REQUEST FOR PROPOSAL
FOR QUALIFIED MANAGEMENT AUDITOR
TO PERFORM A FOCUSED MANAGEMENT AUDIT
OF
THE VIRGIN ISLANDS WATER AND POWER AUTHORITY

December ___, 2013

Prepared by Virgin Islands Water and Power Authority
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Virgin Islands Water and Power Authority
Request for Focused Management Audit Proposal
October 2013

Table of Contents

I. DESCRIPTION OF THE ENTITY AND RECORDS TO BE AUDITED ........................................ 2
II. SYSTEMS AND RECORDS ......................................................... 5
III. INVITATION TO BID ................................................................. 14
IV. TIME REQUIREMENT ............................................................... 15
V. CONTRACTUAL ARRANGEMENT ................................................ 16
VI. SUBMISSION OF PROPOSALS .................................................... 17
VII. SELECTION CRITERIA ............................................................... 18
VIII PROPOSAL PERIOD ............................................................... 19
IX. CONTRACT REQUIREMENTS .................................................... 19
X. PROPOSAL CRITERIA ............................................................... 20
XI. CONTACT PERSONS ............................................................... 22
Section I – INTRODUCTION

Description of the Entity

The Virgin Islands Water and Power Authority (herein after the “Authority” or “WAPA”)

In 1964, the Authority was created as an instrumentality of the Government of the U.S. Virgin Islands (the “Government”) pursuant to Chapter 5 of Title 30 of the U.S. Virgin Islands Code, as amended (the “Virgin Islands Water and Power Authority Act” or the “Act”), for the purpose of developing an adequate electric and water supply for the U. S. Virgin Islands.

Pursuant to the powers established by the Act, the Authority owns, operates and maintains electric generation, distribution, and general plant facilities that supply electric power and energy to more than 54,000 customers in the U.S. Virgin Islands, which include the islands of St. Thomas, St. Croix, and St. John and Water Island. The Authority also provides electric service to Hassel Island, which is located near the St. Thomas harbor. Generally herein, references to the number of customers, sales and loads on the island of St. Thomas include data associated with the islands of St. John, Hassel Island and Water Island. With the exception of a few commercial entities that produce electricity for their own use, at this time there are no electric utilities other than the Authority that produce, distribute, and sell electricity in the U.S. Virgin Islands.

In addition, the Authority owns, operates and maintains potable water production and storage facilities, which facilities include wells and seawater desalination equipment and distribution facilities that supply a substantial portion of the potable water requirements for ultimate distribution and sale (the “Water System”). For purposes of accounting and certain management activities, the Authority operates the electric and water systems as separate enterprises, which are independently financed with each system's indebtedness secured by separate and distinct claims on each system's net revenues. Certain common facilities and costs necessary for the production of electricity and water, as well as general administration, are allocated between the Electric System and the Water System on the basis of studies prepared by or on behalf of the Authority.

Regulation

The Authority and its Electric System and Water System are subject to regulation by territorial and federal agencies. Unlike most governnmentally owned electric utilities, the rates and charges for electricity are regulated by the Virgin Islands Public Services Commission (the “PSC”). In addition, the Virgin Islands Department of Planning and Natural Resources (the “Department”) promulgates rules and regulates the Authority’s environmental performance. The Virgin Islands Coastal Zone Management Agency regulates construction activities through its permitting process. Many, if not most, environmental regulations established by the U.S. Environmental Protection Agency (the “EPA”), as well as territorial regulations, are administered in the U. S. Virgin Islands by the Department. With regard to certain security issues, the Authority is subject to the jurisdiction of the U.S. Coast Guard.
Management and Employees

Pursuant to the Act, the purposes of the Authority are carried out through a governing board of nine members appointed by the Governor of the Virgin Islands (the “Board”). Six members are appointed by the Governor, with the consent of the Legislature, for three-year terms and three members are appointed by the Governor from executive level governmental positions and serve at the pleasure of the Governor.

Management of the Authority is vested in an Executive Director who manages the day-to-day operations of the Authority and its permanent and temporary employees, which number approximates 616 persons. On January 2, 2008, Mr. Hugo V. Hodge was appointed Executive Director of the Authority.

As of September 30, 2012, approximately 528 full time equivalent (“FTE”) employees were assigned to the Electric System. 509 of those employees were represented by three labor unions and 135 employees were not represented by the unions. The Professional Technical Employees Union (the “PTE”) represents 69 professional and technical employees; the Virgin Islands Workers Union Local 611 (the “WU”) represents 68 employees; and the Water and Power Authority Employees Association (the “WEA”) represents 365 employees. The U.S. Virgin Islands Code prohibits labor strikes for certain classifications of workers, including the employees of the Authority.

The following table sets forth the reported number of employees by system and by union, if applicable, as of September 30, 2012.

<table>
<thead>
<tr>
<th>Labor Union</th>
<th>PTE</th>
<th>WU</th>
<th>WEA</th>
<th>NR*</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric System</td>
<td>58</td>
<td>61</td>
<td>311</td>
<td>98</td>
<td>528</td>
</tr>
<tr>
<td>Water System</td>
<td>11</td>
<td>7</td>
<td>54</td>
<td>11</td>
<td>83</td>
</tr>
<tr>
<td>Temporary</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>69</td>
<td>68</td>
<td>365</td>
<td>114</td>
<td>616</td>
</tr>
</tbody>
</table>

* Not represented by a union.

Personnel up to and including supervisory staff members are each represented by one of the labor unions. The Authority’s management and confidential personnel are not eligible for membership in labor unions.

Employees of the Authority participate in a defined benefit retirement system known as the Government Employee’s Retirement System, which is administered by a Board of Trustees. Contribution rates to the retirement system applicable to the Authority and the Authority’s employees are established by the Government.
Section II - SYSTEMS AND RECORDS

A. ELECTRIC SYSTEM FACILITIES

During the fiscal year ended June 30, 2012, the Authority sold 723,919 MWh of electric energy to ultimate customers and received total operating revenues from sales of $329,846,762. As of June 30, 2012, the Authority provided electric service to 54,653 customers consisting of 44,780 residential, 8,211 commercial, 988 demand-metered (commercial), 55 primary metered large power customers and 619 lighting customers.

Existing Generation Facilities

The Authority has major generation facilities on the islands of St. Thomas and St. Croix, and has limited backup generating facilities on the island of St. John. Except for emergency situations, the electric power and energy requirements of the island of St. John are generated on the island of St. Thomas and transmitted to the island of St. John by means of two underwater cables. Because of the extreme depth of the ocean floor in the waters that separate them, the electric systems on the islands of St. Thomas and St. Croix are not interconnected.

The Authority’s generating facilities on the island of St. Thomas are located at the Randolph E. Harley Generating Station at Krum Bay, which is on the southwestern end of the island. All electric generation for the islands of St. Thomas and St. John, and the two smaller islands, Hassel Island and Water Island, are located at this site, except for an emergency diesel-generating unit located on the island of St. John. In addition to generation facilities, the Randolph E. Harley Generating Station site includes water production, fuel oil unloading and storage, transportation, and warehouse facilities.

All of the existing generation facilities on the island of St. Croix are located at the Estate Richmond site on the north shore of the island near Christiansted. In addition to generation facilities, the Estate Richmond site includes water production, fuel oil unloading and storage and warehouse facilities.

The table below provides a summary of the net continuous capability of the Authority’s power generation resources. Additional information is provided in Attachment 1 (I see no attachment 1).
The generating units are operated pursuant to permits issued by EPA and the Department of Planning and Natural Resources (the “Department”), which permits set forth certain general and specific conditions. A listing of the permits, issuing agency and expiration date are shown on Table No. 2-2. The Authority has submitted applications to the Department to renew the expired Title V air operating permits for the generating units on St. Thomas and St. John, which expired on December 30, 2008. Pursuant to the rules and regulations of the Department, the Authority is permitted to operate its generating units until such time as a permit(s) is issued. Accordingly, the Authority has complied with its obligation. Prior to the operational date of Unit No. 23, the Authority requested the Department to issue an air operating permit for Unit No. 23. To date, the Department has not issued a permit. The Authority operates the unit pursuant to certain provisions of the construction permit issued by the Department.

At this time, the Authority has not yet established expected retirement dates for its existing steam and combustion turbine generating facilities. However, based on the findings of the Condition Assessment Study performed by the Harris Group, Inc. in 2005, Combustion Turbine Unit No. 12 and No. 14 and Boiler No. 11 on the island of St. Thomas and Boiler No. 10 on the island of St. Croix are operated in cold standby mode and are dispatched on an emergency basis.

As a part of the Authority’s management practices, it has periodic assessments performed on its electric generating facilities. In November 2010, Associated Electric and Gas Insurance Services Limited (“AEGIS”) performed Property Risk Assessments for the Randolph Harley and Silver Arrow (diesel generator on the Island of St. John) Generation Stations and prepared a separate report for each facility. The purpose of the Property Risk Assessments as stated in the reports is: “to evaluate the critical plant equipment located at this facility with regard to operations and maintenance. Evaluations are risk-based with emphasis on the human element aspects of the loss control programs”. In conducting the assessments, AEGIS concentrated on three major areas: Risk Reduction Programs, Fire Protection and Major Equipment. Additionally, AEGIS applied a rating system that recognizes four levels of achievement: Excellent – the facility has taken measures per industry standards and best practices; Good – the facility has taken measures that are consistent with industry standards and best practices; Fair – the facility has taken some measures that approach industry standards and best practices, however, deficiencies exist;
and Poor – the facility has major deficiencies and does not approach industry standards and best practices.

In Property Risk Assessment Report dated November 17, 2010, with regard to the Randolph E. Harley Generation Station AEGIS’ assessments of the three major areas considered are as follows:

Risk Reduction Programs – Overall rated Fair to Poor. Housekeeping as observed throughout the facility needs improving and enhancements need to be made in the area of fire protection system testing and maintenance of fire protective systems.

Fire Protection - Overall rated Poor. Major improvements are needed in this area that will require significant capital expenditure.

Major Equipment – Overall rated Fair. Improvements are needed in fixed protective systems for steam turbine generator units, fuel oil storage tanks, boiler burner fronts and warehouse.

