

APPENDIX F

PERFORMANCE COMPENSATION AND GUARANTEES

1. Performance Compensation Specifications

1.1. Overview

The PMC Compensation shall consist of annual fixed management fees and reimbursable O&M Spending not to exceed the annual O&M Spending Budget. The BIDDER may specify the Fixed Management Fee as either constant or escalated. The BIDDER must also propose the Annual O&M Spending Budget for each contract year.

The BIDDER must agree to work with GPA in meeting the Fuel Loss Percentage Guarantees. Any fuel loss percentage above this value will be subject to penalties, after the corresponding CIPs and evaluations have been completed. Volume II and Appendix G discuss this process in detail.

1.2. Fixed Compensation

Proposed fixed management fees shall be specified for each contract year for the standard “five-year” contract period. “Front-end loaded”, declining fees are expressly prohibited.

The official proposed annual management fees for each contract year shall equal the calculated annual management fee rounded off to the nearest thousand dollars per year.

1.3. Reimbursable Compensation

Proposed O&M Spending Budget shall be specified for each contract year. GPA will pay the PMC for actual O&M expenses on a reimbursable basis not to exceed the annual O&M Spending Budget. Request for payments must be accompanied with certification and receipts indicating the cost of goods and services. Certification may require statements regarding status or completion of services.

The PMC shall also furnish satisfactory evidence that all O&M expenses have been paid and delivered on site, or that all services related to O&M expenses have been completed to be qualified for compensation.

2. Performance Measures & Guarantees

2.1. Fuel Issuance and Receipts

The BIDDER must guarantee complete, accurate and timely fuel receipts and issuance. At no time shall there be interruptions, delays or cancellation in the receipts of fuel deliveries and in the transfer of fuel from the Storage Facility to the plants, except for cases mentioned in Volume 1, such as Force Majeure. The PMC shall be responsible for the consequential damages of the interruption, delay or cancellation of fuel transfer.

2.2. Fuel Measurement Variance Percentage Target

GPA set its Fuel Loss Percentage Target at 0.25% annual average, and the BIDDERS are required to meet this target. BIDDERS who do not agree to work with GPA in meeting this target shall be disqualified.

Complete information on the evaluation of Fuel Measurement Variance Percentage Target can be found in Appendix G, Fuel Loss Evaluation.

2.3. Oil Spill and Emergency Response

The BIDDER must guarantee complete, accurate and timely Oil Spill and Emergency Response. The BIDDER shall be responsible for the consequential damages of interruption, delays or failures in responding to Oil Spills and Emergency Situations.

3. Externalities

3.1. Average Fuel Prices

GPA shall determine actual monthly average fuel prices in \$/Mbtu for #6 high sulfur oil, #6 low sulfur oil and diesel (#2) oil based on documented purchase costs and sample heat content measurements.

Such determinations shall exclude the effects of financial hedges unless such hedges directly impact the incremental cost of fuel, i.e. the cost of the last Mbtu of fuel burned.

Average fuel prices for each contract year shall equal the weighted average of the monthly prices, where the weighting factors are the actual monthly system-wide fuel consumption in Mbtu. The average fuel price for #6 oil for the contract year shall be the weighted average of the contract year average fuel prices of #6 high sulfur and #5 low sulfur fuels, where the weighting factor is the fiscal year sytem-wide MBTU consumption of each of the fuel types.

3.2. Fuel Issuance/Receipts Measurements

GPA shall document Fuel Issuance reports by Shell and Fuel Receipt reports by the various GPA-owned and contracted plants. These values shall be compared with the PMC's Fuel Receipts (from Shell) and Fuel Issuance (to the plants) reports for accuracy and variance evaluation.