

# **U.S. Virgin Islands Water and Power Authority**

## **Summary of Strategic Plan for 35<sup>th</sup> Legislature of the Virgin Islands**

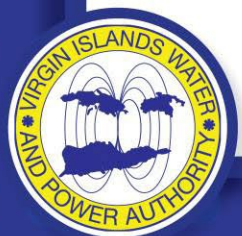
***April 2023***



**The number one challenge facing the Authority is  
fuel costs**

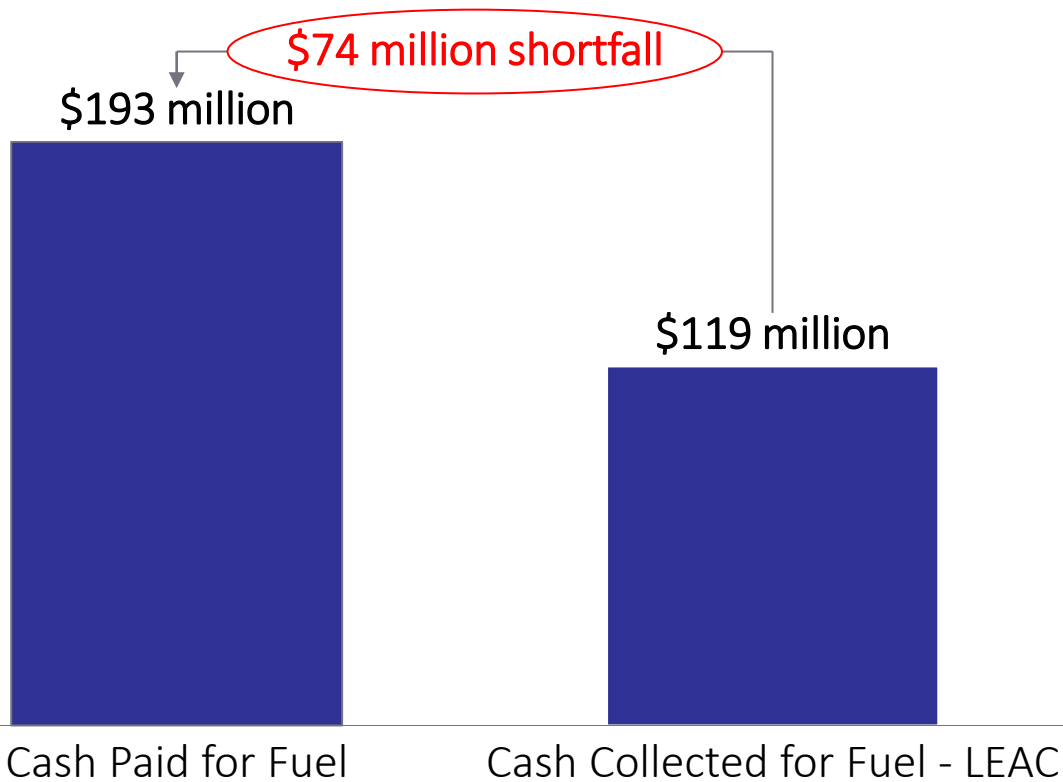


**The most urgent goal of Phase 1 in the Strategic  
Plan is to reduce fuel costs**



# Calendar Year 2022 Fuel Cost vs. Fuel Revenue

## Fuel Cost vs. Fuel Revenue



### Fuel Cost =

Propane & Diesel Market Prices

} CAN'T  
Control

