Electric System of the Virgin Islands Water and Power Authority

Management's Discussion and Analysis, Financial Statements (with Independent Auditor's Report Thereon), Required Supplementary Information, and Supplementary Schedule (Unaudited)

Years Ended June 30, 2020 and 2019

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

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Contents

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Independent Auditor's Report

To the Governing Board
Virgin Islands Water and Power Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Electric System (the Electric System) of the Virgin Islands Water and Power Authority (the Authority), a major fund of the Authority, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Electric System's basic financial statements as listed in the table of contents. The Authority is a component unit of the Government of the U.S. Virgin Islands.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion on 2019

The Electric System has classified a portion of its outstanding bonds and notes as long-term liabilities in the accompanying statements of net position. In our opinion, these obligations should be classified as current liabilities to conform with accounting principles generally accepted in the United States of America because at June 30, 2019, the Electric System is in default on certain covenants pertaining to its bond resolutions and the lenders may demand repayment of these obligations. If the financial statements were corrected for that departure from accounting principles generally accepted in the United States of America, total current liabilities would be increased by $255,276,478, total noncurrent liabilities would be decreased by $255,276,478, and working capital would be decreased by $255,276,478 as of June 30, 2019.

Unmodified Opinion on 2020 and Qualified Opinion on 2019

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Electric System of the Virgin Islands Water and Power Authority, as of June 30, 2020 and 2019, and the respective changes in financial position and cash flows thereof for the years then ended, except for the effects of classifying a portion of its outstanding bonds and notes as long-term liabilities, as discussed in the Basis for Qualified Opinion on 2019 paragraph, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 1 to the financial statements, these financial statements present only the Electric System and do not purport to, and do not present fairly the financial position of the Authority, as of June 30, 2020 and 2019, the respective changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

The accompanying financial statements have been prepared assuming the Electric System will continue as a going concern. As discussed in Note 12 to the financial statements, the Electric System is in an uncertain financial position and has reported an unrestricted net deficit and has suffered losses from operations that raise substantial doubt about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 12. These financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of changes in OPEB liability and related ratios, schedule of the Electric System's OPEB contributions, schedule of the Electric System's share of the net pension liability, and schedule of the Electric System's pension contributions on pages 6 through 13 and 57 through 60 be presented to supplement the basic financial statements.

Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the Electric System's basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information – Supplementary Schedule

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Electric System's basic financial statements. The five-year comparative summary of operations is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

BDO USA, LLP

June 30, 2022

Management's Discussion and Analysis

The Virgin Islands Water and Power Authority (the Authority) owns, operates, and maintains an electric generation and distribution system (the Electric System) and a water production and distribution system (the Water System), which are separately financed and require separate accounting and reporting. Each of these Systems is accounted for as a separate enterprise. As management of the Authority, we offer readers of the Electric System financial statements this discussion and analysis of the financial activities of the Electric System for the years ended June 30, 2020 and 2019, with selected comparative information for the year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the financial statements that follow this section.

The Electric System's service territory includes the islands of St. Thomas, St. Croix, St. John, and Water Island. The electric generating facilities for St. Thomas, St. John, and Water Island are interconnected via subsea cable, while the St. Croix generating facilities serve on a stand-alone basis. The Authority is the only electric utility that operates in the Virgin Islands. There are, however, a few commercial entities that produce electricity for their own use.

The Authority provides electric service to more than 70,000 customers (as of June 30, 2020). The Authority also provides water service to approximately 16,400 customers (as of June 30, 2020). The Electric System's rates are under the jurisdiction of the Virgin Islands Public Services Commission (PSC or the Commission), unlike many other municipal systems. These rates are intended to provide revenues to recover operating and maintenance expenses, funds for debt service coverage requirements, and funds for working capital and capital expenses. The Authority does not use rate base or rate of return principles for setting rates.

Financial Highlights – 2020

- Net position increased by $103.1 million from a $221.1 million surplus as a result of fiscal year 2020 operations.

- Current assets increased from $154.3 million to $154.5 million. This was primarily due to increases in unbilled revenues of $4.5 million, Virgin Islands Government receivable of $1.0 million, customer receivable of $1.2 million and prepayments of $2.8 million, tempered by decreases in grants receivable of $2.9 million and decline in cash and investment derivative instruments of $6.0 million.

- Other non-current assets decreased by $22.0 million, due primarily to a combination of decreases in long-term government receivables of $10.9 million and fuel costs recoverable of $10.7 million, and a decrease in Due from Water System of $0.4 million.

- Capital assets increased from $1,254.2 million in 2019 to $1,353.2 million in 2020. This was primarily due to an increase of $34.8 million in utility plant in service, and non-depreciable assets of $96.1 million offset by $32.0 million in depreciation. The increase is mainly attributed to reconstruction efforts post Hurricanes Irma and Maria in September 2017. Additional information on capital assets can be found in Note 5.

- Total deferred outflows of resources increased from $34.7 million in 2019 to $60.0 million in 2020.

- The fuel costs recoverable balance decreased by $10.7 million to $18.0 million in 2020 as the Levelized Energy Adjustment Clause (LEAC) permitted by the PSC allows the Authority to recover a significant amount of its cost of fuel during the year.

- Total liabilities have increased by $1.4 million to $1,258.5 million in 2020 mainly due to increases in pension and OPEB related liabilities of $19.5 million, restricted liabilities of $18.3 million and due to Water System of $8.1 million, tempered by declines in long-term debt of $41.5 million and current liabilities of $2.9 million.

- During 2020, total operating revenues were $248.5 million compared to $241.5 million in 2019. The increase is mainly due to recovery in demand post hurricanes Irma and Maria which devastated the Territory's economy in fiscal year 2018. All revenue categories improved appreciably while bad debts changed marginally in 2020.

- Operating expenses, excluding depreciation, amortization, disposals and fuel expense were $103.5 million for the year ended June 30, 2020, a decrease of $14.9 million compared to the year ended June 30, 2019. The decrease was primarily due to decreases in distribution expenses of $17.5 million (labor costs related to diminished restoration efforts), plus a decline in administrative and general expenses of $1.2 million tempered by an increase in operations and maintenance expenses of $3.6 million (cost of leased production equipment).

- Capital grants and contributions received by the Electric System were $133.3 million in fiscal year 2020 compared to $349.2 million in fiscal year 2019. These mainly represent grant funding from the Federal Emergency Management Agency (FEMA) for reconstruction and hardening of the transmission and distribution system.

Financial Highlights – 2019

- Net position increased by $268.9 million from a $47.9 million deficit as a result of fiscal year 2019 operations.

- Current assets increased from $135.3 million to $154.3 million. This was primarily due to an increase in grants receivable of $43.2 million, prepayments of $3.0 million plus unbilled revenues which grew by $8.8 million, offset by decreases in fuel oil and materials and supplies inventories of $6.9 million and decreases in derivatives investments of $12.6 million.

- Other non-current assets increased by $7.4 million, due primarily to a combination of an increase in fuel costs recoverable of $18.1 million and offset by a decrease in Due from Water System of $4.9 million and non-current Virgin Islands Government receivables of $5.8 million.

- Capital assets increased from $928.6 million in 2018 to $1,254.2 million in 2019. This was primarily due to an increase of $77.1 million in utility plant in service, non-depreciable assets of $275.7 million offset by $27.0 million in depreciation. The increase is mainly attributed to reconstruction efforts post Hurricanes Irma and Maria in September 2017. Additional information on capital assets can be found in Note 5.

- Total deferred outflows of resources decreased from $58.1 million in 2018 to $34.7 million in 2019.

- The fuel costs recoverable balance increased by $18.1 million to $28.7 million in 2019 as the Levelized Energy Adjustment Clause (LEAC) permitted by the PSC was not sufficient to allow recovery of a significant amount of the Authority's cost of fuel during the year.

- Total liabilities have increased by $44.3 million to $1,257.0 million in 2019 mainly due to increases in payables and accrued liabilities of $68.8 million, increase of $6.9 million in due to other governments, and current installments of capital lease obligations of $1.5 million, tempered by decreases in long-term borrowing of $6.8 million and pension related liabilities of $29.3 million.

- During 2019, total operating revenues were $241.5 million compared to $133.7 million in 2018. The increase is mainly due recovery in demand post hurricanes Irma and Maria which devastated the Territory's economy in fiscal year 2018. All revenue categories improved sharply. Understandably, bad debts climbed to $3.0 million from $2.8 million in 2018.

- Operating expenses, excluding depreciation, amortization, disposals and fuel expense were $117.9 million for the year ended June 30, 2019; a decrease of $19.5 million compared to the year ended June 30, 2018. The decrease was primarily due to decreases in distribution expenses of $15.1 million as well as a $8.7 million decrease in administrative expenses.

- Capital grants and contributions received by the Electric System were $349.2 million in fiscal year 2019 compared to $414.2 million in fiscal year 2018. These mainly represent grant funding from the Federal Emergency Management Agency (FEMA) for debris removal and reconstruction of the distribution grid.

Overview of the Financial Statements

Statement of Net Position

This statement includes all of the Electric System's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, and provides information about the nature and amount of investments in resources (assets) and the obligations to Electric System's creditors (liabilities). It also provides the basis for evaluating the capital structure of the Electric System and assessing the liquidity and financial flexibility of the Electric System.

Statement of Revenues, Expenses, and Changes in Net Position

All of the current year's revenues and expenses are accounted for in this statement. This statement measures the success of the Electric System's operations over the past year and can be used to determine whether the Electric System has successfully recovered all its costs through its user fees and other charges, and maintained profitability and creditworthiness.

Statement of Cash Flows

The primary purpose of this statement is to provide information about the Electric System's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities and provides answers to such questions as "Where did cash come from?," "What was cash used for?," and "What was the change in cash balances during the reporting period?"

Notes to the Financial Statements

The notes provide additional information that is essential to fully understanding the data provided in the financial statements. The notes to the financial statements can be found on pages 19–56 of this report.

Financial Analysis of the Authority's Electric System

One of the most important questions asked about the Electric System's finances is: "Is the Electric System better off or worse off as a result of the fiscal year's activities?" The statements of net position and the statements of revenues, expenses, and changes in net position report information about the activities of the Electric System in a way that will help answer this question.

These two statements report the net position of the Electric System and the changes in them. You can think of the Electric System's net position – the difference between assets and liabilities – as one way to measure financial health or financial position. Over time, increases or decreases in the Electric System's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to consider other nonfinancial factors, such as changes in economic conditions, customer growth, and new or changed legislation and regulation, to gauge overall changes in financial health.

The table below provides a comparative review of key statement of net position captions.

As of June 30,	**2020**	2019	2018
Current assets	**$ 154,546,078**	$ 154,277,033	$ 135,324,806
Restricted assets	**78,636,456**	66,180,960	63,966,058
Other non-current assets	**18,382,554**	40,386,499	32,916,135
Net capital assets	**1,353,163,550**	1,254,179,344	928,578,920
Deferred outflows of resources	**59,964,147**	34,708,999	58,059,338
Total assets and deferred outflows of resources	**$ 1,664,692,785**	$ 1,549,732,835	$ 1,218,845,257
Long-term debt	**$ 342,612,024**	$ 384,156,473	$ 390,939,499
Other liabilities	**915,851,881**	872,859,817	821,816,509
Total liabilities	**1,258,463,905**	1,257,016,290	1,212,756,008
Deferred inflows of resources	**82,052,233**	71,641,692	53,949,735
Net investment in capital assets	**1,072,116,499**	958,802,158	610,287,543
Restricted	**31,968,250**	25,387,338	22,718,048
Unrestricted (deficit)	**(779,908,102)**	(763,114,643)	(680,866,077)
Total net position	**324,176,647**	221,074,853	(47,860,486)
Total liabilities, deferred inflows of resources, and net position	**$ 1,664,692,785**	$ 1,549,732,835	$ 1,218,845,257

At June 30, 2020, the Electric System had total assets and deferred outflows of resources of $1,664.7 million of which $1,353.2 million or 81.2% represents net capital assets. Grant funds and bond financing have been largely instrumental in acquiring these assets, with $417.4 million in long-term debt and lines of credit balances outstanding at June 30, 2020. Correspondingly, grants income reached $133.3 million in 2020.

Changes in net position can be seen by reviewing the following condensed statements of revenues, expenses, and changes in net position.

Years ended June 30,	**2020**	2019	2018
Base revenues	**$ 138,718,654**	$ 107,333,458	$ 72,954,786
Fuel escalator revenues	**95,026,519**	117,455,074	50,719,027
Investment earnings	**356,116**	563,445	362,602
Payment in lieu of taxes	**396,469**	379,592	266,224
Other income	**14,372,389**	16,364,101	9,716,010
Total revenues	**248,870,147**	242,095,670	134,018,649
Fuel	**92,458,863**	123,112,452	96,391,349
Operating expenses, excluding fuel, depreciation, amortization, and payment in lieu of taxes	**103,002,977**	117,861,786	137,360,543
Payment in lieu of taxes	**500,000**	500,000	500,000
Interest expense	**49,813,979**	39,422,819	41,001,044
Depreciation and amortization	**31,980,671**	30,383,682	20,091,353
Total expenses	**277,756,490**	311,280,739	295,344,289
Loss before capital grants and contributions and other items	**(28,886,343)**	(69,185,069)	(161,325,640)
Insurance recoveries (impairment loss) on capital assets	**-**	1,499,960	(99,778,613)
Investment derivative instruments (loss) gain	**(1,315,784)**	(12,574,470)	9,623,887
Capital grants and contributions	**133,303,921**	349,194,918	414,194,064
Increase in net position	**103,101,794**	268,935,339	162,713,698
Net position, beginning of year	**221,074,853**	(47,860,486)	(210,574,184)*
Net position, end of year	**$ 324,176,647**	$ 221,074,853	$ (47,860,486)

**As restated for implementation of GASB Statement No. 75.*

The Electric System's net position increased by $103.1 million during the fiscal year ended June 30, 2020. Key elements of the increase are as follows:

- Total operating revenues increased by $7.0 million as all revenue components reflected a small increase in sales as the economy continued to rebound from the fiscal year 2018 hurricanes devastation.
- Total operating expenses decreased by $43.9 million primarily due to a decrease of $30.7 million in fuel costs and a combined $14.9 million decline in distribution, administrative and general expenses.
- Total non-operating expenses decreased by $868 thousand primarily due to a favorable swing in investment derivative instruments of $11.3 million offset by $10.4 million increase in interest expense.

