Par Pacific Holdings' (PARR) CEO Bill Pate on Q3 2016 Results - Earnings Call Transcript

Par Pacific Holdings, Inc. (NYSEMKT:PARR)
Q3 2016 Earnings Conference Call
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Executives
Christine Laborde - Director of IR
Bill Pate - President and CEO
Chris Micklas - CFO
Joseph Israel - President and CEO of Par Petroleum
Will Monteleone - SVP of Mergers and Acquisitions

Analysts
Chi Chow - Tudor, Pickering, Holt
Jeff Dietert - Simmons
Tim Rezvan - Mizuho Securities
Bo McKenzie - Seaport Global
David Neuhauser - Livermore Partners
Leon Cooperman - Omega Advisors
Howard Berkowitz - HPB Associates

Operator

Greetings, and welcome to the Par Pacific Holdings Third Quarter Earnings Conference Call. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Christine Laborde, Director of Investor Relations. You may begin.

Christine Laborde

Good morning, and welcome to Par Pacific Holdings third quarter 2016 earnings conference call. With me today is William Pate, President and Chief Executive Officer; Chris Micklas, Chief Financial Officer; Joseph Israel, President and Chief Executive Officer of Par Petroleum; and Will Monteleone, Senior Vice President of Mergers and Acquisitions.

Before we begin this discussion, please note that some of the statements we make during this call may discuss plans, expectations and estimates that involve significant risks and uncertainties, which could cause actual results to differ materially. These are forward-looking statements which are subject to change. Because of this, investors should not place undue reliance on forward-looking statements. We disclaim any intention or obligation to update or revise any forward-looking statements.

I refer you to the latest Forms 10-K and 10-Q Par Pacific Holdings filed with the SEC for a more detailed discussion of the major risk factors affecting our business. A copy of our earnings release was filed with the SEC yesterday, our investor presentation was filed and posted on our website this morning and we plan to file our third quarter Form 10-Q in the next few days.

Now let me turn the call to Bill Pate.

Bill Pate

Thank you, Christine, and good morning everyone. The third quarter was highlighted by another significant step in the growth of our company.

We are pleased with progress made on our third-quarter acquisition of Wyoming Refining Corporation. We closed that transaction on July 14, so our results reflect a partial quarter of contribution. Adjusting for the mid-quarter purchase, WRC would have reported about $10.5mm in adjusted EBITDA for the quarter. These results reflect a quarterly crack that was more than $7.50/bbl below the average third-quarter crack of the past five years. With a return to better market conditions, we remain confident that the WRC refining and logistics assets can generate in excess of $50mm per year in adjusted EBITDA.

We anticipate completing the WRC integration and realizing the full value of the synergies before the end of 2016. Generally, the integration is proceeding as planned, and we anticipate that these synergies, which are largely redundant general and administrative expenses, will exceed $5mm per year.

WRC reflects our second major investment in 2016 as we closed a significant additional investment in Laramie in March, increasing our ownership to more than 40%. Laramie's team continues to make progress in growing their business, and made a reasonable contribution to our Net Income this quarter. With recent completions and a new drilling program about to be started, we look forward to accelerated growth in production and cash flow from Laramie in 2017.

As you are aware we had a challenging third quarter in Hawaii due to several planned maintenance projects, including a major turnaround at our refinery. We also scheduled significant pipeline maintenance to coincide with the turnaround and began a major initiative to convert 38 of our retail locations to a new brand. I'm pleased that we have the maintenance work behind us, and we entered the fourth quarter with an improved Pacific refining crack environment.

Our distillate-oriented refinery continues to benefit from strong jet fuel and other distillate demand in Hawaii. Furthermore, the recent IMO announcement that marine fuel must comply with a much lower sulfur requirement beginning in 2020, will increase marine distillate demand as an alternative to fuel oil. Given our refinery configuration, this is overall good news, but it raises the challenge for us in moving the residual part of our barrel.

Our Hawaii retail operations had an excellent quarter with Adjusted EBITDA of $8.8 million up nearly 80% over last quarter when rising crude oil prices crimped our retail gasoline margins.

In summary, we are very pleased with our acquisition activity and also happy to put a quarter with significant maintenance activity behind us. We look forward to coming quarters with a couple of fresh refineries,improved refining cracks and strong retail franchise

And now Joseph will provide more operating details on our downstream businesses.

Joseph Israel

Thank you Bill, and good morning everyone. Our Refining segment adjusted EBITDA in the third quarter was a loss of $3.7 million.

In Hawaii, the 4-1-2-1 Mid Pacific index has given us $4.45/Bbl on Brent basis, to work with, compared to $7.93/Bbl in the third quarter of 2015, and $6.70/Bbl for three year's average. On the feedstock side, the oversupplied crude oil market has given us $2.42/Bbl crude differential or discount to Brent, compared to $56 per Bbl discount in the third quarter of 2015, and $1.55 /Bbl for three year's average.