+ Cost of Transporting Fuel to Islands

+ Amount of Propane vs. Diesel Burned

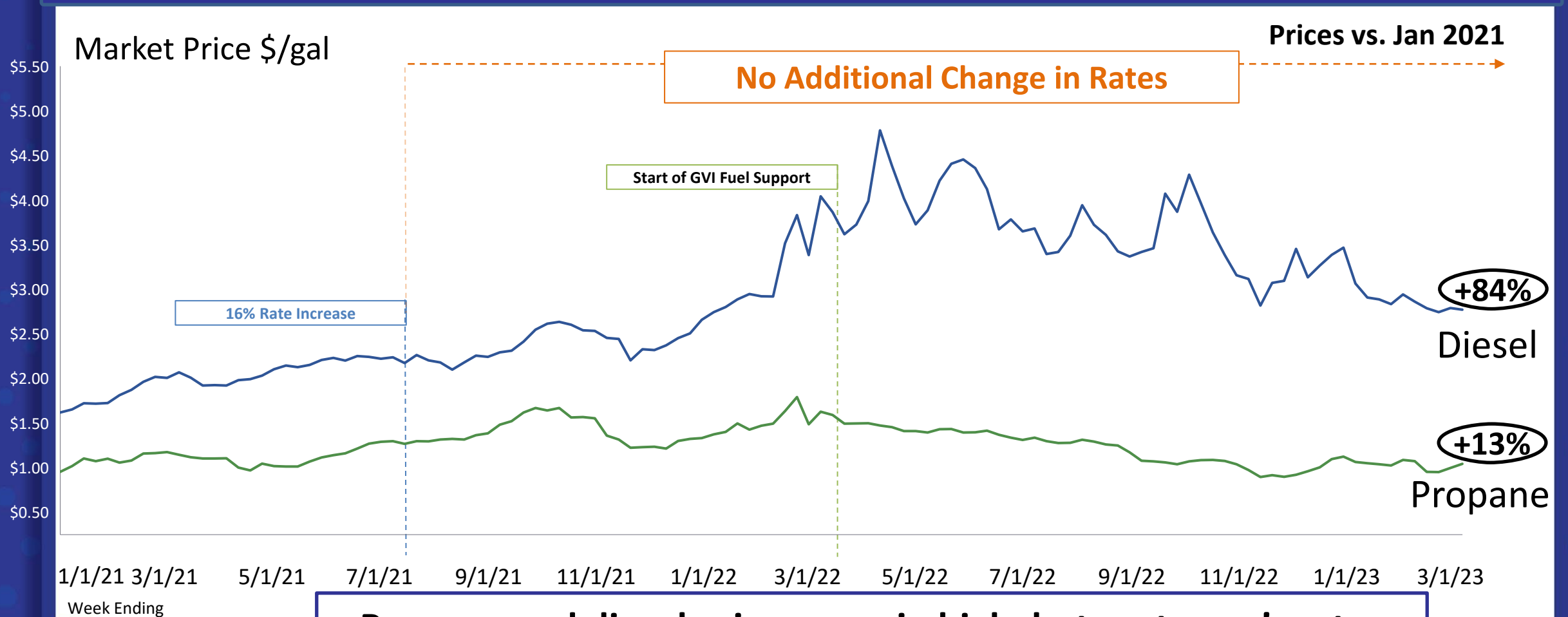
} CAN  
Control

+ Generation Facility Efficiency

**WAPA spent ~\$75 million more buying fuel than it collected in revenue from customers in 2022**



# Propane & Diesel Market Prices – 2021 to present

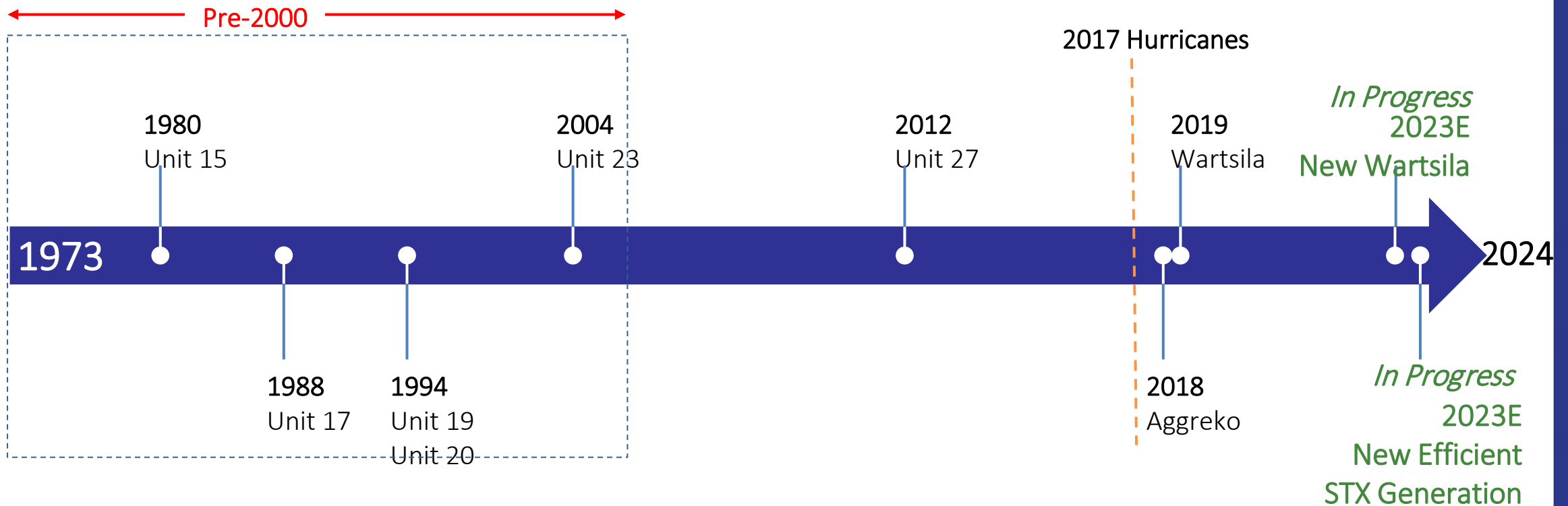


**Propane and diesel prices remain high, but customer's rates have not changed in almost two years**



# WAPA's Generation

The majority of the Authority's generation capacity is at least 30 years old:



