Rl 7/8

Re #71

March 8, 1963

Mr. J. Andreae
(via E. A. Flotten)
W. F Robinson

TI 3205-1 P
416-10 P
Alcohol Installations - ESSO GETTYSBURG

Enjay has entered into a contract with Publicker, Philadelphia, to supply Ethanol B from Baton Rouge. This contract is of 6-year duration and is subject to the Marine Division supplying the transportation. The requirement is 7 million gallons for the first 14 months from February 1, 1963, with a minimum of 11 million gallons and a maximum of 14 million gallons for each 12 months thereafter until termination of the agreement.

To supply the above requirement we have analyzed the various possibilities presently available in our fleet and have reached the conclusion that a 37,000 DWT vessel should be equipped for this service. We have chosen the ESSO GETTYSBURG to receive this installation, and in order to obtain maximum benefit, we propose to carry the alcohol in tanks No. 1 and 2 port and starboard which will be connected to two 2,000-barrels-per-hour pumps located in the forward pumproom. Each pump will be provided with an 8-inch discharge line with separate loading drops to each compartment.

Although the above arrangement is somewhat more elaborate than the minimum required for the Publicker business, Enjay strongly urges that we proceed with this modification since this will make additional alcohol capacity available, which will be required for peak demand and furthermore be useful when the ESSO HUNTINGTON is in the shipyard.

In addition, the arrangement will make this vessel suitable for a solvent carrier on voyages where no alcohol is moved and will immediately provide relief for the ESSO WASHINGTON, which has a solvent capacity of only 12,000 barrels.

It is estimated that the total investment for the above installation will amount to $75,000. We have estimated for Enjay a freight rate of 1.95 cents per gallon, subject to review based on actual experience at six-month intervals. This freight rate is based on an ATRS plus 5% level and includes a 5% return on our investment, after taxes.

Since it is realized that Publicker may cancel the contract before the end of the 6-year period, Enjay has agreed to reimburse the Marine Division for the unrecovered investment at the time of termination on a fair basis satisfactory to both parties.

The ESSO GETTYSBURG is scheduled to enter the shipyard for mid-period inspection and coating, and it is suggested that the above installation be carried out at that time. The total time required for this project is not expected to exceed the scheduled shipyard time. Inasmuch as this modification is of a capital investment nature, it is suggested that it be considered an <u>addition</u> to the 1963 Budget.

May we have your approval?

ADM:jf
cc: O1, F1, R1

W. F. Robinson