Overall, combined index in the third quarter of 2016 was $6.87/Bbl, $1.62/Bbl under the third quarter of 2015 and $1.38/Bbl under three year's average.

On August 16, we completed our planned major turnaround of the Hawaii refinery safely, with no recordable injuries, and on budget. The crude unit and most downstream units came up online 4 to 6 days from targeted start-up, but the hydrocracker was 12 days from targeted start-up.

Turnaround cost was $40 million, including $6 million for catalyst and $4 million for pipeline planned maintenance. We capitalized $35 million and expensed $5 million. In addition, the turnaround included the installation of certain equipment pursuant to our consent decree with the EPA. The work was managed and executed by us and fully funded by Tesoro.

The turnaround has negatively impacted our adjusted EBITDA result for the third quarter by approximately $20-$25 million comprised of the $4 million for pipeline maintenance, $1 million of turnaround related production cost, and between $15-20 million of missed opportunities and sub optimization.

The latter is driven by running the refinery at lower throughput, lower yield profile and elevated feedstock cost, mostly associated with purchasing finished products. Approximately $1 million of the missed opportunities are in the logistics segment due to the lower utilization of our tanks and pipelines.

By comparison, if we were to operate our Hawaii system in the third quarter with no turnaround and a typical 77 MBD throughput, we would expect to generate additional $20 to $25 millions of refining and logistics adjusted EBITDA under the same market conditions.

In the third quarter, our refinery throughput was 54 MBD, direct production costs were $5.42/Bbl, driven by lower throughput and the turnaround related cost. Adjusted gross margin was $3.32 per barrel, driven by turnaround activities and market environment.

In the third quarter we sold 71 MBD, including 62 MBD of on-island sales. To keep our customers supplied during the turnaround we imported over 9MBD of finished products, which significantly contributed to our low margin realization in the third quarter.

Post start-up, we are very happy with the refinery's condition, including the hydrocracker catalyst performance, positioning us for a strong cycle until the next major turnaround, currently planned late in 2019 or early 2020.

Following a weak summer for Singapore gasoline spreads, we have seen improved supply demand dynamics in September and October, resulting in lower gasoline inventory in the Pacific market and improved gasoline crack. Combined with stronger margin environment for distillate and fuel oil, we have been basically operating at mid-cycle environment through September and October.

Our combined Mid Pacific index has averaged $8.50 per barrel in October, and our fourth quarter planned throughput in Hawaii is 75,000 to 77,000 barrels per day.

In Wyoming, the third quarter 3-2-1 index was $19.12 per barrel, compared to $32.51 per barrel in the third quarter of 2015. Our refinery throughput, following July 14 closing, averaged 16 MBD. Direct production costs were

$5.52 per barrel and adjusted gross margin was $12.20 per barrel. We continue to focus on integration and synergies, adapting operations best practice and optimizing commercial position on both ends -- crude oil purchasing and marketing.

Our Wyoming 3-2-1 index has averaged $17.10 per barrel in October, and our fourth quarter planned throughput in Wyoming is approximately 15,000 barrels per day.

On the RINs front, we continue to closely monitor the market and accumulate RINs per our compliance need. Our RINs exposure is lower than most refiners with a combined Hawaii-Wyoming $0.06 per barrel of gross margin sensitivity for every $0.10 per gallon change in RINs price. Our relatively low sensitivity to RINs price is mainly driven by our Hawaii yields profile, especially the high jet fuel production.

In summary, we are pleased to be over the major turnaround in Hawaii with improved catalyst and more favorable market conditions. Also, we now have our first quarter of operations in Wyoming under our belt with minimum surprises and solid opportunities.

At this point, I'll turn the call over to Will to review Laramie's activities.

Will Monteleone

Thank you, Joseph. Laramie's successful integration and operational efficiencies continue to positively impact both financial results and growth prospects as we look to pull forward Laramie's large, undeveloped reserve base. During the quarter LOE's averaged $0.48/Mcfe and continue to demonstrate the new steady state of operations. We believe these unit costs will decline as Laramie resumes production growth.

During the third quarter Laramie renegotiated one of its gathering and processing contracts allowing for ethane rejection and resulting in improved netbacks on Natural Gas liquids production across approximately 24% of existing production. These improved netbacks also positively impact the economics of the 58 DUC wells.

