

PILOTAGE FEE COMMISSION

STATE OF LOUISIANA

IN THE MATTER OF THE ASSOCIATED  
BRANCH PILOTS FOR THE PORT OF LAKE  
CHARLES, DULY INCORPORATED AS  
LAKE CHARLES PILOTS, INC., REQUEST FOR  
INCREASE IN PILOTAGE FEES  
(ON REMAND TO PILOTAGE FEE COMMISSION)

DOCKET NO. P06-004

RECEIVED  
MAY 15 2008  
LA Pilotage Fee Commission

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*Re: ConocoPhillips Company, Citgo Petroleum Corporation, and Port Aggregates, Inc., ex parte. In re: Request for action on behalf of ConocoPhillips Company, Citgo Petroleum Corporation, and Port Aggregates, Inc. for consideration and implementation of fee recommendations made by Administrative Law Judge in Louisiana Public Service Commission Docket No. T-23792.*

*Re: Lake Charles Pilots request for increase in fees pursuant to La. Revised Statutes 34:1122 (LPSC Docket No. T-23792)*

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**PROPOSED SETTLEMENT STIPULATION**

This settlement stipulation is agreed to and accepted by The Associated Branch Pilots for the Port of Lake Charles, duly incorporated as Lake Charles Pilots, Inc. ("Lake Charles Pilots" or "LC Pilots"), CITGO Petroleum Corporation ("CITGO"), ConocoPhillips Company ("Conoco"), and Port Aggregates, Inc. ("PA") represented herein by undersigned counsel, pursuant to a settlement conference held on May 9, 2008. Cameron LNG, LLC and BG LNG Services, LLC, also appear herein and agree to accept this settlement stipulation. Settlement approval proceedings shall be held pursuant to the rules of the Louisiana Pilotage Fee Commission ("PFC"), with the settlement hearing scheduled for May 15, 2008, at 10:30 a.m., or as may otherwise be agreed, at the offices of the PFC, before the duly appointed Hearing Master, the Honorable Brady M. Fitzsimmons.

The settlement agreed to in this stipulation addresses and resolves the claims of the LC Pilots, Conoco, CITGO, and PA as provided in the settlement terms below.

## **Settlement Terms**

### **1. Ordinary and Necessary Operating and Administrative Fees and Expenses**

The provisions of the new tariff are intended to provide total annual revenue to the Lake Charles Pilots in the amount of \$10,600,456 to fund all ordinary and necessary operating and administrative costs and expenses of pilotage, including fair average annual compensation for sixteen (16) pilots, as more fully set forth in Exhibit A and Exhibit B, which are attached hereto.

Beginning April 1, 2009, (and every April 1 thereafter), the tariff and fees shall be adjusted annually to provide for the ordinary and necessary operating and administrative costs and expenses of pilotage by applying a cost-of-living adjustment, based upon 73% of the Consumer Price Index – All Urban Consumers – South Urban Area, as published for the last month of the preceding calendar year. It is intended that the tariff and subsequent cost of living adjustments are sufficient to provide all reasonable and foreseeable future expenses of pilotage, including equipment repairs, upgrades and capital expenditures incurred in the normal course of business.

### **2. Capital Improvement Expenditures**

The current capital improvement surcharge shall continue indefinitely, but shall be adjusted to provide the Lake Charles Pilots with funding for capital expenditures in the total amount of \$5,200,000, less net proceeds derived from the dissolution of the escrow account and the sale of a specific capital asset as herein provided, for the purchase of a special purpose-built pilot boat with an approximate cost of \$3,200,000, construction of a new pilot station with an approximate cost of \$1,600,000, and construction of a new dock with an approximate cost of \$400,000. The Capital Improvement Surcharge will be funded by a per unit surcharge of \$.1479 applied to each inbound and outbound transit, until April 1, 2009, at which time the surcharge will be adjusted downward by the amount of the net proceeds, after tax, resulting from the sale of the MV Calcasieu Pilot. It is the intent of the parties that the Capital Improvement Surcharge will not be increased for a period of fifteen (15) years, absent unforeseen, extraordinary circumstances.

### **3. Escrow Account**

The Escrow Account implemented by the Louisiana Public Service Commission in Docket No. T-23792 will be dissolved on May 31, 2008 with an estimated balance of \$4,240,778. This amount, net of taxes, shall be applied to the capital expenditures made a part of this settlement. The Lake Charles Pilots will incur any tax effect resulting from the distribution of funds from the escrow account, and the estimated net amount of \$2,662,954 will then be applied to the acquisition of capital assets by the Lake Charles Pilots.

#### **Settlement:**

This settlement shall compromise and resolve in full all past, present, direct and indirect claims of any kind and nature between Conoco, CITGO, PA, and the LC Pilots. In addition, any other related civil proceedings between the parties are hereby resolved and the parties will execute a joint motion to dismiss, with prejudice, in the court(s) in which any such proceeding is pending.

#### **Transparency Requirements:**

The LC Pilots shall publicly file with the PFC complete and unaudited financial statements on an annual basis in the same form as the 2007 financial statements submitted in this proceeding, with the filings to be completed by the LC Pilots on or before June 30 of each year.

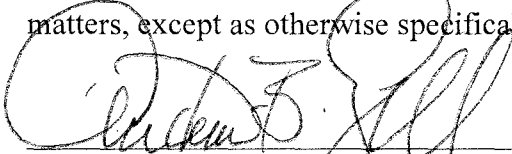
Conoco further requests that the duly appointed Hearing Master recommend to the PFC that it conduct an independent audit of the financial statements filed by the Lake Charles Pilots with the Commission.

#### **Additional Terms:**

This settlement represents a compromise of highly disputed issues and is entered into in recognition of the costs and risks of protracted litigation with no party waiving or conceding positions or admitting the positions of others in the settlement.

This settlement is not intended to be, and shall not be, used as evidence in any subsequent proceedings other than to enforce this settlement.

This settlement shall have no precedential effect as to any other proceedings or matters, except as otherwise specifically provided for by agreement herein.



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