**Old generation is inefficient, causing higher fuel costs**



# Stabilize and Begin Transformation

*Eliminate WAPA's need for GVI subsidy*



# Strategic Plan – Near-Term Critical Initiatives

## *Step 1: Stabilize and Begin Transformation*

### Key Critical Initiatives

- 1 Finalize Vitol settlement & switch to competitive propane supply
- 2 Finalize Wartsila installation
- 3 Install new efficient STX generation
- 4 Replace Aggreko units
- 5 Implement AMI solution

Annual Cost Savings

~\$80 million

~33% reduction in total costs

**Early critical initiatives focused on reducing fuel costs to financially stabilize WAPA**



# Strategic Plan – Near-Term Critical Initiatives (Matrix)

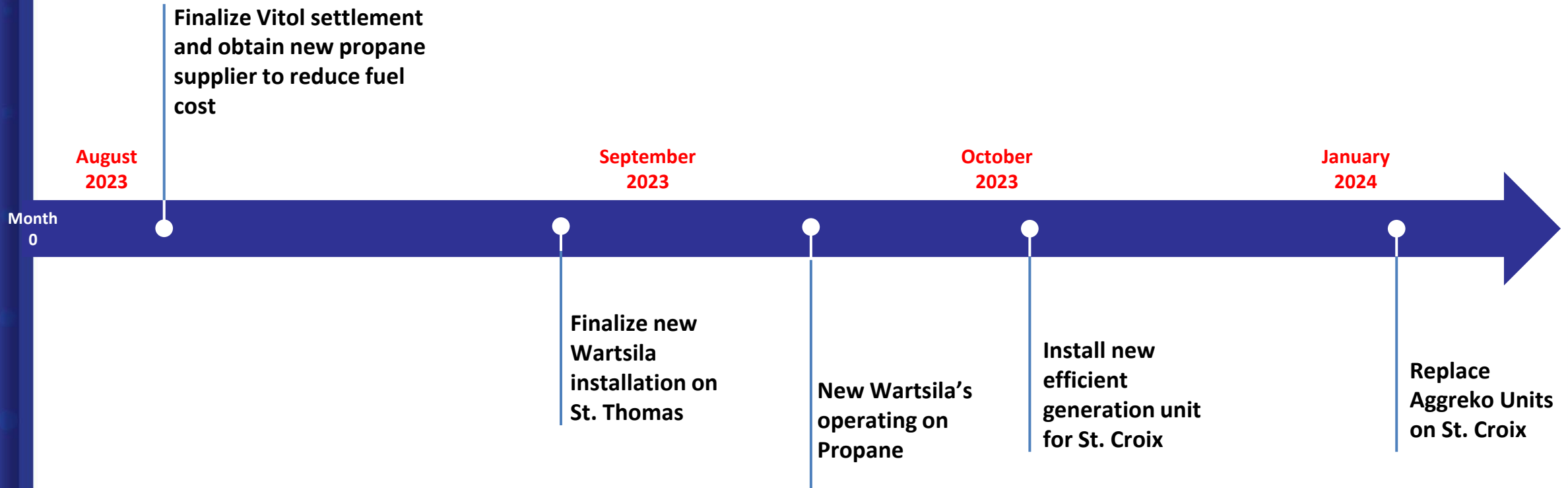
Project	WAPA Ownership	Funding Source	Commercial Partners	Government Partners	Targeted Timeline	Benefits
1 VITOL Supply Contract	Jake Lewis (CFO)	GVI (HUD reimbursed)	<ul style="list-style-type: none"> <li>Squire Patton Boggs - Outside Counsel</li> <li>Duane Morris - Outside Counsel</li> <li>KBR/Kiewit - Engineering Inspection</li> <li>Alternate propane suppliers</li> <li>Outside Environmental Counsel</li> </ul>	<ul style="list-style-type: none"> <li>Gov't House</li> <li>35th Legislature</li> <li>VIPFA</li> <li>OMB</li> <li>DOF</li> <li>VIHFA</li> <li>DPNR</li> <li>HUD</li> </ul>	August 2023	<ul style="list-style-type: none"> <li>Eliminates largest debt</li> <li>Eliminates largest ongoing expense</li> <li>Reduce annual fuel cost by ~15%</li> </ul>
2 New Wartsila Generation	Chavanté Marsh (Director Project Mgmt)	HUD	<ul style="list-style-type: none"> <li>Wartsila - Project Developer</li> <li>West Peak - Outside Project Mgmt</li> <li>Urea Supplier</li> <li>EXSOL - Propane Connection Engineering</li> </ul>	<ul style="list-style-type: none"> <li>Gov't House</li> <li>35th Legislature</li> <li>VIHFA</li> <li>DPNR</li> <li>HUD</li> <li>EPA</li> </ul>	September 2023	<ul style="list-style-type: none"> <li>Reduce annual fuel cost by ~25%</li> <li>Improves reliability</li> </ul>
