



BEFORE THE PUBLIC UTILITIES COMMISSION

**IN RE: PETITION FOR EXTENSION)
OF THE TERM OF THE)
LEASE AGREEMENTS FOR)
PIPELINE AND RFO)
STORAGE WITH TRISTAR)
TERMINALS GUAM, INC. BY)
GUAM POWER AUTHORITY)**

GPA DOCKET 22-16

ORDER

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC”) pursuant to the August 3, 2022 Petition (hereinafter referred to as the “Petition”) for review and approval of the Tristar Terminals Guam Inc. (“Tristar”) contracts related to the Tristar pipeline and residual fuel oil (“RFO”) storage lease. GPA seeks PUC approval to extend the Tristar contracts for an additional three years.¹

On September 26, 2022, the Administrative Law Judge of the PUC (the “ALJ”) assigned to this matter filed an ALJ Report that included his findings and recommendations based on the administrative record before the PUC. The ALJ found the following.

DETERMINATIONS

Tristar is the current manager of the Port Authority of Guam’s F-1 Fuel Pier Facility dock (hereinafter referred to as the “F-1 Dock”).² At the F-1 Dock, petroleum products, like gasoline and oil, and non-petroleum products are offloaded, discharged, and distributed.³ A certain Dock

¹ Petition, p. 1.

² See PUC Order, GPA Docket 13-11, p. 1 (July 30, 2013).

³ See PUC Order, PAG Docket 21-01, p. 1 (Jan. 28, 2021).

Facility User Agreement between GPA and Tristar allows GPA to discharge from, or load fuel onto, GPA's vessels at the F-1 Dock.⁴

Under GPA's Pipeline Agreement with Tristar, GPA has non-exclusive use of Tristar's "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, and to the GPA storage and power generating facilities at Cabras Island.⁵ Additionally, Tristar maintains and operates a storage facility known as the "Agat Terminal," which GPA leases through a certain RFO Storage Lease Agreement.⁶

According to GPA, it has negotiated extensions of both the Pipeline Agreement and RFO Storage Lease Agreement with Tristar for an additional three years.⁷ On July 26, 2022, the CCU issued GPA Resolution No. 2022-22, which approved the three-year extensions of these contracts with Tristar, and authorized GPA to seek PUC approval of the contract extensions.⁸

1. GPA's Contract Review Protocol

Pursuant to 12 G.C.A. §12105, GPA may not enter into any contractual agreements or obligations which could increase rates and charges without the PUC's express approval. Additionally, pursuant to GPA's current Contract Review Protocol, "[a]ll professional services contracts in excess of \$1,000,000" and "[a]ll internally financed contracts utilizing O&M funds in excess of \$1,000,000, whether or not the contract extends over a period of one year or several

⁴ See PUC Order, GPA Docket 13-11, p. 1.

⁵ See PUC Order, GPA Docket 13-11, p. 2.

⁶ See PUC Order, GPA Docket 13-11, p. 2; GPA Resolution No. 2022-22 (hereinafter referred to as the "Resolution"), issued by the Consolidated Commission on Utilities (the "CCU"), pp. 1-2 (July 26, 2022).

⁷ Resolution, p. 1.

⁸ Resolution, p. 2.

years” “shall require prior PUC approval” Contract Review Protocol, GPA Docket 09-01, p. 1 (June 20, 2011). Further, with respect to multi-year contracts, GPA’s Contract Review Protocol provides that “GPA must obtain PUC approval if the total costs over the entire procurement term exceed the review threshold.” *Id.*, p. 3.

2. Scope of Services

A. September 1, 2013 Pipeline Agreement

Pursuant to the Pipeline Agreement between GPA and Tristar, GPA has a “continuing non-exclusive right to cause its oil and other petroleum products to be transported through the B Pipeline from the F-1 Dock to the Navy Valve Pit for connection to the pipeline to GPA’s Cabras storage and power generating facilities.”⁹ In addition, pursuant to “[Amendment] No. 1” to the Pipeline Agreement, executed in 2018, the parties negotiated a \$566,350.34 annual usage fee (or \$47,195.86 monthly) for the period of September 2021 through August 2022.¹⁰

B. September 1, 2013 Storage Agreement

Pursuant to the September 1, 2013 RFO Storage Lease Agreement, Tristar has agreed to provide GPA with storage tanks for storing fuel oil.¹¹ Specifically, Tristar provides GPA with a total of 422,150 barrels of storage for fuel oil, which Tristar maintains and operates.¹² In addition, pursuant to “[Amendment] No. 1” to the RFO Storage Lease Agreement, executed in 2018, the parties agreed to a \$1,933,820.14 annual storage fee (or \$161,151.68 monthly) for the period of September 2021 through August 2022.¹³

⁹ Pipeline Agreement, p. 2.

¹⁰ [Amendment] No. 1 to Pipeline Agreement, p. 1.

¹¹ Storage Agreement, p. 2.

¹² Storage Agreement, p. 2.

¹³ [Amendment] No. 1 to Pipeline Agreement, p. 1.

