HOVENSA

TO: Commissioner Wayne Biggs, Jr
Department of Licensing and Consumer Affairs
Government of the U.S. Virgin Islands
Golden Rock Shopping Center
3000 Estate Golden Rock, Suite 9
St. Croix, VI 00820-4311

FROM: Richard Layton
HOVENSA, LLC
1 Estate Hope
Christiansted, St. Croix VI 00820

DATE: October 31, 2014

SUBJECT: Your Letter Dated October 22, 2014

Dear Commissioner Biggs,

I acknowledge receipt of your letter dated October 22, 2014. In that letter, you stated in part, "All the reports indicate that the decrease in fuel prices world-wide have been occurring for the last seven to ten weeks while HOVENSA's prices have remained constant." You requested that HOVENSA L.L.C. ("HOVENSA") provide the Department of Licensing and Consumer Affairs "with any and all information concerning [HOVENSA's] pricing mechanism for fuel sold in the Virgin Islands," presumably to explain this divergence.

HOVENSA suspended the refining of crude oil at the Facilities in 2012. Since depleting its inventory of fuels that were produced prior to the suspension of refining of crude oil, HOVENSA has been supplying fuel to customers at its truck loading rack by re-selling fuels purchased from independent entities. While HOVENSA's pricing formulas remain proprietary information, fuels are purchased in large quantities in order to take advantage of economies of scale relative to price and ocean freight delivery to St. Croix and it then takes a couple of months for HOVENSA to sell the acquired cargo of fuel. In addition, during hurricane season, our fuel inventory is set at a higher level than at other times of the year in order to ensure the Territory will not experience any fuel supply disruption in the event of a storm.

In light of the change in which HOVENSA obtains the fuels sold on island, HOVENSA is no longer able to adjust prices at the truck loading rack weekly based on changes in the prices of refiners of comparable fuels located in the Gulf Coast of the United States. As an illustration relative to gasoline, until this current week, HOVENSA has been filling sales orders for fuel at the truck loading rack using fuel that was purchased in June when the cost of this fuel was higher than it has been recently.

Relative to a reduction in the price of fuels at our truck loading rack, on Friday October 24th, HOVENSA posted a reduction in the price of regular gasoline and propane effective October 27th. Today, October 31st, HOVENSA posted a price reduction in the price of regular gasoline and jet fuel effective November 3rd. HOVENSA will post further changes in the price of fuels at the truck loading rack as changes in the purchased cost of our fuels are realized.

In the event that you have further questions, please feel free to reach out to me directly.

Regards,

RLayton

Richard Layton
Manager, Accounting and Warehouse
HOVENSA L.L.C.