Quarterly Production averaged 128.4 MMCFED and September exit production was 130.3 MMCFED. Production was lower primarily as a result of increased ethane rejection in certain processing contracts which reduced natural gas liquids production but improved overall netbacks on both natural gas and NGLs. Laramie's realized NGL prices increased approximately $3/bbl in a relatively flat NGL market compared to the second quarter of 2016. Laramie brought online 17 wells during the quarter, 13 of which were 50% Working Interest pursuant to the Wexpro JDA.

The improving commodity price environment continues to drive improvement in price realizations compared to prior quarters. During the quarter realized gas prices were $2.61/Mcf, Natural Gas Liquids were $0.32/gallon and condensate totaled $39/bbl. NGL price realizations continue to improve and Laramie is looking to take additional steps to further improve these netbacks.

Laramie generated approximately $10.3 MM in Adjusted EBITDA, spent approximately $7.1 MM in CapEx and paid down debt by more than $8 MM leaving a balance of $113.5 MM at September 30. Since March 31, Laramie has paid down its first lien bank debt by more than $17 MM.

Regarding future plans, Laramie is continuing completion activity on its DUC backlog and anticipates adding 1 rig during December. Laramie expects to bring online the majority of the remaining DUC inventory before year-end and is evaluating adding a second and third rig during Q2 of next year. Given this completion schedule, Laramie anticipates December exit production will increase approximately 10 MMCFED from prior estimates to 140 - 150 MMCFED.

At this point I will turn the call over to Chris to review our financial results.

Chris Micklas

Thank you, Will. For the third quarter 2016, Par Pacific reported a Net Loss of $28 million or a loss of $0.67 per share and an Adjusted Net Loss of $19 million or a loss of $0.46 per share. Our Adjusted EBITDA for the quarter was a loss of $2 million. Our earnings release details our non-GAAP adjustments for arriving at Adjusted Net Loss and Adjusted EBITDA. These adjustments were primarily driven by the impact of the FIFO method of inventory valuation and acquisition and integration costs.

Now, some segment information; adjusted EBITDA in our Refining segment was a loss of $4 million compared to a profit of $29 million in the same period last year. We reported an $8 million profit from our Wyoming refinery and a $12 million loss from our Hawaii refinery. As Joseph has mentioned, the third quarter Hawaii refinery results were impacted by an almost $2 per barrel decline in our index crack spreads from the same period last year and approximately $20 million for several turnaround related items.

Our Retail segment generated Adjusted EBITDA of $9 million, a $4 million increase over the second quarter 2016, and a $2 million decrease, when compared to the third quarter of 2015. This decrease was primarily due to retail fuel margins in 2015 which benefited from an approximately $12 per barrel decrease in crude prices. As a reminder, we typically experience lower retail margins in periods when the cost of crude increases and higher margins when the cost of crude decreases.

During the third quarter, our Logistics segment posted Adjusted EBITDA of $4 million, a $3 million decrease from the same period last year. We reported a $1 million profit from our Wyoming logistics operations and $3 million in our Hawaii logistics operations which was lower than third quarter 2015 primarily due to $4 million in maintenance expense on our pipeline and reduced throughput due to the refinery turnaround.

Moving to expenses; in the third quarter 2016, G&A expense, which includes Wyoming's expenses, was $10 million. This was flat with the same period last year and down $1 million from the second quarter this year. Our Wyoming acquisition's integration is progressing as planned, including an ERP conversion completing this quarter and, in fact, we are on track to exceed our projected $5 million in annual synergies.

Turning to liquidity; at the end of the third quarter, our cash balance totaled $56 million and our total liquidity was $76 million. As of October 28th, our cash balance was $51 million and total liquidity was $79 million.

In closing, we have begun to see an improvement in the crack environment in Hawaii and both our refineries have completed their scheduled maintenance turnarounds. In fact, we do not have any significant planned downtime for either facility for more than 2 years. As Bill mentioned earlier, we have completed the rebranding of 30 of our retail operations and will complete 8 more during the fourth quarter. Therefore, without any other major capital projects scheduled, our fourth quarter CapEx spend will be approximately $2 million and between $10 million to $15 million in 2017. We believe we are now positioned to further improve our liquidity through the remainder of 2016, while meeting all financing obligations.

Now, I will turn the call back to Bill.

Bill Pate

Thanks, Chris. Operator, we are prepared to take questions from the audience. Thank you.

Operator

Thank you. [Operator Instructions] The first question comes from the line of Mr. Chi Chow from Tudor, Pickering, Holt.

Chi Chow

All right. Thank you, and good morning. I guess Wyoming has pretty solid result out of the gate. You’ve had the plant now for going on four months. What have you seen so far that’s encouraged you? Conversely, have you dug up any skeletons since you’ve been in there? Any sort of comment on what you’ve seen so far?

