

AOP RATE METHODOLOGY

Presented to
IOGA WV
COMMERCE COMMITTEE
June 12, 2008



June 1, 2008

- Our service price adjustment on December 1, 2007 was based on a variety of elements
- The forecast of operating costs made to determine the December 2007 rate is obsolete at this time
- With input from IOGA WV we are initiating an “index” price mechanism on an interim basis
- We will review this program at year end and determine how we will proceed



December 1, 2007

These prices were put in place in December and are in effect today

ZONE 1	\$	3.10	\$	1.60
ZONE 2	\$	4.00	\$	2.50
ZONE 3	\$	4.50	\$	3.00
ZONE 4	\$	5.00	\$	3.50
Avg**	\$	4.15	\$	2.65
**This is a simple average				



July 1, 2008

- We are establishing two baseline prices for the month of July
 - WTI price \$120/Bbl
 - July Zone Rates (see rate table slide)
- Subsequent monthly zone rates will be based on a percentage of the change in the WTI monthly average (Plains Marketing – All other areas) from the established baseline
- The adjustment factors will be
 - Loads <150 Bbl 5%
 - Loads >150 Bbl 2.5%
- A floor price will be established for service
 - \$4.25 for <150 Bbl - see rate table slide
 - \$3.25 for >150 Bbl - see rate table slide



The Methodology

$$((\text{WTIMA} - \$120) * \text{L I/D}) + \text{Zone BP}$$

- **WTIMA** = WTI monthly average Plains Marketing – All other areas
- **\$120** = Baseline WTI Price established July 1, 2008
- **L I/D** = Load inflator/deflator zone price
 - .05 = Load inflator/deflator zone price < 150/Bbl
 - .025 = Load inflator/deflator zone price > 150/Bbl
- **Zone BP** = Zone Base Price established July 1, 2008
 - \$6.25 = Load < 150/Bbl - see rate table on next slide
 - \$4.25 = Load > 150/Bbl - see rate table on next slide



July 2008 Rates Table

	July 1, 2008 Baseline				Floor Rates		
	Loads <150 Bbl	Loads >150 Bbl			Loads <150 Bbl	Loads >150 Bbl	
ZONE 1	\$ 4.65	\$ 2.60		ZONE 1	\$ 3.16	\$ 1.99	
ZONE 2	\$ 6.00	\$ 4.00		ZONE 2	\$ 4.08	\$ 3.06	
ZONE 3	\$ 6.80	\$ 4.80		ZONE 3	\$ 4.62	\$ 3.67	
ZONE 4	\$ 7.55	\$ 5.60		ZONE 4	\$ 5.13	\$ 4.28	
AVG**	\$ 6.25	\$ 4.25		AVG	\$ 4.25	\$ 3.25	
**This is a simple average							



How This Methodology Plays Out

WTI	WTI Base	Loads <150 Bbl Avg Zone \$	AOP AS % OF WTI	Loads >150 Bbl Avg Zone \$	AOP AS % OF WTI
140	120	\$ 7.25	0.0518	\$ 4.75	0.0339
130	120	\$ 6.75	0.0519	\$ 4.50	0.0346
120	120	\$ 6.25	0.0521	\$ 4.25	0.0354
110	120	\$ 5.75	0.0523	\$ 4.00	0.0364
100	120	\$ 5.25	0.0525	\$ 3.75	0.0375
90	120	\$ 4.75	0.0528	\$ 3.50	0.0389
80	120	\$ 4.25	0.0531	\$ 3.25	0.0406
	July 1, 2008 Rates				
	Floor prices are in place				



Potential Rates

\$90 WTI Scenario			\$100 WTI Scenario			\$130 WTI Scenario		
	Loads <150 Bbl	Loads >150 Bbl		Loads <150 Bbl	Loads >150 Bbl		Loads <150 Bbl	Loads >150 Bbl
ZONE 1	\$ 3.53	\$ 2.14	ZONE 1	\$ 3.91	\$ 2.29	ZONE 1	\$ 5.02	\$ 2.75
ZONE 2	\$ 4.56	\$ 3.29	ZONE 2	\$ 5.04	\$ 3.53	ZONE 2	\$ 6.48	\$ 4.24
ZONE 3	\$ 5.17	\$ 3.95	ZONE 3	\$ 5.71	\$ 4.24	ZONE 3	\$ 7.34	\$ 5.08
ZONE 4	\$ 5.74	\$ 4.61	ZONE 4	\$ 6.34	\$ 4.94	ZONE 4	\$ 8.15	\$ 5.93
AVG	\$ 4.75	\$ 3.50	AVG	\$ 5.25	\$ 3.75	AVG	\$ 6.75	\$ 4.50



First Adjustment in August

- The rates for July are set
- We will adjust them for August service based on the July 2008 WTI Average
- Price notices will be available on our website
 - www.aopoil.com
- Brine hauling/disposal rates will increase \$1 per zone effective July 1, 2008



Q&A