The Electric System's net position increased by $268.9 million during the fiscal year ended June 30, 2019. Key elements of the increase are as follows:

- Total operating revenues increased by $107.9 million as all revenue components reflected a sharp increase in sales as the economy continued to rebound from the fiscal year 2018 hurricanes devastation.

- Total operating expenses increased by $17.5 million primarily due to an increase of $26.7 million in fuel costs and depreciation of $10.3 million and mostly tempered by a combined $23.8 million decline in administrative and distribution expenses.

- Total non-operating expenses increased by $20.4 million primarily due to an unfavorable swing in our investment derivative instruments of $22.2 million offset by $1.6 million decrease in interest expense.

Capital Asset and Debt Administration

Capital Assets

The Electric System's capital assets as of June 30, 2020, amounted to $1,353.2 million (net of accumulated depreciation and property-related gains). These capital assets include land, generation, transmission and distribution systems, buildings and fixed equipment, furniture, fixtures, and equipment, and construction in progress. The table below provides the detail of capital assets, net of accumulated depreciation and property-related gains.

June 30,	**2020**	2019	2018
Land	**$ 4,654,206**	$ 4,654,206	$ 4,654,206
Utility plant in service	**675,446,142**	671,069,075	617,914,597
Buildings and fixed equipment	**136,066,477**	136,622,055	154,295,900
Furniture, fixtures, and equipment	**7,986,574**	8,945,334	8,470,084
Construction in progress	**523,310,151**	427,188,674	137,544,133
Idle assets	**5,700,000**	5,700,000	5,700,000
Net utility plant	**$ 1,353,163,550**	$ 1,254,179,344	$ 928,578,920

The continued substantial growth in capital assets relates to reconstruction in the aftermath of Hurricanes Irma and Maria in September 2017. This is an ongoing FEMA-funded project. Also, the Authority's fiscal year 2020 capital budget included investing $644.8 million in capital projects. Additional information on capital assets can be found in Note 5.

Long-Term Debt

The Authority has no taxing power, and its obligations are not debts of the Government of the United States Virgin Islands or of the United States of America.

At June 30, 2020, the Electric System had total long-term debt outstanding (including current installments) of $384.1 million, a net decrease of $24.4 million from the prior year. The table below provides the detail of long-term debt.

June 30,	**2020**	2019	2018
Revenue bonds	**$ 177,890,000**	$ 190,750,000	$ 203,570,000
Bond anticipation notes	**66,225,000**	66,225,000	48,725,000
RUS note	**11,332,154**	12,007,140	12,671,717
Capital lease obligation	**126,323,441**	136,985,797	146,123,455
Total	**381,770,595**	405,967,937	411,090,172
Plus unamortized bond premium	**2,372,431**	2,556,554	2,471,563
Total	**$ 384,143,026**	$ 408,524,491	$ 413,561,735

The Authority's ability to incur long-term indebtedness is capped by Virgin Islands statute at $750.0 million for the Electric and Water Systems combined. As of June 30, 2020, combined long-term debt amounts to approximately $459.1 million. Additional information on long-term debt can be found in Note 7.

Coronavirus COVID-19 Pandemic

In December 2019, a novel strain of coronavirus, known as COVID-19, was reported which quickly spread around the globe, including the United States and its Territories. In March 2020, the Governor of the U.S. Virgin Islands declared a state of emergency due to COVID-19. The major challenges to the Electric system were related to the suspension of late fees and disconnections during the latter half of fiscal year 2020. Customers were consequently slow paying, directly impacting cash flows. As emergency measures are eased, management continues to actively monitor the evolving impact of the outbreak which has been further compounded by inflation, especially material and fuel costs, continuing unabated to date.

Requests for Information

This financial report is designed to provide a general overview of the Electric System's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Virgin Islands Water and Power Authority, P.O. Box 1450, St. Thomas, USVI 00804.

Financial Statements

Electric System of the Virgin Islands Water and Power Authority

Statements of Net Position

June 30,	**2020**	2019
Assets		
Current assets:		
Cash and cash equivalents	**$ 4,924,902**	$ 9,568,248
Accounts receivable:		
Customers and other, net	**10,575,587**	9,361,292
Virgin Islands Government	**9,286,145**	8,077,112
Virgin Islands Government, fuel tax receivable	**1,680,410**	1,902,128
Grants receivable	**76,893,682**	79,843,428
Unbilled revenues	**20,732,594**	16,268,416
Inventories:		
Fuel oil	**4,937,298**	5,494,110
Materials and supplies	**10,268,967**	9,956,923
Prepayments and other current assets	**15,246,493**	12,489,592
Investment derivative instruments	**-**	1,315,784
Total current assets	**154,546,078**	154,277,033
Restricted assets:		
Cash and cash equivalents	**33,248,810**	21,484,963
Investments	**35,121,413**	35,544,389
Due from unrestricted assets	**10,266,233**	9,151,608
Total restricted assets	**78,636,456**	66,180,960
Other non-current assets:		
Virgin Islands Government accounts receivable	**343,160**	11,213,894
Fuel costs recoverable	**18,039,394**	28,750,922
Due from Water System	**-**	421,683
Total other noncurrent assets	**18,382,554**	40,386,499
Capital assets:		
Utility plant in service	**1,136,952,594**	1,102,109,194
Less accumulated depreciation	**(317,453,401)**	(285,472,730)
Net utility plant in service	**819,499,193**	816,636,464
Non-depreciable assets	**533,664,357**	437,542,880
Net capital assets	**1,353,163,550**	1,254,179,344
Deferred Outflows of Resources		
Pension related outflows	**59,501,637**	34,251,133
OPEB outflows	**462,510**	457,866
Total deferred outflows of resources	**59,964,147**	34,708,999
Total assets and deferred outflows of resources	**$ 1,664,692,785**	$ 1,549,732,835

Continued on next page.

Electric System of the Virgin Islands Water and Power Authority

Statements of Net Position (continued)

June 30,	**2020**	2019
Liabilities, Deferred Inflows of Resources, and Net Position		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 396,419,278**	$ 415,135,184
Customer deposits	**27,877,617**	27,856,004
Due to Federal Emergency Management Agency	**4,142,493**	4,142,493
Due to other Governments	**14,990,148**	6,948,431
Lines of credit	**33,261,576**	27,322,158
Current installments on capital lease obligation	**12,441,463**	10,662,356
Total current liabilities	**489,132,575**	492,066,626
Liabilities payable from restricted assets:		
Current installments on long-term debt	**29,089,539**	13,705,662
Accrued interest payable	**11,619,183**	9,821,622
Insurance surcharge reserve	**8,700,259**	8,700,259
Due to restricted assets	**10,266,233**	9,151,608
Total liabilities payable from restricted assets	**59,675,214**	41,379,151
Long-term debt:		
Revenue bonds, excluding current installments	**164,425,000**	177,890,000
Bond anticipation notes, excluding current installments	**51,460,000**	66,225,000
Rural Utilities Service note, excluding current installments	**10,472,615**	11,161,478
Unamortized bond premiums	**2,372,431**	2,556,554
Capital lease obligation, excluding current installments	**113,881,978**	126,323,441
Total long-term debt	**342,612,024**	384,156,473
Long-term liabilities:		
Net pension liability	**239,525,862**	216,281,277
Net OPEB liability	**44,427,237**	48,132,763
Due to Water System	**8,090,993**	-
Interfund advance from Water System	**75,000,000**	75,000,000
Total long-term liabilities	**367,044,092**	339,414,040
Total liabilities	**1,258,463,905**	1,257,016,290
Deferred inflows of resources:		
Pension related inflows	**72,188,815**	65,491,648
OPEB inflows	**9,863,418**	6,150,044
Total deferred inflows of resources	**82,052,233**	71,641,692
Net position:		
Net investment in capital assets	**1,072,116,499**	958,802,158
Restricted	**31,968,250**	25,387,338
Unrestricted (deficit)	**(779,908,102)**	(763,114,643)
Total net position	**324,176,647**	221,074,853
Total liabilities, deferred inflows of resources, and net position	**$1,664,692,785**	$ 1,549,732,835

See accompanying notes to financial statements.

Electric System of the Virgin Islands Water and Power Authority

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30,	**2020**	2019
Operating Revenues		
Electricity sales to customers	**$ 107,918,444**	$ 82,781,826
Electricity sales to Virgin Islands Government	**30,800,210**	24,551,632
Fuel escalator revenues	**95,026,519**	117,455,074
OPEB surcharge	**664,492**	-
Maintenance surcharge	**5,922,597**	13,757,920
Payment in lieu of taxes surcharge	**396,469**	379,592
Leased generation surcharge	**7,308,137**	1,997,398
Line loss surcharge	**522,986**	1,215,116
Other operating revenues	**3,000,199**	2,375,388
Bad debt expense	**(3,046,022)**	(2,981,721)
Total operating revenues	**248,514,031**	241,532,225
Operating and Production Expenses		
Production:		
Fuel	**92,458,863**	123,112,452
Operations and maintenance	**43,627,797**	39,997,736
Total production expenses	**136,086,660**	163,110,188
Distribution	**7,998,358**	25,500,642
Customer service	**5,448,297**	5,218,746
Administrative and general	**45,928,525**	47,144,662
Payment in lieu of taxes	**500,000**	500,000
Depreciation and amortization	**31,980,671**	30,383,682
Total operating and production expenses	**227,942,511**	271,857,920
Operating income (loss)	**20,571,520**	(30,325,695)
Nonoperating Revenues (Expenses)		
Investment derivative instruments loss	**(1,315,784)**	(12,574,470)
Interest expense	**(49,813,979)**	(39,422,819)
Investment earnings	**356,116**	563,445
Total nonoperating expenses	**(50,773,647)**	(51,433,844)
Change in net position, before capital grants and contributions and special item	**(30,202,127)**	(81,759,539)
Capital grants and contributions	**133,303,921**	349,194,918
Insurance recoveries on capital assets	**-**	1,499,960
Increase in net position	**103,101,794**	268,935,339
Net position, beginning of year	**221,074,853**	(47,860,486)
Net position, end of year	**$ 324,176,647**	$ 221,074,853

See accompanying notes to financial statements.

Electric System of the Virgin Islands Water and Power Authority

Statements of Cash Flows

Years ended June 30,	**2020**	2019
Cash Flows from Operating Activities		
Receipts from customers	**$ 252,497,259**	$ 252,539,840
Payments to suppliers	**(165,319,213)**	(332,953,055)
Payments to employees	**(24,623,138)**	(24,892,682)
Net cash provided by (used in) operating activities	**62,554,908**	(105,305,897)
Cash Flows from Noncapital Financing Activities		
Interest paid on lines of credit	**(1,207,473)**	(1,576,918)
Net cash used in noncapital financing activities	**(1,207,473)**	(1,576,918)
Cash Flows from Capital and Related Financing Activities		
Proceeds from long-term debt	**-**	17,500,001
Principal paid on long-term debt	**(13,534,986)**	(13,484,577)
Interest paid on long-term debt	**(13,158,384)**	(13,566,118)
Interest paid on customer deposits/other	**(56,315)**	(41,831)
Acquisition and construction of capital assets	**(139,853,351)**	(187,464,835)
Payments of capital lease obligation	**(29,405,555)**	(5,473,090)
Proceeds from insurance recoveries	**-**	1,499,960
Capital grants and contributions received	**141,002,565**	305,848,100
Net cash (used in) provided by capital and related financing activities	**(55,006,026)**	104,817,610
Cash Flows from Investing Activities		
Interest received	**356,116**	563,445
Purchases, sales, and maturities of investments, net	**422,976**	(640,161)
Net cash provided by (used in) investing activities	**779,092**	(76,716)
Net change in cash and cash equivalents	**7,120,501**	(2,141,921)
Cash and cash equivalents, beginning of year	**31,053,211**	33,195,132
Cash and cash equivalents, end of year	**$ 38,173,712**	$ 31,053,211

Continued on next page.

Electric System of the Virgin Islands Water and Power Authority

Statements of Cash Flows (continued)

Years ended June 30,	**2020**	2019
Cash and Cash Equivalents		
Unrestricted	**$ 4,924,902**	$ 9,568,248
Restricted	**33,248,810**	21,484,963
	$ 38,173,712	$ 31,053,211
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	**$ 20,571,520**	$ (30,325,695)
Adjustments to reconcile operating income (loss) to net cash provided by (used) in operating activities:		
Depreciation and amortization	**31,980,671**	30,383,682
Changes in operating assets and liabilities:		
Accounts receivable, net	**3,983,228**	11,007,615
Inventories	**244,768**	6,897,505
Prepayments and other current assets	**(2,756,901)**	(2,981,237)
Due from/to Water System	**8,512,676**	4,886,686
Fuel costs recoverable	**10,711,528**	(18,121,664)
Accounts payable and accrued liabilities	**(23,450,364)**	(125,468,099)
Due to other Governments	**8,041,717**	6,948,431
Customer deposits	**21,613**	(319,267)
Net pension liability	**23,244,585**	(31,109,310)
Net OPEB liability	**(3,705,526)**	1,853,160
Deferred outflows of resources	**(25,255,148)**	23,350,339
Deferred inflows of resources	**10,410,541**	17,691,957
Net cash provided by (used in) operating activities	**$ 62,554,908**	$ (105,305,897)
Noncash Capital and Related Financing Activities		
Acqusition of capital assets in accounts payable and accrued liabilities	**$ 164,026,083**	$ 168,519,271
Payments of capital lease obligation in accounts payable	**$ 67,903,475**	$ 66,109,030

See accompanying notes to financial statements.

1. Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity

The Virgin Islands Water and Power Authority (the Authority) is an instrumentality created by the government of the United States Virgin Islands (the Government) in 1964. The Authority was created to operate an electric generation and distribution system (the Electric System) and a water production and distribution system (the Water System) in the United States Virgin Islands. The Authority is governed by a nine-member board, three of whom are appointed by the Governor of the Virgin Islands from his Cabinet, and six of whom are nominated by the Governor of the Virgin Islands and confirmed by the Virgin Islands Legislature. As such, the Government has determined that the Authority is a component unit. The Water and Electric Systems are separately financed and each system's indebtedness is repayable from its net revenues. The Authority is required by its bond resolutions to maintain separate accounting for each system. Each system is a major fund of the Authority for financial reporting purposes.