Joseph Israel

Good morning, Chi, Joseph. So minimum surprise to start with, the good thing, and the solid opportunity that I mentioned in my script will impact our strategy and the way we allocate capital here in the next year. Now, mostly marketing and commercial-related basically, help the smoothing out the seasonality in the future is the main opportunity out.

Chi Chow

Are you making any changes, I guess, on the commercial side or anything else in operations from the previous owner of the plant? What sort of, I guess, different directions are you taking there?

Joseph Israel

Yes, I think it's a little bit early. Probably next quarter we'll be in better position to talk about maybe some more specific directions, but just in general between Rapid City and Casper there is a limited market, and really the trick is to expand the market territory beyond into really allow logistics access, and the right contracts to find different markets, especially in the winter time when the volumes are really limited, instead of just slowing down the refinery.

Chi Chow

Right. Okay, thanks, Joseph. And then a couple of questions on Laramie, well you threw out a bunch of numbers there, and let me follow up on a couple of things. I guess on production for the quarter, do you have a breakout between nat gas, condensate, and NGLs? And also, could you go through again the reasoning on the sequential decline 2Q to 3Q?

Will Monteleone

Yes, sure. Give me one second on the breakout. And then sequentially, the real driver of the decline was, as I referenced, Laramie renegotiated one of its gathering and processing contracts. And it impacted about 25% of our production. And it was a positive improvement because previously we were fully processing ethane, and as you can imagine, the ethane prices and [indiscernible] have improved somewhat. However, we felt like it was more economic to reject the ethane and sell it as gas. However, when you think about the convention use when kind of using free stream reporting, the ethane gets multiplied by a factor of six, until when you remove that until it is gas it -- on an equivalent basis it reduces the production. So it’s really just a difference in the convention that was a primary driver of the decline.

Bill Pate

And this is Bill, that decline is largely offset by better realized pricing because the NGLs coming through result have better pricing. So overall you realize, priced on an MBTU basis it can improve a little bit, even though the declines are lower. And then another factor in those declines related to completion activity because we had some wells that were shut in that were adjacent to the completions which also impacted production a little bit. So, a little bit of an aberration in terms of the decline rate. I wouldn’t model that out as a typical decline.

Chi Chow

Okay.

Will Monteleone

And then, Chi, back to the breakout, I’m not sure if you want it on percentage basis or on an equivalent per day basis. But for the quarter, effectively, we produced about 9.8 BCF of natural gas, and there was 12.2 million gallons of natural gas liquids, and then 39,700 barrels of condensate. So I gave you three different units of measure there for your conversion enjoyment.

Chi Chow

Okay. Yes, we can handle that. And then just, I guess, a follow-up on the one-rig plan here, the program. Do you have any details on how the production will ramp into next year with the one-rig program?

Will Monteleone

Yes, I think we’re still -- I think by the next quarter we’ll have a better feel for, call it our ’17 guidance. But I think you can tell from my comments that with the completion activity on the drill but uncompleted inventory, really ramping during this quarter. We're expecting our exit production this year to increase versus prior estimates, and that kind of follows through nicely into Q1. And then when you think about the cycle that we go through on the drilling side, we're looking at adding that rig starting in December, and ultimately from kind of drilling one pad and moving to the next pad, that sort of allows us to continue completion sort of continuously through Q1. So our expectation is certainly that you're going to see nice growth there in 2017 as we sort of continuously operate that rig and keep completion activity going.

Chi Chow

And just -- the remaining 58 digs will be completed by year-end, is that the guidance you're given?

Will Monteleone

I think the majority of them will be. I don't think we'll get to all of them by year-end.

Chi Chow

Okay. Thanks a lot, really appreciate it.

Operator

Thank you. Our next question comes from the line of Jeff Dietert of Simmons.

Jeff Dietert

Good morning.

Bill Pate

Good morning, Jeff.

Jeff Dietert

Could you talk about the seasonality of your business a little bit and the decision to take the Hawaii turnaround during the third quarter, I know, in the lower 48. Typically, the seasonality is stronger margins in the summer months and weaker in the winter. But your market and your yield is a little bit different. So could you talk about that decision on timing, and just any expectations for enhanced production now that the turnaround has been completed going into 4Q?

Joseph Israel

Yes, Jeff, Hawaii refinery is 50% distillate yield higher than the U.S. average probably by 10%. And distillate is really stronger mainly in the winter, including the mid-Pacific. And normally the third quarter has been weaker than the fourth quarter because of that. The other component has been an ANS crude environment, just as a reference, normally this is where the maintenance is taking in the Alaska, cut production, and this is more expensive. Other grades are adjusting up as well. So it just makes the third quarter a little bit more challenging than normally.

