8,672,356.68
Year 2009 (Annualized)	(5,661,028.08)
Variance Increased in 3 years	<u>3,011,328.60</u>
% of Increase for 3 years	53%
Average Annual Increase in Operating Cost per year	18%

NOTE: Only 4% out of the 18% annual average operating cost escalation has been passed on to GPA thereby TTGI is absorbing 14% of the cost.

B2 Cost of tank refurbishments - This cost was presented but was not considered part of the escalation cost and is solely being absorbed by TTGI.

Proposed Budget for Tank Repairs	\$ 3,000,000.00
Estimated Interest Rate	6.50%
Depreciable Life S/L Method - 10yrs)	120.00
Annual Capital Outlay	\$417,314.07

Amended 8/25/13

EXHIBIT A – CONTRACT FEE COMPARISON

Fee Schedule		Current Contract Expires Aug 31, 2013	New Contract Sep2013-Aug2018	Variance		
A. Dock Agreement						
1. Dock Operator O.T. Fee per Operator (Minimum of 3 Operators) Outside 0800H-1600H on Weekdays All hrs on weekdays & holidays	per Hour	\$38.00	\$38.00	\$0.00		
2. Excess Laytime	per Hour	\$0.00	\$0.00	\$0.00		
0-36 hrs upon start of discharge	per Hour	\$1,000.00	\$1,000.00	\$0.00		
Over 36 hrs & less than 72 hrs	per Hour	\$600.00	\$600.00	\$0.00		
Over 72 hrs						
3. Imports (RFO Receiving)						
a. Throughput Fee (PAG Fee) (RFO delivered-Gross)	\$/bbl	\$0.50	\$0.50	\$0.00		
4. Exports (Bunkering)						
(RFO delivered-Gross)						
a. Port Royalty Fee (PAG Fee)	\$/bbl	\$0.66	\$0.66	\$0.00		
b. Maritime Security Fee (PAG Fee)	\$/bbl	\$0.02	\$0.02	\$0.00		
B. Pipeline Agreement						
1. Pipeline Rental Fee						
(Pipeline from Dock to Navy tie-in)						
Sep 2013- Aug 2014	\$/yr	\$323,485.44	\$418,182.00	\$94,696.56	29%	Increase
Sep 2014- Aug 2015	\$/yr		\$433,687.64	\$15,485.64	4%	Increase
Sep 2015- Aug 2016	\$/yr		\$449,814.36	\$16,146.72	4%	Increase
Sep 2016- Aug 2017	\$/yr		\$466,806.92	\$16,792.56	4%	Increase
Sep 2017- Aug 2018	\$/yr		\$484,071.24	\$17,464.32	4%	Increase
C. Storage Agreement						
1. Lease Fees						
		Based on 497,150 bbls safe capacity (Tk1902/1910 &1911)	Based on 422,150 bbls safe capacity (Tk 1902)			
	\$/yr	\$1,386,720.00	\$1,177,519.66 (prorated)			
Sep 2013- Aug 2014	\$/yr		\$1,413,023.47	\$236,503.91	20%	Increase
Sep 2014- Aug 2015	\$/yr		\$1,469,544.41	\$56,520.94	4%	Increase
Sep 2015- Aug 2016	\$/yr		\$1,528,326.18	\$58,781.77	4%	Increase
Sep 2016- Aug 2017	\$/yr		\$1,589,459.23	\$61,133.04	4%	Increase
Sep 2017- Aug 2018	\$/yr		\$1,653,037.60	\$63,578.37	4%	Increase
2. Bunkering Fee						
(P/L Fee from storage to navy tie-in)						
(RFO delivered-Net)	\$/bbl	\$4.20	\$4.20	\$0.00		

Ex. B

Amended 6/25/13

EXHIBIT B – NEW CONTRACT EXPENSES (ESTIMATED)

Fee Schedule	Parameters		New Contract		
			Sep2013-Aug2018		
A. Dock Agreement					
1. Dock Operator O.T. Fee (Minimum of 3 Operators)	Outside 0800H-1800H on Weekdays All hrs on weekends & holidays	\$38.00 per manhour 32 hrs/shipment 11 ships/yr	\$/Shipment \$3,648.00	Annual \$40,128.00	5-Year Total \$200,640.00
2. Excess Laytime	a. 0-36 hrs upon start of discharge b. Over 36 hrs & less than 72 hrs c. Over 72 hrs	\$0.00 per Hour \$1,000.00 per Hour \$800.00 per Hour			
	Excess hrs	6 hrs/shipment 11 shipment/yr	\$6,000.00	\$66,000.00	\$330,000.00
3. Imports (RFO Receiving)					
a. Throughput Fee PAG Fees	RFO bbls received	\$0.60 \$/bbl 240,000 bbl/shipment 11 shipment/yr	\$120,000.00	\$1,320,000.00	\$6,600,000.00
4. Exports (Bunkering) (PAG Fees)					
a. Port Royalty	RFO bbls delivered	3000 bbl/shipment 24 shipment/yr	\$1,980.00	\$47,520.00	\$237,600.00
b. Maritime Security	RFO bbls delivered	\$0.06 \$/bbl \$0.02 \$/bbl	\$80.00	\$1,440.00	\$7,200.00
SUB-TOTAL			\$131,608.00	\$1,478,988.00	\$7,378,440.00
B. Pipeline Agreement					
1. Pipeline Rental (B-Line)	Pipeline Fee (Dock to Navy Tie-in)		\$/Month	Annual \$/yr	5-Year Total \$
Sep 2013- Aug 2014			\$34,848.50	\$418,182.00	
Sep 2014- Aug 2015			\$36,138.97	\$433,667.64	
Sep 2015- Aug 2016			\$37,484.53	\$449,814.36	
Sep 2016- Aug 2017			\$38,883.91	\$466,606.92	
Sep 2017- Aug 2018			\$40,339.27	\$484,071.24	
SUB-TOTAL			\$197,595.04 avg	\$488,468.43 avg	\$2,282,342.16
C. Storage Agreement					
1. Lease Fees	Based on 422,150 bbls capacity (Tk1902)		\$/Month	Annual \$/yr	5-Year Total \$
Sep 2013- Aug 2014			\$138,872.00	\$1,413,023.47	
Sep 2014- Aug 2015			\$144,218.87	\$1,469,544.41	
Sep 2015- Aug 2016			\$149,887.62	\$1,528,326.18	
Sep 2016- Aug 2017			\$155,887.11	\$1,589,459.23	
Sep 2017- Aug 2018			\$162,226.58	\$1,653,037.60	\$9,165,390.88
2. Bunkering Fee	Pipeline Fee Tanks to Navy Tie-in RFO delivered (Net)	\$4.20 \$/bbl	\$12,600.00 \$108,397.16 avg	\$302,400.00	\$1,512,000.00
SUB-TOTAL				\$1,325,946.12 avg	\$9,165,390.88
OVER-ALL COSTS			\$277,824.13 \$/Month (avg)	\$3,251,521.55 \$/yr (avg)	\$18,793,173.04 Total for 5 Yrs