In Property Risk Assessment Report dated November 18, 2010, with regard to the Silver Arrow Generation Station, St. John, AEGIS’ assessments of the areas of Risk Reduction Programs, Fire Protection and Major Equipment resulted in an overall rating of Good for each area.

In Boiler Machinery Risk Assessment Report dated November 16, 2010, with regard to the Estate Richmond Generation Station, AEGIS’ assessments of the areas of Major Equipment, Major Systems, Operations and Maintenance resulted in an overall rating of Good for each area.

The AEGIS reports provide suggestions to improve the risk exposure of the facilities. The Authority has included these suggestions as well as the suggested actions from previous AEGIS reports that are incomplete, in the current maintenance plans and budgets for the various facilities.

In October 2012, Global Risk Consultants prepared a Loss Prevention Report on the Boiler Machinery at the Randolph Harley Generation Plant based on the findings from a site visit conducted by its personnel on October 22, 2012. The Loss Prevention Report provides a review of the major plant, equipment and system status and discusses major changes made since the prior visit in June 2011. It also includes a discussion of the critical process equipment, maintenance programs and operating philosophies, contingency programs, loss history, spares and major business interruption exposures. Global Risk Consultants prepared a similar Loss Prevention Report dated October 23, 2012 for the Estate Richmond Power Plant. The Authority accepts the recommendations for improvement made by Global Risk Consultants in the reports and has included them in the current work plan for the facilities.

**Fuel Supply and On-Site Storage**

All of the Authority's generating units are fueled by oil. During the fiscal year ended June 30, 2012 the Authority’s total energy supply was derived from generating resources and fuel types sources shown on the table below.
Fuel Consumed [1]
During Fiscal Year Ended June 30, 2012 [2]

<table>
<thead>
<tr>
<th>Fuel Type</th>
<th>Barrels Burned [3]</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>St. Thomas/St. John</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Steam Turbine Generators</td>
<td>No. 6 Oil</td>
<td>71,584</td>
</tr>
<tr>
<td>Combustion Turbine Generators</td>
<td>No. 2 Oil</td>
<td>1,207,130</td>
</tr>
<tr>
<td>Diesel Generator</td>
<td>No. 2 Oil</td>
<td>0</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td>1,278,714</td>
</tr>
<tr>
<td><strong>St. Croix</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Steam Turbine Generators</td>
<td>No. 6 Oil</td>
<td>28,740</td>
</tr>
<tr>
<td>Combustion Turbine Generators</td>
<td>No. 2 Oil</td>
<td>876,205</td>
</tr>
<tr>
<td>Subtotal</td>
<td></td>
<td>904,945</td>
</tr>
<tr>
<td><strong>Total Barrels Burned</strong></td>
<td></td>
<td>2,183,659</td>
</tr>
</tbody>
</table>

[1] Fuel usage reflects the total fuel burned at the plants, including fuel used to generate steam for use in producing water.
[3] One barrel is equivalent to 42 gallons.

Prior to December 2012, the Authority purchased its fuel oil supply from Hess Oil Virgin Islands Corporation ("HOVIC"), an affiliate of the Amerada Hess Corporation, which operated a petroleum refinery on the island of St. Croix. Pursuant to an agreement between the Government and HOVIC which was amended in 1990 and in November 1993 (the "Hess Agreement"), HOVIC was required, among other things, to maintain in its storage facilities sufficient fuel to ensure that there would be adequate supplies to meet the local fuel needs of the U.S. Virgin Islands, including the fuel needs of the Authority for a period of 20 years. In addition, the Hess Agreement required HOVIC to submit bids annually for the supply of fuel oil to the Authority at a maximum price not to exceed the lower of (i) HOVIC's average landed monthly crude oil costs or (ii) the published Exxon New York Contract Cargo prices per barrel or its successor index, less $2.00 per barrel.

In March 1998, HOVIC announced that it was contemplating the sale of an interest in its facilities located on the island of St. Croix to Petroleos de Venezuela, S.A., subject to receiving certain concessions from and reaching an agreement with the Government. Petroleos de Venezuela, S.A. is the Venezuelan state-owned oil and natural gas company. As a result of the sale, a new joint venture between HOVIC and Petroleos de Venezuela, S.A., was formed, known as HOVENSA. The Government, HOVIC and HOVENSA agreed to amend and extend certain provisions contained in the Hess Agreement. In May 1998, the amended agreement (the “HOVENSA Agreement”) was approved by the Legislature of the U.S. Virgin Islands. The amendment to the Hess Agreement continued the obligation of HOVENSA to supply lower than market cost fuel oil to the Authority for a period of twenty years from the declared commercial operation date of new coking facilities, which facilities were declared operational in 2002. Accordingly, the amended agreement was expected to be in effect until the year 2022.
To comply with the Authority’s purchasing procedures and statutory requirements, and to assure that the Authority purchased fuel oil at the lowest available price, the Authority solicited bid proposals annually from fuel oil suppliers to meet the Authority’s fuel requirements. Pursuant to the HOVENSA Agreement, the Authority was required to purchase fuel oil from HOVENSA where the cost of such fuel was less than the market price available to the Authority. As a result of the HOVENSA Agreement and the location of HOVENSA facilities on the island of St. Croix, the proposals from HOVENSA were at prices below those submitted by other potential fuel oil suppliers keeping the Authority's cost of fuel below U.S. market prices.

In addition, the HOVENSA Agreement provided that HOVENSA was to operate oil barges and bid on an annual basis for the transportation of fuel oil from HOVENSA facilities to the Authority's pier and fuel unloading facilities on the islands of St. Thomas and St. Croix. The Authority paid HOVENSA $50,000 per barge shipment to Randolph Harley Facility and $38,000 per barge shipment to the Estate Richmond Facility to deliver fuel oil. Fuel oil supply to the island of St. John is trucked from the Randolph Harley Facility to the eastern end of the island and is barged to the storage facilities on the island of St. John. The Authority had no difficulty purchasing or receiving adequate supplies of fuel oil as specified from HOVENSA to satisfy its fuel needs, although the price of fuel increased substantially in recent years and, at times, has fluctuated significantly from month to month.

In January 2012, HOVENSA announced that it would close its St. Croix refinery in February 2012, and thereafter operate only an oil storage terminal at the current site but that it would continue to supply fuel to the Authority through June 30, 2012.

In order to replace HOVENSA as its fuel supplier, the Authority retained the services of an oil supply expert to assist it in determining the most effective method to identify potential alternative suppliers from whom it could purchase fuel and to help design and coordinate a request for qualifications (“RFQ”) process. In anticipation of HOVENSA ceasing to supply fuel to the Authority, on June 30, 2012, the Authority issued an RFQ in March, 2012. Prior to the Authority receiving any bids in response to its RFQ, however, the Government reached an interim agreement with HOVENSA pursuant to which HOVENSA continued to supply fuel to the Authority through December 31, 2012. In August 2012, the Authority issued an Invitation for Bids (“IFB”) to secure fuel supply beginning on December 1, 2012 and received twelve proposals. As a result of the IFB process, the Authority executed a contract with Trafigura AG (“Trafigura”) to supply its fuel oil needs for a period of one year, commencing in December 2012 with a nine-month extension option (the “Fuel Supply Contract”). The Fuel Supply Contract provides for monthly deliveries of No. 2 fuel oil to the Authority’s Randolph Harley and Estate Richmond generating facilities. It is the Authority’s intention that each month on average, Randolph Harley will receive one ocean tanker delivery of approximately 80,000 barrels and one barge delivery of approximately 30,000 barrels and Estate Richmond will receive three barge deliveries of approximately 30,000 barrels each. Pursuant to the Fuel Supply Contract, the price of each delivery will be based on the average of the ten (10) price quotations of all the low and high price quotations for the referenced fuel published immediately after a notice is issued by Trafigura that the shipment has arrived and is ready for transfer to the Authority.
The Authority reports that since the cost of fuel supplied by Trafigura is higher than the cost charged by HOVENSA prior to the closure of the St. Croix oil refinery and since the term of the HOVENSA agreement was not scheduled to expire until September 2022, the Government is exercising its legal rights under the HOVENSA Agreement in pursuing compensation for the increase in the cost of fuel to the Authority. HOVENSA contends that the price basis provided in the Agreement is not applicable as it is no longer refining crude oil at St. Croix.

The Authority currently maintains approximately 30 days of fuel oil storage capacity on St. Thomas, St. Croix and St. John.

On the island of St. Thomas, fuel oil storage facilities consist of six major above-ground steel tanks located at or near the Randolph E. Harley Generating Station. All of the fuel oil tanks have secondary containment barriers. One tank located on a ridge north of the generating station, with a nominal capacity of 54,000 barrels, is used to store No. 6 fuel oil. The remaining five major above-ground tanks and the “Day Tank,” which have a combined nominal capacity of 140,595 barrels, are used to store No. 2 fuel oil.

Fuel oil storage facilities on the island of St. Croix consist of five above-ground tanks at the Estate Richmond Generating Station. Two tanks, which have a combined nominal capacity of 39,600 barrels, are used to store No. 6 fuel oil, and three tanks, which have a combined nominal capacity of 84,000 barrels, are used to store No. 2 fuel oil.

The table below sets forth the reported existing fuel oil storage facilities located on the islands of St. Thomas and St. Croix. The Authority has discontinued the purchase of No. 6 fuel oil and reports that it will no longer maintain storage facilities for No. 6 oil when the remaining quantity of No. 6 fuel oil on-hand has been consumed.

<table>
<thead>
<tr>
<th>Storage Tank Number</th>
<th>Island of St. Thomas</th>
<th>Island of St. Croix</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nominal Capacity (Barrels)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>No. 2 Oil</td>
<td>No. 6 Oil</td>
</tr>
<tr>
<td>10</td>
<td>13,000</td>
<td>-</td>
</tr>
<tr>
<td>11</td>
<td>13,000</td>
<td>-</td>
</tr>
<tr>
<td>12</td>
<td>54,000</td>
<td>-</td>
</tr>
<tr>
<td>13</td>
<td>-</td>
<td>54,000</td>
</tr>
<tr>
<td>14</td>
<td>30,000</td>
<td>-</td>
</tr>
<tr>
<td>15</td>
<td>30,000</td>
<td>-</td>
</tr>
<tr>
<td>Day Tank</td>
<td>595</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>140,595</td>
<td>54,000</td>
</tr>
</tbody>
</table>

[1] All fuel storage tanks were constructed using a welded steel fabrication process.

