

**GOVERNMENT OF THE UNITED STATES VIRGIN ISLANDS**

**PUBLIC SERVICES COMMISSION**

IN RE: ) PSC Docket No. 289  
 ) Order No. 20 /2011  
The Virgin Islands Water & Power Authority's )  
Petition for Clarification of Commission Orders )  
No. 73/2008, No. 05/2009 and No. 16/2011 )  
\_\_\_\_\_ )

**ORDER**

**WHEREAS:** The Virgin Islands Water & Power Authority (the "Authority") petitioned the Virgin Islands Public Services Commission (the "Commission" or "PSC") on December 14, 2010 to clarify the Commission's intent and purpose as it relates to its approval of the Authority's \$40 Million Term Loan with First Bank of Puerto Rico, as re-financed (the "Term Loan"); and the Commission's approval of the recovery of the principal and interest on the Term Loan through the Electric System and Water System LEAC factors (hereafter "LEAC factors"). The petition seeks a Clarifying Order from the Commission that will re-affirm the Commission's findings and intent and provide financial reporting guidance, which will alleviate uncertainty on the part of interested parties.

**WHEREAS:** In PSC Order No. 05/2009, dated October 10, 2008, which amended Order No. 73/2008 of the same date, the Commission recognized as reasonable, the Authority's use of the Term Loan financing to restructure (extend) the deferred fuel amortization, thereby lowering the LEAC, while providing a source of cash to the Authority to pay fuel (HOVENSA) invoices. The Order provided, *inter alia*, that:

- a. The principal and interest payments on the Term Loan be recognized for recovery via the electric and water LEAC; and
- b. That the Electric System and the Water System deferred fuel balance will be reduced by the principal amount of the Term Loan as it is recovered via the LEAC.

**WHEREAS:** In PSC Order No. 16/2011, dated December 6, 2010, the Commission recognized that the Authority has further under-recovered its fuel costs and that it is reasonable and prudent to for the Authority to improve its working cash position, while lowering the LEAC factor, by refinancing the original Term Loan, up to its original principal amount of \$40 Million, from an outstanding balance of **\$24.629** million. The Order:

- a. Approved the refinancing of the Term Loan and directed that the net proceeds of \$15.371 million be used as follows: \$4.7 million to replenish the Self Insurance Fund and \$10.671 million to pay fuel invoices; and.
- b. Approved the inclusion of the monthly principal and interest payments on the Term Loan based on a sixty month amortization table in the LEAC factor over the three-year term of the refinanced note.

**WHEREAS:** Clear, consistent interpretation and application of the intent and provisions of these Orders are needed to ensure that:

- a. The Commission's intentions are properly reflected;
- b. The ratepayers interest is properly protected;
- c. The lending institution's protection is not eroded; and.
- d. The Authority's financial reporting is appropriate.

**WHEREAS:** This **Order** will clarify the Commission's intentions, eliminate ambiguities and alleviate any uncertainties on the part of interested parties.

**WHEREFORE:** The Commission **Orders** as follows:

1. The Commission's prior Orders Nos. 5/2009 and 16/2011 shall be clarified as follows:
  - a. That the deferred fuel balances for both the Electric and Water departments that were components of the refinancing as of November 30, 2010 of \$35.7 million and \$4.3 million respectively shall be recovered over a period of sixty months (the basis of the amortization period of the loan) with the first 36 months based on the principal payments of the refinanced loan and the resulting lowering of LEAC rates for the Electric and Water Systems made possible by the Term Loan is reasonable;
  - b. That it is reasonable to recognize, and it is the Commission's intent to recognize, principal and interest payments on the Term Loan as eligible for full recovery via the LEAC, to allow the Authority to pay all principal and interest payable on the Term Loan; AND, that the provisions of Order No. 05/2009 and Order No. 16/2011 are to be so interpreted;
  - c. That for purposes of setting the LEAC rate over the first three-year term of the Term Loan, the full amount of monthly principal and interest payments will be included in the Electric and Water LEAC;
  - d. With regard to the balloon payment required after the 36<sup>th</sup> month, while no specific plan has been requested and no specific plan for payment has been currently approved by the commission, it is the intent of the Commission to treat the balloon payment as an obligation of WAPA to be collected and paid for. WAPA shall present a reasonable plan for collection and payment no later than December 1, 2012.
  - e. That it is the Commission's intent that the unamortized loan balance will be reduced by the same amount as the principal payment for the Term Loan that is recovered via the LEAC.

