

**GOVERNMENT OF THE VIRGIN ISLANDS
OF THE UNITED STATES**

Public Service Commission

IN THE MATTER OF THE ELECTRIC)
SYSTEM LEVELIZED ENERGY)
ADJUSTMENT CLAUSE AND A FUEL)
RISK MANAGEMENT PROGRAM OF)
THE VIRGIN ISLANDS WATER AND)
POWER AUTHORITY)

**PSC DOCKET NO. 289
ORDER NO. 17/2007**

ORDER

WHEREAS, the Virgin Islands Public Services Commission (“Commission”), received a petition (“Petition”) from the Virgin Islands Water and Power Authority (“Authority” or “WAPA”) on August 7, 2006 wherein the Authority requested that the Commission authorize a fuel risk management program the costs of which would be recovered in its Levelized Energy Adjustment Clause allocable to the Electric System (“LEAC”); and

WHEREAS, the Commission at its public meeting on Sunday, November 19th and Monday, November 20th, 2006 approved the petition and issued an implementing order (Order 02/2007) for a trial period; and

WHEREAS, the Authority filed a petition on January requesting that the previous order and stipulation be modified to permit the execution of hedging contracts during the trial period with a single counterparty, instead of the three currently required; and

WHEREAS, at the Commission’s public meeting on February 9, 2007, WAPA waived notice and asked this its petition be considered by the Commission; and

WHEREAS, the Stipulation on the Fuel Hedging Program required that WAPA have three counterparties in place for bidding purposes prior to entering into any hedge contracts; and

WHEREAS, WAPA reported at the February 9th meeting that it currently has in place a counterparty agreement with Morgan Stanley, and WAPA had reached agreement on all terms for a counterparty agreement with Citigroup; and

WHEREAS, oil prices have dropped substantially and it may be to the advantage of ratepayers to enter into hedging agreements while prices are lowering than in the recent past; and

WHEREAS, the Commission remained concerned that the purpose of utilizing at least three counterparties was to ensure that the Authority, through competition, received the best possible pricing on each hedging contract; and

WHEREAS, the Authority stated that it expected to have a second counterparty agreement executed within the next several days.

NOW THEREFORE, it is hereby **ORDERED** that the Authority is authorized to enter into a Fuel Hedge Program to be implemented in accordance with the terms of the Resolution and the Program Limitations, including the Fuel Hedge Guidelines and the Fuel Hedge Procedures, which are hereby approved and consented to by the PSC, upon recommendation of GCG and WAPA, as set forth in the Stipulation and the prior order of this Commission, except that the Authority may enter into a hedging contract so long as at least two counterparties are available and bidding on the transaction.

FOR THE COMMISSION:



ALECIA M. WELLS
Chair

Dated March 20, 2007