The Electric System of the Authority accounts for all activities associated with the generation and distribution of electricity to customers. The accompanying financial statements include only the financial activities of the Electric System major fund and are not intended to present fairly the financial position and changes in net position of the Authority.

Measurement Focus and Basis of Accounting

The Authority complies with all applicable pronouncements of the Governmental Accounting Standards Board (GASB). The operations of the Authority are presented as an enterprise fund and as such, the financial statements are reported using the economic measurement focus and the accrual basis of accounting. Under this basis, revenues are recognized in the period earned and expenses are recognized in the period incurred regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

In accordance with the Electric System Revenue Bond Resolution (Bond Resolution), rates are designed to cover debt service, capital expenditures, and other operating expense requirements, excluding depreciation and other noncash expense items. This method of rate setting results in costs being included in the determination of rates in different periods rather than when these costs are recognized for financial statement purposes.

Rates and Regulations

The Authority is regulated by the Virgin Islands Public Services Commission (PSC or the Commission). The Commission has the authority to approve, modify, or deny any proposed rate changes made by the Authority.

The Authority is further subject to the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which address accounting rules for regulated operations. This standard allows regulated entities such as the Authority to record certain assets or liabilities as a result of the regulated ratemaking process.

Regulatory assets generally represent incurred costs that have been capitalized because such costs are probable of future recovery in customer rates and for the Electric System, these include fuel costs recoverable.

Regulatory liabilities generally represent obligations to make refunds to customers for previous collections for costs that are not likely to be incurred or items that will be credited to customers in future periods and for the Electric System, these include the insurance surcharge reserve. At June 30, 2020 and 2019, the Electric System had $18.0 million and $28.8 million, respectively of regulatory assets and $8.7 million of regulatory liabilities in both years.

In order for a rate-regulated entity to continue to apply the provisions of GASB Statement No. 62, it must meet the following three criteria: (1) the enterprise's rates for regulated services provided to customers must be established by an independent 3rd party regulator or its own governing board empowered by a statute to establish rates that bind customers, (2) the regulated rates must be designed to recover the specific enterprise's costs of providing the regulated services, and (3) in the view of the demand for the regulated services and level of competition, it is reasonable to assume that rates, set at levels that will recover the enterprise's costs, can be charged and collected from customers.

Management believes that the Authority currently meets the criteria for continued application of GASB Statement No. 62, but will continue to evaluate significant changes in the regulatory and competitive environment to assess the ability to continue to apply GASB Statement No. 62. If the Authority no longer applied GASB Statement No. 62 due to competition, regulatory changes, inadequate rates, or other reasons, the Authority would make certain adjustments that would include the write-off of all or a portion of its regulatory assets and liabilities, the evaluation of utility plant, contracts, and commitments, and the recognition, if necessary, of any losses to reflect market conditions.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, bank demand accounts, money market accounts, certificates of deposit, and overnight repurchase agreements. The Authority considers all investments with an original maturity of three months or less to be cash equivalents.

Inventories

Fuel oil, materials, and supplies inventories are stated at cost using the weighted-average unit cost method, which approximates the first-in, first-out method. Obsolete and unusable inventory is reduced to estimated salvage value. The cost of fuel oil used for electric generation is charged to expense as consumed.

Prepayments and Other Current Assets

Prepayments and other current assets consist primarily of amounts paid by the Authority for services not yet provided by vendors, which primarily relate to property and liability insurance.

Investments

Investments are reported at fair value in the accompanying Statements of Net Position. All changes in the fair value of investments are recognized as gains or losses in the Statements of Revenues, Expenses, and Changes in Net Position.

Inter-System Transactions

As of June 30, 2020 and 2019, the Electric System had a payable due to the Water System of $8.1 million and receivable of $422 thousand, respectively, as a result of transfer of cash to pay for fuel costs incurred and other allocated operating, maintenance, and administrative expenses.

Furthermore, in order to fund its working capital needs in the aftermath of the hurricanes, the Authority obtained $75.0 million under the Community Disaster Loan program administered by FEMA. This loan is secured as a first lien of the Water System's revenues. The proceeds of these loans were used to provide working capital mostly for fuel invoices, payroll, and other critical operating expenses. While the loan is reflected under the Water System, the payment of principal and interest is subject to an intercompany agreement whereby 17% will be allocated to the Water System and 83% to the Electric System.

These intersystem balances are noninterest-bearing and have no set repayment date. The Electric System has classified these balances as noncurrent because it did not expect to collect or pay such amounts within 12 months of the respective fiscal year-ends.

Capital Assets

Capital assets are recorded at cost, which includes material, payroll-related costs, overhead, and an allowance for borrowed funds used during construction. Expenditures of $1,000 or more are capitalized. Maintenance and repairs are charged to operating expense as incurred. The cost of depreciable plant retired is eliminated from the utility plant accounts, and such costs, plus cost of removal less salvage, are charged to accumulated depreciation.

Depreciation of capital assets is computed using the straight-line method over estimated service lives ranging from 5 to 40 years. Depreciation expense was equivalent to 2.81% and 2.76% of average depreciable property for the years ended June 30, 2020 and 2019, respectively.

In accordance with accounting principles generally accepted in the United States of America, management reviews the estimated useful lives of capital assets on a periodic basis. The results of an engineering condition assessment and depreciation rate review indicated the lives of certain utility plant assets were longer than the estimated useful lives used for depreciation purposes in the Electric System's financial statements. As a result, effective July 1, 2013, estimates of the useful lives were changed to better reflect the estimated periods during which these assets will remain in service.

The Authority also reviews the carrying value of its capital assets to determine if circumstances exist indicating impairment. If facts or circumstances support the possibility of impairment, management follows the guidance in GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. If impairment is indicated, an adjustment is made to the carrying value of the capital assets.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until that time. Deferred outflows of resources for the Electric System consist of unrecognized items not yet charged to pension expense and OPEB expense and contributions from the employer after the measurement date but before the end of the employer's reporting period, as may be applicable.

Compensated Absences

The Authority accrues for compensated absences in accordance with accounting principles generally accepted in the United States of America. The Authority allows vesting of permanent employee annual leave, which is governed by the period of employment. Vested annual leave in excess of 480 hours is transferred to the Employees' Retirement System of the Government of the Virgin Islands (GERS) for retirement service credit.

Customer Deposits

All nongovernmental customers pay a deposit upon application for service. The deposit varies based on the class of customer and is not refundable until the customer account is terminated. The deposits previously accrued interest at 4.75% annually. On September 20, 2016, the Virgin Islands Legislature passed Act 7931 into law, which reduced the interest earned on customer deposits compounded annually from 4.75% to a rate equal to the average prevailing interest rate paid by local banks on saving accounts. This will assist in lowering the financial obligation of the Authority.

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans, as well as additions to and deductions from the pension plan fiduciary net position have been determined on the same basis as they are reported in the financial statements of GERS. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions. Also see Note 8.

Net Other Postemployment Benefits (OPEB) Liability

The Authority provides certain postemployment health care benefits to retired employees under a single employer health insurance plan (OPEB plan). The Authority has an established trust for its OPEB obligations (OPEB Trust) that is held by an independent custodian. The OPEB Trust issues a stand-alone financial report.

The Authority's net OPEB liability as of June 30, 2020 and June 30, 2019, was measured using an actuarial valuation date of June 30, 2019 and June 30, 2017, respectively. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expenses, information about the fiduciary net position of the OPEB Trust, and additions to/deductions from the OPEB Trust's fiduciary net position have been determined on the same basis as they are reported by the Authority's OPEB plan as of the same measurement date. For this purpose, the Authority's OPEB plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Bond Issuance and Refunding

Bonds and notes premiums and discounts are deferred and amortized over the life of the debt using the effective interest method and are reported net of the applicable bond premium or discount. When issuing new debt for refunding purposes, the difference between the reacquisition price of the new debt and the net carrying amount of the refunded debt is recognized as either a deferred outflow of resources or deferred inflow of resources and amortized using the straight-line method as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources for the Electric System consist of the unamortized portion of the net differences between projected and actual earnings on pension plan and OPEB plan investments, changes in assumptions, changes in proportionate share of pension, and other differences between expected and actual experience.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net position is reported as restricted when there are limitations imposed on its use, either through legislation or external restrictions imposed by creditors, grantors, laws, or regulations. Unrestricted net position consists of assets which do not meet the definition of the two preceding categories.

Revenue Recognition

Revenues are recorded as service is provided to customers. The Electric System accrues the nonfuel portion of base revenues for services rendered but unbilled. The cost of fuel for the Electric System is passed directly through to its customers. Every six months, the Commission establishes a Levelized Energy Adjustment Clause (LEAC) rate that is designed to true-up the fuel costs recovered through the Electric System's base rates.

If the amount recovered through rates exceeds actual fuel costs, the Electric System records fuel costs refundable as a regulatory liability, plus interest at 8.75%, for amounts to be refunded through future rate adjustments over the following six-month period. If the amount recovered through rates is less than the actual fuel costs, the Electric System records fuel costs recoverable as a regulatory asset, without interest, for amounts to be collected through future rates, generally over the following six-month period.

The Electric System distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering electricity in connection with the Electric System's principal ongoing operations. The principal operating revenues for the Electric System are charges to customers for sales and services. Operating expenses for the Electric System include the cost of sales and services, administrative expenses, and depreciation on utility plant. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Capital Grants and Contributions

The United States Government and the Virgin Islands Government appropriate and make available to the Authority grant funds for the construction and improvement of electric generation and distribution facilities. The assets and revenues arising from government grants are recorded when the Authority meets the eligibility requirements. If resources are received in advance of satisfying certain eligibility requirements, the recognition of revenues is deferred.

The Authority also receives capital contributions from customers (nongovernment) for construction and improvement of the facilities. The Authority maintains ownership and operation of the facilities. Beginning in 2015, the Electric System received funds from the Virgin Islands Water and Power Authority Generating and Infrastructure Fund, based on fuel taxes collected by the Virgin Islands Government. The proceeds are kept in a restricted Fuel Tax Fund for use in certain capital improvements. Also see Note 4.

For the years ended June 30, 2020 and 2019, the Electric System recognized capital grants and contributions of $128.6 million and $343.9 million, respectively, from the United States Government and $4.7 million and $5.3 million, respectively from the Virgin Islands Government.

Cost Allocation

The Water and Electric Systems share administrative and operating personnel. Payroll and a substantial portion of other operating expenses are initially incurred by the Electric System and are subsequently allocated to the Water System based on labor costs and hours. The operating costs allocated to the Water System for the years ended June 30, 2020 and 2019, amounted to $4.8 million and $5.5 million, respectively.

Expenses incurred for common or integrated facilities are allocated between the systems using an engineering study that is based on monthly production statistics and the Water System's power consumption. The production costs allocated to the Water System for the years ended June 30, 2020 and 2019, amounted to $2.5 million and $2.6 million, respectively.

Commitments and Contingencies

The Authority accrues liabilities for loss contingencies, including deductibles for insurance claims and environmental remediation costs, arising from claims, assessments, litigation, fines and penalties, and other sources when it is probable that a liability has been incurred and the amount of the claim, assessment, and/or remediation can be reasonably estimated.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2019 financial statements have been reclassified to conform with the 2020 presentation.

Adoption of Accounting Pronouncements

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The requirements of this Statement are effective for the Authority's financial statements for the year ended June 30, 2020. The Authority has evaluated this Statement and has determined there is no impact on the financial statements, as it does not own any types of tangible capital assets which have a legal obligation to perform future asset retirement activities.

In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement improves consistency in the information that is disclosed in notes to the financial statements related to debt, including direct borrowings and direct placements and it provides additional essential information about debt to the user of the financial statements. The requirements of this Statement are effective for the Authority's financial statements for the year ended June 30, 2020. The Authority has evaluated this Statement and has included the required information in Notes 6 and 7.

Following are statements issued by GASB that are effective in future years. In light of the COVID-19 pandemic, on May 8, 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, to provide relief to governments. This Statement, which was effective upon issuance, postpones the effective dates of certain provisions in these upcoming pronouncements for one year, except for GASB Statement No. 87 which is postponed for eighteen months. Certain provisions of GASB Statement No. 92 are excluded from GASB Statement No. 95 along with provisions in GASB Statement No. 93 related to lease modifications.

GASB Statement No.		Adoption Effective in Fiscal Year (as Revised)
84	Fiduciary Activities	2021
87	Leases	2022
89	Accounting for Interest Cost Incurred Before the End of a Construction Period	2022
90	Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61	2021
91	Conduit Debt Obligations	2023
92	Omnibus 2020	2022
93	Replacement of Interbank Offered Rates	2022
96	Subscription-Based Information Technology Agreements	2023
97	Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32	2022

Following are statements issued by GASB that are effective in future years as based on the original effective dates.

GASB Statement No.		Adoption Effective in Fiscal Year
94	Public-Private and Public-Public Partnerships and Availability Payment Arrangements	2023
98	The Annual Comprehensive Financial Report	2022

Earlier application of all standards is permitted to the extent specified in each pronouncement as originally issued. The Authority is currently evaluating the impact of these statements.

2. Deposits and Investments

In accordance with its policies and the Revenue Bond Resolution, the Authority is authorized, with certain restrictions, to invest in open accounts, time deposits, certificates of deposit, repurchase agreements, obligations of the United States government, and obligations of any state within the United States, mutual funds, and corporate commercial paper.

At June 30, 2020 and 2019, the Electric System had approximately $35.1 million and $35.5 million in investments which were invested in a U.S. Governmental Agency Fund with a AAAm rating and a maturity of less than a year. The Electric System held certificate of deposits of approximately $1.4 million as of June 30, 2020 and 2019, respectively, with a maturity date of less than a year. Cash deposits were $36.8 million and $29.6 million as of June 30, 2020 and 2019, respectively.

Interest Rate Risks - As a means of limiting its exposure to fair value losses from rising interest rates, the Authority has an investment practice for operating funds which is structured to provide sufficient liquidity to pay obligations as they come due and (1) limits 80% of investments to not more than one-year maturities and (2) requires that the portfolio have no more than 20% in securities maturing in or having an average life of more than ten years. Bond proceeds and reserve funds are managed in accordance with bond covenants and funding needs which could result in maturities longer than ten years.