3 New STX Generation	Ashley Bryan (COO Electric)	HUD	<ul style="list-style-type: none"> <li>Pro Energy - Generation Vendor</li> <li>Solar Turbines - Generation Vendor</li> <li>Outside Environmental Counsel</li> <li>Duane Morris - Outside Counsel</li> </ul>	<ul style="list-style-type: none"> <li>Gov't House</li> <li>35th Legislature</li> <li>VIHFA</li> <li>DPNR</li> <li>HUD</li> <li>EPA</li> </ul>	October 2023	<ul style="list-style-type: none"> <li>Reduce annual fuel cost by ~10%</li> <li>Improves reliability</li> </ul>
4 Replace Aggreko Units	Ashley Bryan (COO Electric)	HUD	<ul style="list-style-type: none"> <li>Pro Energy - Generation Vendor</li> <li>Solar Turbines - Generation Vendor</li> <li>Outside Environmental Counsel</li> <li>Duane Morris - Outside Counsel</li> </ul>	<ul style="list-style-type: none"> <li>Gov't House</li> <li>35th Legislature</li> <li>VIHFA</li> <li>DPNR</li> <li>HUD</li> <li>EPA</li> </ul>	January 2024	<ul style="list-style-type: none"> <li>Reduce operating cost by ~10%</li> </ul>
5 Implement AMI Solution	Julius Aubain (CIO) Chavanté Marsh (Director Project Mgmt)	FEMA	<ul style="list-style-type: none"> <li>Z2 Solutions - AMI Consultant identifying solutions</li> <li>Multiple third parties - deployment phase</li> </ul>	<ul style="list-style-type: none"> <li>Gov't House</li> <li>35th Legislature</li> <li>ODR</li> </ul>	TBD	<ul style="list-style-type: none"> <li>Improved billing increases revenue</li> <li>Reduced underbilling increases revenue</li> <li>Improve customer service</li> <li>Reduce electricity theft</li> </ul>

