



BEFORE THE PUBLIC UTILITIES COMMISSION

**PETITION FOR APPROVAL TO)
EXTEND LEASE AGREEMENT)
FOR RFO STORAGE WITH)
TRISTAR TERMINALS GUAM, INC.)
BY THE GUAM POWER AUTHORITY)
_____)**

GPA DOCKET 25-11

ALJ REPORT

INTRODUCTION

This matter comes before the Guam Public Utilities Commission (the “PUC”) pursuant to the May 1, 2025 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 facilities. In particular, GPA seeks PUC approval to extend the Tristar agreement for an additional year.¹

BACKGROUND

At the F-1 Dock of the Port Authority of Guam, petroleum products, like gasoline and oil, and non-petroleum products are offloaded, discharged, and distributed.² Under the 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.³ Additionally, Tristar maintains and operates

¹ Petition, p. 2.

² See PUC Order, PAG Docket 21-01, p. 1 (Jan. 28, 2021).

³ See PUC Order, GPA Docket 13-11, p. 2.

a storage facility known as the “Agat Terminal,” which GPA leases through a certain RFO [Residual Fuel Oil] Storage Agreement.⁴

On September 29, 2022, in GPA Docket 22-16, the PUC approved a three-year extension of both the Pipeline and RFO Storage agreements, to terminate at the end of August 2025. On April 22, 2025, the CCU issued GPA Resolution No. 2025-15 (the “Resolution”), authorizing GPA to extend both the Pipeline Agreement and the RFO Storage Agreement by one year.⁵ The CCU further authorized the costs associated with extending the contracts, and authorized GPA to seek PUC approval for such extensions.⁶

DISCUSSION

1. GPA’s Contract Review Protocol

Pursuant to 12 G.C.A. §12105, GPA may not enter into any contractual agreements or obligations that could increase rates and charges without the PUC’s express approval. Additionally, pursuant to GPA’s 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 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.

⁴ 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).

⁵ Resolution, p. 2.

⁶ Resolution, p. 2.

2. Pipeline and Storage Agreements

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.”⁷ Under the agreement, “[a]ny and all ordinary repairs and maintenance to the portion of the pipeline affected . . . shall be promptly done by Tristar at Tristar’s expense.”⁸ Such repairs and maintenance include inspections, ultrasonic thickness testing, cathodic [or corrosion] protection repair, and painting.

In addition, pursuant to “Amended No. 2 Pipeline Agreement” executed in October 2022, the parties negotiated a \$566,350.34 annual usage fee (or \$47,195.86 monthly) for the period of September 2022 through August 2025.⁹ This fee appears to have carried over from the period of September 2021 through August 2022.¹⁰

B. September 1, 2013 Storage Agreement

Pursuant to the September 1, 2013 RFO Storage Agreement, Tristar has agreed to provide GPA with storage tanks for storing fuel oil.¹¹ GPA currently utilizes these tanks to store fuel oil to resupply its storage facility in Piti.¹² Specifically, Tristar provides GPA

⁷ Pipeline Agreement, p. 2.

⁸ Pipeline Agreement, p. 3.

⁹ Amended No. 2 Pipeline Agreement, p. 1.

¹⁰ Amended No. 1 Pipeline Agreement, p. 1.

¹¹ Storage Agreement, p. 2.

¹² Storage Agreement, p. 1.

with a total of 422,150 barrels of storage for fuel oil at its Agat Terminal, which Tristar maintains and operates.¹³ These tanks are maintained and operated at Tristar's sole cost.¹⁴ Pursuant to "Amended No. 4 Storage Agreement," executed in October 2022, the parties agreed to a \$1,933,820.14 annual storage fee (or \$161,151.68 monthly) for the period of September 2022 through August 2025.¹⁵ This particular fee appears to have carried over from the period of September 2021 through August 2022.¹⁶

3. Extension of Contract Terms and Costs

According to GPA, it has negotiated extensions to both the Pipeline Agreement and RFO Storage Agreement with Tristar for an additional year.¹⁷ The extensions contemplate an increase of five percent (5%) to the fees.¹⁸

Specifically, the fees under the extended Pipeline Agreement will increase to \$49,555.65 per month, and \$594,667.80 annually.¹⁹ In addition, the fees under the extended RFO Storage Agreement will increase to \$169,209.26 per month, and \$2,030,511.17 annually, based on a storage capacity of 422,125 barrels of fuel.²⁰ Moreover, this budget will include a Plant Delivery Fee, which is estimated at \$656,640.00 per year, which increases the total storage cost to \$2,687,151.17.²¹

¹³ Storage Agreement, p. 2.