Credit Risks and Concentration of Credit Risks - As of June 30, 2020, the Electric System's exposure to credit risk is evaluated by the ratio of investments including deposits and investments in U.S. government securities, certificates of deposit, and cash deposits. The Authority places no limit on the amount the Electric System may invest in any one permitted investment type.

As of June 30, 2020, 47.9% of the Electric System's cash and investments are in U.S. Governmental Agency Funds, 1.9% are invested in certificates of deposit, and 50.2% are in cash deposits. As of June 30, 2019, 53.4% of the Electric System's cash and investments are in U.S. Governmental Agency Funds, 2.1% are invested in certificates of deposit, and 44.5% are in cash deposits.

At June 30, 2020, all of the Electric System's investments were held in the name of Bank of New York Mellon, as Trustee for the Authority.

Custodial Risks - Custodial credit risk is the risk that in the event of bank failure, the Authority's deposit may not be returned. The Authority does not have a custodial risk policy. The Authority maintains its deposits at several financial institutions, which, at times may exceed federally insured limits. Generally, the Federal Deposit Insurance Corporation (FDIC) insures depositor funds up to $250,000. The Authority places both Water and Electric System cash and cash equivalents with some of the same high credit quality financial institutions that are federally insured. Therefore, in the event of a loss, federal insurance recoveries would have to be allocated among the two systems.

As such, the potential amounts held in excess of the FDIC limits for the Electric System were $30.9 million at June 30, 2020. The Authority has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

Fair Value Measurements

The Authority categorizes the fair market measurements of its investments and derivative instruments within the fair value hierarchy established which further provides the framework for measuring fair value by establishing a three-level fair value hierarchy that describes inputs that are used to measure assets and liabilities as follows:

Level 1: Inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that an organization can access at the measurement date.

Level 2: Inputs are other than quoted prices included within Level 1 that are observable for an asset or liability, that are either directly or indirectly observable.

Level 3: Inputs are significant unobservable units.

The fair value hierarchy gives the highest priority to Level 1 and the lowest priority to Level 3 inputs. If a price for an identical asset is not observable, an organization may evaluate fair market value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset is measured using inputs from more than one level of the fair market value hierarchy, the measurement is considered to be based on the lowest level input that is significant to the entire measurement.

The following section describes the valuation technique methodologies the Authority is utilizing to measure assets at fair value:

Level 1: Investments classified within Level 1 are valued based on quotes obtained from active public exchanges or reported on the national market, and are stated at the last reported sales price on the day of valuation. Fair value of exchange-traded contracts is based upon exchange settlement prices.

Level 2: Investments classified within Level 2 are valued by pricing vendors using outside data. In determining the fair value of the investments, the pricing vendors use a market approach and pricing spreads based on the credit risk of the issuer, maturity, current yield, and other terms and conditions of each security. Ineffective derivative instruments have been classified in Level 2 of the fair value hierarchy and are valued using valuations provided by a third-party valuation service provider. Also see Note 10.

There were no investments subject to classification under the three-level fair value hierarchy as of June 30, 2020. Following is the three-level fair value hierarchy as of June 30, 2019:

	Level 1	Level 2	Level 3
Derivative instruments	$ -	$ 1,315,784	$ -

The Authority has investments in U.S. Governmental Agency Funds measured at net asset value of $35.1 million and $35.5 million, as of June 30, 2020 and 2019, respectively and these allow for daily transactions with no unfunded commitments or redemption restrictions.

3. Accounts Receivable

Accounts receivable, current and non-current, at June 30, 2020 and 2019, consists of the following:

	2020	2019
Customers	$ 30,784,547	$ 27,342,337
Other	1,433,899	878,036
Less allowance for doubtful accounts	(21,642,859)	(18,859,081)
Customers and other, net	10,575,587	9,361,292
Virgin Islands Government	9,629,305	19,291,006
Virgin Islands Government, fuel tax receivable	1,680,410	1,902,128
Grants	76,893,682	79,843,428
Unbilled revenues	20,732,594	16,268,416
Accounts receivable, net	$ 119,511,578	$ 126,666,270

The Government and its various instrumentalities have largely remained current regarding payment on outstanding receivable balances and have increased the percentage of remittances on current billings for services.

The Authority has made certain arrangements with specific governmental agencies concerning the collection of past due accounts receivable. As of June 30, 2020 and 2019, the Authority has classified Government accounts receivable of $343 thousand and $11.2 million, respectively, as noncurrent because these balances are expected to take longer than one year from the statement of net position dates to be paid by the various government agencies.

4. Restricted Assets

The Electric System Revenue Bond Resolution, as amended, and certain Commission regulatory orders establish the following funds and accounts, which are restricted as to their usage:

Construction Fund – Amounts in the Construction Fund represent unspent bond proceeds, which will be used to pay the cost of construction of plant and equipment used in the generation and distribution of electricity. The Construction Fund is held by the Authority.

Debt Service Fund – The Authority is required to make monthly deposits into the Debt Service Fund to accumulate the required debt service amounts payable to bondholders prior to the next respective interest and/or principal payment date. The Debt Service Fund is held by the bond trustee who makes the required payments on behalf of the Authority.

Debt Service Reserve Fund – The Authority is required to maintain a balance in the Debt Service Reserve Fund equal to the maximum annualized debt service requirement remaining on any outstanding revenue bonds. The Debt Service Reserve Fund is held by the bond trustee and was fully funded at June 30, 2020.

Cost of Issuance Fund – Amounts in the fund are used to pay for legal fees, underwriters' discounts, and other costs of issuing bonds. The Cost of Issuance Fund is held by the bond trustee who makes the required payments on behalf of the Authority.

Self-Insurance Reserve Fund – Amounts in the Self-Insurance Reserve Fund are used to cover any unexpected and uninsured losses caused by hurricanes or, upon prior petition to the Commission and approval, to fund bona fide hazard mitigation programs. The Self-Insurance Fund is held by the Authority.

The Commission authorized the Authority to borrow from the Self-Insurance Reserve Fund to augment its fuel and transmission and distribution inventory. As of June 30, 2020 and 2019, the Authority has not repaid any of the amounts borrowed. The unpaid balance of $10.3 million and $9.1 million respectively, is reflected as Due from Unrestricted Assets on the accompanying Statements of Net Position.

Fuel Tax Fund – Amounts in the fund are used for funding new energy and power generating units and/or heat recovery steam generators and assisting with the issuance of bonds. The Fuel Tax Fund is held by the Authority.

OPEB Fund – Amounts in the fund are used to cover the cost of other post-employment benefits. The OPEB Fund is held by the Authority. During 2017, funds were transferred from the OPEB Fund into a trust which will be used to pay the benefits. Also see Note 9.

Demand Side Management Fund – Amounts in the fund are used to pay for the costs of a demand side management study. The Demand Side Management Fund is held by the Authority.

Line Loss Fund – Amounts maintained in the Line Loss Fund are to be utilized for projects that address losses on the Electric System. The Line Loss Fund is held by the Authority.

RUS - Deposit Account Control Agreement (DACA) Fund – Amounts maintained in the RUS - DACA Fund are required to be maintained by the Authority under the RUS loan agreements to secure loan principal and interest payments. The DACA Fund is held by the Authority.

HRSG 6B Escrow – Funds are reserved for the use of modification and repairs of turbine unit #21. The HRSG 6B Escrow is held by the Authority.

Series 2017 BAN Escrow – Funds are reserved for payment of principal and interest due on the maturity date of the Series 2017 Bond Anticipation Notes which are secured by a first priority pledge of all collections of Fuel tax revenues.

Electric System revenues and all funds established by the Bond Resolution are pledged for payment of bond principal and interest. The trustee funds consist primarily of cash equivalents and investments in U.S. government securities stated at fair value. Other funds specified by the Bond Resolution and the Commission are primarily in cash and cash equivalents.

It is the Authority's policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

Restricted assets at June 30, 2020 and 2019, consist of the following:

	2020	2019
Construction Fund	$ 766,108	$ 1,962,489
Debt Service Fund	23,581,832	23,882,227
Debt Service Reserve Fund	16,893,909	19,559,683
Cost of Issuance Fund	1,607,425	554
Self-Insurance Reserve Fund	5,097,578	586,480
Fuel Tax Fund	10	10
OPEB Fund	613	610
Demand Side Management Fund	257,863	257,345
Line Loss Fund	4,166,053	192,569
RUS-DACA Fund	517,188	-
Due from Unrestricted Assets	10,266,233	9,151,608
HRSG 6B Escrow	200,000	200,000
Series 2017 BAN Escrow	15,281,644	10,387,385
	$ 78,636,456	$ 66,180,960

5. Capital Assets

Capital assets activity for the year ended June 30, 2020, was as follows:

Description	Beginning Balance	Additions	Transfers	Impairment, Disposals, and Other	Ending Balance
Non-depreciable assets:					
Land and land right	$ 4,654,206	$ -	$ -	$ -	$ 4,654,206
Construction in progress	427,188,674	132,041,648	(31,524,885)	(4,395,286)	523,310,151
Idle assets	5,700,000	-	-	-	5,700,000
Total non-depreciable assets	437,542,880	132,041,648	(31,524,885)	(4,395,286)	533,664,357
Depreciable assets:					
Utility plant	1,102,109,194	3,318,515	31,524,885	-	1,136,952,594
Accumulated depreciation and amortization	(285,472,730)	(31,980,671)	-	-	(317,453,401)
Total depreciable assets, net	816,636,464	(28,662,156)	31,524,885	-	819,499,193
Capital assets, net	$ 1,254,179,344	$ 103,379,492	$ -	$ (4,395,286)	$ 1,353,163,550

Capital assets activity for the year ended June 30, 2019, was as follows:

Description	Beginning Balance	Additions	Transfers	Impairment, Disposals, and Other	Ending Balance
Non-depreciable assets:					
Land and land right	$ 4,654,206	$ -	$ -	$ -	$ 4,654,206
Construction in progress	137,544,133	348,244,033	(58,599,492)	-	427,188,674
Idle assets	5,700,000	-	-	-	5,700,000
Total non-depreciable assets	147,898,339	348,244,033	(58,599,492)	-	437,542,880
Depreciable assets:					
Utility plant	1,035,769,629	7,740,073	58,599,492	-	1,102,109,194
Accumulated depreciation and amortization	(255,089,048)	(30,383,682)	-	-	(285,472,730)
Total depreciable assets, net	780,680,581	(22,643,609)	58,599,492	-	816,636,464
Capital assets, net	$ 928,578,920	$ 325,600,424	$ -	$ -	$ 1,254,179,344

6. Lines of Credit

At June 30, 2020, the Authority has available bank lines of credit for $13.0 million for capital projects and $20.0 million for working capital purposes for the Electric System. In addition, the Authority has an unused credit facility reimbursement note for $1.0 million. Interest on amounts borrowed is payable quarterly at a variable interest rate of prime plus 0.50%, or 90-days London Inter-Bank Offer Rate (LIBOR) plus 3.50%-4.50%.

The Authority has the option to select the variable interest rate to utilize for any borrowings on these notes. At June 30, 2020 and 2019, there was $33.3 million and $27.3 million outstanding under the lines of credit, respectively. The lines were extended to have a maturity of July 2022.

Furthermore, there are certain financial reporting covenants that the Authority must comply with. The agreements require the Authority to deliver audited financial statements within 180 days after the end of its fiscal year. The banks have granted the Authority a waiver from this requirement for the year ended June 30, 2020.

7. Long-Term Liabilities

Long-term debt consists of the following at June 30:

	2020	2019
2003 Electric System Revenue Bonds, interest payable semiannually on January 1 and July 1 at various rates ranging from 4.00% to 5.00%; maturing in 2028	**$ 36,355,000**	$ 39,560,000
2007A Electric System Subordinated Revenue Bonds, interest payable semiannually on January 1 and July 1 at 5.00%; maturing in 2031	**57,585,000**	57,585,000
2010 Electric System Revenue and Refunding Bonds, interest payable semiannually on January 1 and July 1 at various rates ranging from 5.00% to 6.85%; maturing in 2035	**43,415,000**	44,300,000
2012 Electric System Revenue Refunding and Subordinated Revenue Bonds, interest payable semiannually on January 1 and July 1 at 4.00% to 6.06%; maturing in 2025	**40,535,000**	49,305,000
2017A Senior Bond Anticipation Notes, interest payable semiannually on January 1 and July 1 at 10.00%; maturing in 2020	**14,765,000**	14,765,000
2018B Senior Bond Anticipation Notes, interest payable semiannually on January 1 and July 1 at 7.00%; maturing in 2020	**33,960,000**	33,960,000
2018C Senior Bond Anticipation Notes, interest payable semiannually on January 1 and July 1 at 2.38% - 2.90%; maturing in 2033	**17,500,000**	17,500,000
Rural Utilities Service Note, interest payable quarterly on each March 31, June 30, September 30, and December 31 at 1.62%; maturing in 2035	**11,332,154**	12,007,140
Unamortized premium	**2,372,431**	2,556,554
Capital lease obligation	**126,323,441**	136,985,797
Total long-term debt	**384,143,026**	408,524,491
Less current installments	**(41,531,002)**	(24,368,018)
Long-term debt, excluding current installments	**$ 342,612,024**	$ 384,156,473

Revenue Bonds

In June 2003, the Authority issued $69.9 million in Electric System Revenue Bonds, Series 2003. The proceeds from the bonds were used to finance capital improvements, repay $18.0 million of then outstanding lines of credit, cover underwriters' costs, and establish a debt service fund.

The Series 2003 Bonds maturing on or after July 1, 2013, shall be subject to redemption prior to their stated maturity date, at the option of the Authority, on or after July 1, 2013, as a whole or in part at any time, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption.

In June 2007, the Authority issued \$57.6 million in 2007A Electric System Subordinated Revenue Bonds. The proceeds of the Series 2007A Bonds were used to (1) finance costs of certain capital improvements, (2) refinance certain costs of capital improvements funded through draws on a line of credit and reinstallation of \$10.0 million to the line of credit allocable to the Electric System, (3) make certain required deposits to the subordinated Debt Service Reserve Fund, and (4) pay certain costs of issuance of the Series 2007A Bonds.

