

**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 )

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**PSC DOCKET NO. 289  
ORDER NO. 22/2008**

**ORDER**

**WHEREAS**, the Virgin Islands Public Services Commission (hereinafter “PSC” or “Commission”) had previously authorized, at the request of the Virgin Islands Water and Power Authority (hereinafter the “Authority” or “WAPA”), a trial program for a fuel risk management program the costs of which would be recovered in its Levelized Energy Adjustment Charge allocable to the Electric System (“LEAC”); and

**WHEREAS**, WAPA conducted a trial program and reported the results of that program to both the WAPA Board and the Commission; and

**WHEREAS**, Georgetown Consulting Group (hereinafter “GCG”) reviewed the Authority’s Petition; and

**WHEREAS**, GCG concurs that the Authority should establish a fuel risk management program, but recommends that the program be limited to not more than fifty percent (50%) of WAPA’s annual fuel requirements; and

**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, except that no fees for the transaction costs shall be passed through the LEAC.

**WHEREAS**, the PSC will monitor and periodically evaluate the costs and benefits of the Fuel Hedge Program authorized by this Order;

**NOW THEREFORE**, it is hereby **ORDERED** that the expanded Fuel Hedge Program is approved, subject to the limitation that the not more than fifty percent (50%) of WAPA’s annual fuel requirements may be hedged; and

**WHEREAS**, in order for the Authority to recover the expenses and costs of the Fuel Hedge Program, the LEAC must be amended; and

**WHEREAS**, GCG has recommended under a stipulation, also filed with the PSC on October 17, 2006 (the "Stipulation"), in order for the Authority to recover the expenses and costs of the Fuel Hedge Program as agreed upon between the Authority and the PSC (as set forth in the attached Exhibit B) under the LEAC, that the LEAC be adjusted to recognize and include such costs as agreed upon and as required under the final terms of the multiple transactions to be executed from time to time, pursuant to the International Swap Dealers Association ("ISDA") Master Agreement (the "Master Agreement"), by and between the Authority and eligible counterparties, including but not limited to Morgan Stanley Capital Group ("Morgan Stanley") and Citigroup, the respective Schedules and the Credit Annexes, having such terms and provisions as determined by the Authority subject to the Program Limitations and Confirmations (defined below). The proposed Morgan Stanley and Citigroup agreements and all such future agreements to be entered into with other eligible counterparties are referred to herein as the "Fuel Hedge Agreements"; and

**WHEREAS**, the final costs to be included in the LEAC shall be set from time to time pursuant to the terms of confirmations to be entered into by and between the Authority and such counterparties ("Confirmations") in accordance with the Program Limitations, established by the Authority Governing Board, in consultation with and as recommended by the PSC, pursuant to the Stipulation; and

**WHEREAS**, costs related to the Fuel Hedge Agreements, including but not limited to costs of implementing the Fuel Hedge Program, the payments received in connection with a call option, payments made in connection with a put option or termination payments made or received by the Authority, all as required pursuant to such Fuel Hedge Agreements, shall be included and recognized as a current cost or credit for the purchase of fuel to be recovered in the next succeeding LEAC Period; such costs shall not include the costs of Fuel Consultant, Financial Advisors, and attorneys' fees and any other administrative costs not directly addressed above. WAPA has agreed to provide to the PSC verification of all payments made or received at the end of each six month Billing Period under each respective Agreement;

**NOW THEREFORE**, it is hereby **ORDERED** that prudent payments made by the Authority under the Fuel Hedge Program, including those for professional services and other regulatory costs discussed above, be recognized and recovered in the next succeeding LEAC Period, unless expressly excluded by the PSC for cause, and payments received by the Authority be taken into account in setting the LEAC for such next succeeding LEAC Period.

FOR THE COMMISSION:

  
JOSEPH B. BOSCHULTE,  
Chairman

Dated February 13, 2008