



**VIRGIN ISLANDS
WATER & POWER
AUTHORITY**

January 12, 2024

Ms. Sandra L. Setorie
Executive Director
Public Services Commission
P.O. Box 40
St. Thomas, VI 00804-0040

Re: Virgin Islands Water and Power Authority Electric LEAC Filing

Dear Director Setorie:

The Virgin Islands Water and Power Authority (“the Authority”) hereby submits its petition for the Electric Levelized Energy Adjustment Clause (LEAC) rate in the second quarter of 2024 (April through June 2024). It is important to stress that while the supporting schedules indicate a rate above the current approved LEAC of \$0.222 per kWh, the Authority is not requesting any rate increase. The Authority requests an extension of the current LEAC for at least three months.

This filing is supported by a dispatch forecast developed by Sargent & Lundy, a globally recognized consulting and engineering firm. The dispatch model has been provided to Georgetown Consulting. As previously discussed in Public Services Commission (“PSC”) hearings, Sargent & Lundy is also building a PLEXOS model to be used to support future filings.

The calculated true LEAC rate for the second quarter 2024 is a range of numbers depending on generation profile and supplier transportation surcharge costs. The Authority is required to purchase propane from Vitol, and as a result, the Authority’s current cost of transportation is \$0.71/gal, versus the PSC-approved rate of \$0.33/gal. Depending on the status of the pending Vitol transaction as of April 1, 2024, the Authority’s fuel costs could vary widely. Additionally, new Wartsila units are not currently in service. There is potential for the new units to be in service by April 1, 2024, but this also remains uncertain. See below for the range of potential LEAC rates based on these scenarios.

	\$0.33/gal LPG Transportation	\$0.71/gal LPG Transportation
Current generation profile	\$0.2428 per kWh	\$0.3165 per kWh
New Wartsilas in service	\$0.1813 per kWh	\$0.2414 per kWh

The Authority is in a deeply distressed financial position without access to external financing. This is in large part due to the approximately \$90 million in deferred fuel the Authority has not recovered. This figure is net of the ARPA grant funds provided by the Government of the Virgin Islands. While the Authority does not intend to raise rates to collect deferred fuel, it must maintain the ability to do so once true costs become lower than the approved LEAC. If the savings from new generation are immediately reset in rates, WAPA's financial position will continue to deteriorate, ultimately hurting ratepayers. The Authority plans to petition for deferred fuel recovery when it can do so without raising electric rates.

The Authority, its employees, and advisors are available at the PSC's convenience to discuss any of the information provided.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew Smith", written in a cursive style.

Andrew Smith
CEO, Executive Director