3. Extension of Contract Terms and Costs

According to GPA, the fees under the extended Pipeline Agreement will remain at the prevailing rate of \$47,195.86 per month, and \$566,350.34 annually, which is the rate negotiated back in 2018.¹⁴

In addition, the fees under the extended RFO Storage Lease Agreement shall also remain at the prevailing rate of \$1,933,820.14 per year, based on a storage capacity of 422,125 barrels of fuel.¹⁵ However, according to GPA, this annual lease fee is anticipated to be reduced to \$1,844,309.67 for the first year of the extension, based on a reduced storage capacity of 402,610 barrels of fuel; and then further reduced to \$1,275,776.17 for the second and third years of the extension, based on a reduced storage capacity of 278,500 barrels of fuel, owing to GPA's transition to .2% Ultra Low Sulfur Fuel Oil.¹⁶

GPA submits that the contracts will be funded internally through its operations budget.

4. CCU Approval

On July 26, 2022, the Consolidated Commission on Utilities (the "CCU") issued GPA Resolution No. 2022-22 (the "Resolution"), which approved the contract extensions for both the Pipeline Agreement and the RFO Storage Lease Agreement, along with the corresponding costs for the extensions.¹⁷ In the Resolution, the CCU indicated that the "contract extension . . . for the 2 Agreements will serve the best interest of the Authority and its ratepayers by ensuring uninterrupted supply of fuel to GPA through the use of Tristar's fuel handling facilities."¹⁸

¹⁴ [Amendment] No. 1 to Pipeline Agreement, p. 1.

¹⁵ Resolution, pp. 1-2.

¹⁶ Resolution, pp. 1-2.

¹⁷ Resolution, p. 2.

¹⁸ Resolution, p. 2.

RECOMMENDATION AND CONCLUSION

Based on the documentation provided, the ALJ found that the subject contracts are reasonable and necessary, and that the extensions of the contracts referred to herein are prudent. As indicated by GPA, the contracts referred to in this matter are vital since they ensure the “uninterrupted supply of fuel to GPA.”¹⁹ Indeed, this Commission has previously held that any disruption to the safe distribution of fuel resources to GPA, for example, “could be a potential threat to the public health, welfare and safety of our island.”²⁰

Significantly, too, the fees under the extended Pipeline Agreement will remain the same during the three year extension period, which is the same fee that was negotiated back in 2018.²¹ Moreover, the fees under the extended RFO Storage Lease Agreement will also remain the same, and in fact, may lessen, based on the reduction of leased storage during the three year period, owing to GPA’s transition to .2% Ultra Low Sulfur Fuel Oil.²² Accordingly, these contracts will potentially provide savings for the ratepayers as the fees lessen each year.

Based on the documentation provided by GPA in this docket, and for the other reasons set forth herein, the ALJ recommended that the PUC approve the contract extension with Tristar, at an annual cost of \$566,350.34 for the Pipeline Agreement; and \$1,933,820.14 for the RFO Storage lease agreement, which will lessen as GPA reduces its storage needs..

The Commission hereby adopts the findings in the September 26, 2022 ALJ Report and therefore issues the following.

¹⁹ Resolution, p. 1.

²⁰ PUC Order, PAG Docket 21-01, p. 7 (Jan. 28, 2021).

²¹ [Amendment] No. 1 to Pipeline Agreement, p. 1.

²² Resolution, pp. 1-2.

ORDERING PROVISIONS

Upon careful consideration of the record herein, and for good cause shown, on motion duly made, seconded and carried by the affirmative vote of the undersigned Commissioners, the Commission hereby ORDERS the following:

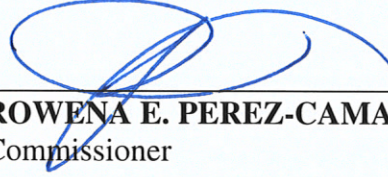
1. That the instant Petition is hereby APPROVED.
2. GPA is authorized to extend its Pipeline Agreement with Tristar Terminals, Inc., for an additional three years, at an annual cost of \$566,350.34.
3. GPA is authorized to extend its RFO Storage Lease Agreement with Tristar Terminals, Inc., for an additional three years, at an annual cost of \$1,933,820.14.
4. GPA is ordered to pay the PUC's regulatory fees and expenses, including and without limitation, consulting and counsel fees, and the fees and expenses associated with this matter. Assessment of the PUC's regulatory fees and expenses is authorized pursuant to 12 G.C.A. §§ 12002(b) and 12024(b), and Rule 40 of the Rules of Practice and Procedure before the PUC.

[SIGNATURES TO FOLLOW ON NEXT PAGE]

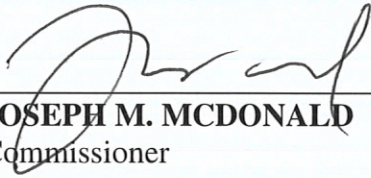
SO ORDERED this 29th day of September, 2022.



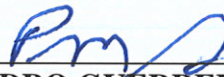
JEFFREY C. JOHNSON
Chairman



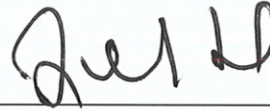
ROWENA E. PEREZ-CAMACHO
Commissioner



JOSEPH M. MCDONALD
Commissioner

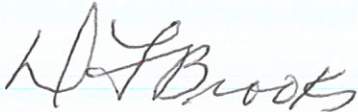


PEDRO GUERRERO
Commissioner



MICHAEL A. PANGELINAN
Commissioner

PETER MONTINOLA
Commissioner



DORIS FLORES BROOKS
Commissioner

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