2. It is further **Ordered** as follows: [All schedules referenced in this Statement are integral parts thereof]
- a. The amortization of the original Term Loan as shown on Schedule A is now no longer effective and is replaced by the amortization of the refinanced Term Loan as shown on Schedule B. The amortization period for the portion of the deferred fuel balance on November 30, 2010 that is financed by the refinanced Term Loan shall be equivalent to the amortization period of the Term Loan which is sixty months but has a balloon payment after the 36<sup>th</sup> month.
  - b. The Commission accepts the amount of \$35,690,000 as the portion of the Electric System deferred fuel balance and \$4,310,000 as the portion of the Water System deferred fuel balance, as of November 30, 2010, whose amortization periods are being restructured by the Refinanced Term Loan. The amortization of these balances will be according to Schedule B. We reiterate here that there is no payment plan approved herein for the balloon payment and that we recognize the balloon payment as an obligation of the Authority for which we await a petition with a proposed plan of repayment no later than December 1, 2012.
  - c. The Commission recognizes that to the extent that the proceeds of the Term Loan are used exclusively for the pay of fuel (HOVENSA) invoices, the interest payments on the Term Loan represent a fuel financing cost which shall be recovered through the LEAC revenues and be recorded as an interest expense.

*So Ordered.*

Date: January 14<sup>TH</sup>, 2011

  
Joseph B. Boschulte  
Chairman

Client: VI WAPA  
 Amount: 40,000,000  
 Term: 5 years  
 Rate: 5.25%

\$ 35,690  
 4,310  
 40,000

89.2%  
 10.8%

Mo	Beginning Principal	Monthly Payment	Principal Portion	Interest Portion	Base360/365:		Elec (\$000's)	Water (\$000's)	Elec. Principal	Elec. Interest	Elec. P&I	Water Principal	Water Interest	Water P&I
					Ending Principal	(\$000's)								
0	40,000,000	-	-	-	40,000,000									
December-10	40,000,000	759,439	584,439	175,000	39,415,561	35,159	4,247	521,466	156,144	677,610	62,973	18,856	81,830	
January-11	39,415,561	759,439	586,996	172,443	38,828,564	34,645	4,184	523,747	153,862	677,610	63,249	18,581	81,830	
February-11	38,828,564	759,439	589,564	169,875	38,239,000	34,119	4,120	526,039	151,571	677,610	63,526	18,304	81,830	
March-11	38,239,000	759,439	592,144	167,296	37,646,856	33,590	4,056	528,340	149,270	677,610	63,803	18,026	81,830	
April-11	37,646,856	759,439	594,734	164,705	37,052,122	33,060	3,992	530,652	146,958	677,610	64,083	17,747	81,830	
May-11	37,052,122	759,439	597,336	162,103	36,454,786	32,527	3,928	532,973	144,636	677,610	64,363	17,467	81,830	
June-11	36,454,786	759,439	599,950	159,490	35,854,836	31,991	3,863	535,305	142,305	677,610	64,645	17,185	81,830	
July-11	35,854,836	759,439	602,574	156,865	35,252,261	31,454	3,798	537,647	139,963	677,610	64,927	16,902	81,830	
August-11	35,252,261	759,439	605,211	154,229	34,647,051	30,914	3,733	539,999	137,611	677,610	65,211	16,618	81,830	