In March 2010, the Authority issued \$85.3 million in bonds made up as, \$39.1 million in 2010A Electric System Revenue Refunding Bonds, \$8.9 million in 2010B Electric System Revenue Bonds, and \$37.3 million in 2010C Electric System Revenue Bonds. The proceeds of the Series 2010A Bonds were used to refund a portion of the Authority's Electric System Revenue Refunding Bonds, Series 1998. The proceeds of the Series 2010B Bonds were used to finance certain capital expenditures temporarily funded through draws on a line of credit (\$9.0 million) and to make certain deposits into the Debt Service Revenue Fund sufficient to satisfy the Debt Service Reserve Fund requirement. The proceeds of the Series 2010C Bonds were used to fund a portion of the costs of certain capital improvements to the Electric System and to make certain deposits into the Debt Service Revenue Fund sufficient to satisfy the Debt Service Revenue Fund Requirement. The proceeds of the three series were also used to pay certain costs of issuance of the 2010A, 2010B, and 2010C Bonds.

In May 2012, the Authority issued \$69.1 million in bonds made up as, \$17.4 million in 2012A Electric System Revenue Refunding Bonds, \$19.7 million in 2012B Electric System Subordinated Revenue Bonds, and \$32.0 million in 2012C Electric System Subordinated Revenue Bonds. The proceeds of the Series 2012A Bonds were used to (1) refund the Authority's Electric System Revenue Refunding Bonds, Series 1998 and (2) pay certain costs of issuance of the Series 2012A Bonds. The proceeds of the Series 2012B Bonds were used to (1) refinance a portion of the Authority's Electric System Term Loan, (2) make a deposit into the Subordinated Debt Service Reserve Fund sufficient to satisfy the Series 2012B Subordinated Debt Service Reserve Fund Requirement, and (3) pay certain costs of issuance of the Series 2012B Bonds. The proceeds of the Series 2012C Bonds were used to (1) refinance all or a portion of the Electric System Working Capital Lines of Credit and Overdraft Credit Facility, (2) make a deposit into the Series 2012C Subordinated Debt Service Reserve Fund sufficient to satisfy the Subordinated Debt Service Reserve Fund Requirement, and (3) pay certain costs of issuance of the Series 2012C Bonds.

Bond Anticipation Notes (BAN)

In November 2016, the Authority closed on financing for \$33.9 million to fund the Streetlight conversion project (Series 2016A BAN). The funding provides for (1) acquisition, assembly, and installation of the light-emitting diode (LED) and solar panels, (2) engineering and project management, and (3) integration with the Authority's Tantalus "smart meter" network or automated metering infrastructure (AMI). The Authority issued the short-term BANs to fund the project because long term rates trended higher with the rating agency downgrades. The rate on the BANs was 5.50%, maturing November 15, 2018.

In August 2017, the Authority closed on financing for an additional \$14.8 million as part of the authorized \$85.0 million BANs (Series 2017A BAN) to fund startup costs for the acquisition and construction of six high-efficiency power generating units. The funding provided for (1) the design, engineering, procurement, construction, startup, and testing of the new power generating units (2) the financing of two centralized control rooms and operational centers on the islands of St. Thomas and St. Croix, (3) financing of capitalized interest, and (4) payment of costs of issuance.

The rate on the BANs was 10.00%, maturing July 1, 2020. As such, on July 1, 2020, the 2017A BANs with an outstanding par value of $14.8 million were retired utilizing fuel taxes and debt service funds already on deposit with the Trustee.

On November 14, 2018, the Authority's Board authorized the refinancing of the Series 2016A Subordinated BANs with its Series 2018B Senior BANs in the principal amount of $33.9 million. The Streetlight conversion project is approximately 60.30% percent completed and all lights and solar panels were expected to be installed by August 2020. Also see Note 14.

On November 28, 2018, the Authority's Board authorized the issuance of Bond Anticipation Notes in a principal amount not to exceed $30.0 million, the Series 2018C Bond Anticipation Notes. The 2018C BANs were being issued to evidence the debt in respect of a Community Disaster Loan made by the United States of America, acting through FEMA. The form of the Series 2018C BANs allows for multiple draws by the Authority. During year ended June 30, 2019, the Authority, under the Electric System, drew down $17.5 million to provide additional working capital for fuel invoices, payroll, and other critical operating expenses. No additional draws were made in fiscal year 2020. The rate on the BANs was 2.38% - 2.90%, maturing July 1, 2033. Also see Note 14.

Rural Utilities Services (RUS) Note

In November 2015, the Authority obtained a term loan with the RUS in the principal amount of S13.0 million. The proceeds of the loan were used to finance the acquisition and installation of an automated metering system and other costs related thereto.

Capital Lease Obligation

The Authority financed certain infrastructure services necessary to import, unload, receive, transfer, store, vaporize, measure, and deliver Liquefied Petroleum Gas (LPG) to each fuel header system at certain of its plants, as well as certain other infrastructure assets through the use of a lease. The project was designed to reduce the Authority's fuel costs by 30.00% and therefore, intended to allow for significant savings to the Authority's rate payers. The project was substantially completed during fiscal year 2017 and at the end of the lease term, title to all of the assets, constituting the new infrastructure, will be transferred to the Authority.

The following is a schedule of future minimum payments under this lease obligation, along with the present value of the related net minimum payments:

Year Ending June 30,	Principal	Interest	Total
2021	$ 12,441,463	$ 18,758,537	$ 31,200,000
2022	14,517,428	16,682,572	31,200,000
2023	16,939,787	14,260,213	31,200,000
2024	19,766,337	11,433,663	31,200,000
2025	23,064,522	8,135,478	31,200,000
2026-2027	39,593,904	4,806,096	44,400,000
Total	$ 126,323,441	$ 74,076,559	$ 200,400,000

The assets acquired through the capital lease obligation at June 30, 2020 and 2019, are as follows:

Description	2020	2019
Utility plant in service	**$ 151,533,478**	$ 151,533,478
Construction in progress	**-**	4,383,261
Idle assets	**4,083,261**	4,083,261
Total	**155,616,739**	160,000,000
Less accumulated amortization	**25,862,354**	22,254,969
Capital lease assets, net	**$ 129,754,385**	$ 137,745,031

During fiscal year 2020, $4.4 million of construction in progress was recognized as operating and production expenses. Also see Note 5.

Long-term Changes and Maturities

The following is a schedule of changes in long-term debt and related accounts for the year ended June 30, 2020:

Description	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Revenue bonds	**$ 190,750,000**	**$ -**	**$ (12,860,000)**	**$ 177,890,000**	**$ 13,465,000**
Bond Anticipation Notes	**66,225,000**	**-**	**-**	**66,225,000**	**14,765,000**
RUS Note	**12,007,140**	**-**	**(674,986)**	**11,332,154**	**859,539**
Unamortized premium	**2,556,554**	**-**	**(184,123)**	**2,372,431**	**-**
Capital lease obligation	**136,985,797**	**-**	**(10,662,356)**	**126,323,441**	**12,441,463**
Total long-term debt	**$ 408,524,491**	**$ -**	**$ (24,381,465)**	**$ 384,143,026**	**$ 41,531,002**

The following is a schedule of changes in long-term debt and related accounts for the year ended June 30, 2019:

Description	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Revenue bonds	$ 203,570,000	$ -	$ (12,820,000)	$ 190,750,000	$ 12,860,000
Bond Anticipation Notes	48,725,000	51,460,000	(33,960,000)	66,225,000	-
RUS Note	12,671,718	-	(664,578)	12,007,140	845,662
Unamortized premium	2,471,562	84,992	-	2,556,554	-
Capital lease obligation	146,123,455	-	(9,137,658)	136,985,797	10,662,356
Total long-term debt	$ 413,561,735	$ 51,544,992	$ (56,582,236)	$ 408,524,491	$ 24,368,018

Future debt service requirements to maturity as of June 30, 2020, on the revenue bonds, bond anticipation notes and RUS note are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	$ 63,049,539	$ 11,889,629	$ 74,939,168
2022	14,801,124	10,175,084	24,976,208
2023	16,454,589	9,096,145	25,550,734
2024	17,086,413	8,042,049	25,128,462
2025	18,273,752	7,236,654	25,510,406
2026-2030	74,811,297	23,564,037	98,375,334
2031-2035	47,045,440	6,856,843	53,902,283
2036-2040	3,925,000	268,863	4,193,863
Total	$ 255,447,154	$ 77,129,304	$ 332,576,458

Covenants

Under the terms of the Bond Resolution relating to the Electric System Revenue and Refunding Bonds, payment of the principal and interest is secured by an irrevocable lien on the Authority's net revenues (exclusive of any funds which may be established pursuant to the Bond Resolution for certain other specified purposes), including the investments and income, if any, thereof. Under the General Resolution, the Authority is required to maintain a Debt Service coverage ratio of at least equal to 1.25 times the principal and interest on all Outstanding Senior Bonds for the current and each future fiscal year (the Senior Coverage).

Under the Electric System Subordinated Revenue Bond Resolution, adopted by the Authority on May 17, 2007, as amended and supplemented (the Subordinated Bond Resolution), the Authority must satisfy the Debt Service coverage ratio of the General Resolution for the Senior Bonds, must maintain a Subordinated Debt Service coverage ratio at least equal to 1.15 times the principal of and interest on all Outstanding Bonds (the Senior and Subordinate Coverage) and all Outstanding Subordinated Bonds for the current and each future fiscal year, and must maintain at least 1.00 times the Maximum Aggregate Debt Service for each such fiscal year (total debt coverage).

The Authority's net electric revenues for the fiscal years ended 2020 and 2019, yielded the following coverage ratios:

	Requirement	2020	2019
Senior Coverage	125%	400%	140%
Senior and Subordinate Coverage	115%	270%	100%
Total Debt Coverage	100%	120%	40%

For the year ended June 30, 2019, the Authority's Debt Service Coverage ratio was 0.40 times for total Debt Coverage. Section 606(2) of the Resolution provided that if the Authority fails to achieve such 1.00 times coverage in a particular year, the Authority must "take whatever steps it can to produce the amount of net electric revenues required in the following fiscal year …" Section 701 (3) of the Resolution relates to covenant defaults and makes them an event of default if such covenant default continues for 60 days after notice unless the Authority is proceeding with diligence to cure such default. The Authority notified the Trustees regarding non-compliance with the rate covenant as required under the bond resolutions.

The Authority has taken all necessary actions to comply with its rate covenant under the bond resolutions inclusive of filing a revised base rate to increase the rates combined with the implementation of the Authority's Transformation Plan to allow the Authority to collect increased revenues. Additionally, as a result of the disruption to the Authority's operations from Hurricanes Irma and Maria, the Authority did not comply with certain reporting requirements. However, as per the Authority's bond resolutions and loan agreements, this does not constitute an event of default and the Authority continues to work diligently to monitor such requirements.

The Electric System Revenue Bonds are subject to mandatory redemption if (1) any significant part of the Electric System shall be damaged, destroyed, taken, or condemned or (2) any for-profit, nongovernmental investor shall acquire an ownership interest in some or all of the assets of the Authority.

8. Pension Plan

Following is a description of the pension plan and accounting for pension expense, liabilities, and deferred outflows/inflows of resources. As required, the Authority follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* and GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73.*

Plan Description and Benefits

Full time employees of the Authority are members of Government Employees' Retirement System of the U.S. Virgin Islands (GERS), a cost sharing, multiple-employer, defined benefit pension plan (the plan) established as of October 1, 1959 Title 3, Chapter 27 of the V.I. Code to provide retirement, death, and disability benefits. Benefits may be extended to beneficiaries of plan members.

The plan covers all employees of the Authority except employees compensated on a contract fee basis, casual, per diem or provisional and part time employees who work less than twenty (20) hours per week. Persons over the age of fifty-five (55) may opt out of the plan by providing formal notification to the plan. Vesting of benefits occurs after ten (10) years of service. Benefits may be extended to beneficiaries of plan members.

There are two tiers within the plan:

Tier I: Employees hired prior to September 30, 2005
Tier II: Employees hired on or after October 1, 2005

Regular Tier I employees who have completed thirty (30) years of credited service or have attained age sixty (60) with at least ten (10) years of credited service are eligible for a full-service retirement annuity. Regular Tier II employees who have attained age sixty-five (65) with at least ten (10) years of service are eligible for a full-service retirement annuity.

Members who are considered "safety employees " as defined in the Code are eligible for full-service retirement benefits under Tier I when they have earned at least twenty (20) years of government service or have reached the age of fifty-five (55) with at least ten (10) years of credited service.

Under Tier II, safety employees are eligible for full retirement when they have earned at least twenty-five (25) years of government service and have reached age fifty-eight (58) or have reached age (60) with at least ten (10) years of service.

The monthly annuity benefit payment is determined by applying a stipulated benefit ratio to the member's average compensation. Average compensation for regular and safety Tier I members is determined by averaging the five highest years of credited service within the last ten years of service, subject to the maximum salary limitations in effect during such service. Average compensation for regular and safety Tier II members is based on career average salary, subject to the maximum salary limitations in effect during the service. The maximum annual salary that can be used in this computation is $65,000.

In 1995, the Early Retirement Incentive Training and Promotion Act was amended by the Legislature to allow a member with a combined aggregate number of years of service and age of at least seventy-five (75) years to retire without a reduction in their annuity. Early retirement benefits provided under the Act vary depending upon age of retirement, type of employment, and credited years of service.

GERS is a separate and independent agency that is included for financial reporting purposes as a blended pension trust fund of the Government. GERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Government Employees' Retirement System of the U.S. Virgin Islands, 3438 Kronprindsens Gade, St. Thomas, Virgin Islands 00802.

Funding and Contribution Policy

Contributions to GERS are established by the Board of Trustees of GERS. The Government's required employer contribution for Tier I and Tier II members effective January 1, 2015, was 20.50% of the member's annual salary. On January 1, 2020, the employer contribution for Tier I and Tier II members was increased to 23.50%.

Employee contribution rates (as a percentage of payroll) for fiscal years 2020 and 2019 were as follows:

	Tier 1	Tier 2
Regular Employees	11.0%	11.5%
Public Safety Employees	13.0%	13.625%

Prior to June 29, 2000, member contributions were refundable without interest upon withdrawal from employment before retirement. Effective July 1, 2009, GERS' Board of Trustees approved an effective annual interest rate on refunded contributions of 2.00% per annum.

Both the plan and the Government have a September fiscal year end, which differs from the Authority's fiscal year end. GASB Statement No. 68 requires that the reported results must pertain to liability and asset information within certain defined time frames.

