PUBLIC SERVICES COMMISSION
ST. THOMAS VI
2017 DEC 15 PM 3: 1

VIRGIN ISLANDS WATER & POWER AUTHORITY
Post Office Box 1450
St. Thomas, U.S. Virgin Islands 00804
Tel: (340) 774-3552 ext. 2013
Email: Clinton.hedrington@viwapa.vi

December 15, 2017

Mr. Donald Cole
Executive Director
Public Services Commission
P.O. Box 40
St. Thomas, VI 00804-0040

Re: WAPA Post Hurricane Status Update

Dear Mr. Cole:

In preparation for the upcoming PSC meeting on Tuesday, December 19, 2017 the Authority is hereby providing a status on our post hurricane activities.

LEAC

On Friday, September 1, 2017 the Authority filed its semi-annual LEAC Petition for rates effective January-June 2018. The proposed rates represented an increase from the current LEAC factor of $0.143603 to the proposed factor of $0.187221. If approved, the increased rate would have resulted in a $17.45 increase to the typical residential customer.

Shortly after the Authority filed its petition, the territory was hit by Hurricane Irma and then Hurricane Maria a mere two weeks later. The storms caused damages to some of our production facilities and damaged approximately 90% of our transmission and distribution system. The USVI Solar Farm on St. Thomas also experienced significant damage. The damage assessment to our T&D system is attached to this submittal.

Due to the devastation caused by the hurricanes, in October, the Authority filed a petition to rescind the LEAC petition that was previously filed. The next LEAC filing is scheduled for April 1, 2018 for rates effective July 1-December 31, 2018. The Authority requests that the current LEAC factor of $.143603/kWh remain in effect until that time.

SALES & REVENUE

The devastation caused by the hurricanes hampered the Authority's ability to bill and collect revenues. For the month of September, the Authority's billed revenues were 75% less than the prior months. The Authority has not billed customers since the hurricane, but plan to do so within the next few days. The first bill will be for consumption up until September 6, 2017.

Currently, the average peak load for the entire system is approximately 50 MW (17 for STX, and 33 for STT). All of which is being supplied solely by the Authority's gas turbines.

CASH COLLECTIONS

For the September through November 2017 period, the Authority's Electric System has collected a combined $9,035,051.17 in payments from customers. Historically, the monthly cash collections average $16,000,000. The Water System has collected $1,073,158.99 for the same period. Historically, the Water System's monthly cash collections average $2,000,000.

Cash Collections			
	September	October	November
Elecric System	$3,650,546.52	$2,452,276.16	$2,932,228.49
Water System	$ 171,921.38	$ 292,430.14	$ 608,807.47

GOVERNMENT PAYMENTS

The Authority has received $2,578,224.28 in utility payments from September through November from the Government of the Virgin Islands.

Government Collections	
September	$ 567.00
October	$ 330,244.92
November	$2,247,412.36
TOTAL	$2,578,224.28

FUEL HEDGE PROGRAM

For the September through November 2017 period, the Authority has received $5,127,354.54 in fuel hedge settlements.

HEDGE PROGRAM	
SEPTEMBER	$ 670,959.66
OCTOBER	$2,154,146.40
NOVEMBER	$2,302,248.48
TOTAL	**$5,127,354.54**

SELF INSURANCE FUND

Prior to the Hurricanes, the balance in the Self Insurance Fund was $4,093,240.22. In early October, the funds were used to cover Hurricane and operating expenses before the receipt of the FEMA grant and Community Disaster Loan. The current balance in the account is $3,311,976.60. With our next semi-annual filing, a detail of the transactions will be provided.

FUEL SUPPLY

As the restoration process continues, the Authority is using No. 2 fuel oil as its primary fuel source. The current contract with the fuel supplier, Glencore Inc., expires on December 31, 2017. The Authority and Glencore are currently negotiating an extension. The extended contract will go before the Authority's Governing Board for approval during the month of December.

There were no damages to the propane tanks post storm. However, an assessment was done on STX for the receipt of propane. The anticipated date of commercial operation on propane is Saturday, December 16, 2017.

The propane suspension on St. Thomas that was in effect prior to the storms, will continue until the issues are resolved.

SOLAR FACILITIES

The storms caused damages to both Solar Facilities. The USVI Solar Farm on St. Thomas sustained major (almost total) damage that has rendered the facility inoperable. There is no current timeline on when the site will be operational, but options are currently being considered with stakeholders in mind. Security remains the current priority. Construction of a new fence line will begin in the coming weeks.

The damage to the Spanish Town Solar Farm on St. Croix was not as extensive as the site on St. Thomas. The damages include: minor damage to the solar panels; destruction of southernmost ventilation fan; flooding within the inverter building which resulted in the failure of three inverters. Technicians will be on site shortly to repair and test the system. It is anticipated that the system will be operational in the next few months.

FUEL PAYMENTS

The Authority has made $21,801,612.82 in fuel payments since the storm.

FUEL PAYMENTS	
Glencore	$20,591,267.82
VITOL	$ 1,210,345.00
TOTAL	**$21,801,612.82**

GENERATION
Attached to this submittal is the assessment and estimated costs of the damages to the Authority's facilities as a result of the hurricanes.

CHANGES TO GENERATION PLAN
On December 5, 2017, the Authority provided an update to the PSC on the Near Term Generation Plan. Due to Hurricane Harvey, the completion date for the overhaul of Unit 23 (which is currently in Houston, TX) has been delayed until sometime early 2018.