**Significant resources dedicated to critical initiatives**





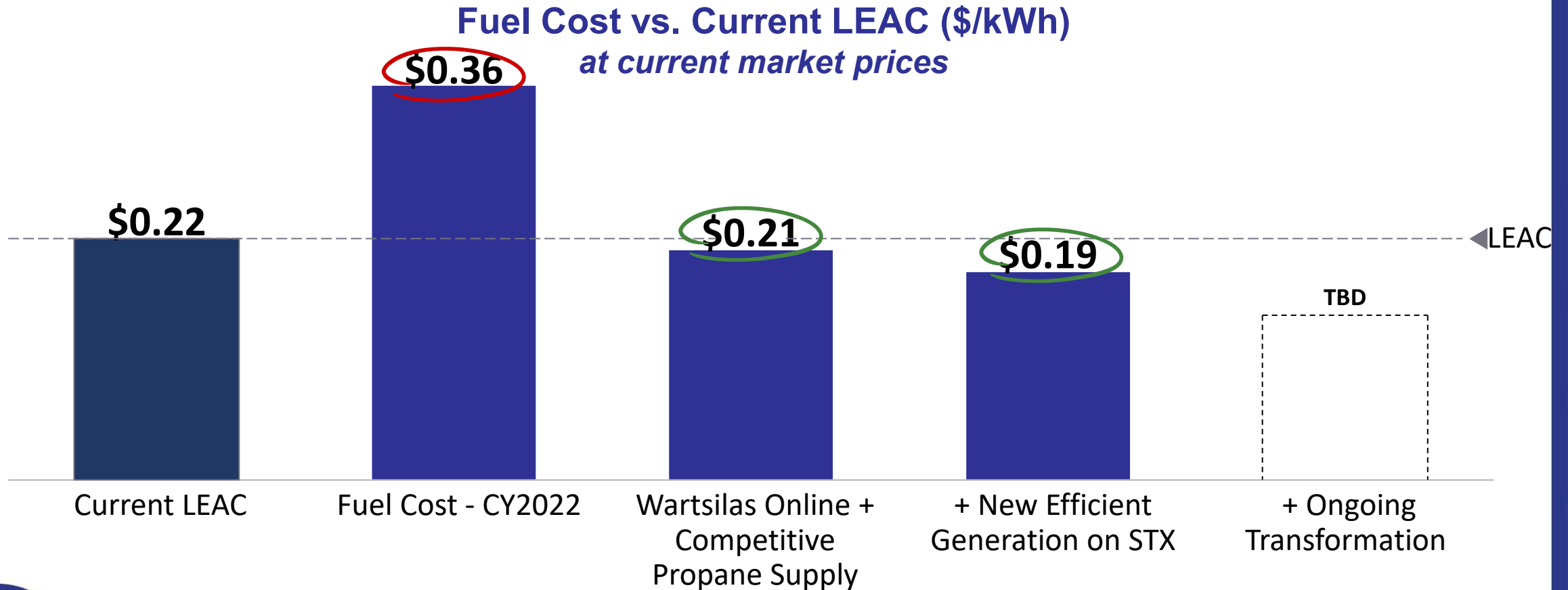
# Timeline to Efficient Generation & Lower Fuel Costs



**Near term critical initiatives in WAPA's strategic plan stabilizes WAPA financially**



# Strategic Plan Savings



**New efficient generation and competitive propane supply gets WAPA off GVI support**



# Ongoing Transformation

*Lowering the rate & optimizing operations*



# Strategic Plan – Ongoing Transformation

## Step 2: Ongoing Transformation



### Solar and Wind Capacity

- PPAs have been approved



### Battery Storage

- Potential for federal funding



### Further Improve WAPA's Balance Sheet



### Continuous System / Process Improvements

- Billing, customer service, payroll, budget, etc.



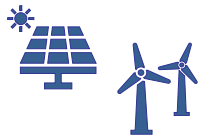
### Further refine organization and build long-term strategy

Continuing transformation to improve operations



# Strategic Plan – Renewables

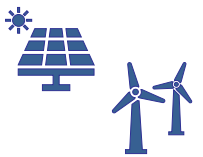
WAPA plans to source one-third of its energy needs from renewables by 2025



Solar and wind energy are significantly **cheaper** than generating electricity by burning propane or diesel



Burning less propane or diesel lowers the Authority's financial risk by **protecting customers from spikes in fuel prices**



Burning less propane or diesel is **good for the environment**

**Wind and solar reduce costs and lower risk because WAPA will burn less fuel**



# Strategic Plan – System & Process Improvements

To improve WAPA's systems and processes, WAPA plans to:



Complete implementation of **fix for AMI (Advanced Metering Infrastructure)**



Update billing processes to **ensure bills are correct and produced timely**



Consistently address and **resolve customer service inquiries in a timely and professional manner**



Continue to **address issues within the Accounting, Billing, Budget & Cash, Production and other departments** to implement process improvements

**WAPA must address processes and systems once its fuel problem is fixed**



# Risks

*There are significant factors outside of WAPA's control.*



# Key Risks



## WAPA CAN Control:



Internal operations



Project management



Optimizing current generation



## WAPA CANNOT Fully Control:



Propane and diesel market prices



Vitol transaction settlement



Release of federal funds



Other external stakeholders

- **Propane and diesel market prices** are outside of WAPA's control and have a **material impact on WAPA's costs**.
- Stakeholders outside of WAPA's control **can materially impact WAPA's ability to execute its plan**.
- **Timely release of federal funding** is essential for multiple initiatives.
- The longer it takes to implement the strategic plan, **the more it costs**.

**There are significant factors outside of WAPA's control**





# Partners

*Timing and cooperation from outside stakeholders can drastically impact the outcome*



# Conclusion

*Entire Strategic Plan is focused on lowering rates and improving customer service*



# Conclusion

1 Immediate, near-term initiatives **can lower WAPA's fuel costs and lead to a financially self-sustaining Authority**

2 **A sound financial foundation** for WAPA is required for a successful transformative future

- Solar
- Wind
- Fixing Automated Metering
- Improving Customer Service

➤ **LOWERING CUSTOMER  
ELECTRIC RATES**

