GOVERNMENT OF THE VIRGIN ISLANDS
PUBLIC SERVICES COMMISSION

IN RE: )
In the Matter of the Approval of Solar Energy Projects of the ) Docket No. 643
Virgin Islands Water and Power Authority ) Order No. 40/2015

ORDER

This matter is before the Virgin Islands Public Services Commission (hereafter "Commission" or "PSC") as a result of the filing of a Petition (hereafter "Petition") by the Virgin Islands Water and Power Authority (hereafter "Authority" or "WAPA") on February 13, 2015 for the Commission's approval of executed Power Purchase Agreements (hereafter "PPAs"), two related Interconnection Agreements (hereafter "Interconnection Agreements") and the two related Preliminary Interconnection Study Agreements (hereafter "PISAs") dated as of January 22, 2015.

The PPAs, the two related Interconnection Agreements and the two related PSIAs, each dated as of January 22, 2015, are collectively referred to herein as the "Agreements". Pursuant to the Agreements, the Authority has contracted to purchase the electric energy and other products produced by the following two solar photovoltaic (PV) electric generating facilities (the "Projects") for the Territory of the Virgin Islands:

- one solar PV electric generating facility to be developed by STX, Solar I on St. Croix,
- one solar PV electric generating facility to be developed by STX, Solar II on St. Croix; and

The Commission has carefully reviewed the Petition and related filed documents and, having received the advice of its technical consultants, concludes that these Agreements may contribute to:

(a) Decreasing WAPA’s dependence on petroleum land volatile petroleum prices by utilizing PV solar electric generating facilities; and

(b) Potentially reducing the cost of electricity to WAPA’s customers and reducing the risk of
price volatility by providing a reasonably predictable amount of energy at a predictable cost over the term of the Agreements, compared to continued generation of electric energy from the Authority’s existing petroleum-fired power plants.

WHEREFORE, IT IS THE DETERMINATION OF THE COMMISSION THAT:

1. The Petition of the Authority is the result of the Request for Proposals ("RFP PR-17-14") issued by the Authority on December 18, 2013, as amended and reissued on December 24, 2013, for the purchase of electric energy from solar photovoltaic ("PV") generation facilities for St. Thomas and St. Croix.

2. Out of thirteen (13) responses to the RFP, five (5) responses for projects on St. Thomas and eight (8) responses for projects on St. Croix, the Authority narrowed its selection down to these two Projects for St. Croix, after extensive technical and legal review, and almost a year of extensive negotiations, which concluded on January 22, 2015, when the Authority entered into the Agreements for the Projects referenced herein subject to approval by the PSC, both within the St. Croix District:

- WAPA contracted with STX Solar I, LLC, to purchase, for a term of 25 years (with an option by WAPA to renew for an additional 5 years), the electric energy and other products from a 3MW (DC) solar PV electric generating facility to be located at Estate Granada on the western end of the island. The PPA includes an ancillary Interconnection Agreement for the same term and a PISA for the site.

- WAPA contracted with STX Solar II, LLC to purchase, for a term of 25 years (with an option by WAPA to renew for an additional 5 years), the electric energy and other products from a 3MW (DC) solar PV electric generating facility to be located at Estate White Bay on St. Croix on the western end of the island. The PPA includes an ancillary
Interconnection Agreement for the same term and a PISA for the site.

3. The Commission finds that the projected purchase price of the energy from the USVI Solar I, LLC and the USVI Solar II, LLC for the duration of the term of each of the respective PPAs is less than WAPA’s avoided cost.

4. The Agreements are in the interest of the ratepayers of the Authority in that they meet the objectives of the Authority’s RFP to reduce the Authority’s energy costs in the short term and to diversify away from total reliance on petroleum based fuel, through the use of solar PV electric generation.

5. The Authority’s entry into the Agreements, the incurrence of costs in accordance therewith, and the Product Prices (as defined in the PPAs) that the Authority will pay for electric energy and other products produced by the Projects as approved in this Order are reasonable.

6. The Commission, having reviewed the PPAs, the Interconnection Agreements, and the PISAs, hereby approves the foregoing Agreements and the Product Prices to be paid by WAPA pursuant to the Agreements, as contemplated by Section 2.3(a) of the PPAs.

7. The Commission approves the following recovery in full of costs and potential credits associated with the Agreements as identified in WAPA’s filing:

   a. The Product Prices to be paid to STX Solar I and STX Solar II (each individually a “Seller” and collectively the “Sellers”), as identified and summarized in the PPAs shall be recovered from WAPA’s ratepayers.

   b. Credits received by WAPA from the Interconnection Agreements when the costs of WAPA’s interconnection are less than originally estimated by WAPA shall be credited to ratepayers in a manner approved by the PSC.
c. Costs above the WAPA’s cap set forth as identified in the PPAs for interconnection costs payments if incurred by WAPA to keep the Agreements in place in lieu of terminating the Agreements, as permitted pursuant to Section 2.3 of the PPAs, shall not be charged to WAPA’s ratepayers through the LEAC.

d. All financial credits such as governmental benefits and tax benefits that are received by a Seller that such Seller and WAPA have agreed will be passed on to WAPA shall be provided as a credit to WAPA’s ratepayers in a manner approved by the PSC.

e. All Test Energy as defined in the PPAs shall be charged to WAPA’s ratepayers at the prices contained in the PPAs.

f. Any other cost incurred in the future, not specifically identified above shall be brought to the PSC for approval before it can be recovered in the electric rates.

g. The PSC approves in this order the recovery of costs and potential credits identified above shall initially occur through the Levelized Energy Adjustment Clause (LEAC). WAPA may petition the PSC for alternative rate treatment, and the Commission retains the right to restructure rates, while providing for the approved recovery of costs. The Commission approves the recovery of the costs identified above by the Authority for the duration of the terms of the PPAs and the Authority hereby is authorized to recover such costs in the manner approved in this order.

8. The Commission further approves such other action as may be necessary or reasonably requested or required to be taken by WAPA or STX Solar I and STX Solar II or their respective lenders in order to give full force and effect to the Agreements, including, if
costs in the manner approved in this order.

8. The Commission further approves such other action as may be necessary or reasonably requested or required to be taken by WAPA or STX Solar I and STX Solar II or their respective lenders in order to give full force and effect to the Agreements, including, if required, any modification of the Projects or the Agreements not affecting the rates for the Projects. WAPA shall notify the PSC of such changes, including modifications of the Agreements, such as any changes to the milestones for commercial operation of the projects, through formal transmittals within 30 days of the execution of such modifications.

9. This Order represents the full and final Order of the Commission approving the Agreements.

So Ordered.

For the Commission

Date: August 20, 2015

Andrew Rutnik Vice-Chair