For this report, the following time frames are used:

	2020	2019
Valuation Date	**October 1, 2019**	October 1, 2018
Measurement Date	**September 30, 2019**	September 30, 2018
Measurement Period	**October 1, 2018 - September 30, 2019**	October 1, 2017 - September 30, 2018

The Authority is considered an employer of the plan with a proportionate share of 5.4300% and 6.2448% as of the measurement dates at September 30, 2019 and 2018, respectively. The Authority's percentage was estimated by management based on the average of each employer's contributions during the period October 1, 2014 through September 30, 2019. Management has determined an allocation percentage to apply to the Electric System and Water System based on those systems' employment burdens to the Authority as a whole (approximately 83% and 17%, respectively).

The Authority's proportionate share of employer contributions recognized by GERS was $4.9 million and $5.1 million for each of the plan's fiscal years ended September 30, 2019 and 2018, respectively. The Electric System's allocated share of employer contributions for the same periods were $4.1 million and $4.2 million, respectively.

Pension Liabilities, Expense, and Deferred Outflows/Inflows of Resources

As of June 30, 2020 and 2019, the Authority's proportionate share of the net pension liability of the plan was $288.6 million and $260.6 million, respectively, and the allocation to the Electric System was $239.5 million and $216.3 million, respectively. The net pension liability of the plan is measured as of September 30, 2019 and 2018, and the total pension liability for the plan used to calculate the net pension liability was determined by an actuarial valuation as of October 1, 2019 and 2018, respectively.

For the years ended June 30, 2020 and 2019, the Authority recognized pension expense of $5.6 million and $13.6 million, respectively, inclusive of amortization of deferred outflows of pension related items. Of those amounts, $4.7 million and $11.3 million was allocated to the Electric System's pension expense, respectively.

Following is a schedule of deferred outflows of resources and deferred inflows of resources allocated to the Electric System in the computation of net pension liability for the year ended June 30, 2020:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Changes in assumptions	**$ 53,102,601**	**$ 19,128,707**
Net difference between projected and actual earnings on pension plan investments	**135,794**	**-**
Difference between expected and actual experience	**2,955,408**	**110,949**
Changes in proportionate share	**-**	**52,949,159**
Contributions made subsequent to measurement date	**3,307,834**	**-**
	$ 59,501,637	**$ 72,188,815**

Following is a schedule of deferred outflows of resources and deferred inflows of resources allocated to the Electric System in the computation of net pension liability for the year ended June 30, 2019:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ 25,424,981	$ 26,934,270
Net difference between projected and actual earnings on pension plan investments	408,450	-
Difference between expected and actual experience	5,021,465	-
Changes in proportionate share	-	38,557,378
Contributions made subsequent to measurement date	3,396,237	-
	$ 34,251,133	$ 65,491,648

Amounts reported as deferred outflows and inflows, exclusive of contributions made after the measurement date, will be recognized in pension expense as follows:

Year ending June 30,	
2021	$ (7,833,212)
2022	(2,405,143)
2023	(2,430,111)
2024	(1,305,286)
2025	(2,021,260)
Thereafter	-
	$ (15,995,012)

Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of the measurement dates at September 30, 2019 and 2018 is provided below, including any assumptions that differ from those used in the corresponding October 1, 2019 and 2018 actuarial valuations. Refer to the October 1, 2019 and 2018 actuarial valuation reports for a complete description of all other assumptions, which can be found on GERS' website.

September 30,	**2020**	2019
Inflation Rate	**2.50%**	2.50%
Salary Increases	**3.25% including inflation**	3.25% including inflation
Actuarial Cost Method	**Entry age normal**	Entry age normal
Expected Rate of Return	**4.00%**	7.00%
Municipal Bond Yield	**2.66%**	4.18%
Discount Rate	**2.67%**	4.25%
Mortality Table	**RP-2014 Blue Collar**	RP-2014 Blue Collar

The demographic assumptions for the 2019 actuarial valuation are based on the results of an actuarial experience study for the period October 1, 2011 through September 30, 2015.

Investment Rate of Return

The long-term expected rates of return of 4.00% and 7.00% for the years ended 2019 and 2018, respectively, on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation, as of the measurement date at September 30, 2019, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	**9%**	**6.23%**
International equity	**60%**	**0.98%**
Fixed income	**10%**	**4.33%**
Cash	**12%**	**0.48%**
Alternative	**9%**	**10.23%**

Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation, as of the measurement date at September 30, 2018, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	29%	6.16%
International equity	12%	6.71%
Fixed income	27%	1.71%
Cash	2%	0.91%
Alternative	30%	5.50%

Discount Rate

The discount rate used to measure the total pension liability was 2.67% as of the measurement date at September 30, 2019, and 4.25% as of the measurement date at September 30, 2018. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate, including the future increases in the employee contribution rates legislated. Based on those assumptions, the plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members.

Therefore, the long-term expected rate of return on plan investments of 4.00% was applied to all periods of projected benefit payments that are covered by projected assets. For periods where projected future benefit payments are not covered by projected assets, the yield on a 20-year AA Municipal Bond Index was applied, which was 2.66% and 4.18% as of the measurement date at September 30, 2019 and 2018, respectively.

Sensitivity of Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Electric System's allocation of the Authority's proportionate share of the net pension liability (NPL) for the plan, calculated using the discount rate, as well as what the Electric System's allocation of the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate for the year ended June 30, 2020:

1.00% Decrease - Share of NPL @ 1.67%	Share of NPL @ 2.67%	1.00% Increase - Share of NPL @ 3.67%
$ 277,911,250	$ 239,525,862	$ 208,064,418

The following presents the Electric System's allocation of the Authority's proportionate share of the net pension liability (NPL) for the plan, calculated using the discount rate, as well as what the Electric System's allocation of the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate for the year ended June 30, 2019:

1.00% Decrease - Share of NPL @ 3.25%	Share of NPL @ 4.25%	1.00% Increase - Share of NPL @ 5.25%
$ 248,782,654	$ 216,281,277	$ 189,276,723

Detailed information about the pension plan's fiduciary net position is available in the separately issued GERS financial report.

9. Other Post-Employment Benefits (OPEB) Plan

Plan Description and Benefits

The Authority provides certain post-employment health care benefits to retirees under a health insurance plan. These benefits are extended at the discretion of the Authority, which reserves the right to change or terminate benefits and to change premium contributions required from retirees in the future as circumstances change. All employees who are eligible for service retirement with the GERS (see Note 8) qualify for the Authority's post-employment health care benefits. An OPEB trust, the Virgin Islands Water and Power Authority Voluntary Employees' Beneficiary Association Trust, was established during the measurement period ended on June 30, 2017.

The post-employment benefits include continued access to coverage for the retiree and dependents in the medical, prescription, and dental plan sponsored by the Authority. At June 30, 2020, the following current and former employees were covered by the benefit terms:

Active employees	490
Inactive employees or beneficiaries	411
Total participants	901

Net OPEB Liability

The Authority employs an actuary to assist in estimating the OPEB liability for the Authority as a whole and then allocates that liability and related cost systematically to the Water and Electric Systems. The total OPEB liability for the Authority's years ended June 30, 2020 and June 30, 2019 were measured as of June 30, 2019 and June 30, 2018, respectively, using an actuarial valuation date of June 30, 2019 and June 30, 2017, respectively.

The following table shows the allocated components of the Electric System's changes in the total OPEB liability, the plan fiduciary net position, and the net OPEB liability during the measurement period ended June 30, 2019:

	Increase (Decrease)		
	Total OPEB Liability	**Plan Fiduciary Net Position**	**Net OPEB Liability**
Beginning balances	**$ 51,925,826**	**$ 3,793,063**	**$ 48,132,763**
Changes for the year:			
Service cost	**1,825,162**	**-**	**1,825,162**
Interest	**2,115,706**	**-**	**2,115,706**
Difference between expected and actual experience	**(1,296,632)**	**-**	**(1,296,632)**
Changes to assumptions	**(4,421,272)**	**-**	**(4,421,272)**
Contributions - employer	**-**	**570,163**	**(570,163)**
Contributions - other	**-**	**1,127,518**	**(1,127,518)**
Net investment income	**-**	**230,809**	**(230,809)**
Benefit payments	**(1,716,691)**	**(1,716,691)**	**-**
Distributions - other	**-**	**-**	**-**
Net changes	**(3,493,727)**	**211,799**	**(3,705,526)**
Ending balances	**$ 48,432,099**	**$ 4,004,862**	**$ 44,427,237**

The following table shows the allocated components of the Electric System's changes in the total OPEB liability, the plan fiduciary net position, and the net OPEB liability during the measurement period ended June 30, 2018:

	Increase (Decrease)		
	Total OPEB Liability	**Plan Fiduciary Net Position**	**Net OPEB Liability**
Beginning balances	$ 49,802,222	$ 3,522,619	$ 46,279,603
Changes for the year:			
Service cost	1,746,399	-	1,746,399
Interest	2,028,911	-	2,028,911
Changes to assumptions	-	-	-
Contributions - employer	-	403,687	(403,687)
Contributions - other	-	1,248,019	(1,248,019)
Net investment income	-	270,444	(270,444)
Benefit payments	(403,687)	(403,687)	-
Distributions - other	(1,248,019)	(1,248,019)	-
Net changes	2,123,604	270,444	1,853,160
Ending balances	$ 51,925,826	$ 3,793,063	$ 48,132,763

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Salary Increases:	3.25%, including inflation
Investment rate of return:	4.00%
Healthcare cost trend rates:	Based on the Getzen Model, with trend starting at 19.70% in fiscal year 2020 to reflect actual premiums, 6.25% in fiscal year 2021, and gradually decreasing to an ultimate trend rate of 4.02%. The ultimate trend value includes a 0.27% load for cadillac tax.
Mortality:	For pre-retirement mortality and post-retirement healthy mortality, 110% of the RP-2014 Blue Collar Employee Mortality Table with generational projection from 2015 using Scale MP-2015. For post-retirement disabled lives, 125% of the RP-2014 Disabled Annuitant Mortality Table with generational projection from 2015 using Scale MP-2015.

Discount Rate

GASB Statement No. 75 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the total OPEB liability (TOL). This rate considers the ability of the fund to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses, and investment returns are projected into the future. The projected plan fiduciary net position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. For years when assets are projected to be on hand to meet benefit payments, the assumed net long-term rate of return is used as the discount rate. For years when assets are not projected to be sufficient to meet benefit payments, the use of a specific municipal yield is used as the discount rate, as described in the following paragraph.

The Single Discount Rate (SDR) is equivalent to applying the following two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on OPEB plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by Fidelity) as of the measurement date (to the extent that the projected plan fiduciary net position based on the long-term expected rate of return is insufficient to pay benefits).

For the purpose of this measurement, the expected rate of return on OPEB plan investments is 4.00% and the municipal bond rate is 3.13% as of June 30, 2019. The Authority does not have a formal funding policy. However, the Authority has a track record of paying benefits out of its general revenue in addition to depositing ad hoc amounts into the OPEB trust.

It was assumed that the Authority would continue this practice. Based on the current pattern, the OPEB plan's fiduciary net position together with the future contributions are expected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Electric System's allocation of the Authority's net OPEB liability (NOL) to changes in the Single Discount Rate, calculated using a Single Discount Rate of 4.00%, as well as what the Electric System's allocation of the Authority's net OPEB liability would be if it were calculated using a Single Discount Rate that is 1.00% lower or 1.00% higher than the current rate for the year ended June 30, 2020:

1.00% Decrease - Share of NOL @ 3.00%	Share of NOL @ 4.00%	1.00% Increase - Share of NOL @ 5.00%
$ 51,232,792	**$ 44,427,237**	**$ 38,824,007**

The following presents the Electric System's allocation of the Authority's net OPEB liability (NOL) to changes in the Single Discount Rate, calculated using a Single Discount Rate of 4.00%, as well as what the Electric System's allocation of the Authority's net OPEB liability would be if it were calculated using a Single Discount Rate that is 1.00% lower or 1.00% higher than the current rate for the year ended June 30, 2019:

1.00% Decrease - Share of NOL @ 3.00%	Share of NOL @ 4.00%	1.00% Increase - Share of NOL @ 5.00%
$ 56,201,801	$ 48,132,763	$ 41,575,015

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

Regarding the sensitivity of the net OPEB liability to changes in the healthcare cost trend rates, the following presents the Electric System's allocation of the Authority's net OPEB liability, calculated using the same trend rates as employed in the most recent funding valuation as well as what the Electric System's allocation of the Authority's net OPEB liability would be if it were calculated using a sequence of rates that are 1.00% lower or 1.00% higher than the current rate for the year ended June 30, 2020:

1.00% Decrease	Current Healthcare Cost Trend Rate Assumption Baseline	1.00% Increase
$ 38,093,091	**$ 44,427,237**	**$ 52,365,564**

The following presents the Electric System's allocation of the Authority's net OPEB liability, calculated using the same trend rates as employed in the most recent funding valuation as well as what the Electric System's allocation of the Authority's net OPEB liability would be if it were calculated using a sequence of rates that are 1.00% lower or 1.00% higher than the current rate for the year ended June 30, 2019:

1.00% Decrease	Current Healthcare Cost Trend Rate Assumption Baseline	1.00% Increase
$ 41,527,607	$ 48,132,763	$ 57,884,782

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan fiduciary net position is available in a separate Trust financial report.

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the Authority recognized OPEB expense of $2.0 million of which $1.7 million was allocated to the Electric System.

Following is a schedule of deferred outflows of resources and deferred inflows of resources allocated to the Electric System in the computation of net OPEB liability for the year ended June 30, 2020:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ -	**$ 8,592,254**
Difference between expected and actual experience	-	**1,108,714**
Net difference between projected and actual earnings on pension plan investments	-	**162,450**
Contributions made subsequent to measurement date	**462,510**	-
	$ 462,510	**$ 9,863,418**

For the year ended June 30, 2019, the Authority recognized OPEB expense of $2.9 million of which $2.4 million was allocated to the Electric System. Following is a schedule of deferred outflows of resources and deferred inflows of resources allocated to the Electric System in the computation of net OPEB liability for the year ended June 30, 2019:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	$ -	$ 6,014,684
Net difference between projected and actual earnings on pension plan investments	-	135,360
Contributions made subsequent to measurement date	457,866	-
	$ 457,866	$ 6,150,044

Amounts reported as deferred outflows and inflows, exclusive of contributions made after the measurement date, will be recognized in OPEB expense as follows:

Year ending June 30,	
2021	$ (2,083,996)
2022	(2,083,996)
2023	(2,073,420)
2024	(2,047,511)
2025	(828,682)
Thereafter	(745,813)
Total	$ (9,863,418)

Payable to the OPEB Plan

At June 30, 2020 and 2019, the Electric System reported a payable of $462,510 and $457,866 for the outstanding amount of contributions to the Plan required for the year ended June 30, 2020 and 2019, respectively.