So we put it in July and August, and you look back, the monthly mid-Pacific crack spread for the past two months was pretty low. So I wouldn't say we knew it in advance, but it just happened to work really well. And yes, we are up and running, the hydrocracker is pushing to really record high rates. We're very happy and positioned for a good fourth quarter here operationally to take what the market is giving us.

Bill Pate

And Jeff, just to add on to that, I mean you ask about seasonality broadly. Needless to say, Wyoming is probably not only -- it's stronger than the typical continental average because of the nature of the market. And so from a seasonality perspective we see a much stronger summer in Wyoming. So it interplays well with Hawaii, where we have, I'll say, a modest lift in the winter. Whereas with Wyoming we have a very, very strong summer basically from kind of right before Memorial Day, to up through as far as the end of October. And then the off season is very weak, and we model that out in the acquisition and getting back to one of Chi's questions about commercial opportunities. Our real focus will be how we can extend that envelope of the profitable period for the refinery.

Jeff Dietert

Yes, so seasonally complementary assets with a smoothing of cash flow generation accomplished by the 2 assets.?

Bill Pate

Correct.

Jeff Dietert

Great. Any commentary on, I think Hawaii in particular is unique from what a lot of people look at refining wise. Any comments on the fundamentals as you see going into 4Q with some healthy margin there, kind of what the major drivers are?

Joseph Israel

No, just staying reliable and try to take what the market is giving us, and the $8.50 environment for October is refreshing it, the best we have seen in the past 12 months.

Jeff Dietert

Thank you for your comments.

Joseph Israel

Thank you.

Operator

Our next question comes from the line of Tim Rezvan of Mizuho Securities.

Tim Rezvan

Hi, good morning folks, thank you for taking my call. I was hoping to follow up a little bit more on comments. This is for Will, and I guess, if we can get on the completion side, a lot of operators, across a lot of resources plays have been generating stronger recoveries, through the use of higher propane loading on completions and I am correct, I know, Laramie, they stay on this tracks that have been done, so I was just kind of curious, what if anything, the Laramie folks are kind of looking at or testing, given kind of the technology changes that have been implemented elsewhere?

Will Monteleone

Yes, I think if you think about the history of us and the completion activity and the technology that's been applied out there, sort of using sand historically was part of the typical completion design and then as both ourselves and others in the basin realized the geology there is probably different than the typical resource play, again we think we understood that, removing sand from that actually didn't change the recovery profile of the wells and actually reduced the cost of our completion activity.

So I don't think that's necessarily an analog of increased propane loading to recoveries here for us, but we do believe that as we pointed out increasing water volumes, doesn't enhance recoveries and so I think that's where we have been. Let's say pushing the envelope and I think we have also been looking at -- as we are completing up to 20 wells on a pad, using some diverters in the completion activity to isolate the completions into single wells and ensure that we are minimizing the communication between different well bores.

Tim Rezvan

Okay, thank you. That's helpful.

Operator

Our next question comes from the line of Andrew Shapiro of Lawndale Capital Management.

Andrew Shapiro

Hi, good morning guys.

Bill Pate

Good morning.

Andrew Shapiro

Given the size of the Wyoming deal, what duration of digestion do you feel might be necessary before another business can or ought to be acquired and now that you have added refinery asset, expanding and leveraging your refining capabilities, does that shift your focus for acquisition target and all and what areas do you view most attractive.

Bill Pate

It's a good question, Andrew, we continue to look at acquisition obviously with the growth of our company and really what the fact that we have got these business units now. Now our focus has shifted from identifying additional platforms to building on our existing business units and any acquisitions that we are considering have kind of a direct impact or a direct connection to our existing operations in Wyoming and Hawaii. In terms of digestion, Wyoming again it's a new platform for us, it's small in the scheme of PADD IV , but we think it's a very profitable business and we think there is opportunities to build on that and so we are really focused on -- and I would say both organic and inorganic ways to grow that business.

Andrew Shapiro

Okay. And with the rebranding and all, is that having any impact on your same-store sales favorable or unfavorable initially obviously you expect it will be favorable going forward. But what was the retail same-store sales growth or decline for the recent period.

Bill Pate

Yes, same-store sales were actually flat, which I would say is a good new story, because with the transition to stores, we were actually expecting, we got some downtime and we were expecting actually a bit of a near term hit. It didn't occur and I view that as a positive and generally speaking, I think the new brand seems to be -- we are cautiously optimistic about the new brand and its role in the market and the take out from the consumer and reception from the consumer.

Andrew Shapiro

Great, I have a few more questions; I will back out in the queue.

Bill Pate

Thanks.

Operator

Our next question comes from the line of Thomas Mitchell for Miller Tabak. Please go ahead.