¹⁴ Storage Agreement, p. 2.

¹⁵ Amended No. 4 Storage Agreement, p. 1.

¹⁶ Amended No. 1 Storage Agreement, p. 1.

¹⁷ Resolution, p. 1.

¹⁸ Petition, p. 2.

¹⁹ Amended No. 3 Pipeline Agreement, p. 1; Petition, p. 2.

²⁰ Amended No. 5 Storage Agreement, p. 1; Petition, p. 2.

²¹ Petition, p. 2.

According to Tristar, the five percent (5%) increase is due to “significant and sustained increases in operational costs, particularly in labor and material expenses.”²² The current rates have been in place since the September 2021 through August 2022 term of the contracts.

GPA submits that while it anticipates that an extension through August 31, 2026 should suffice, it believes that these agreements might terminate earlier due to the scheduled retirement of the Cabras 1 and Cabras 2 units.²³ According to GPA’s Engineering Department, it estimates that the retirement of Cabras 1 and Cabras 2 will be completed by March 31, 2026.²⁴

Further, GPA submits that GPA needs Tristar’s tanks for the RFO storage and Tristar’s pipeline to transport the bulk RFO to the storage tanks to the Cabras 1 and Cabras 2 units.²⁵ GPA has made it abundantly clear that Tristar is the sole service provider for the leasing of the RFO pipeline and storage. Accordingly, there are no other alternatives at GPA’s disposal for these types of agreements.

4. CCU Approval

On April 22, 2025, the Consolidated Commission on Utilities (the “CCU”) issued GPA Resolution No. 2025-15 (the “Resolution”), which approved the contract extensions for both the Pipeline Agreement and the RFO Storage Agreement, along with the corresponding costs for the extensions.²⁶ In the Resolution, the CCU indicated that the

²² GPA’s Response to RFI, p. 1 (May 21, 2025).

²³ GPA’s Response to RFI, p. 1.

²⁴ GPA’s Response to RFI, p. 2.

²⁵ GPA’s Response to RFI, p. 2.

²⁶ Resolution, p. 2.

“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”²⁷ The CCU further indicated that GPA will terminate these contracts after it retires Cabras 1 and Cabras 2 units, which GPA anticipates to occur a few months after the Ukudu Power Plant is fully online.²⁸

RECOMMENDATION AND CONCLUSION

Based on the documentation provided, the ALJ finds that the subject contracts are reasonable, and that the extensions of the contracts referred to herein are prudent and necessary. As indicated by GPA, the contracts referred to in this matter are vital since they ensure the “uninterrupted supply of fuel to GPA.”²⁹ 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.”³⁰

With respect to the fees under the extended Pipeline Agreement and RFO Storage Agreement, the current fee has remained the same since 2021, which are the same fees that were negotiated back in 2018.³¹ There have not been any increases in the rates since that time. As indicated in its responses to the ALJ, GPA plans to retire the Cabras 1 and Cabras 2 units by March 31, 2026. Once these units are retired, GPA will phase out these

²⁷ Resolution, p. 2.

²⁸ Resolution, p. 2.

²⁹ Resolution, p. 1.

³⁰ PUC Order, PAG Docket 21-01, p. 7 (Jan. 28, 2021).

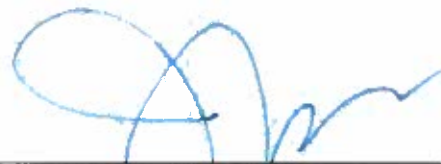
³¹ [Amendment] No. 1 to Pipeline Agreement, p. 1.

agreements. It submits that the termination of these contracts will yield a savings of \$3,281,818.97 per year.³²

Furthermore, GPA needs Tristar's tanks for the RFO storage and Tristar's pipeline to transport the bulk RFO to the storage tanks to the Cabras 1 and Cabras 2 units.³³ Tristar is the sole service provider for RFO pipeline and storage leases. There simply are no other alternatives at GPA's disposal for these agreements.

Based on the documentation provided by GPA in this docket, and for the other reasons set forth herein, the ALJ recommends that the PUC approve the contract extension with Tristar, at an annual cost of \$594,667.80 for the Pipeline Agreement; and \$2,687,151.17 for the RFO Storage Agreement. A proposed Order for the PUC is attached hereto for the PUC's consideration.

Respectfully submitted this 27th day of May, 2025.



JOEPHET R. ALCANTARA
Administrative Law Judge

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³² Petition, p. 3.

³³ GPA's Response to RFI, p. 2.