10. Derivative Instruments

Background

Beginning in 2015, the Authority began using derivative instruments, namely swaps, to hedge its commodity price risk associated with short-term and long-term changes in fuel prices. Derivative instruments are used by the Authority in its normal course of business to attempt to manage the impact to its customers of market price fluctuations for the purchase of propane. The Authority does not use derivative instruments for trading or speculative purposes.

These contracts are evaluated pursuant to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, to determine whether they meet the definition of derivative instruments, and whether they effectively hedge the expected cash flows associated with commodity price risk exposures. The fair values of the Authority's derivatives are reported on the accompanying Statements of Net Position as derivative instruments.

The Authority applies hedge accounting for derivative instruments that are deemed effective under GASB Statement No. 53. Under hedge accounting, changes in the fair value of such hedging derivative instruments is a component of deferred inflows or deferred outflows on the accompanying Statements of Net Position until the contract is settled or hedge accounting is terminated.

Derivative instruments that do not meet the definition of a hedging derivative instrument are economic hedges, intended to mitigate exposure to fluctuations in commodity prices and are referred to as investment derivative instruments. Changes in the fair value of investment derivative instruments are recognized as gains or losses in nonoperating revenues/expenses. All settlement payments or receipts for hedging and investment derivative instruments are recorded as fuel expense for commodity derivatives in the accompanying Statements of Revenues, Expenses, and Changes in Net Position in the period settled.

Hedging

The Authority has periodically used derivative instruments to partially hedge its commodity price risk associated with fossil fuel, namely propane, which it purchases to generate electricity under fuel purchase agreements.

The hedges seek to turn certain purchase volumes of fuel under contracts based on variable 'spot' prices into effective fixed prices with the intention to safeguard ratepayers from drastic changes in fuel costs required to be recovered in rates. The Authority has no intention to take delivery of fuel with derivative instrument contracts.

The derivative agreements require monthly payments to be paid or received based on the difference between the spot market price and the contract strike price on notional volumes. None of the Authority's derivatives require a cash payment at inception.

The fair value estimates reflected on the accompanying Statements of Net Position are based on pertinent information available to management. The fair value estimates for the Authority's derivative instruments represent the present value of the differences of the fixed prices in the related instruments less the OPIS Propane Mont Belvieu (Non-TET) forward price curve, multiplied by the corresponding monthly volume using the LIBOR forward interest rate curve as a discount rate.

The fair value balances of derivative instruments outstanding at June 30, 2020 and 2019, are as follows (losses and liabilities in parentheses):

June 30,	**2020**	2019
Fair Value	**$ -**	$ 1,315,784
Change in Fair Value	**$ (1,315,784)**	$ (12,574,470)

The following are the key terms of the Authority's derivative instruments as of June 30, 2019:

Instrument	Effective Dates	Notional Amount (in Gallons)	Strike Prices	Fair Value
Mont Belvieu Swap – Propane Receive Fixed	Jan 2019 - Dec 2019	15,456,000	$ 0.60 – 0.77	$ (1,116,011)
Mont Belvieu Asian Put Option (Floor)	Oct 2019 - Dec 2019	15,456,000	$ 0.70	$ 2,432,685
Mont Belvieu Asian Call Option (Cap)	Oct 2019 - Dec 2019	15,456,000	$ 0.83 – 0.87	$ (890)

Risks

Basis Risk - The OPIS-based commodity hedging transactions are subject to locational basis risk. The Authority's derivative instruments are based on pricing at the Mont Belvieu, Texas delivery point; however, the Authority may purchase propane at local Territory delivery points.

Credit Risk - The Authority intends to hold all derivative instruments to maturity. The Authority is exposed to market price risk in the event of nonperformance by any of its counterparties; however, the Authority does not anticipate nonperformance.

The counterparties to these contracts are affiliates of major financial institutions or commodity companies with credit ratings of at least A with one of the major rating agencies.

The following are the key counterparty terms of the Authority's derivative instruments as of June 30, 2019:

Counterparty	Counter Party Credit Ratings	Fair Market Value of Derivative Instrument Asset / (Liability)
Shell Trading Risk Management, LLC (Royal Dutch Shell)	Jan 2018 – Dec 2019	$ 1,315,784

Termination Risk - Termination risk is the risk that a derivative could be terminated by a counterparty prior to its scheduled maturity due to a contractual event with the Authority owing a termination payment and no longer meeting the objective of the hedge. As long as the Authority fulfills its obligations under the contracts and does not default under the agreements, the counterparties do not have the right to terminate these agreements. The Authority believes that termination risk is low because the counterparties may terminate the agreements only upon the occurrence of specific events such as payment defaults or bankruptcy.

If, at the time of termination, the mark-to-market of the derivative is a liability of the Authority, the Authority could be required to pay that amount to the counterparty. Termination risk associated with all of the Authority's derivatives is limited to the fair value.

11. Commitments and Contingencies

Litigation

The Authority is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Electric System's financial position, changes in net position, or liquidity. Additionally, Title 30, Section 111(a) of the Virgin Islands Code exempts the Authority's Electric System property from lien, levy, and sale as the result of any judgment against the Authority, except by bondholders.

Grant Funds

In connection with Federal and state government grant programs, the Authority is obligated to administer and spend the grant monies in accordance with regulatory restrictions and is subject to audit by the grantor agencies. In cases of non-compliance, the agencies involved may require the Authority to refund program monies. Management believes these non-compliance instances, if any, should not materially affect the Authority's financial position. Also see Note 14.

Insurance Program

The Electric System is exposed to various risks of loss related to damage and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Authority mitigates this risk of loss by purchasing commercial insurance, including general liability, excess liability, workers' compensation, property, and employee health, life, and accident.

The Authority's commercial insurance policies cover catastrophic exposures as well as those risks required to be insured by law or contract. It is the policy of the Authority to retain a significant portion of certain losses related primarily to physical loss to property, business interruption resulting from such loss, and comprehensive general and vehicle liability. There were no reductions in coverage from the prior year, and the amount of settlements has not exceeded insurance coverage for each of the past three years.

Purchase Power Agreements

The Authority has signed purchase power agreements with several companies to integrate a combined 18-megawatt of solar electricity into the Authority's electrical grid system. The agreements expire between 2022 and 2027. The Authority will not own the solar assets, but will be able to purchase solar generated electricity at contracted rates.

Construction Contracts

During the normal course of business, the Authority contracts with various construction companies to help the Authority maintain, replace, and expand its utility plant. These construction costs are expected to be paid for using proceeds from government grants, contributions from developers, and cash from operations.

Operating Leases

A temporary 22-megawatt mobile power plant was leased for $14.6 million for 18 months from April 2012 through October 2013. The lease has since been reevaluated and extended for short term periods (between 2 to 12 months) with the final extension through December 31, 2020. Also, in May 2019, another temporary unit was leased from a different vendor for an initial period of 104 weeks and starting in June 2020, an additional unit was leased for a period of 2 years. Total lease payments for 2020 and 2019 were $11.7 million and $11.4 million, respectively.

During the normal course of business, the Authority leases additional and various property and equipment to support Electric System operations. The leases are generally short term in nature and lease payments are not significant to the overall operations of the Electric System.

Broadband Expansion Project

In April 2020, the Authority amended its Memorandum of Agreement (MOA) with another instrumentality of the Government. As part of the original agreement, exclusive use of certain underground fiber and infrastructure owned by the Authority was provided. Following Hurricanes Irma and Maria, the Authority obtained Federal funding for the hardening of its infrastructure. The MOA was amended to provide a continuous and exclusive right to use future telecommunications fiber and spare underground or subsea conduit owned by the Authority.

Hurricane Hugo

At both June 30, 2020 and 2019, the Electric System has recorded a liability of $4.1 million for amounts owed to the Federal Emergency Management Agency (FEMA) for overpayments related to certain questioned costs. Currently, FEMA and its sub-recipient, the Government of the U.S. Virgin Islands, do not have a mechanism in place for recovering the overpayment of disaster-related funds. In addition, FEMA has not made a formal request for repayment of these funds. In management's opinion, the resolution of this matter will not have a material adverse effect on the Authority's changes in financial position or cash flows.

Hurricane Omar

In October 2008, the U.S. Virgin Islands were impacted by Hurricane Omar. The majority of the damage was inflicted to the electric distribution system on the island of St. Croix with minimal damage on St. Thomas, St. John, and Water Island. The Authority expended $2.7 million for storm cleanup and system restoration as of June 2010.

The Territory was declared a federal disaster after the hurricane and was eligible for reimbursement of 75% of what was expended according to the category of the damage. Both at June 30, 2020 and 2019, the Electric System has recorded a grant receivable from FEMA amounting to approximately $1.0 million.

Hurricane Earl

In August 2010, the U.S. Virgin Islands were impacted by Hurricane Earl. The damage was inflicted on the electric distribution system on all the islands. The Authority expended over $2.0 million for storm clean-up and restoration, which was completed at the end of October 2010. The Territory was declared a federal disaster area after the Hurricane and was eligible for reimbursement of 75% - 80% of what was expended according to the category of the damage. Both at June 30, 2020 and 2019, the Electric System has recorded a grant receivable from FEMA amounting to approximately $1.3 million.

Hurricanes Irma and Maria

In the aftermath of Hurricanes Irma and Maria in September 2017, the Territory-wide catastrophic damage to the transmission and distribution system rendered 90% of the system destroyed. The Authority had purchased commercial insurance to cover its risk of loss from destruction of assets. The commercial insurance policies carry a $5.0 million deductible per event. The transmission and distribution system which sustained the most damage is not covered under this policy. Initially, the Authority did not file a claim as the estimated damage to insurable assets was less than the $5.0 million deductible. However, on September 6, 2019, the Authority filed suit against the insurers for damages related to the 2017 storms and sought compensatory and punitive damages. As of the date of this report, the resolution of the suit remains pending.

Global Pandemic

In March 2020, the Governor of the U.S. Virgin Islands declared a state of emergency due to the coronavirus pandemic known as COVID-19. The state of emergency was approved by the President of the United States under the provisions of the Stafford Act and the National Emergencies Act.

A federally approved state of emergency activates federal assistance to states in the form of financial, logistical, and technical assistance. The state of emergency also activates other emergency response protocols and systems to protect citizenry such as stay-at-home orders, travel restrictions, and social distancing requirements.

As the emergency measures are eased, management continues to actively monitor the evolving impact of the COVID-19 outbreak on its financial condition, including the duration of the closings, speed of recovery, and impact on demand. As of the date of issuance of this report, the Electric System's operations continued, and the Authority believes that it will have the necessary resources to fund essential services and make timely debt service payments.

Also, in March 2020, the President of the United States signed into law the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." The CARES Act, among other things, appropriated funds for the Coronavirus Relief Fund to be used to make payments for specified uses to state, territorial, local, and tribal governments. In May 2020, the Authority received $15.5 million from the Government of the U.S. Virgin Islands in funding from the Coronavirus Relief Fund. The Authority implemented the Your Energy Stimulus (YES) program providing credits in the amount of $250 to electric residential accounts and $500 for electric business accounts during its May 2020 billing cycle. Also see Note 14.

12. Management's Plan

The Authority has been financially challenged for several years, and its situation was exacerbated by the catastrophic damage inflicted on the Territory by the landfall of two Category 5 hurricanes (Irma and Maria) in quick succession in September 2017. The management team recently unveiled its plan for the next twelve months focusing on several key initiatives as outlined below:

Modernization of Infrastructure

Despite its financial challenges, the Authority is benefitting from significant investment of Federal funds in infrastructure projects. For example, Federal funding is modernizing the Transmission & Distribution (T&D) infrastructure as it is migrating the system to underground infrastructure where feasible. In areas when undergrounding is not viable, the T&D system is being hardened by the installation of composite poles that can withstand higher winds. The transition is approximately 65% complete. The modernization of the T&D system is expected to improve system reliability, reduce operating costs, and make the system more resistant to the impact of storms. Also see Note 14.

Near-Term Operational Initiatives

The Authority must also address its ongoing operations. Management believes it can reduce the Authority's current operating cost. The plan envisions no increase in rates, but rather the implementation of the following steps, to reduce the operating cost of the Authority, initially primarily as it relates to fuel expense:

- Placing new, more efficient generation in service on St. Thomas. The installation of 36-megawatts of Wartsila reciprocating engines along with 9-megawatts of battery storage is currently underway. The project is funded by a grant from the U.S. Department of Housing and Urban Development, which is critical to the community of the Virgin Islands because otherwise, the cost of buying and installing the generators would need to be recovered in rates. Also see Note 14.

- The installation of new, more efficient generation on St. Croix. The plan contemplates approximately 20-megawatts of additional generation, which improves the efficiency with which the Authority converts fuel into electricity. This project is not expected to be federally funded.
- The installation of additional solar capacity on St. Croix. The plan contemplates 30-megawatts, but a large installation will be considered if feasible. The project is expected to be owned, developed, and operated by a third party with the Authority purchasing the output of the installation through a power purchase agreement. Additional solar capacity on St. Croix is not expected to be federally funded.
- The acquisition of generation that is currently leased to avoid ongoing monthly lease expenses.

The plan outlines a strategy that will reduce risk for the Authority going forward. With the addition of new generation, the Authority will be buying less of its most expensive input cost, which is fossil-fuel.

Other Initiatives

The foregoing only addresses Phase 1 of the plan, which is focused on stabilizing the Authority. Additional efforts will be focused on improving the Authority's processes and procedures with the objective of improving customer service, billing, and collections. Improving customer service and increasing collections is expected to reduce operating costs and improve cash flow.