Thomas Mitchell

I think that you were or Joseph was saying that the Hawaii refinery would be able and expected to be able to go up to about 75,000 to 77,000 barrels a day throughput possibly this quarter or next quarter maybe it's this quarter. But I guess my question is we were looking for over time, let's say over the next couple of years after this replacement and new work that it might be possible to move up into the areas 82 to 83 with somewhere over 70 in on-island sales. Is that too optimistic in that timeframe?

Joseph Israel

You know, Tom from a stability point of view we're finally still a 94,000 barrels per day. We have demonstrated low 90s in the recent history; 75 to 77 in the fourth starting to be a guide in for snapshot optimization just really driven by both export opportunities and on-island dynamics. This is where we review it right now. This is what we think we will run the plan. From a non-island sale, a basket I think spoke about it in previous quarter. We have seen a structure a 1500 per day of fuel oil consumption reduction in the Hawaii market for our expectation for on-island sales were adjusted accordingly. And we continue to do what we have done in the past couple of years which is adjust our yield accordingly to make less fuel oil and more of the light product as much as we can and work with that.

Thomas Mitchell

Okay. That’s very helpful. And then this is kind of a weird question but if this -- the Dakota pipeline project gets shifted one way or another could that effect Wyoming’s markets at all?

Joseph Israel

I don’t think it would have a material impact on our business, no.

Thomas Mitchell

Okay, thank you very much.

Joseph Israel

Thank you.

Operator

Our next question comes from the line of Bo McKenzie of Seaport Global.

Bo McKenzie

Hi, good results in a challenging quarter. I got a couple of more housekeeping related questions. With the turnaround in Hawaii now behind us what could we expect in terms of production cost per barrel, are we likely back down under $4 a barrel or do you get more efficiencies as a result of the turnaround?

Joseph Israel

We feel our production cost, the run rate of 75,000 to 77,000 barrels per day at $3.50 per barrel.

Bo McKenzie

Oh, nice. And then back on Wyoming you guys touched on the fact that we’ve seen a nice rebound in NGL prices, I mean prices were up sharply during Q3 and Q4 at Mt. Belvieu. What are you guys seeing in terms of the relative performance in NGL prices up in the Rockies and how is that likely to impact the quarters going forward. Should we kind of hold up at these levels?

Will Monteleone

Yeah, I think we have beendoing some work on this. The Q3, Q2 kind of comparison actually it was relatively flat but in October I agree with you that the increase has been positive for us and then when you compare our Q3 realizations versus the Q2 realizations that I referred we're up about $0.07 a gallon or about $3 a barrel quarter-over-quarter on our NGL price realization. So I think a lot of that has to do with the renegotiation, the contract I referred in ethane rejection and then I also think there are a number of other operational steps that we're pursuing that we can actually lower our cost for bulk transportation and fractionation of NGLs and further improve those in FX.

Bo McKenzie

All right and then one final housekeeping on the one refining acquisition the kind of pro forma DD&A run rate going forward and interest expense by the same token with the bridge loan in and out during the course of the quarter?

Chris Micklas

Give us one second, Bo.

Bo McKenzie

Thank you.

Bill Pate

Bo we'll get back to you offline on that okay?

Bo McKenzie

All right thanks.

Operator

Our next question comes from the line of David Neuhauser of Livermore Partners.

David Neuhauser

Good morning gentlemen.

Chris Micklas

Good morning.

Joseph Israel

Hey David.

David Neuhauser

I just want to ask, at this point in the cycle and again with the turnaround essentially behind you as you look forward and see where the current spreads are, the frac spreads are how are you adjusting how are you adjusting to the situation and as you said you are looking at acquisitions. Are there same compelling type of situations that you find like the Wyoming asset or is it become more challenged to find things that are unique and looks like they could be a value add to you guys?

Bill Pate

I'll take the second question, Joseph why don't you answer the first question with respect to the improvement in refining fracs in Hawaii and how we're responding operationally.

Joseph Israel

So we're back to a run rate throughput we're high and we're up playing often some in internal mode it's supplying the customers, making sure we have enough inventories for a contracts and for our island consumers. Now we're back to looking at higher paying opportunities in NGL and aromatics maybe premium in the West Coast continue to play the market. I mean there are good opportunities out there and commercially we're trying to leverage our configuration strength and play as goodas we can.

Bill Pate

And David if I get your question on Wyoming correctly, we look at a variety of things everything from small capital projects to de-bottleneck the refineries so that we can produce more product in the summer months when demand is heavy to commercial activities and opportunities that would allow us to move products whether it's constituent parts or octane or gasoline to take advantage of near market opportunities so that we could increase production through the down months and then everything from there all the way up to acquisitions that might expand the footprint in some fashion. So it's small board of opportunities there. It's a new asset. It allow us to both put capital to work and also just focus on operational improvements that we think can allows us to improve our profitability of the Wyoming asset base.