September-11	34,647,051	759,439	607,859	151,581	34,039,192	30,371	3,668	542,362	135,248	677,610	65,497	16,333	81,830	
October-11	34,039,192	759,439	610,518	148,921	33,428,674	29,827	3,602	544,735	132,875	677,610	65,783	16,046	81,830	
November-11	33,428,674	759,439	613,189	146,250	32,815,486	29,280	3,536	547,118	130,492	677,610	66,071	15,758	81,830	
December-11	32,815,486	759,439	615,872	143,568	32,199,614	28,730	3,470	549,511	128,098	677,610	66,360	15,469	81,830	
January-12	32,199,614	759,439	618,566	140,873	31,581,048	28,178	3,403	551,916	125,694	677,610	66,650	15,179	81,830	
February-12	31,581,048	759,439	621,272	138,167	30,959,776	27,624	3,336	554,330	123,280	677,610	66,942	14,888	81,830	
March-12	30,959,776	759,439	623,990	135,449	30,335,785	27,067	3,269	556,755	120,854	677,610	67,235	14,595	81,830	
April-12	30,335,785	759,439	626,720	132,719	29,709,065	26,508	3,201	559,191	118,419	677,610	67,529	14,300	81,830	
May-12	29,709,065	759,439	629,462	129,977	29,079,603	25,946	3,133	561,638	115,972	677,610	67,825	14,005	81,830	
June-12	29,079,603	759,439	632,216	127,223	28,447,387	25,382	3,065	564,095	113,515	677,610	68,121	13,708	81,830	
July-12	28,447,387	759,439	634,982	124,457	27,812,405	24,816	2,997	566,563	111,047	677,610	68,419	13,410	81,830	
August-12	27,812,405	759,439	637,760	121,679	27,174,645	24,247	2,928	569,041	108,568	677,610	68,719	13,111	81,830	
September-12	27,174,645	759,439	640,550	118,889	26,534,094	23,675	2,859	571,531	106,079	677,610	69,019	12,810	81,830	
October-12	26,534,094	759,439	643,353	116,087	25,890,742	23,101	2,790	574,031	103,578	677,610	69,321	12,508	81,830	
November-12	25,890,742	759,439	646,167	113,272	25,244,574	22,524	2,720	576,543	101,067	677,610	69,625	12,205	81,830	
December-12	25,244,574	759,439	648,994	110,445	24,595,580	21,945	2,650	579,065	98,545	677,610	69,929	11,900	81,830	
January-13	24,595,580	759,439	651,834	107,606	23,943,746	21,364	2,580	581,599	96,011	677,610	70,235	11,595	81,830	
February-13	23,943,746	759,439	654,685	104,754	23,289,061	20,780	2,509	584,143	93,467	677,610	70,542	11,287	81,830	
March-13	23,289,061	759,439	657,550	101,890	22,631,511	20,193	2,439	586,699	90,911	677,610	70,851	10,979	81,830	
April-13	22,631,511	759,439	660,426	99,013	21,971,085	19,604	2,367	589,266	88,344	677,610	71,161	10,669	81,830	
May-13	21,971,085	759,439	663,316	96,123	21,307,769	19,012	2,296	591,844	85,766	677,610	71,472	10,357	81,830	
June-13	21,307,769	759,439	666,218	93,221	20,641,551	18,417	2,224	594,433	83,177	677,610	71,785	10,045	81,830	
July-13	20,641,551	759,439	669,133	90,307	19,972,418	17,820	2,152	597,034	80,576	677,610	72,099	9,731	81,830	
August-13	19,972,418	759,439	672,060	87,379	19,300,358	17,221	2,080	599,646	77,964	677,610	72,414	9,415	81,830	
September-13	19,300,358	759,439	675,000	84,439	18,625,358	16,618	2,007	602,269	75,341	677,610	72,731	9,098	81,830	
October-13	18,625,358	759,439	677,953	81,486	17,947,405	16,014	1,934	604,904	72,706	677,610	73,049	8,780	81,830	
November-13	17,947,405	759,439	680,919	78,520	17,266,485	15,406	1,860	607,550	70,059	677,610	73,369	8,461	81,830	