13. Regulatory Matters

In April 1998, the Governor signed into law Virgin Islands Act No. 6224, which provides that the Authority, as well as certain other instrumentalities of the Government, make a payment to the Government in lieu of taxes equal to 10% of net revenues or $500,000, whichever is greater. The term "net revenues" is not defined in the legislation. Subject to further clarification from the Legislature, the Authority has interpreted net revenues as net income calculated in accordance with accounting principles generally accepted in the United States of America. For both of the years ended June 30, 2020 and 2019, the Electric System incurred $500,000 in expenses related to this tax on behalf of the Authority.

14. Subsequent Events

Natural Disasters - Hurricanes Irma and Maria

Through qualification for substantial Federal disaster assistance from FEMA and other Federal agencies, such as the U.S. Department of Housing and Urban Development, the Authority has made significant progress towards restoring its assets which were damaged by Hurricanes Irma and Maria in September 2017.

FEMA's Public Assistance Grant Program (PA) provides Federal support to include assistance for debris removal, life-saving emergency protective measures, and the repair, replacement, or restoration of disaster-damaged facilities. As of March 2022, the Authority has been approved for approximately $1,449.9 million in grant funding for emergency restoration work, and permanent and hazard mitigation projects.

In December 2020, the Authority through the Government of the Virgin Islands, received notice from FEMA of the results of audits related to the PA program awards. As a result, the Authority received a notice of potential debt in the amount of $97.1 million. In response to the notice, in February 2021, the Authority exercised its option to appeal the notice and provided additional clarification and documentation. Management believes these non-compliance instances, if any, should not materially affect the Authority's financial position.

The U.S. Department of Housing and Urban Development (HUD), through its Community Development Block Grant-Disaster Recovery (CDBG-DR) program, has obligated $95.9 million to the Authority for the Harley Expansion Project. The project will add 36-megawatts of generation (plus battery storage) to the Randolph Harley Power Plant on St. Thomas. As of March 2022, the Authority has been approved for approximately $84.2 million in local cost match funding from HUD.

In addition to incurring significant storm related expenses, recurring operating revenues of the Authority have been reduced. In the interim, the Authority has revised its fiscal years 2021 and 2022 budgets. In a further effort to close potential shortfalls and to serve returning citizens, the Authority continues to work closely with Federal agencies, to maximize its recovery from all available sources. While inflows of Federal and private funds continue to bolster the reconstruction activity, the eventual amount and timing for receipt of such funds cannot be predicted at this time.

Economic Relief Legislation

To address issues related to the continuance of the global coronavirus pandemic, in December 2020, "The Consolidated Appropriations (CA) Act" was passed. The CA Act, among other things, provided for an extension of time to spend any CARES Act funds until December 31, 2021, and provided funding for education, healthcare, broadband, and transportation. The Authority has evaluated all programs related to the CA Act and has determined there is no impact to the Electric System's operations.

In March 2021, "The American Rescue Plan (ARP) Act of 2021" was signed into law. The ARP Act, among other things, appropriated funds for the Coronavirus Capital Projects Fund and for specified uses for state, territorial, local, and tribal governments. There is no assurance that the Authority will be eligible for these funds or will be able to obtain them. The Authority continues to examine the impact that the ARP Act may have on its operations and to explore initiatives with the Governor and his Administration to derive benefit from the passage of the legislation.

Bond Anticipation Notes (BAN)

In October 2020, the Authority and the beneficial owners of the Series 2018B Senior BANs entered into an agreement to re-issue new BANs, Series 2020A, and extend the maturity date to no later than July 1, 2022.

The 2018C BANs whose first payment was due on July 1, 2021 were further extended by FEMA with the first payment deferred until January 1, 2024 and the final payment deferred until July 1, 2036.

On September 30, 2021, repayments of the Community Disaster Loans issued by FEMA after the hurricanes were cancelled when Congress passed the Extending Government Funding and Delivering Emergency Assistance Act (P.L. 117-43) and on October 8, 2021, FEMA notified the Authority of such cancellation and closure of the loan program. Also see Note 7.

Management's Evaluation

Management has evaluated any events or transactions occurring after June 30, 2020, the statement of net position date, through June 30, 2022, the date the financial statements were available to be issued, and noted that there have been no additional events or transactions which would require adjustments to or disclosure in the Electric System's financial statements for the year ended June 30, 2020.

Required
Supplementary Information

Electric System of the Virgin Islands Water and Power Authority

Schedule of Changes in OPEB Liability and Related Ratios

Measurement year ended June 30,	**2019**	2018	2017
Total OPEB Liability:			
Service Cost	**$ 2,198,990**	$ 2,104,095	$ 2,686,270
Interest on the Total OPEB Liability	**2,549,043**	2,444,471	2,017,603
Difference between Expected and Actual Experience	**(1,562,207)**	-	-
Assumption Changes	**(5,326,834)**	-	(10,145,248)
Benefit Payments	**(2,068,302)**	(1,990,007)	(1,931,335)
Net Change in Total OPEB Liability	**(4,209,310)**	2,558,559	(7,372,710)
Total OPEB Liability – Beginning*	**62,561,236**	60,002,677	67,375,387
Total OPEB Liability – Ending (a)	**$ 58,351,926**	$ 62,561,236	$ 60,002,677
Plan Fiduciary Net Position:			
Employer Contributions (Trust Deposits)	**$ 686,943**	$ 486,370	$ 4,324,854
Employer Contributions (Benefits Paid Outside the Trust)	**1,358,455**	1,503,637	1,739,016
OPEB Plan Net Investment Income	**278,083**	325,836	111,584
Benefit Payments	**(2,068,302)**	(1,990,007)	(1,931,335)
Net Change in Plan Fiduciary Net Position	**255,179**	325,836	4,244,119
Plan Fiduciary Net Position – Beginning	**4,569,955**	4,244,119	-
Plan Fiduciary Net Position – Ending (b)	**$ 4,825,134**	$ 4,569,955	$ 4,244,119
Net OPEB Liability (Asset) – Ending (a) – (b)	**$ 53,526,792**	$ 57,991,281	$ 55,758,558
Plan Fiduciary Net Position as a percentage of Total OPEB Liability	**8.27%**	7.30%	7.07%
Covered Payroll	**$ 30,899,845**	$ 31,157,523	$ 30,176,778
Net OPEB Liability as a Percentage of Covered Payroll	**173.23%**	186.12%	184.77%

This schedule is intended to show a 10-year trend for the Authority of which the Electric System's share would be 83% of the above. Additional years will be reported as they become available.

** An OPEB trust was established during the measurement period ended June 30, 2017. Consequently, the beginning total OPEB liability was calculated using a discount rate of 2.92% based on municipal bond rates prevailing on June 30, 2016.*

Electric System of the Virgin Islands Water and Power Authority

Schedule of Electric System's OPEB Contributions

Fiscal Year	**2019**	2018	2017
Actuarially required contributions	**$ 4,427,650**	$ 4,106,205	$ 6,988,824
Contributions in relation to the actuarially required contributions	**1,697,681**	1,651,706	5,033,012
Contribution deficiency (excess)	**$ 2,729,969**	$ 2,454,499	$ 1,955,812
Covered payroll	**$ 25,646,871**	$ 25,860,744	$ 25,046,726
Contributions as a percentage of covered payroll	**6.62%**	6.39%	20.09%

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available. Actuarially required contributions are calculated as of June 30 of the preceding year, which is 24 months prior to the end of the fiscal year in which contributions are made and reported.

Electric System of the Virgin Islands Water and Power Authority

Schedule of the Electric System's Share of the Net Pension Liability

Fiscal Year	**2020**	2019	2018	2017	2016	2015
Electric System's proportion of the net pension liability	**4.5069%**	5.1830%	5.6480%	5.9390%	6.3710%	7.0146%
Electric System's proportionate share of the net pension liability	**$ 239,525,862**	$ 216,281,277	$ 247,390,587	$ 274,794,360	$ 258,982,351	$ 216,472,978
Electric System's covered payroll	**$ 20,980,270**	$ 22,652,510	$ 21,225,988	$ 24,262,587	$ 23,551,148	$ 24,813,590
Electric System's proportionate share of the net pension liability as a percentage of its covered payroll	**1142%**	955%	1166%	1133%	1100%	872%
Plan fiduciary net position as a percentage of the total pension liability	**11.30%**	15.56%	16.18%	16.54%	19.58%	27.26%

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available. The amounts presented for each fiscal year are as of the measurement date (September 30 of the previous year).

Electric System of the Virgin Islands Water and Power Authority

Schedule of the Electric System's Pension Contributions

Fiscal Year	**2020**	2019	2018	2017	2016	2015
Actuarially required contributions	**$ 18,607,173**	$ 16,804,159	$ 17,827,804	$ 17,513,940	$ 15,746,445	$ 14,035,498
Contributions in relation to the actuarially required contributions	**3,307,834**	2,808,948	3,680,519	3,588,610	3,136,986	3,816,049
Contribution deficiency (excess)	**$ 15,299,339**	$ 13,995,211	$ 14,147,285	$ 13,925,330	$ 12,609,459	$ 10,219,449
Covered payroll	**$ 18,027,011**	$ 20,980,270	$ 22,652,510	$ 21,225,988	$ 24,262,587	$ 23,551,148
Contributions as a percentage of covered payroll	**18.35%**	13.39%	16.25%	16.91%	12.93%	16.20%

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available. The amounts presented for each fiscal year are as of the latest fiscal year.

Supplementary Schedule

Electric System of the Virgin Islands Water and Power Authority

Five-Year Comparative Summary of Operations (Unaudited)

Years ended June 30,	**2020**	2019	2018	2017	2016
Operating revenues:					
Electricity sales to customers	**$ 107,918,444**	$ 82,781,826	$ 55,632,509	$ 70,823,169	$ 47,984,195
Electricity sales to Virgin Islands Government	**30,800,210**	24,551,632	17,322,277	21,924,227	14,281,634
Fuel escalator revenues	**95,026,519**	117,455,074	50,719,027	129,667,740	135,799,775
OPEB surcharge	**664,492**	-	-	2,922,132	5,239,552
Maintenance surcharge	**5,922,597**	13,757,920	9,639,023	15,619,170	15,954,156
Payment in lieu of taxes	**396,469**	379,592	266,224	430,946	433,566
Leased generation surcharge	**7,308,137**	1,997,398	-	-	-
Line loss surcharge	**522,986**	1,215,116	852,246	1,379,712	1,388,032
Other operating revenues	**3,000,199**	2,375,388	1,987,232	2,381,069	3,167,926
Bad debt (expense) recovery	**(3,046,022)**	(2,981,721)	(2,762,491)	(917,688)	61,431
Total operating revenues	**248,514,031**	241,532,225	133,656,047	244,230,477	224,310,267
Operating and production expenses:					
Production:					
Fuel	**92,458,863**	123,112,452	96,391,349	142,627,941	125,688,066
Operations and maintenance	**43,627,797**	39,997,736	38,002,589	38,602,721	32,596,030
Total production expenses	**136,086,660**	163,110,188	134,393,938	181,230,662	158,284,096
Distribution	**7,998,358**	25,500,642	40,596,937	8,031,632	8,185,087
Customer service	**5,448,297**	5,218,746	2,894,096	4,567,186	5,274,266
Administrative and general	**45,928,525**	47,144,662	55,866,921	51,323,689	37,332,025
Payment in lieu of taxes	**500,000**	500,000	500,000	500,000	500,000
Depreciation and amortization	**31,980,671**	30,383,682	20,091,353	16,176,649	17,553,806
Total operating and production expenses	**227,942,511**	271,857,920	254,343,245	261,829,818	227,129,280
Operating income (loss)	**20,571,520**	(30,325,695)	(120,687,198)	(17,599,341)	(2,819,013)
Nonoperating revenues (expenses):					
Loss on retirement of capital assets	**-**		-	-	(13,772,676)
Investment derivative instruments (loss) gain	**(1,315,784)**	(12,574,470)	9,623,887	(5,558,810)	9,825,177
Interest expense	**(49,813,979)**	(39,422,819)	(41,001,044)	(28,053,069)	(13,711,701)
Investment earnings	**356,116**	563,445	362,602	99,479	42,679
Allowance for funds used during construction	**-**	-	-	102,310	133,116
Total nonoperating expenses	**(50,773,647)**	(51,433,844)	(31,014,555)	(33,410,090)	(17,483,405)
Change in net position, before capital grants and contributions and special item	**(30,202,127)**	(81,759,539)	(151,701,753)	(51,009,431)	(20,302,418)
Capital grants and contributions	**133,303,921**	349,194,918	414,194,064	4,872,796	4,358,798
Insurance recoveries (Impairment loss) on capital assets	**-**	1,499,960	(99,778,613)	-	-
Increase (decrease) in net position	**$ 103,101,794**	$ 268,935,339	$ 162,713,698	$ (46,136,635)	$ (15,943,620)
Electricity sales:					
Residential	**$ 50,340,514**	$ 37,199,307	$ 24,611,780	$ 30,899,051	$ 20,661,002
Commercial	**25,453,764**	20,415,183	14,795,721	17,125,514	11,897,278
Industrial	**56,756,850**	44,631,763	30,430,601	38,483,116	24,950,450
Street lighting	**5,052,931**	4,022,062	2,369,650	5,023,751	3,547,327
Fuel escalator	**95,026,519**	117,455,074	50,719,027	129,667,740	135,799,775
Payment in lieu of taxes surcharge	**396,469**	379,592	266,224	430,946	433,566
OPEB Surcharge	**664,492**	-	-	2,922,132	5,239,552
Maintenance surcharge	**5,922,597**	13,757,920	9,639,023	15,619,170	15,954,156
Self-insurance surcharge	**1,114,595**	1,065,143	747,034	1,215,964	1,209,787
Leased generation surcharge	**7,308,137**	1,997,398	-	-	-
Line loss surcharge	**522,986**	1,215,116	852,246	1,379,712	1,388,032
Total	**$ 248,559,854**	$ 242,138,558	$ 134,431,306	$ 242,767,096	$ 221,080,925
Kilowatt-hour sales (in thousands):					
Residential	**227,814**	197,912	142,834	228,987	224,268
Commercial	**103,937**	92,003	71,290	112,187	115,464
Industrial	**223,845**	224,611	171,500	260,910	281,609
Street lighting	**10,715**	8,537	4,566	17,450	17,350
Total	**566,311**	523,063	390,190	619,534	638,691
Number of customers at year-end	**70,093**	37,791	33,432	55,249	54,881