Joseph Israel

Interestingly in both systems we have something that others they don't which is careful in blending capabilities and high octane. In Wyoming we not only have the reformer that we don't fully utilize even at full rate. We also have an alkylation unit so between the two we can get from a high octane flexibility which we can market outside of our territory and then in Hawaii it's the same and aromatic and premium to the West Coast happen to be the optimization here we see here.

David Neuhauser

Okay, all right. That's all I had. I appreciate that clarity on both, I appreciate it, thanks guys.

Bill Pate

Thank you.

Operator

We have a follow-up question from the line of Chi Chow of Tudor, Pickering, Holt.

Chi Chow

Hi, thanks. Just a couple of housekeeping items mine as well. Chris, what is the average share count for the fourth quarter given all the moving pieces there? What sort of G&A guidance do you have for the quarter going forward with the Wyoming synergies now that's going to move?. And thirdly on logistics operating expenses it was high in Q3, I imagine you did the maintenance activity but what's the run rate on that going forward? Thanks.

Chris Micklas

Thanks Chi. The answer to the share count is 45.5 million shares. So that's what you should assume to be the amount outstanding right now. And you are correct, the logistics, the cost in logistics was elevated because of the subsea pipeline work what we had going on that was about $3.5 million of the $4 million delta that we discussed as the decline in profitability for the logistic segment.

Joseph Israel

G&A, and the other question is G&A.

Chris Micklas

And for the G&A we're continuing to stick with what we've said which is that we expect our G&A to be approximately $10 million per quarter and this includes the assumption of the Wyoming G&A.

Chi Chow

But does that go down going forward at some point?

Chris Micklas

We'll continue to work on it but currently we're integrating Wyoming and we have some acquisition and integration cost and you should be seeing those go down as we eliminate the additional staff or the redundancies in staff that we would have. So, you would expect the G&A to stay, the ongoing G&A to stay in the range that we talked about which is in an around that $10 million per quarter.

Chi Chow

Okay. Thanks, Chris. I appreciate it.

Operator

Our next question comes from the line of Andrew Shapiro of Lawndale Capital Management.

Andrew Shapiro

Hi just a few follow ups. I think the Tesoro earn-out expires at the end of the year. What is provision for now and how does that get adjusted as a result of the EPA remediation cost or the money flow on that is a separate thing?

Chris Micklas

Thank you, Andrew. This is Chris. We have roughly 0 recorded for the liability at this point and it does expire this year.

Andrew Shapiro

Okay, and…

Chris Micklas

And it's not impacted by the EPA.

Joseph Israel

The EPA is a separate Consent Decree works that we manage and execute as a result of a Consent Decree with the EPA. We didn't mention any number in the past but it is a good process and it's going very smooth.

Andrew Shapiro

Right. So that work is done as part of the turnaround or the work is still to be done and Tesoro's money does it come in as a fairly current pay or it's a receivable?

Joseph Israel

The first phase was done, during the turnaround we expect additional work until the summer of next year. Where it is on the balance sheet Chris you want to comment on Consent Decree I guess it is just now a receivable.

Chris Micklas

It's a receivable for the works that we've done and we will be billing them in accordance with our agreement.

Joseph Israel

And they've been paying us regularly.

Chris Micklas

And they've been -- yes.

Andrew Shapiro

It's not a big working capital suck or anything?

Chris Micklas

No.

Joseph Israel

Not at all.

Andrew Shapiro

And the last question I had was in terms of can you give us some update on the upcoming investor presentations and conferences you guys will be telling this new story to.

Bill Pate

We've got some, I think we've got some one on one meetings in New York and in Florida for November and December. We don't have a conference scheduled per se.

Bill Pate

I would like to say something about the Cubs; I assume you were up all night like me.

Andrew Shapiro

Being on the West Coast I was up a lot less than you guys on the East Coast, I just got back from Chicago from games 3, 4 and 5 but go Cubs. Next question?

Operator

Our next question comes from the line of Leon Cooperman of Omega Advisors.

Leon Cooperman

Thank you. Good morning how are you doing Joe.

Joseph Israel

Good.

Leon Cooperman

You talk a lot about acquisitions. For most - I am not an energy expert by any means but most of these reports I read on the company PEGA? NAV in the very high teens and in many cases in the low 20s. What is our available capital to do acquisitions with the stock showing so far below the intrinsic value of the assets I would not love personally to see us giving out a lot of stock to buy companies unless somebody is willing to sell in a basis that we're trading at. So what is the currency we have to do these acquisitions you talk about, and secondly without trying to get you into the forecasting game most cyclical business and we're certainly cyclical you can apply the concept of peak normalized and trough earnings. I'm just wondering if you have a view of the earning power of the assets that we've assembled here that a better environment, what kind of returns could we produce on these assets? Any help it could be appreciated. Thank you very much.