The Authority also has two 5,000-gallon storage tanks on the island of St. John to provide No. 2 fuel oil to its 2.5 MW diesel unit.
The proximity of the Authority’s prior fuel oil supplier with oil refinement and storage facilities located on the island of St. Croix generally obviated the need for the Authority to own large fuel oil storage facilities up to December 2012. In light of the closure of the HOVENSA refinery on St Croix in February 2012 and the termination of the Hovensa agreement, the Authority is reassessing its fuel storage capacity since future fuel suppliers will not have an oil refinery or storage facilities located within the Territory which is likely to require the Authority to have additional storage capacity so that it has sufficient supply of fuel oil in the event of any delays or interruptions in delivery.

To provide fuel for its vehicles and equipment, the Authority stores gasoline and diesel fuel in separate above-ground 4,000-gallon tanks on the island of St. Thomas, which tanks are owned and operated by a fuel vendor. Fuel for vehicles on the islands of St. Croix and St. John is obtained from local suppliers.

**Existing Transmission and Distribution Systems**

The existing transmission and distribution facilities on the islands of St. Thomas and St. Croix are not interconnected electrically due to the topography of the ocean floor that separates these two islands. Hassel Island, Water Island, and the island of St. John receive electric power and energy from St. Thomas by means of submarine cables. Power is transmitted from the island of St. Thomas to Hassel Island and Water Island through two 15 kV rated submarine cables that are operated at 13.8 kV, and to the island of St. John through two 35 kV rated submarine cables that are operated at 34.5 kV. A third 35 kV rated cable that was installed in the 1970’s from Cabrita Point (St. Thomas) to Frank Bay (St. John) was taken out of service following the installation of a new 35 kV rated cable in early 2004 from Great Bay (St. Thomas) to Frank Bay (St. John).

The primary distribution system on the island of St. Croix is a radial configuration with nine feeders all originating at the substation located at the Estate Richmond Generating Station. Six of the nine feeders operate at 13.8 kV, and the other three operate at 24.9 kV. The primary distribution system for the island of St. Thomas is shown on Plate No. 2-1, for the island of St. John on Plate No. 2-2, and for the island of St. Croix on Plate No. 2-3.

The following table sets forth the reported nominal miles of primary, subtransmission and distribution lines classified by voltage level for the island systems. The amounts shown exclude secondary distribution lines.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(kV)</td>
<td>Overhead</td>
<td>Underground</td>
<td>Overhead</td>
<td>Underground</td>
</tr>
<tr>
<td>34.5</td>
<td>12.4</td>
<td>17.7[2]</td>
<td>--</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>24.9</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>--</td>
<td>442</td>
</tr>
<tr>
<td>13.8</td>
<td>1,334.3</td>
<td>101.4</td>
<td>73.5</td>
<td>8.6</td>
<td>515</td>
</tr>
</tbody>
</table>

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[1] Based on information provided by the Authority.
[2] Includes two 34.5 kV submarine cables to the island of St. John (3.3 miles).
On the island of St. Thomas, the Authority has three sub-transmission lines (Feeder No. 11, No. 12 and No. 13) that are operated at 34.5 kV and that electrically connect the Randolph E. Harley Generating Station to the Donald C. Francois Substation, the East End Substation, the Tutu Substation and the St. John Substation. The East End Substation was dedicated in September 1996; the St. John Substation was dedicated in December 2004; and the Donald C. Francois Substation was dedicated in September 2007. In addition, to the three 34.5 kV sub-transmission lines (Feeder 11, 12 and 13) that originate from the Randolph E. Harley Generating Station substation, six 13.8 kV distribution feeders originate at this substation. Primary 13.8 kV distribution feeders that originate from the four substations include: three feeders from the Tutu Substation, three feeders from the East End Substation, four feeders from the Donald C. Francois Substation and three feeders from the St. John Substation. With the completion of the Donald C. Francois Substation in September 2007, the Rehelio Hatchette Substation was removed from service and the transformers are stored in place to serve as “spares” in the case of a transformer failure. The Tutu, East End and St. John Substations provide for improved distribution of electric power on the east end of the island of St. Thomas and the island of St. John, which is a considerable distance from the Randolph E. Harley Generating Station. With the completion of the East End Substation, the St. John Substation and the third 35 kV Feeder No. 13 which is operated in a loop, the reliability of the distribution of power to the island of St. John and the east end of the island of St. Thomas has improved.

The St. Thomas distribution system consists primarily of overhead lines along with several circuits and segments of underground circuits, including: Feeder No. 5A from the Randolph E. Harley Generating Station to the Cyril E. King Airport and Feeder No. 9B from the Donald C. Francois Substation to the Roy Lester Schneider Hospital. Feeder Nos. 11, 12, and 13 operate at 34.5 kV. From the Randolph E. Harley Generating Station to the Donald C. Francois Substation Feeders No. 11 and No. 12 are completely underground along with a significant portion of Feeder No. 13. In addition, the line segment from the Tutu Substation to the vicinity of the bridge in Nadir on Feeder No. 13 is also underground.

The following is a list of the primary distribution feeders for the electric system on the island of St. Thomas:

<table>
<thead>
<tr>
<th>Island of St. Thomas</th>
<th>Primary Electric Distribution Feeders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Substation Feed</td>
<td>Feeder No.[1]</td>
</tr>
<tr>
<td>Krum Bay</td>
<td>5A</td>
</tr>
<tr>
<td>Krum Bay</td>
<td>6A</td>
</tr>
<tr>
<td>Krum Bay</td>
<td>7A</td>
</tr>
<tr>
<td>Krum Bay</td>
<td>8A</td>
</tr>
<tr>
<td>Krum Bay</td>
<td>9A</td>
</tr>
<tr>
<td>Krum Bay</td>
<td>10A</td>
</tr>
<tr>
<td>Donald C. Francois</td>
<td>8B</td>
</tr>
<tr>
<td>Donald C. Francois</td>
<td>9B</td>
</tr>
<tr>
<td>Donald C. Francois</td>
<td>10B</td>
</tr>
</tbody>
</table>
The Authority’s primary distribution system includes five submarine cables: two connecting the island of St. Thomas to the island of St. John with a third decommissioned cable available for emergency use at 13.8 kV, one connecting the island of St. Thomas to Water Island and one connecting the island of St. Thomas to Hassel Island. The following tabulation sets forth the primary characteristics of the submarine cables.

The primary distribution system on the island of St. Croix is a radial configuration with nine feeders originating at the substation located at the Estate Richmond Generating Station. Six of the nine feeders operate at 13.8 kV, and the other three operate at 24.9 kV. Except for a limited amount of underground service in a few residential and private areas and segments of Feeders No. 5B and 8 on the island of St. Croix, the majority of the Authority’s distribution service is open wire, overhead construction.

The following tabulation sets forth the reported nominal miles of primary, sub-transmission and distribution lines classified by voltage level for the island of St. Croix electric system. The amounts shown on the following table exclude secondary distribution lines.

<table>
<thead>
<tr>
<th>Island of St. Croix</th>
<th>Primary Electric Distribution Feeders</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feeder No.</td>
<td>Distribution Voltage</td>
</tr>
<tr>
<td></td>
<td>(kV)</td>
</tr>
<tr>
<td>1</td>
<td>13.8</td>
</tr>
<tr>
<td>2</td>
<td>13.8</td>
</tr>
<tr>
<td>3</td>
<td>13.8</td>
</tr>
<tr>
<td>4</td>
<td>13.8</td>
</tr>
</tbody>
</table>

[*] Nominal voltage @ 13.8 kV.
Alternative Energy Initiatives

In Fiscal Year 2012, the Authority burned 2.1 million barrels of oil to generate 834 million kilowatt hours of electricity and 96,500 barrels of oil to nearly 1.8 billion gallons of desalinated drinking water. To address this total dependence on fuel oil for power generation and water production, the Governor of the Virgin Islands has entered into a memorandum of understanding with the U.S. Department of Energy and U.S. Department of Interior committing to the achievement of a reduction in the Territory’s reliance on fuel oil by 60 percent by 2025. In addition, the Virgin Islands has joined the “Energy Development in Island Nations” (EDIN”), a global collective between the United States, Iceland and New Zealand to minimize dependence on oil and enhance affordability and reliability in island nations through focus on renewable energy sources and cost effective technologies to attain the goal.

In furtherance of this goal, and in an effort to reduce its reliance on fuel oil in the production of electricity and potable water, and also to encourage conservation of energy resources among its customers, the Authority has been exploring alternative energy sources for both its electric and water systems. In September 2012, the Authority’s Board of Directors adopted an Energy Production Action Plan which contains specific implementation targets for the following initiatives: (i) implement measures to enhance production efficiency at existing power generation facilities; (ii) convert base load power production from fuel oil to liquefied natural gas or liquefied petroleum gas; (iii) develop grid interconnection between the Virgin Islands and Puerto Rico; (iv) maximize development of solar and wind resources, and; (v) pursue biomass and ocean thermal energy as potential diversification of base load energy. On-going alternative energy and other system improvement initiatives are described in detail below:

In December 2007, the Authority issued a request for proposals (“RFP”) for qualified developers to provide alternative fueled electric generation resources. Following extensive technical and legal review and negotiations, in August 2009, the Authority and the Virgin Islands Waste Management Authority (“WMA”) entered into contracts with affiliates of Colorado-based Alpine Energy Group, LLC (“Alpine”), for the financing, construction and operation of two waste-to-energy projects, one each on St. Croix and St. Thomas. The Authority also entered into a Power Purchase Agreement with AEG Anguilla Power, LLC (the “Anguilla Power Agreement”) pursuant to which the Authority agreed to purchase power generated by the power generation facility to be constructed by Alpine on the island of St. Croix, which was anticipated to generate approximately 16 MW of electricity. In February 2012, the Legislature voted not to approve a lease agreement required by Alpine
to proceed with construction of the facility envisioned in the Anguilla Power Agreement and the Anguilla Power Agreement was terminated. Although the arrangement with Alpine did not materialize, the Authority is committed to identifying another waste-to-energy project opportunity.

The Authority is considering a proposal submitted by a developer to develop a biomass fueled facility that would utilize convert switchgrass grown in the Virgin Islands to syngas for use in dual fueled combustion turbines, which would also have the capability of burning diesel fuel. Nominal output capacity for the units proposed for St. Thomas and St. Croix is 8 MW each. The Authority is also considering another proposal by a developer to generate approximately 6 MW of continuous power on St. Croix using biogas fuel which would be produced from a dedicated energy crop called Giant King Grass that would be grown on-island. The developer submitted an application for Certification of a Qualified Facility to the PSC in September 2012.

The Authority is exploring wind as a possible source of energy on each of the islands of St. Thomas, St. Croix and St. John. Initial studies show that trade winds along with east-facing coastlines and along prominent ridges in those islands may be optimal locations for this technology. The Authority anticipates placing anemometers at various heights on 60 meter towers to measure wind speed, direction and other weather data to estimate the annual output of wind turbines installed in these locations. They also will use this opportunity to update the wind maps for the entire Territory. Once preliminary studies are completed, the Authority expects to issue an RFP for private developers to propose financing, construction and installation of facilities that generate electricity through wind power that would be purchased by the Authority as an alternative to its current fuel based energy sources.

The Authority believes that a substantial amount of the electricity that is currently used by its customers to heat water can be displaced by solar water heating (“SWH”) systems. In 2010, the Virgin Islands Legislature enacted a law requiring that SWH systems be installed in all government buildings where it is determined to be cost effective. The law also requires developers to install energy efficient SWH systems in all new construction or substantially modified developments throughout the Territory. Accordingly, in May 2011 the Authority issued an RFP for developers to supply electrical energy from commercially proven photovoltaic solar generation facilities. The Authority received 27 responses to its RFP and conducted interviews with six firms in December 2011. On June 4, 2012, the Authority executed power purchase and interconnection agreements with three companies: Toshiba International Corporation (“Toshiba”); Lanco Virgin Islands I, LLC a subsidiary of Lanco Solar International (“Lanco”); and Sun Edison, LLC (“Sun Edison”) for the integration of approximately 18 MW of solar energy into the Authority’s St Thomas and St. Croix electrical grids. The St. Thomas facilities will consist of three installations at two sites, totaling 8.3 MW and the St. Croix facilities will consist of three installations at three sites with a total capacity of 10.5 MW.

The Authority is moving forward aggressively to minimize its reliance on fuel oil as its primary source of energy by converting to the use of gas fuels as quickly as possible. Based on its investigations, the Authority has determined that such conversion would result in a significant reduction in the level of contaminants in the exhaust emissions from the generating units and has the potential to cause a substantial reduction in the Authority’s
electric rates. The Authority’s plan is to implement a conversion to readily available liquefied petroleum gas (“LPG”) for completion during 2014 as a bridge fuel and change over to using liquefied natural gas (“LNG”) as its long-term primary fuel as the necessary LNG supply infrastructure is put in place in future years. Already, an agreement has been executed with a fuel supplier for the delivery of LPG and the conversion of the Authority’s combustion turbines to gas operation.

The Authority, in conjunction with Inter American Energy Sources LLC (“IAES”), a wholly owned subsidiary of Puerto Rico Electric Power Authority (“PREPA”) is exploring the feasibility of developing a 45-mile, 115 kV underwater transmission cable with fiber optics, which would electrically interconnect PREPA and the Authority (the “Transmission Project”). An “Interconnection Feasibility Study” prepared by Siemens Energy, Inc. and issued in August 2011, evaluated three different underwater cable interconnection options and concluded that two of the three options were viable based on current technology. Subject to approvals by PREPA and the Authority, as well as receipt of various approvals and permit, the Transmission Project could be commercially available within a three-year period.

Advanced metering infrastructure, or AMI, is a system designed to, among other things, automate the meter reading process, improve the accuracy of meter reads, expedite billing, permit remote switching of a customer’s electric service at the meter, minimize meter tampering through a system of alarms, permit pay-as-you-go service delivery and allow customers to monitor and adjust their consumption based on real time information about electric use and cost. Through the installation of these so-called “smart meters,” the Authority will be able to determine with precision when and where an outage has occurred, will be able to measure customer energy use remotely rather than dispatching meter readers to each connected site, and will be able to share more information with customers about their consumption and allow them to adjust their electric usage during times when they are away from their homes or offices, or at times of the day when production costs or demands on the system may be greater. It also will permit a customer to pay a set amount for energy in advance and adjust usage when the customer is approaching the pre-paid amount. AMI also is expected to assist the Authority’s efforts to reduce line loss caused by meter tampering and inaccurate meter readings, which have historically been a persistent problem in the Territory.

B. WATER SYSTEM FACILITIES

During the fiscal year ended June 30, 2012, the Authority sold 1,176 million gallons of water to ultimate customers and received total operating revenues from sales of $35,620,019 (unaudited). As of June 30, 2012, the Authority provided electric service to 12,205 customers consisting of 10,366 residential, 1,476 commercial, 271 Virgin Islands Government, 4 incentive customers and 63 other Government customers.

Water Production Facilities

To produce potable water, the Authority operated eight Multi Effect Distillation (“MED”) desalination units: four MED desalination units are located at the Randolph E. Harley Generating Station, four MED units at the Estate Richmond Generating Station and one desalination unit on the island of St. John. The high pressure (150 psi) and low pressure
(26 psi) steam required by the MED desalination units is extracted from the steam turbine generating units or supplied directly from the HRSGs. The following tabulations list the water producing capabilities and steam requirements of the Authority’s desalination facilities.

### Randolph E. Harley Generating Station
**Island of St. Thomas – Water Production Units**

<table>
<thead>
<tr>
<th>Desalination Unit No.</th>
<th>Water Production Capacity (MGD)</th>
<th>Low Pressure Steam Requirements (lb/hr)</th>
<th>High Pressure Steam Requirements (lb/hr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDE Unit No. 1</td>
<td>1.25</td>
<td>45,000</td>
<td>1,000</td>
</tr>
<tr>
<td>IDE Unit No. 2</td>
<td>1.25</td>
<td>45,000</td>
<td>1,000</td>
</tr>
<tr>
<td>IDE Unit No. 6</td>
<td>0.55</td>
<td>22,500</td>
<td>840</td>
</tr>
<tr>
<td>IDE Unit No. 8</td>
<td>1.40</td>
<td>50,000</td>
<td>1,050</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4.45</strong></td>
<td><strong>162,500</strong></td>
<td><strong>3,890</strong></td>
</tr>
</tbody>
</table>

### Estate Richmond Generating Station
**Island of St. Croix – Water Production Units**

<table>
<thead>
<tr>
<th>Desalination Unit No.</th>
<th>Water Production Capacity (MGD)</th>
<th>Low Pressure Steam Requirements (lb/hr)</th>
<th>High Pressure Steam Requirements (lb/hr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>IDE Unit No. 3</td>
<td>1.25</td>
<td>45,000</td>
<td>1,000</td>
</tr>
<tr>
<td>IDE Unit No. 4</td>
<td>0.55</td>
<td>22,500</td>
<td>840</td>
</tr>
<tr>
<td>IDE Unit No. 5</td>
<td>0.55</td>
<td>22,500</td>
<td>840</td>
</tr>
<tr>
<td>IDE Unit No. 9</td>
<td>1.30</td>
<td>45,000</td>
<td>1,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3.65</strong></td>
<td><strong>135,000</strong></td>
<td><strong>3,680</strong></td>
</tr>
</tbody>
</table>

[1] "IDE" refers to desalination units manufactured by Israel Desalination Engineering, Inc.

The Authority also operated one vapor compression-based desalination unit, known as Unit No. 7, with a capacity of 0.155 MGD, on the island of St. John. In addition, the Authority contracted with Seven Seas for the operation of one reverse osmosis unit on the island of St. John prior to the installation of a 6-inch pipeline between St. Thomas and St. John in 2008 when the contract was terminated.

Primary potable water production on the three islands during the Period was achieved by the use of seawater distillation units ("desalination"), and some use of groundwater on the island of St. Croix. The desalination process used by the Authority consists of evaporation of seawater in a vessel utilizing steam as a heat source and then recondensing the vapors from the evaporated seawater without the seawater salt minerals. Steam is provided by the fired steam boilers and the HRSGs at the two major power generating facilities. The resulting water product is high-purity potable water that is supplied to the individual island water distribution systems. All of the Authority’s desalination units were designed and constructed by Israel Desalination Engineering, LTD. ("IDE").
Due to a projected shortfall in the water production capabilities on the island of St. Croix and resulting from IDE Unit No. 9 being scheduled to undergo a three month overhaul during fiscal year ended June 30, 2009, the Authority entered into a five-year contract with Seven Seas to purchase the output of a new 1.5 MGD reverse osmosis plant to be installed by Seven Seas. The contract contained an option that provided for the Authority to purchase the new facilities during the five-year term. The new reverse osmosis plant became operational in April 2009.

Based on the results of studies that evaluated the available options for new water production resources to replace or augment the existing IDE units, the Authority issued a request for proposals (“RFP”) in June 2009 for water supply ranging from 2 to 4 million gallons per day (“MGD”) on both the islands of St. Thomas and St. Croix. The initial RFP was subsequently rescinded on March 8, 2010, due to concerns with the bids and a replacement RFP was issued.

The Authority was satisfied with the quality of bids received from replacement RFP No. 19-10 and proceeded to evaluate and short-list the bidders. The Authority eventually selected Seven Seas for contract negotiations and subsequently executed two Water Purchase Agreements (“WPA”) – one on April 5, 2012, for the island of St. Croix; and the second on May 12, 2012 for the island of St. Thomas. The initial term of both agreements is fifteen years with a provision for one five-year extension at the discretion of the Authority.

In accordance with the WPAs, Seven Seas is constructing First Pass Seawater RO Facilities at the Randolph Harley and Estate Richmond Power Plants with installed capacities of 3.3 MGD, expandable to 4.4 MGD (at each respective site) based on a demand trigger. Included in each WPA is the production of Ultrapure Water (0.25 MGD) for power generation plant use at each site. Commercial Operation for the First Pass facilities is scheduled for July 2013 on St. Thomas, and October 2013 on St. Croix.

The Authority executed addendums to the WPAs to introduce 2.0 MGD First Pass water on St. Thomas on an emergency basis, using containerized units, to address severe shortages on that island; and fast-tracked the Commercial Operation of the Ultrapure Water Facilities to meet new Environmental Protection Agency (“EPA”) stipulations for generating plant exhaust gas emissions. The emergency First Pass units and permanent Ultrapure Water facilities became fully operational on both islands by February 2012. The Authority retains the right to utilize its existing water production facilities in the event Seven Seas is unable to meet its contractual obligations, or for unforeseen excessive demand conditions. Hence, the existing IDE units will be maintained in a cold standby mode for use in emergency situations.

**Water Distribution Facilities**

The Authority has been operating, maintaining and managing the water distribution systems on the islands of St. Croix, St. Thomas and St. John since 1988. Prior to 1988, the water distribution systems were owned and operated by the U. S. military, and then the U. S. Virgin Islands Department of Public Works. Water distribution systems in the U. S. Virgin Islands have developed differently than in the United States mainland. The isolation of islands, sometimes severe climatic conditions, the cost of water and an economy heavily
dependent on tourism have led to local customs that focus on customer self-reliance. This has resulted in two principal differences between the Authority’s water distribution system and comparable mainland systems: (i) nearly all buildings have cisterns as an alternate source of water; and (ii) due to cost and their historical relegation as a backup or supplemental water distribution system, fire protection is not a primary service provided by the Water System. As a result, the water distribution system on each island serves only a portion of the population within the potential limits of its service areas. Further, since the system was not originally designed and installed to meet the reliability and delivery standards typical for mainland distribution systems, system reliability, as measured by the frequency of periods of low pressure or no service and water rationing, is lower than comparable U. S. mainland systems.

In accordance with the 1964 Building Regulations, all structures in the U. S. Virgin Islands were required to incorporate water storage cisterns into their construction. These cisterns store collected rainwater from roofs for use by the occupants of the building. Once the cistern has been constructed, the cistern water is considerably less expensive than commercially produced and distributed desalinated water. Many commercial entities and residential inhabitants only purchase water from the Authority during periods of low rainfall either by direct connection or independent vendors who deliver potable water by truck to the cisterns. The water provided by the Authority is not universally thought of as the essential primary source of water for much of the populace. Consequently, the Water System may be viewed as a dry weather, secondary source of water supply. The regulation was later amended to exempt commercial developments, dwellings and single unit apartments with connected access to the potable water system from the requirement to install cisterns.

Territorial regulations and building codes do not require that the water systems be developed for fire protection. Fire hydrants are provided only in limited areas that have the capacity to provide higher flows and pressures. Buildings are customarily constructed of non-flammable concrete materials. Consequently, the criteria for water distribution system design and operation are not as robust as in comparably sized mainland systems.

Prior to 1988, the Department of Public Works of the Government had responsibility for the water distribution system. At the time of the transfer, the Department of Public Works was experiencing financial difficulties and as a consequence, was having difficulty promptly paying the Authority for the production of potable water, funding needed maintenance, and managing the water distribution system in keeping with stateside industry standards and practices. Since that time, the Authority has been responsible for the operation, maintenance and management of the water distribution systems on the islands of St. Thomas, St. Croix and St. John. The Authority’s approach to the water distribution system has been to manage it in a professional and competent manner. However, the Authority has had to carefully manage capital investments consistent with (i) prudent management practices, (ii) available funds, and (iii) the economic environment in which it operates.

Since 1988, the Authority has managed the water distribution system with a focus on improved financial and operational performance. The Authority has prepared system master plans, performed leak reduction evaluations, and identified opportunities for revenue enhancement through managed system expansion and water loss prevention.
The Water System has two divisions: the St. Croix Division and the St. Thomas/St. John Division. Each division is further organized into production and distribution departments. The production department on the island of St. Thomas/St. John also includes a water quality laboratory.

The island of St. Croix is approximately 84 square miles in area, approximately 21 miles in length, and nearly six miles wide in the west to approximately one mile wide in the east end. The long axis runs approximately west to east. Along the northern side of the island and parallel to coast is a continuous mountain ridge. The peaks generally rise from 600 to 800 feet above the sea level, with the highest peak at approximately 1,100 feet. South of the ridge are gently rolling hills and alluvial plains. The two population centers on the island of St. Croix are Christiansted, on the north coast, and Frederiksted on the west end of the island. The water sources for the island of St. Croix are the desalination water production facilities, which are located in Christiansted at the Estate Richmond site and the eight wellfields in the south-central and southwestern portion of the island. Because of their relatively close proximity, six of the wellfields have an associated 0.1 MGD storage and blending tanks for control of water quality and storage. During May 2009 all wellfields were placed in standby operation mode, when a new 1.5 MGD RO plant was commissioned.

The Authority reports that the distribution system on the island of St. Croix consists of approximately 1,000,000 linear feet of 2” to 16” diameter cast iron, ductile iron and newer C-900 PVC plastic pipe. There are five major elevated storage tanks and three minor storage tanks that are used to regulate and supply the system requirements. These storage tanks have a total nominal storage volume of over 23 million gallons (“MG”).

The island of St. Thomas is approximately 32 square miles in area, approximately fourteen miles in length and nearly four and a half miles wide at its widest point. The long axis runs nearly west to east. Along the center of the island is a nearly continuous mountain ridge. The peaks generally rise from 600 to 800 feet above the sea level, with the highest peak in the northwest at approximately 1,700 feet.

The water distribution system on the island of St. Thomas consists of approximately 304,000 linear feet of 2” to 24” diameter cast iron, ductile iron and newer plastic C-900 pipe. There are five major elevated storage tanks that are used to regulate and supply the system pressure requirements.

To provide potable water service to the east end of the island of St. Thomas, to supplement water supply on the island of St. John and to improve the efficiency of the water production facilities on the island of St. Thomas, the Authority has extended water service to the Red Hook area on the eastern end of the island of St. Thomas and has installed a 6 inch underwater potable water line on the island of St. Thomas near Red Hook to the island of St. John near Enighed. The underwater line essentially parallels the location of an existing submarine electrical cable connecting the two islands. The new potable water line was commissioned in May 2008.

The water distribution system on the island of St. John consists of approximately 20,500 linear feet of 2” to 8” diameter cast iron, ductile iron and newer plastic C-900 pipe. The only standpipe on the island of St. John is located at the Cruz Bay Green Tank site. In 2006, a new sodium hypochlorite generator was added to the Cruz Bay Green Tank site.
Section III - INVITATION TO BID

You are invited to submit a proposal to furnish independent management audit services to the Virgin Islands Water and Power “Authority”.

On May 6, 2008, the Virgin Islands Water and Power Authority filed a Petition for Electric Rate Relief with the Public Services Commission. In June of 2009, Global Settlements of the Electric System and Water System Rate Cases, respectively were stipulated and agreed to with the PSC Staff and its Technical Consultants. As part of the Stipulated Agreements, The Authority agreed to accept the recommendation of the Technical Consultant that a management audit be performed by an independent management auditor. Pursuant to the Stipulated Agreement the work scope of this management audit was developed with collaborative input from the Commission’s Technical Consultants.

Management Assessment Purpose and Objectives

The purpose of the focused management assessment (audit) is to determine: 1) the overall strengths, weaknesses, and major risks associated with the Authority’s operation of its two major business units – Electric and Water Departments- including examination of executive management and corporate governance, organizational structure, strategic and resource planning, human resources, production and delivery system management, operations and maintenance, customer service, finance, other back-office functions, support services, and external affairs with consideration given to the Authority’s internal and external operating environments, and 2) identify specific opportunities for the Authority to institute best practices and control cost, improve management methods and operating and maintenance practices, and increase the efficiency associated with delivery of services to the Authority’s ratepayers. The firm selected to undertake the focused management assessment of the Authority shall meet the following overall objectives in conducting the audit:

- Identify and discuss the overall strengths, weaknesses, and major risks associated with the Authority.
- Compare the Authority strategic and tactical planning, operations and maintenance practices, staffing, executive management, and policy governance with currently accepted best industry practices.
- Identify and discuss the strengths, weaknesses, and major risks associated with the operation and maintenance practices of the Authority’s power and water production and delivery system facilities. Compare these practices to currently accepted best industry practices.
Review and compare the Authority procurement practices and processes with currently accepted best industry practices. Recommend cost effectiveness and efficiency improvements.

Identify and discuss the strengths, weaknesses, and major risks associated with the operation of the Authority’s customer service information and billing function. Compare to current accepted best industry practices.

Provide benchmark comparisons for the Authority’s power production and delivery system operations, customer service operations, supply chain management and operations using appropriate data.

Identify cost-effective initiatives for both the short term and long term addressing improvements to the Authority power production and delivery system operations, customer service operations, supply chain management and operations issues identified. Recommend preferred the option(s) for resolving each issue.

Provide a thorough and comprehensive final written report that includes an executive summary, specific findings, conclusions, and recommendations, supporting documentation, and exhibits. A prioritized list of recommendations and benefit cost analyses should be included.

Present the management assessment findings and recommendations to the Authority executive management and its board of directors and the Public Services Commission.

The management auditor shall perform a focused management audit of the Authority’s major organizational areas, functional processes, and procedures employed. This examination and review shall include the Authority’s executive management and corporate governance, organizational structure, strategic and resource planning, production and delivery system management, operations and maintenance, human resources, customer services, finance, other back-office support functions, support services, and external affairs. The audit shall examine the Authority’s financial controls and integrity, corporate accountability, and standards of conduct.

The audit shall address the following focused areas of the Authority’s operations.

**Scope of Proposed Management Audit**

The following represents the scope of services to be performed.

**Executive Management and Corporate Governance**
The auditor shall evaluate the corporate structure and determine whether the Authority’s board of directors and executive management are able to anticipate and respond to strategic issues on an ongoing basis to ensure that ratepayers are insulated to the greatest extent possible from economic harm. The auditor shall determine whether the Board of Directors are selected to have the experience and knowledge to fulfill the Authority’s corporate goals and objectives and ensure that protocols exists to avoid director conflicts of interest, self-interest, or unreasonable influence while sitting on the Board. The auditor shall review and assess the board-of-directors and executive management:

- Qualifications, prior board-of-director or chief executive experience, utility industry knowledge, code of conduct, and governance training.
- Governance structure conducive with effective implementation of the Authority’s strategic and tactical planning objectives and mission statement.
- Provision of forward-looking policy direction, active oversight and demonstrated ability to hold executive management accountable for meeting the goals and objectives necessary for achieving the Authority's mission.
- Independence of executive management relative to its own performance and the best interests of its ratepayers.
- Appropriateness of board of director committee structures.
- Compliance by the Authority with its Bond Indenture reporting requirements, all federal reporting requirements and any applicable requirements of federal or territorial law.
- Whether lawsuits related to issues of executive management or corporate governance issues potentially impact the Authority's ratepayers.
- Appropriate checks and balances between the Board and Management including independent advice to the Board.

**Organizational Structure**

The auditor shall evaluate the Authority's organization structure, policies and procedures that define its effectiveness in implementing the goal and objectives required to meet the Authority's mission. To make this evaluation the auditor shall assess:

- The Authority’s executive management structure and span of control.
- Roles and responsibilities of executive management direct reports.
- CEO’s and executive management team’s decision-making processes.
- CEO’s delegation of management processes and functions to business unit direct reports.
- Adequacy of resources allocated to its electric power and water utility business units in the provision of service to ratepayers.
Review and assess use of chain of command and controls to determine effectiveness.

**Strategic Planning**

The auditor shall evaluate and assess the Authority’s strategic planning methodology as applied to its Electric and Water utility business units including:
- The processes and tools utilized.
- How well the Authority’s purpose and mission is defined.
- Specific short- and long-term objectives of each business unit and the effectiveness of the each business unit’s strategy to:
  - Link to the Authority’s mission.
  - Consider customer impacts.
  - Be responsive to market conditions.
  - Be stated with clarity.
  - Incorporate required employee training.
  - Commit appropriate resources for implementation.
  - Minimize financial risk.
- Resilience of the Authority’s strategic planning process to adapt to a changing market environment.
- Strengths and weaknesses of current process as compared to strategic planning processes of similar utilities using best industry practices.

**Resource Planning**

The auditor shall evaluate and assess the Authority’s resource planning methodology, practices and tools as applied to its Electric and Water utility business units including:
- Resource planning tools and associated parameters such as:
  - Planning and design guidelines
  - Demand forecasting methodology
  - Forecasting models used for capital investment decisions
  - Investment prioritization and capital rationing.
  - Capital investment requirements variance between estimates and actual expenditures.
  - Financial funding for short- and long-term system capital improvement.
- Power planning objectives
  - Resource diversification objectives
Renewable energy portfolio standards
Fuel diversification objectives
Carbon footprint and other environmental impacts
Delivery system loss mitigation objectives

Consideration of potential power resources
Role of interconnections w/others
Impact on planning of existing generation taking into consideration age, technology, efficiency/fuel use, history of unavailability
Alternatives such as natural gas/LNG, coal, higher efficiency units

Issues surrounding implementation of new resources
   STT units 22 and 23
   STX HRSG

Retirement planning and impact on new power requirements

Water production planning objectives
   Role of reverse osmosis for future water production.
   Retirement of IDE units

Water delivery system expansion plans
   Strategic marketing to large hotels and other customers using on-site RO facilities.
   Policy objective for expansion of distribution
   Current expansion activities and implementation

Management of Business Unit O&M Activities

The Auditor shall describe and quantify the Authority’s production and delivery system efficiency and reliability for its Electric and Water utility business units and shall identify any concerns that may have resulted in economic harm to ratepayers. The Auditor shall consider in its evaluation of the Authority’s any efforts to incorporate smart grid technologies in meeting its Electric system efficiency and reliability objectives. The auditor shall review the following:

   Routine maintenance planning and the use of MAXIMO, the Authority’s computerized maintenance management system (MMS), for the purpose of managing production and delivery system assets for its Electric and Water utility business units.
   Status of the deployment of MAXIMO for maintenance planning for all business unit assets.
   Examine overdue maintenance and its impacts
   Comparison to best available industry practices.
   Identify improvements to the Authority’s MMS.

   System maintenance activities and the use of best available industry practices for the operation and maintenance of production and delivery systems.
Identify potential improvements resulting from the use of performance management contracts
Record-keeping including asset tracking and scheduling preventative maintenance.
System reliability and the use of established reliability benchmarks for the assessment of production and delivery system reliability.
Emergency response plan and its adequacy.
    Storm response
    Inventory and equipment considerations.
    Contractor agreements.
    Communications with customers, media, and government officials.
For its Electric utility operations:
    Vegetation management programs as compared to utilities with similar vegetation growth patterns.
    Fuel supply management
        Hedging programs.
        Storage
        Fuel diversification objectives
    Economic dispatch and unit commitment.
    Smart grid activities including smart metering, communication systems, customer information system, GIS, distribution and substation automation.

**Human Resources**

The auditor shall provide an overview of the Authority’s human resource requirements, overtime and productivity impacts for its Electric and Water utility business units, and its policies, procedures, practices and their effectiveness. The auditor shall address the following:

**Staffing level**—for each major activity (production, delivery system, customer service, back-office support and A&G):
    Determine the number of positions necessary for the Authority to provide reliable service taking into consideration productivity objectives.
    Determine the cost impacts of any proposed additions or down-sizing.

**Review overtime usage by business unit and activity:**
    Identify impact has on current and future staffing requirements
    Determine how overtime costs could be reduced and by what means.

**Productivity of the Authority’s workforce**
    Compare to benchmarks (peer utilities) taking into consideration number of customers, delivery system miles of line/mains, external
environment, construction type, number and type of generators, size, fuel, and other relevant parameters.
Identify any institutional and/or cultural barriers to productivity.

Policies, procedures, and practice assessment of:
Employee recruitment and selection processes.
Current technical training programs.
Leadership and managerial skill building.
Attrition and employee retirement impacts on the Authority's retention programs.
Succession planning processes employed
Status of skill/competency gap assessments and training needs assessments.
Development, training and evaluation techniques.
Current labor relations status and methodology.
Performance management and its link to the productivity and utilization level of the Authority's workforce.

Customer Service

The auditor shall evaluate the following customer service areas to determine if the Authority is serving the best interest of their ratepayers. The auditor should review or assess:

Communications with customers and external stakeholders with the goal to assess information availability
The accuracy and cost-efficiency of meter reading procedures.
Effectiveness in servicing customers, including the areas of billing, credit and collection, complaints and inquiries, revenue protection and marketing.
How services are managed and delivered
Effectiveness of the Authority's website
Policies and practices around customer service management
Existing customer service benchmarks
Customer expectations for the Authority's services
Consistency of customer service and monitoring tools and results
Gap analysis between current customer service and targets
Customer service training to implement quality service
Customer service benchmarks contrasted with peers and industry standards
Identify shortfalls in service delivery
Potential improvements to improve the levels of customer satisfaction

Finance
The auditor shall perform a general overview of the Authority’s financial strength including a review and assessment of:

The adequacy and effectiveness of the Authority's financial planning tools, processes and established financial benchmarks and their use in the planning and budgeting process.
Use of planning components inclusive of econometric variables, productivity considerations, capital budgeting plans, risk management considerations and “what if” type analyses.
Rate administration practices.
Financial performance of the Authority and its business units including:
  Debt management policies
  Adequacy of working capital and reserve levels
  Level of internal funding of capital projects.
  Adequacy of debt service coverage targets for each business unit.
Effect of financial performance on the Authority's credit worthiness and liquidity.
Contrast the Authority's practices with current accepted best industry practices.

Other Back-Office Functions

The auditor shall perform a general overview and identify process improvement opportunities and management practices relative to a spectrum of the other back-office support functions including customer information, cash management, credit & collection, disconnection & reconnection, meter reading, and A&G:
  Current customer information system technology, systems that support customer service and billing, system configuration and interfaces, infrastructure, network devices, hardware, processing times, staffing, and workload.
  Assess staff skill levels relative to task assignments and identify skill development requirements.
  Identify high priority deficiencies and conduct best practice review to identify potential improvements
  Use of standardized process automation of billing and collection.
  Cash forecasting methodologies.
  Evaluate the budget reporting, tracking, revision and analysis at all levels.
  Evaluate work order procedures, corporate accounting manual and property records at all levels.
  Potential impact of write-offs by the Authority.
  Review of online services offered customers
  Review existing customer satisfaction surveys and the history of such surveys and their results.
Support Services

The auditor shall examine and assess the Authority’s support services and determine their effectiveness in accomplishing their objectives of providing a favorable environment for the Authority’s operations and service including:

- Information technology—adequacy and effectiveness of the Authority’s IT environment to support its business units, their planning cycle, key business processes and employees.
  - System infrastructure, network devices, hardware, configuration, staffing, skills, security, and anticipated future changes in service level demands.
  - Authority’s IT performance contrasted with peer utilities.
- Other services—high level overview of the adequacy and effectiveness of Authority activities in the areas of legal, facilities management, transportation, real estate and land management, records management, and security of business unit infrastructure.

External Relations

The auditor shall assess and make recommendations regarding the effect of the Authority’s management of the external relations function – the methods by which the Authority relates to its various stakeholders (i.e., customers, regulators, media and investors) in the fulfillment of the Authority’s mission.

Implementation Plans

The auditor shall provide the Authority with an implementation plan for each recommendation presented to and accepted by the Authority. The implementation plan should generally include the following information:

- Assessment area and problem statement
- Prioritization of recommendation
- Detailed action plan
- Estimated investment, savings and benefit/cost analysis
- Timeline for implementation
- Resources required
- Suggested implementation principal at the Authority

Benchmarking Activities
All data used for benchmarking the Authority's operations must be appropriate for comparison with a utility of the Authority's sales and customer size, customer mix, growth rate and, to the extent impacting the Authority's ability to deliver services, its location. Benchmarking data from both public and private utilities may be presented where it provides useful insight into the environment in which the Authority operates. Utility candidates for benchmarking, as a minimum, must serve at least 25,000 customers and have median household income levels of no less than 80 percent of the Virgin Islands.

Two Separate Phases of the Engagement

The audit shall be conducted in 2 Phases. The first Phase shall be a diagnostic Phase and shall be approximately 8 weeks in duration. The objective of the first phase will be to identify areas that the auditor believes should be investigated in more detail in the second and comprehensive phase. The Authority and the PSC shall establish an “Audit Steering Committee” (ASC) and appoint members to the ASC. Committee will consist of five (5) members (3 Authority members and 2 PSC members). The auditor shall coordinate audit activities with the ASC and deliver a draft of the findings in the first phase to ASC. The ASC shall conduct a workshop to review the Phase I findings and determine what the appropriate workscope for Phase II should be. The auditor shall deliver and receive acceptance on the detailed Phase II work scope before initiation of any further work.

Approximately mid-way through the second phase there shall be provided to the ASC from the auditor a progress report and the ASC shall conduct a further workshop.

For the final report, the independent management auditor shall express opinion as indicated in the work scope above on the findings of the management and operations of the Authority.

The successful proposer is expected to confer with the ASC before the beginning of the investigation process, during the process and at the end of the process to report their findings and recommendations for implementation as described above. Prior to the issuance of a final report a draft report shall be provided to the ASC for comments. The auditor shall respond to the comments in writing and provide the responses in a section of the final report.

The successful proposer is expected to attend either a WAPA Board Meeting and or a PSC meeting to present the results of the focused management audit.

The Authority intends to review and discuss with both the auditor and the PSC implementation assistance from the management auditor. This shall be subject to further negotiations and agreement at that time.

Technical Standards
Government Auditing Standards (the "Yellow Book"), January 2007 Revisions (GAO-07-162G).

Questions regarding this proposal should be directed via e mail no later than (date) close of business 5:00 pm AST via e mail to:

Office of Mrs. Madeline Stevens-Webster  
Contract Services Manager  
Virgin Islands Water & Power Authority  
Contract Services Department  
8189 Subbase  
Charlotte Amalie, USVI  00804  
Phone:   (340) 774-3552  Ext: 2038  
Fax: (340)776-3896  
Email: madeline.webster@viwapa.vi  

There is no expressed or implied obligation for the Authority to reimburse responding firms for any expenses incurred in preparing proposals in response to this request.

The Chief Financial Officer shall be responsible for coordinating the completion of the focused management audit. The Authority will provide work space convenient to the Finance Department. However, calculators, computers, and other office equipment and supplies are to be furnished by the independent auditor.

Section  IV - Time Requirements. Management auditors typically operate on a more compressed schedule]

Proposal Schedule

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Release of RFP to Vendors</td>
<td>12/06/13</td>
</tr>
<tr>
<td>Final date to ask question</td>
<td></td>
</tr>
<tr>
<td><strong>Proposal Due Date</strong></td>
<td><strong>12/20/13</strong></td>
</tr>
<tr>
<td>Interviews with Selected Proposers</td>
<td>Week of January 13- 17, 2014</td>
</tr>
<tr>
<td>In-house Committee Recommendation</td>
<td>1/24/14</td>
</tr>
</tbody>
</table>
Contract Award by WAPA 2/14/14

Audit Schedule
Phase I
Detailed Work Plan Submittal to Authority 2/28/14
Information Requests 3/7/14
Preliminary Field Work 3/21/14
Analysis 4/14-4/28/14
Final Field Work & Phase I Report 5/5-5/30/14
Phase II Agreement on Scope 6/6/2014
Mid Phase Report 06/13/2014
Draft Report Development 6/30/2014
Final Workshop TBD
WAPA Comments on Draft Letter TBD
Final Draft Report to WAPA TBD
Final Report Presented to WAPA / PSC Board TBD

The audit schedule due dates are subject to change upon agreement between the Authority and successful proposer. However, the Final Focused Management and Operations Audit will be completed no later than TBD.

Section V - Contractual Arrangements

Audit services performed for the focused management audit period shall be paid by the Authority not more than 45 days following submission of an invoice from the auditor which shall state the hours worked by each staff member assigned to the audit and the applicable hourly billing rate. In no event, however, shall fees paid by the Authority exceed the "not to exceed" cost proposed under Section VI, below, for provision of all of the services described in the successful proposal.

The successful proposer may modify the fee schedule described in Section VI in accordance with fees charged to the proposer's other clients, said modification to occur no more frequently than annually. Please note that any such modification will not affect the "not-to-exceed" fee for any of the three years of the contract.
In the event of a merger of the audit firm with another firm or the change of partners to
the audit firm, this contract will be transferable to the successor firm with the approval of
WAPA. This agreement shall not be assigned or transferred without the written approval
of the Authority.

Work papers developed during the engagement shall be the property of the audit firm. The
audit firm shall, at any given time during the course of the audit and at the conclusion
thereof, make the work papers developed during the engagement available to the Authority
for inspection, review, and copying. These work papers shall include:
   a) The facts gathered and documents obtained.
   b) Computations and analyses performed.
   c) Other pertinent data relating to the audit.
Audit work papers must be indexed in a logical manner and show evidence that each work
er paper or group of papers has been subjected to appropriate supervisory review. Work
papers must show the name of the auditor who prepared the paper and must be clearly
titled and dated.

Section VI - Proposal Submission Information

Bid Submittal
Proposals submitted will be evaluated by an In-house Committee. To be considered,
proposal must be submitted electronically via e mail and received by the Manager of
Contract Administration before 2:00 PM AST December 2, 2013. The Authority reserves
the right to reject any or all proposals submitted.

To secure information which facilitates systematic application of evaluation criteria,
vendors are required to submit proposals with the information and in the format described
below.

Transmittal Letter: Proposals shall be transmitted electronically accompanied by a letter
which shall include at least the sections listed below and is signed by an authorized agent
of the organization:

Affidavits: Proposers shall complete and submit Attachment 1, “Statements of Interest and Qualifications”.

Fee Schedule: A maximum "not to exceed" fee for providing the services as
described in the proposal for focused management audit. A current schedule of
hourly billing rates of the personnel who would provide audit services.

Contact Person: The name, address and title of the individual to who notices
regarding this proposal should be sent.

Profile of the Proposer:
Proposers shall describe the organization and size of the organization, whether it is local, regional, national, or international in operations. The location of the office from which the work is to be done, and the number of professional staff (by staff level) employed at that office. A description of the range of activities performed by the office handling the engagement such as auditing, tax service, management services, etc.

**Technical Approach:** Proposer shall indicate the technical approach to providing the services outlined in Section III. This should include an estimate of hours to be performed by each level of staff during each significant segment of work, including the estimated amount of time the manager and senior staff will be on site.

**Qualifications of the Proposer:** Proposers shall describe their qualifications, which shall include at least a list of each professional staff member to be assigned to the project, indicating staff levels by type and title. It is expected that each senior and higher level staff assigned would have considerable governmental experience, which should be noted. Any specialized skill, such as background in public finance, should also be included.

While it is understood that there will be turnover on the audit staff, it is hoped that continuity of staff will be maintained, and will be a consideration when renewing this contract each year.

**References:** Provide the name, address, telephone numbers, and contact person of all electric power and water utility management financial or management audit clients for the last two years.

**Peer Review:** Proposers shall describe the systems of peer review to which proposers are subject, including the nature (internal and/or external) and frequency of reviews. If the evaluations are external, proposers shall furnish copies of the most recent evaluation opinion. In addition to this required information, proposers are encouraged to provide further information regarding their control systems and efforts.

**Section VII - Selection Criteria**

Proposers' qualifications to provide the services described in this request for proposal, (as determined by responses to this request, references, and oral interviews), shall be a factor in determining the successful proposer. However, criteria may include, but are not limited to: compliance of proposal with request for proposal, price, ability to do the work, the proposers' character and reputation, quality of other work performed, and any other criteria that the Authority, in its judgment, represents the best and most favorable to the interests of the Authority and the public.
Selected vendors may be invited to oral interviews following an initial evaluation of proposals submitted.

Section VIII - Proposal Period and Contract Award

Each proposal shall be submitted electronically, via e mail not later than **2:00 PM AST on December 20, 2013** to:

Office of Mrs. Madeline Stevens-Webster  
Contract Services Manager  
Virgin Islands Water & Power Authority  
Contract Services Department  
8189 Subbase  
Charlotte Amalie, USVI 00804  
Phone: (340) 774-3552 Ext: 2038  
Fax: (340) 776-3896  
Email: madeline.webster@viwapa.vi

Proposals will be opened immediately, late proposals shall be returned, unopened, to the proposer.

SECTION XII- LEGAL REQUIREMENTS:

1. GENERAL STATEMENT
ALL BID RESPONSES SHALL ADHERE TO THE REQUIREMENTS OF THE AUTHORITY’S BID REQUEST OR PROPOSAL AND THE AUTHORITY’S PROFESSIONAL GENERAL CONTRACT TERMS, A COPY OF WHICH IS ATTACHED AS EXHIBIT 1. THOSE REQUIREMENTS PERTAINING TO TAXES, INSURANCE, AND HIRING OF LOCAL WORKERS ARE OF PARAMOUNT IMPORTANCE AND SHALL APPLY, UNLESS EXPRESSLY WAIVED IN WRITING BY THE AUTHORITY’S CONTRACTING OFFICER.

THE BIDDER’S RESPONSE MUST EXPRESSLY STATE THE TERMS AND CONDITIONS OF THE AUTHORITY’S-professional general contract terms TO WHICH THE BIDDER TAKES EXCEPTION. UNLESS EXPRESSLY ACCEPTED BY THE AUTHORITY’S CONTRACTING OFFICER IN WRITING, NO EXCEPTIONS SHALL BE DEEMED TO BE AUTOMATICALLY ACCEPTED. THE AUTHORITY RESERVES THE RIGHT DEPENDING ON THE STATED EXCEPTIONS TO CONSIDER ANY RESPONSE OF BIDDER NON-RESPONSIVE AND NOT SUBJECT TO FURTHER CONSIDERATION.