As reported in the attached damage assessment report, some of the Authority's generating facilities experienced hurricane related damages. As a result of the water damage to Unit 18's diesel engine starter during Hurricane Irma, the Authority has elected to expedite the commercial operation of Unit 27 rather than repair Unit 18. The anticipated commercial operation date for Unit 27 has been moved to mid-February 2018.
Prior to the storms, the Authority was unable to complete the LPG Commissioning for APR Unit 26 due to the propane suspension. Currently, the Authority is still unable to commission the unit on propane. Commissioning of the unit requires two weeks of downtime. With the current reduction in generating capacity due to the unavailability of Units 18 and 23, the Authority is unable to release Unit 26 to APR for commissioning. Once other units become available, the Authority will schedule the LPG upgrade.

The Authority is currently negotiating with Wartsila for the purchase of the second set of units that will ultimately replace the temporary APR Unit 25.
In the most recent LEAC filing, the Authority notified the Commission that it was in the process of evaluating repair or replace options for Unit 16 on St. Croix. The Authority issued an RFP for the inspection and repair of Unit 16. In addition, the Authority also requisitioned bids from vendors for the replacement with a temporary leased unit and received responses from APR and Aggreko. Using the proposals received from all bidders, the Authority performed a ProMod analysis to determine whether it would be more cost-effective to:

a. Immediately retire STX Unit 16
b. Continue with the inspection and repair of STX Unit 16
c. Lease an emergency generator from APR to replace STX Unit 16
d. Lease emergency generators from Aggreko to replace Unit 16

Based on the results of the ProMod analysis, the Authority elected to replace STX Unit 16 with the Aggreko lease units as it offered the lowest overall system cost of $94.6M ($6.2M lower than its nearest competitor), and required the least amount of total downtime hours over the two-year test period. The Authority is currently in negotiations with the vendor to finalize favorable contract terms. The analysis on the repair or replacement of Unit 16 is submitted with this report.

FEMA GRANT

To date, the Authority has received $36,670,914.14 in FEMA reimbursements for storm related expenses.

COMMUNITY DISASTER LOAN (CDL)

In November, the Authority closed on a $31 million Community Disaster Loan. On November 29, 2017 the Authority filed a status report with the PSC on the CDL. The proceeds of the loan are to be used to cover essential functions on the existing operations or to expand those functions to cover disaster related needs. Proceeds shall not be used to (1) finance capital improvements, including debt service related to capital outlays, (2) repair or restoration of damaged public facilities, or (3) cover the non-federal cost share of any federal loan. To date, the Authority has received the following loan proceeds:

CDL Loan Proceeds	
11/16/2017	$17,575,898.32
12/4/2017	$12,641,557.29
TOTAL	$30,217,455.61

HURRICANE RESTORATION

As of this report, approximately 59% of the territory's power has been restored. The restoration by island is as follows:

Hurricane Restoration						
Island	Total Customers	Customers Restored	% Customers Restored	Total Megawatts (MW)	MW Restored	% MW Restored
St Croix	21,236	10,913	51.4%	38	18.2	47.9%
St John	3,100	2,205	71.1%	8.5	6	70.6%
St Thomas	25,249	16,046	63.6%	54	30.53	56.5%
Hassel Island	10	-	0.0%	0.5	0	0.0%
Water Island	115	115	100.0%	1		0.0%
Totals	**49,710**	**29,279**	**58.9%**	**102**	**54.73**	**53.7%**

The Authority continues to work steadfastly to achieve the 90% restoration target date of December 25, 2017. Crews continue to restore customers in the following areas:

- St. Croix: All for the Better, Annas Hope, Barren Spot, Estate Bethlehem / Middle Works, Castle Burke, Catherine's Rest, Clifton Hill, Coakley Bay, Concordia, Constitution Hill, Cotton Valley, Diamond, Enfield Green, Glynn, Golden Rock, Grapetree Bay, Green Cay, Grove Place, Humbug, Judith's Fancy, La Grande Princesse, Lorraine Village, Mon Bijou, Mount Pleasant, Mount Welcome, North Slob, North Street, Orange Grove, Paradise, Parara, Peppertree Terrace, Peter's Rest, Profit Hills, Richmond, Ruby, Shoys, Shoys Pump, Sight, Smithfield, Solitude, South Slob, Southgate, St. Georges, Teague Bay, Tipperary, Turner Hole, Two Brothers, Two Williams, Union & Mount Washington, Upper Bethlehem and Whim. On Wednesday, 267 additional customers were restored.
- St. Thomas: Annas Retreat, Bakkeroe, Blackbeard's Hill, Bolongo, Bonne Esperance, Bonne Resolution, Bordeaux, Botany Bay, Bovoni, Contant, Crown & Hawk, Estate Hoffman, Estate Hope, Estate Pearl, Estate Thomas, Fortuna, Frenchman Bay, Frydenhoj, Hidden Valley, Hospital Ground, Jeppesgang, Lerkenlund, Lindbergh Bay, Lytton Fancy, Mandahl, Mariendahl, Nazareth, Norre Gade, Nye Gade, Red Hook Road, Weymouth Rhymer Highway / Donoe, Santa Maria, Sapphire Village, Smith Bay, Solberg, St. Joseph & Rosendahl, Subbase, Taarneberg, Tabor & Harmony, Tutu, Tutu High Rise I, Water Island, Watergate and Wintberg. Approximately 170 additional customers were restored on Wednesday.
- St. John: While crews are working throughout Cruz Bay and Coral Bay, additional customers were restored Wednesday in Bethany, Cruz Bay and in Lower Carolina.

The Water system is 99% restored. The anticipated timeframe for full restoration is February 2018. WAPA is prepared to make a full presentation on our restoration efforts at the upcoming meeting.

If you have any questions regarding this report, I will be available at the scheduled meeting of the PSC on Tuesday, December 19, 2017.

Sincerely,

12/15/17

Clinton T. Hedrington, Jr.
Acting Executive Director/CEO