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Mo	Beginning Principal	Monthly Payment	Principal Portion	Interest Portion	Ending Principal	Elec (\$000's)	Water (\$000's)	Elec. Principal	Elec. Interest	Elec. P&I	Water Principal	Water Interest	Water P&I
December-13	17,266,485	759,439	663,898	75,541	16,582,587	14,796	1,787	610,208	67,401	677,610	73,690	8,140	81,830
January-14	16,582,587	759,439	666,891	72,549	15,895,666	14,183	1,713	612,878	64,732	677,610	74,012	7,817	81,830
February-14	15,895,696	759,439	669,896	69,544	15,205,800	13,567	1,638	615,559	62,050	677,610	74,336	7,493	81,830
March-14	15,205,800	759,439	662,914	66,525	14,512,886	12,949	1,564	618,252	59,357	677,610	74,661	7,168	81,830
April-14	14,512,886	759,439	665,945	63,494	13,816,941	12,328	1,489	620,957	56,652	677,610	74,988	6,841	81,830
May-14	13,816,941	759,439	668,990	60,449	13,117,951	11,704	1,413	623,674	53,936	677,610	75,316	6,513	81,830
June-14	13,117,951	759,439	702,048	57,391	12,415,902	11,078	1,338	626,403	51,207	677,610	75,646	6,184	81,830
July-14	12,415,902	759,439	705,120	54,320	11,710,783	10,449	1,262	629,143	48,467	677,610	75,977	5,853	81,830
August-14	11,710,783	759,439	708,205	51,235	11,002,578	9,817	1,186	631,896	45,714	677,610	76,309	5,521	81,830
September-14	11,002,578	759,439	711,303	48,136	10,291,275	9,182	1,109	634,660	42,950	677,610	76,643	5,187	81,830
October-14	10,291,275	759,439	714,415	45,024	9,576,860	8,545	1,032	637,437	40,173	677,610	76,978	4,851	81,830
November-14	9,576,860	759,439	717,541	41,899	8,859,319	7,905	955	640,226	37,384	677,610	77,315	4,515	81,830
December-14	8,859,319	759,439	720,680	38,760	8,138,639	7,262	877	643,027	34,583	677,610	77,653	4,176	81,830
January-15	8,138,639	759,439	723,833	35,607	7,414,807	6,616	799	645,840	31,770	677,610	77,993	3,837	81,830
February-15	7,414,807	759,439	727,000	32,440	6,687,807	5,967	721	648,665	28,944	677,610	78,334	3,495	81,830
March-15	6,687,807	759,439	730,180	29,259	5,957,627	5,316	642	651,503	26,106	677,610	78,677	3,153	81,830
May-15	5,957,627	759,439	733,375	26,065	5,224,252	4,661	563	654,354	23,256	677,610	79,021	2,808	81,830
June-15	5,224,252	759,439	736,583	22,856	4,487,669	4,004	484	657,216	20,393	677,610	79,367	2,463	81,830
July-15	4,487,669	759,439	739,806	19,634	3,747,863	3,344	404	660,092	17,518	677,610	79,714	2,116	81,830
August-15	3,747,863	759,439	743,042	16,397	3,004,821	2,681	324	662,980	14,630	677,610	80,063	1,767	81,830
September-15	3,004,821	759,439	746,293	13,146	2,258,527	2,015	243	665,880	11,730	677,610	80,413	1,416	81,830
October-15	2,258,527	759,439	749,558	9,881	1,508,969	1,346	163	668,793	8,816	677,610	80,765	1,065	81,830
November-15	1,508,969	759,439	752,838	6,602	756,132	675	81	671,719	5,890	677,610	81,118	711	81,830
December-15	756,132	759,439	756,131	3,308	0	0	0	674,658	2,952	677,610	81,473	356	81,830

Base360/365: