

The 35th Legislature of the U.S. Virgin Islands

Committee of the Whole



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Prepared By:

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Incident Commander / Commissioner of Finance

State of Emergency: Update in Accordance to Act 8839

Executive Summary

Under the current State of Energy Emergency and based on best practices, an incident command remains established to focus resources from government agencies to meet Governor Bryan's goal to "Avert an Energy Crisis" for the Territory. Resources include both agency subject matter expertise, legal counsel, financial advisors, and financial capital. Decision making is based on real-time presentation of the facts, understanding on the problem, establishing milestones, and driving a unity of effort towards the goals prioritized and approved by the incident commander. Included with decision making is the clear understanding of the associated risks to those decisions, and the gravity of the current situation.

For our incident command team, the Water and Power Authority CEO Karl Knight, Interim CFO Lorraine Kelly, Interim COO Ashley Bryan, Attorney Dionne Sinclair, and PIO Shanell Petersen form the foundation in presenting and explaining any challenges, as well as detailing possible solutions, to include Press Releases. Under the Executive Branch, key agencies include the Office of Management and Budget, Department of Finance, Office of Legal Counsel, Energy Office, Office of Disaster Recovery, DPNR, VITEMA, and select Policy Advisors. Subject matter experts from VIPFA and VIHFA join the team as needed. The WAPA Board Chair Hubert Turnbull and / or representative from the Board have been joining the meetings over the past 30-days.

The WAPA CEO has broad authority and is accountable for the spending of revenue, including signature on fuel purchases. The WAPA Board Chairman provides reviews and gains Board approval on contracts, vetted by the Authority's Legal Counsel, on future power generation efforts and other initiatives, such as Advanced Meter Infrastructure (AMI) prudent replacement efforts.

However, the one item which neither the WAPA CEO nor the Board can provide, but the incident command does provide, is quick access to financial capital, to meet immediate cash flow challenges. WAPA has emphasized that it has extremely limited liquidity and no access to short-term additional external financing, which has increased the necessity for rapid financial response. For comparison, upon implementation of the State of Energy Emergency in April, the WAPA cash deficit stood at \$2 million per month. Over the past several months, the reality due to the heavy reliance on diesel fuel, and the unpredictable fuel transit challenges for both LPG and diesel, have resulted in a cash deficit up to \$2 million per week. It should be noted that the peak energy demand is now lasting 18-hours or longer per day under the current, daily severe-heat advisories.

The joint challenges for the Incident Command are to track cash, that is then focused weekly on cash payments to diesel and propane fuel supply businesses supporting

power generation in each district. For the past several months, peak demands are 40MW-43MW on St. Croix and 60MW-63MW on St. Thomas / St. John / Water Island. Other cash needs prioritized in the incident command involve contractual payments to key business partners establishing future power generation reliability and cost reduction, achieved through implementation of LPG fuel generation and PV-solar generation with Battery Energy Storage Systems (BESS).

Through the incident command team, movement of interagency support requirements are closely tracked, minimizing delays and keeping visibility at the senior leader level. Approximately 10 hours per week, both in and out of Incident Command meetings, are needed to track and update progress, identify potential fiscal gaps, and develop solutions.

WAPA is well on track to realize increased reliability and cost savings of \$1.3 million / month by February 2025. For 2025 and beyond, WAPA is actively pursuing long-term infrastructure improvements through funding from FEMA and the Department of Housing and Urban Development (HUD), including Community Development Block Grants for Disaster Recovery (CDBG-DR) and Mitigation (MIT). These initiatives focus on further enhancement of the power system's resilience and reliability, addressing critical areas in generation, transmission, and distribution. However beneficial these projects may prove; they do not provide relief to WAPA's immediate needs and will not be completed until many years in the future.

Over the next 90-day period, the possibility exists that WAPA's structural deficit shortfall may require additional funding to support operational requirements including to power generator fuel, either diesel or LPG to prevent the possibility of outages. Without the extension, the legislature would need to convene committee hearings to approve any executive branch cash payments supporting fuel purchases, incurring time-related demurrage fees of approximately \$23K/day. With today's WAPA diesel contract at current spot rates for fuel, a normal shipment of 25,000 barrels of diesel No. 2 costs \$2.9 million and will provide the Randolph Harley Plant on St. Thomas, with the current burn rate of 1,700 barrels / day, enough fuel for 14-days. Before the next fuel delivery, a resupply order is required, and paid for in cash, 2-4 business days before delivery.

Cash infusions to WAPA by Governor Bryan included amounts primarily to pay for past due utility services owed by various GVI government and governmental units to WAPA: \$2.31 million in April used to pay Aggreko; \$7.96 million in May for amounts owed by JFL Hospital, SRMC Hospital and VIWMA electric utilities; \$2.67 million in June used for pay Hauglund VI, Seven Seas, and Aggreko; \$4.85 million in July for WAPA debt payment, VITOL closing and insurance costs; \$1.85 million in August for Aggreko, fuel Cost, and fuel Trucking; \$9 million in September to meet immediate operational needs including fuel payments, Wartsila O&M fees, VITOL O&M fees, Seven Seas payments,

and purchase much needed supplies for post tropical cyclone restoration following Tropical Storm Ernesto.

Overall, between April and September, a total of \$28.64 million in cash need has been vetted by the Incident Command and recommended to Governor Bryan in support of WAPA financial relief.

VI Code Changes Needed

A critical area, where the Incident Command requests the assistance of the 35th Legislature, which would bring immediate benefit for WAPA, is an amendment to VI Code, Title 30, Section 127 regarding the back billing statute, with removal of a residential and commercial 30-day limit.

Legislature Updates

The State of Energy Emergency with the Incident Command provides clear documentation and tracking of progress and evidenced in the two (2) 30-days updates to the 35th Legislature per Act 8839. This submission is the third update.

Objectives and Accomplishments: Last 30 Days

Objective #1 Reduce Liquidity Gap: Assist WAPA with improving its cash flow and reducing its liquidity gap to meet critical payments.

Objective #2 Core Vendor Payments: IC continues to monitor WAPA's accounts payable balances to ensure that critical services are not interrupted due to lack of payment. Supplemental cash infusions have enabled WAPA to maintain services with its most critical vendors, namely vendors who provide fuel, electric and water generation services, and Operations & Maintenance (O&M) services.

Objective #3 Hurricane Preparation: WAPA has placed in escrow \$1 million dollars to source critical items for Hurricane season.

Objective #4 Wärtsilä Project: Significant Progress towards the goal of WAPA Harley Plant receiving four (4) units (9 MW peak capacity each) commissioned on LPG by December 2024. During the month of September all units completed commissioning on Diesel which is required before conversion to LPG.

Objective #5 Short-Term Financial Obligations: IC is monitoring WAPA's obligations to bondholders and credit facilities providers. WAPA has continued to maintain payments to all bondholders and banks for credit facilities.

Objective #6 Revenue Collection: IC assisted WAPA to maximize revenue collection by

addressing the past due Accounts Receivable balances for utility services owed by WAPA's largest customers, including several of the government of the GVI, to pay their bills timely each month.

Objective #7 Renewable Energy: Milestones over the past 30-days:

- 16 Sep completed- Finished interconnection study for Petronella
- 21 Sep completed-Temporary Power Agreement Petronella Sites (approved by WAPA Board on 22 August)
- 26 Sep completed- Negotiate an interconnection agreement for Petronella

Objective #8 St. John Power Sustainability: Milestones over the past 30-days:

- 5 Sep: ODR separated Composite Poles as a separate Project Worksheet based on approval to complete Environmental Assessment (EA) which last approximately 6-months. As a result, the other WAPA projects will proceed forward and not require EA.
- 7 Sep - Repair of Feeder 7E on St. John (Ridge Road)

Objective #9 Deferred Maintenance: Milestones over the past 30-days:

- GT 15 – available for LPG for STT as of 11 Sep
- GT 19 – available (diesel only)
- Aggreko 2 units out for service (16 online) replacing 7 units in all. 17 of 18 generation units will be operational. One (1) out for repairs. The requirement is to always have 20 MW generation available. Each unit is 1.2 MW capacity.

Objectives for Next 30 Days

Objective #1 Reduce Liquidity Gap: IC will continue to monitor WAPA's liquidity position on a weekly basis.

Objective #2 Core Vendor Payments: IC will continue to monitor WAPA's payments to critical vendors.

Objective #3 Hurricane Preparation: As of October 10, 2024, purchase orders have been prepared or in the process of being prepared for the following:

- \$600k for Power Utility Operations – including production materials and parts, transformers, wires and meters – we've already ordered several items including transformers and are awaiting delivery. As discussed, delivery times for certain items may be lengthy / delayed.
- \$150K for Water Utility Operations – including generators and automatic transfer switches for the water pump stations – we have received the quotes and started to input Purchase Orders today.

- \$250K for Garage/ Warehouse Inventory – including parts for Line Dept fleet vehicles, 2 vehicles for meter reading and payments to other vendors who supply vehicle parts.

Objective #4 Wärtsilä Project: IC will continue to monitor weekly progress on the Wartsila project with the intention to complete all Light Fuel Oil (LFO) Commissioning and to begin the Liquified Petroleum Gas (LPG) pre-commissioning activities in the month of October.

Objective #5 Short-Term Financial Obligations: IC will continue to monitor WAPA’s ability to pay short-term obligations for weekly and monthly amounts due.

Objective #6 Revenue Collection: IC will continue to monitor revenue collection for past due Accounts Receivable balances for utility services owed by the government of the GVI and to ensure all bills are paid timely each month.

Objective #7 Renewable Energy: IC will continue to monitor the progress of the BESS.

Objective #8 St. John Power Sustainability:

- Based on the separation of Project Worksheet, WAPA can move forward
 - Feeder 9E stabilization on St. John
 - Underground transmission lines between St. Thomas and St. John
 - Emergency Generation Unit
 - Microgrid

Objective #9 Deferred Maintenance:

- GT 17 –scheduled to be down 1-2 months for maintenance (1QCY2025)
- GT 19 – commission for LPG
- GT 20 – available for STX (needs 500kv transformer, temporary being used)
- GT 23 – needs fuel pump and gear box (approx. \$300k-\$400) (1QCY2025)
- GT 27 –unavailable for STT due to maintenance issue (emergency use only) – NOX injection control, part defective (if dispatched will be out of compliance)
- St Thomas (Harley) – draft RFP for proposed repairs on tanks #11, #14, #15 and upgrades to the system. Once reviewed, will go out for bid (3-weeks – early November)

Office of Management and Budget & Department of Finance Financial Update

From April 2024 to the present, the Office of Management and Budget and the Department of Finance have authorized and processed various transactions from the

Budget Stabilization Fund totaling \$15,141,968.22 and from General Fund \$2,670,402.33 in support of WAPA's continued operation. The breakdown of these transactions is as follows:

Budget Stabilization Fund

- April: \$2,316,889.64 for outstanding debt to Aggreko.
- May: \$7,965,788.00 in payments:
 - \$5,000,000.00 to the Virgin Islands Waste Management Agency/Schneider Regional Medical Center (partial payment)
 - \$2,965,788.00 to the Schneider Regional Medical Center (final payment) and Juan F. Luis Hospital.
- July: \$4,859,290.58 in payments:
 - \$1,911,254.19 for Virgin Islands Water and Power Authority (WAPA) credit facility fees
 - \$400,000.00 for diesel trucking costs
 - \$2,211,108.00 for VITOL closing costs
 - \$336,928.39 for VITOL insurance.
- August: \$2,856,467.50 in payments
 - \$1,750,000 to Aggreko and fuel payments
 - \$106,467.50 towards Fabien's Trucking
- September: no payments

ARPA

In June, \$2,670,402.33 was used from ARPA revenue to cover vendor payments for WAPA, including:

- \$179,718.29 to Haugland Virgin Islands
- \$1,045,697.29 to Seven Seas Water Group
- \$1,444,986.75 to Aggreko

In August, \$2,159,462.82 was provided to continue the support the St. Croix Water Crisis Support.

- \$1,000,000 released to support the purchase of equipment and materials.

ODR Line of Credit

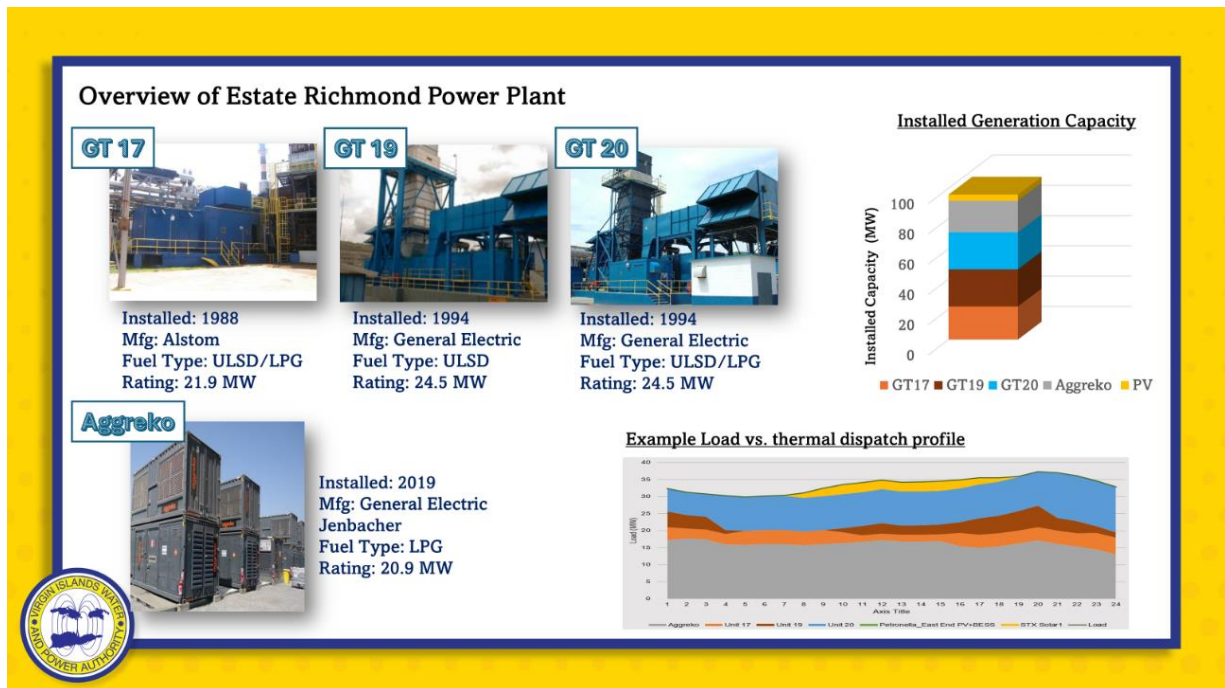
The ODR line of credit facilitated timely payments to WAPA and vendors on behalf of the Authority. Further payments were made in June and July to cover costs related to:

- Wärtsilä Project Phase 2: \$3,804,258

CBDG-DR projects:

- East End Transformer Repair: \$226,829.78
- Francois Switchgear Project: \$137,674.08

WAPA Operational Update



Estate Richmond Power Plant (ERPP) Operational Profile

LPG Operations

Estate Richmond Power Plant (ERPP) is optimized to operate on 100% liquified petroleum gas (LPG) to meet the energy demands of the St. Croix district.

WAPA currently receives LPG through via waterborne cargo provided by Vitol.

Large LPG vessels discharge at the Randolph Harley Power Plant and smaller shuttle cargo (13,100 bbls) are transferred to ERPP due to limitations with the Richmond Channel.

Daily LPG burn averages 2800-3000 bbls/day.

USLD Operations:

Ultra Low Sulfur Diesel (ULSD) is used when LPG is unavailable to meet customer demand via Gas Turbine (GT) generation.

Bulk diesel is currently sourced through a contract with Borinken Towing and Salvage and is provided to ERPP via waterborne cargo.

Daily ULSD burn averages 2800-3000 bbls/day on 100% diesel

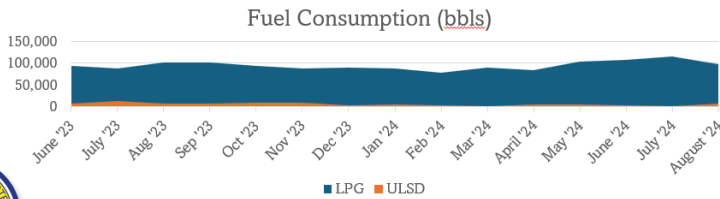
Estate Richmond Power Plant Operational Profile

LPG Operations

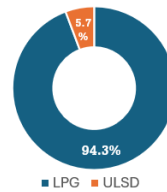
- ERPP is optimized to operate on 100% liquified petroleum gas (LPG) to meet the energy demands of the St. Croix district.
 - WAPA currently receives LPG through via waterborne cargo provided by Vitol.
 - Large LPG vessels discharge at the Randolph Harley Power Plant and smaller shuttle cargo (13,100 bbls) are transferred to ERPP due to limitations with the Richmond Channel.
 - Daily LPG burn averages 3000-4000 bbls/day
 - 97,602.10 bbls of LPG burned in the month of August

ULSD Operations

- Ultra Low Sulfur Diesel (ULSD) is used when LPG is unavailable to meet customer demand via Gas Turbine (GT) generation.
 - Bulk diesel is currently sourced through a contract with Borinken Towing and Salvage and is provided to ERPP via waterborne cargo.
 - Daily ULSD burn averages 2800-3000 bbls/day on 100% diesel
 - 7,826.09 bbls of No. 2 burned in the month of August



LPG vs. ULSD



Overview of Randolph Harley Power Plant

GT 15



Installed: 1980
Mfg: General Electric
Fuel Type: ULSD/LPG
Rating: 26.6 MW

GT 23



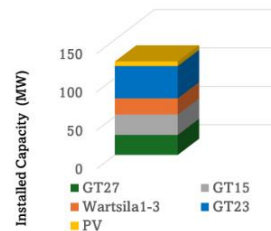
Installed: 2004
Mfg: General Electric
Fuel Type: ULSD
Rating: 42 MW

GT 27



Installed: 2018
Mfg: General Electric
Fuel Type: ULSD
Rating: 26 MW

Installed Generation Capacity



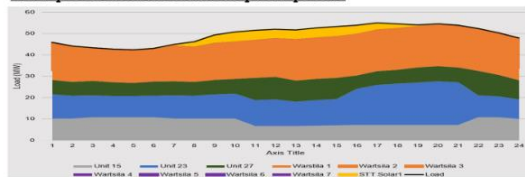
Wartsila



Phase I
Installed: 2018
Mfg: Wartsila 34SG
Fuel Type: LPG
Rating: 3x 7MW = 21 MW

Phase II
Installed: 2024
Mfg: Wartsila 20V32LG
Fuel Type: ULSD/LPG
Rating: 4x 9MW = 36 MW

Example Load vs. thermal dispatch profile



Randolph Harley Power Plant (RHPP) Operational Profile

LPG Operations

RHPP's bulk fuel consumption is on liquified petroleum gas (LPG) to meet the energy demands of the St. Thomas/St. John district.

WAPA currently receives LPG through via waterborne cargo provided by Vitol.

Daily LPG burn averages 2400-2800 bbls/day.

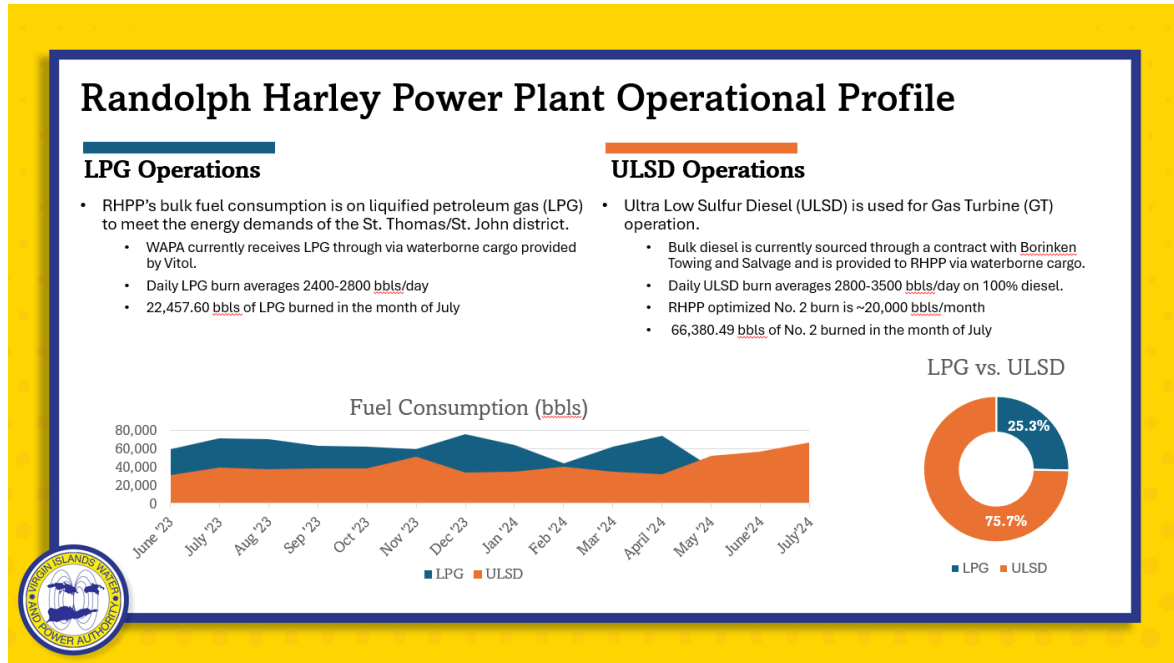
ULSD Operations:

Ultra Low Sulfur Diesel (ULSD) is used for Gas Turbine (GT) operation.

Bulk diesel is currently sourced through a contract with Borinken Towing and Salvage and is provided to RHPP via waterborne cargo.

Daily ULSD burn averages 2800-3500 bbls/day on 100% diesel.

RHPP optimized No. 2 burn is ~20,000 bbls/month.



Fuel Inventory

	Volume (bbls)	Days remaining
Randolph Harley PP		
LPG	7,194	1.7
No. 2	10,187	5.7 ➤ 25,000 bbl cargo delayed to 10/4
Estate Richmond PP		
LPG	24,673	11.3
No. 2	16,513	7.3
Upcoming Orders	Volume (bbls)	Cost (\$)
LPG		
October 2-4	61,000	3,185,616.42 ➤ Awaiting Payment - ETA 10/6/2024
October 12-14	62,000	3,333,120.00
October 22-24	52,000	2,795,520.00
Subtotal LPG	180,000	9,365,650.14
No. 2 -RHPP		
October 19	29,000	3,096,156.00
Subtotal Other No. 2	29,000	3,096,156.00
Total Upcoming Fuel		\$12,461,806.14

FEMA Critical Projects

Project	Status	Start / Anticipated Date	End Date
Feeder 13 bypass	Long Lead items were ordered, and some items are already in transit. FEMA request submitted. Soft RFI response was sent on June 26, 2024 and it currently at FEMA's level.	4/17/2024	TBD
Feeder 11,12,13 underground replacement	Amendments currently being finalized with Witt Obrien and FEMA based on working group meeting with FEMA.		TBD
St. John Microgrid Project	Geotechnical Kick off occurred on June 26. 30% design to be completed 7/30/2024	9/30/2024	2/28/2026
St. John Emergency Generator project	Engineering Review and Feasibility review being finalized.	12/30/2024	TBD
Power Transformer Prudent Replacement Project	Currently with Witt Obrien to be completed by 7/5/2024 to submit to WAPA		
Emergency Genset for EE sub project	Currently with Witt Obrien to be completed by 7/5/2024 to submit to WAPA	9/30/2024	12/31/2024
Donald Francois Substation Replacement Project	Equipment to be shipped 7/15/2024. Demolition will begin after hurricane season to avoid crippling the system during vulnerable times and to allow for the generator project to be completed.	7/1/2022	5/31/2025
St. John Submarine Cables Prudent Replacement project	Application and data collection currently being completed with VIWAPA		



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Closing

Thank you, Senate President Novelle E. Francis, and the other members of the 35th Legislature for your attention and support as we address the energy issues confronting the territory.