ALL QUESTIONS AND INQUIRIES REGARDING ANY MATTER AFFECTING THE BID/PROPOSAL OR THE BIDDER’S POTENTIAL RESPONSE MUST EXCLUSIVELY BE DIRECTED VIA E-MAIL TO THE AUTHORITY’S MANAGER, CONTRACT ADMINISTRATION, MRS. MADELINE STEVENS-WEBSTER AS FOLLOWS:

Madeline.Webster@vwapa.vi

RFP’s/IFB’s IN THEIR ENTIRETY ARE QUALIFIED BY THE FOLLOWING GENERAL TERMS AND CONDITIONS:

ALL COSTS AND EXPENSES ASSOCIATED WITH DEVELOPING AND/OR SUBMITTING A PROPOSAL IN RESPONSE TO AN RFP OR IFB AND/OR ANY RELATED ACTIVITY FOLLOWING THE SUBMISSION OF ANY SUCH PROPOSAL SHALL BE BORNE BY THE BIDDER. WHILE WAPA HAS ENDEavored TO SUPPLY USEFUL INFORMATION IN THE RFP/IFB, WAPA MAKES NO REPRESENTATION OR WARRANTY, EXPRESSED OR IMPLIED, AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION CONTAINED HEREIN OR OTHERWISE PROVIDED TO ANY BIDDER BY OR ON BEHALF OF WAPA. WAPA SHALL HAVE NO LIABILITY RELATING TO OR ARISING FROM ANY SUCH INFORMATION OR THE USE THEREOF. BIDDERS ARE ENCOURAGED TO CONDUCT
THEIR OWN INVESTIGATION AND ANALYSIS OF ANY AND ALL INFORMATION CONTAINED HEREIN OR OTHERWISE PROVIDED BY OR ON BEHALF OF WAPA. THE RFP/IFB IS NOT AN OFFER OR COMMITMENT AND IS NOT CAPABLE OF BEING ACCEPTED TO FORM A BINDING AGREEMENT. WAPA RESERVES THE RIGHT, IN ITS SOLE DISCRETION, TO WITHDRAW OR MODIFY THE RFP/IFB AT ANY TIME, TO ACCEPT OR REJECT ANY OR ALL PROPOSALS FOR ANY REASON, TO WAIVE ANY IRREGULARITIES OR INFORMALITIES IN THE PROPOSAL PROCESS OR ANY NONCONFORMANCE WITH THE REQUIREMENTS OF THE RFP/IFB, AND TO ENTER INTO FURTHER DISCUSSION OR INTERVIEWS WITH ANY ONE OR MORE BIDDERS.

2. ADDENDUMS

Addendums may be issued during the proposals period. All addendums become part of the contract documents. Include resultant costs in the Proposal Price.

The reply to all requests for clarifications will be in the form of an Addendum, a copy of which will be posted online and sent to all that have requested a proposal package.

Verbal answers are not binding on any party.

3. LEGAL REQUIREMENTS

Proposal responses shall adhere to the requirements of the Authority’s Request for Proposal and the Authority’s Professional General Contract Terms a copy of which is attached hereto and made a part hereof. Those requirements pertaining to the Contractor’s responsibility for taxes, insurance, hiring of local workers and liquidated damages, are of paramount importance and shall apply, unless expressly waived by the Authority.

The Bidders response must expressly state the terms and conditions of the Authority’s Professional General Contract Terms which the contract does not agree. The Authority reserves the right depending on the stated exceptions to consider any response of contractor unresponsive and not subject to further consideration.

4. PROPOSAL WITHDRAWAL

Proposals may be withdrawn at any time prior to the scheduled time for proposal opening. Thereafter, no proposal may be withdrawn for a period of ninety (90) days.
after the date set for opening thereof, and all proposals shall be subject to acceptance during this period.

5. TAXES

A bidder if awarded a contract may be subject, depending on the services sought to gross receipt taxes; and import taxes due to the geographical location of the U.S. Virgin Islands. Bidders advised to contact the Virgin Island Bureau of Internal Revenue, (340) 774-5865, for information on their tax obligations and may not rely on the Authority or any oral statements provided by the Authority in this regard. Neither the Authority nor its employees or representatives, shall be responsible or liable due to any inquiries or representations regarding the Bidder's tax liability.

The Price proposed herein shall be the total consideration for all work proposed in the Work Scope. Payment of any taxes, custom, duties, gross receipts, excise or other fees or taxes shall be the sole responsibility or the Bidder. The Authority shall not be responsible in any way for the direct payment of any taxes such as customs and duties, excise, gross receipts, or other fees.

Pursuant to 33 VIC § 44(a) (b) of the Virgin Islands Code as amended, the Government of the Virgin Islands and its instrumentalities, agencies and public corporations are required, when making a payment to any person, partnership, firm corporation of other business association that is subject to the payment of gross receipt taxes under the law, to deduct and withhold from such payment, gross receipt taxes as required by law at 33 VIC § 43 (a). Payment for the purposes of withholding is defined by law as:

1. any single payment of at least $30,000
2. any payment pursuant to a contract providing for a total expenditure of $225,000 or more.

In contracts for the supply of equipment, supplies, materials or parts for the Authority's operation, where the equipment might be subject to customs duties and/or excise taxes, the Authority may accept consignment of the equipment, materials, supplies or parts at a port other than the Virgin Islands for the sole purpose of materials, equipment, supplies or parts not being subject in excise and customs duties; provided, however that the Bidder must expressly states the terms of such consignment, the cost of transportation or shipment From such foreign port and provides insurance against loss or damage in the amount of 120% of the value of the item(s) is provided for the benefit of the Authority. Otherwise, the bidder shall bare the cost of all taxes, customs and
duties, excise, gross receipts and other taxes or fees incurred by the Bidder in the performance of the work.

6. BUSINESS LICENSE

Bidder must comply with the licensing laws of the Virgin Islands and obtain all licenses required for the performance of the project. All necessary and applicable license(s) shall be obtained by the Bidder and copies presented upon execution of the Contract. Additionally, Bidder must supply the Authority with its taxpayer identification number. Failure by Bidder to present its license(s) at contract execution shall be grounds to rescind or void the Contract.

In accordance with 27 VIC § 303b, any Bidder having a business license in the Territory is required to notify the Employment Security Agency, Virgin Islands Department of its intent to fill an existing position, now vacant, or soon to become vacant, or a new previously unfilled position. Notices of vacancies shall include the title of the position, if any, the proposed salary, any required qualifications, the general duties of the position, and the name, address or telephone number of the person to be contacted by applicants for the position. For the purposes of the law, “position” means employment at an hourly, monthly or yearly salary, intended to last at least 30 hour per week and for one month or more, but does not include temporary or day workers.

Anyone requesting information or guidance on this requirement is urged to contact the Department of Labor at 340-776-3700 or the Department of Licensing and Consumer Affairs at 340-774-3130.

7. INSURANCE

The Bidder is required to obtain and maintain in effect the following insurance coverage pursuant to Clause 14 of the Professional General Contract Terms. Bidder shall submit proof of insurance coverage upon contract execution. Failure to obtain the necessary insurance shall be grounds to void the contract.

8. ENVIRONMENTAL RESPONSIBILITY

If applicable to the services sought, the Bidder shall be responsible for complying with Rules, Regulations and Guidelines issued by the U.S. Environmental Protection Agency (EPA), VI Department of Planning and Natural Resources (DPNR), and any other Federal or local regulatory agencies with regard to the discharge or spilling, of oil, petroleum products, or other
prohibited contaminants during the performance of the Contract between the parties.

Bidder shall become familiar with or adhere to the policies and practices of the Authority regarding the discharge or spilling of oil, petroleum products or other legally prohibited contaminants, and any other policies applicable to the work determined by the Authority.

Bidder shall indemnify the Authority for any and all fines, assessed the Authority as a result of Bidder’s failure to adhere to EPA, OSHA, and DPNR regulations and directives, and shall further pay all costs, expenses and attorney’s fees, in connection therewith. Additionally, the Bidder shall indemnify the Authority for the cost of cleaning up all spills and discharges.

9. COMMUNICATION WITH AUTHORITY BOARD MEMBERS / EMPLOYEES / EVALUATION COMMITTEE MEMBERS

To preserve the integrity of the procurement process, and unless otherwise instructed, all communication, written or oral, regarding any RFP, IFB, solicitation of quotations, must be submitted through the Authority’s Manager of Contract Administration. Any direct contact made by a Bidder with the Authority’s Board Members, Officers, Directors, employees or the members of the Authority’s Evaluation Committee concerning the procurement, and in an attempt to influence the procurement is prohibited, and may be grounds for disqualification.

10. CONFIDENTIALITY

Bidders are hereby advised that any and all materials, information and documentation included in any response and submitted in response to any RFP or IFB may become a record of WAPA and may be subject to the provisions of Title 3 VIC §881, et. seq (Public Records Act). The Public Records Act requires disclosure of public documents upon request of any citizen unless the public document is deemed to be confidential or otherwise exempted by law. To date no court of law has ruled on the application of this law to the independent instrumentalities such as WAPA. "Confidential Information" includes all technical business, personnel, taxpayer or other information including customer or client information and details of customer accounts, however, communicated or disclosed to the receiving party or its employees, relating to past, present and future research, development and business activities of the disclosing party and that has been identified as “confidential”. Both parties agree: (i) that the receiving party and its employees may disclose Confidential Information to others if required by law or with the prior written consent of the disclosing party; (ii) not to make use of Confidential Information other than for the performance of this Agreement; and (iii) that it will not use such information for its own advantage to the detriment of the disclosing party or its customers. Confidential information shall not include information which: (i) becomes generally available to the public (other than by the acts or omissions of the receiving party or its employees); (ii) was known prior to the date of this Agreement by
“or becomes known to” the receiving party or its employees and was not obtained from any person under any obligation of confidentiality to the disclosing party, (iii) is independently developed by the receiving party: or (iv) is required to be disclosed pursuant to legal process or regulation.