

APPENDIX G

Fuel Measurement Variance Evaluation

1. Introduction

GPA is contracting a PMC to minimize Fuel Measurement Variances in the following:

- Fuel Delivery reported by supplier vs. Fuel Receipts recorded by PMC
- Fuel Delivery to Plants by PMC vs. Fuel Receipts by Plants

GPA sets its Fuel Measurement Variance Percentage Target at 0.25%. The PMC is required to meet this goal. Efforts to meet this target shall be completed by GPA and the PMC through the following:

- (1) Installation and Calibration of Meters (to be completed as a CIP)
- (2) Monitoring and Recording of Fuel Measurements
- (3) Evaluation of Fuel Measurements after step (1) by GPA and the PMC
- (4) Implementation of Corrective Measures
- (5) Fuel Measurement Variance Evaluation and Penalties

Fuel Measurement Variance Evaluation and the implementation of penalties shall commence after the completion of steps (1) through (4). However, fuel inventory monitoring shall be done upon commencement of the contract.

Fuel Measurement Variance Evaluation shall be done according to the procedure outlined in this section. GPA and the PMC may evaluate this procedure for improvements or changes after completion of steps (3) and (4). The final procedure for Fuel Loss Evaluation shall be implemented after approval by GPA.

2. Fuel Delivery (Suppliers) vs. Fuel Receipts (by PMC)

To ensure the accuracy of Fuel Receipt measurements, the amount of fuel delivered as reported by the Supplier shall be compared with the PMC's recorded amount of fuel received.

The difference between the two values should not exceed the PMC's Fuel Measurement Variance Percentage Target. Any variance greater than the target shall be subject to penalties.

3. Fuel Delivery to Plants (PMC) vs. Fuel Receipts (Plants)

To ensure the accuracy of Fuel Receipt measurements, the amount of fuel delivered as reported by the PMC shall be compared with the recorded amount of fuel received by each plant.

The difference between the two values should not exceed the PMC's Fuel Measurement Variance Percentage Target. Any variance greater than the guarantee shall be subject to penalties.

4. Evaluation Process

4.1. Installation and Calibration of Fuel Meters

The PMC is required to complete the Installation and Calibration of Fuel Meters as a Capital Improvement Project. Details of the project will be discussed by GPA upon contract commencement. Information is given in Volume II Technical and Functional Requirements.

4.2. Monitoring and Recording of Fuel Measurements

Within one month after contract commencement, GPA and the PMC shall meet to establish the process for monitoring and recording of fuel measurements. Current procedures may be used.

Coordination with the different GPA-owned and contracted plants may be scheduled to ensure that proper procedures for measurements and calculations are in place and communicated within the different plants and the PMC.

4.3. Evaluation of Fuel Measurements

Upon completion of the installation and calibration of fuel meters, the PMC and GPA shall gather sufficient data to determine the improvements in fuel measurement accuracy.

The PMC will determine corrective measures which, upon implementation, will improve the accuracy of the measurements or improve the evaluation process. These corrective measures shall be proposed to GPA for approval.

4.4. Implementation of Corrective Measures

Corrective measures determined from the previous step shall be implemented. After completion of the corrective measures, sufficient data shall be gathered to determine the effectiveness of these measures, and if the targets have been met.

The GPA Fuel Measurement Variance Target may be re-examined at this time.

GPA and the PMC will then proceed to Fuel Measurement Variance Evaluation and the implementation of penalties.

4.5. Fuel Measurement Variance Evaluation and Penalties

Evaluation Period shall be complete twice annually, to commence once GPA and PMC completes the previous steps. The PMC shall submit its Fuel Issuance, Receipts and Inventory Measurements to GPA.

Fuel Loss Measurement Variances will be evaluated by a committee to be formed by representatives of GPA and the PMC. Any Variance above target shall be verified and analyzed.

5. Fuel Loss Percentage Evaluation

After verification and analysis, the committee shall report if target was met or exceeded. The root cause(s) of variance exceeding target shall be determined and corrective measures may be applied.

Appropriate penalty payments shall be required for applicable cases. Calculation of the penalty fees shall be based on the root cause of the variance exceeding the target, such as: amount of fuel lost due to leakage; amount of repair or replacement due to fuel measurement variances brought about by defective equipment, etc.

6. Maximum Penalty Payment

The Maximum Penalty shall be capped at the Annual Fixed Management Fee.