Bill Pate

I'll let Chris to answer the peak and trough earnings potential. But with respect to acquisitions, as I did speak about acquisitions, but a lot of these acquisitions are kind of smaller acquisitions, again that would add on to

Wyoming and I think we have the capacity to do this. I agree with you with our share price the way.

It's really hard to see an acquisition where we want to issue a lot of equity at the current share price because the fact that I'm giving up a piece of the business as we have today, don't justify the additional capital or the dilution or kind of purchase price of the acquisition have to be a spectacular deal were to be not accretive on an accounting basis, but accretive on an NAV in value basis and so I don't see as issuing equity.

Having said that, we're going to continue to look at all opportunities and we will look at opportunities from the context of -- if it fits with our asset base, what can we do either using equity or otherwise in partnership to try to pursue opportunities. We have these tax attributes and I continue to believe that those actually put us in a good position to build on a kind of midstream and downstream [indiscernible] business. And midstream assets are particularly difficult, just given the prices in the market. But downstream assets, we've got a capability to manage assets. I think we certainly are focused right now only on digesting and getting our arms around Wyoming and there's a lot of smaller assets there that I think will allow us to increase value there without any equity issuance. Chris, you want to comment on the kind of earnings power question?

Chris Micklas

Yes, and Lee to answer your earnings power question. We see the mid cycle when you consider mid cycle for the refining in Hawaii in the $80 million range. We see Wyoming in the $40 million range. So for our Refining segment is around $120 million.

Looking at Logistics, we see Hawaii in the end of $30 million range and Wyoming in the $10 million range. So again you're talking $40 million for logistics and the retail segment is in the $30 million range as well and that's only in Hawaii. And then that would be offset with G&A that we are just talked about a $40 million G&A. So that's how we look at the earning potential for the company.

Leon Cooperman

These numbers are EBITDA numbers?

Chris Micklas

Yes, they are EBITDA, yes.

Leon Cooperman

Gotcha, all right. Thank you. Very good, thank you.

Chris Micklas

And just to clarify, well, I didn't have the split right at my hand. So you would have to question about DD&A. The Wyoming DD&A is going to be in the $3 million to $4 million range per quarter. And you also have to remember that when you're modeling us, we are going to be running the turnaround expenses due to the DD&A line.

So there will be about $1 million per month or $3 million per quarter increase running through the DD&A line, going forward for the turnaround expenses. So those are the two new variables added on to what we had with Hawaii operations which was about a $5 million per quarter DD&A burden. So how do - I didn't have that earlier, the breakout of the pieces, I did have the total.

Yes and also to clarify too, we wanted to highlight this to you, when you're looking at the business going forward, our interesting expense with elevated this quarter because of the extinguished -- the extinguishment up the bridge note. So we would expect our interest expense to be more in the $7 million to $8 million per quarter of expense and from a cash basis will be more in the $5 million range.

Operator

We have a question from the line of Howard Berkowitz of HPB Associates.

Howard Berkowitz

Yes, thank you very much.

Bill Pate

Good morning, Howard.

Howard Berkowitz

Good morning, how are you?

Bill Pate

Good.

Howard Berkowitz

I'm just curious if you could bring us up-to-date on what's happening with Chevron and their refinery in Hawaii?

Bill Pate

Well, I can't say much other than the fact that Chevron owns a refinery in Hawaii.

Howard Berkowitz

Okay.

Bill Pate

They completed a transaction with One Rock, which is a private equity firm that's based in New York. All I can really tell you is Chevron and now One Rock, they're customer of ours. They're a competitor of ours. We're a customer of theirs and we certainly welcome the new owners and look forward to working with them as customers and competing with them and I think we have a great asset base to that.

Howard Berkowitz

Have you heard any meetings with One Rock?

Bill Pate

I don’t want to comment on any dialogues whether we just don’t comment on dialogues with respect to acquisitions or on commercial activities.

Howard Berkowitz

Okay, thank you.

Operator

There were no further questions at this time. I would like to turn the floor back to management for closing comments.

Bill Pate

Thank you, Operator. We are excited to have our Hawaii turnaround behind us safely and within our cost forecast and combined with the continued strong performance from our retail business. We have a great business in Hawaii. And despite entering a low season for Par, we also look forward to a full quarter of operations from our new Wyoming assets.

Furthermore, Laramie should begin to grow earnings through increased production with the resumption of its development program. So as we go forward, we think we’re well positioned to grow our business around these units. Thank you for joining us today.

Operator

Ladies and gentlemen, thank you for participating. This concludes today’s telephone conference. You may disconnect your lines and have a wonderful day.