



THE VIRGIN ISLANDS WATER & POWER AUTHORITY CORPORATE COMMUNICATIONS **NEWS RELEASE**

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WAPA GOVERNING BOARDS HOLDS JUNE 26th EMERGENCY MEETING

The Virgin Islands Water and Power Authority's Governing Board met today and authorized CEO Andrew L. Smith to finalize the acquisition of Randolph Harley Power Plant's (RHPP) Unit 27, which previously had been under a lease agreement.

Unit 27, which is the RHPP's most efficient generating unit after the Wartsilas, has been in operation for several years under the lease agreement. The Virgin Islands Water and Power Authority has been paying \$631,053 per month, or \$7,572,636 annually. The lease ended on Thursday, June 23rd. However, after several months of proactive negotiations, the Authority was able to finalize a purchase agreement late last week. The negotiated purchase agreement allows the Authority to purchase Unit 27 for \$6.75 million, with a one-time payment of \$145,000 to rent Unit 27 until the purchase closes.

"Today's action clearly demonstrates the Virgin Islands Water and Power Authority's new leadership team's commitment to pro-active versus reactive decision-making. While this decision comes on the heels of a disruptive rotating power incident in STT/STJ District, the agreed upon terms are the direct result of the leadership team's data-based negotiations that began months ago," said Kyle Fleming, VIWAPA Governing Board Chairman and Director of the Virgin Islands Energy Office. "The resultant terms will allow for both improved efficiency and reliability to be achieved at a significant discount and sets a new benchmark relative to the commercial engagements the Authority will pursue in the future," he said.

The high points of the agreement are:

- The Authority will acquire Unit 27 for approximately 35% less than what it owes in past due unpaid invoices plus the contractual buyout option in the lease
- The Authority will avoid the ongoing monthly payment of \$631,053 under the current lease
- If the current monthly lease arrangement remained in place, the authority would spend \$6.75 million in less than 11 months just to lease Unit 27 and would still not own Unit 27
- Eliminating the ongoing lease payment captures approximately \$0.013 cents per kWh of the Authority's approximately \$0.16 per kWh revenue shortfall that it is working to eliminate, or approximately 8%
- The full funding for the acquisition is being supported by the Government of the Virgin Islands, so ongoing costs for the acquisition will not be a cost that will be charged to the Authority's customers

"The Board's approval of the acquisition of Unit 27 is a key step in the strategic plan that the Authority outlined earlier this year. Elimination of the costs for leasing Unit 27 removes a significant ongoing expense for the Authority, and I'd like to thank the men and women at the Authority for their efforts as we work hard to return the Authority to a solid financial footing," said Smith.

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About WAPA: The Virgin Islands Water and Power Authority is an autonomous agency of the Virgin Islands Government which produces and distributes electricity and drinking water to residential and commercial customers in the territory. WAPA was created by the Fifth Legislature of the Virgin Islands in 1964 through Act No. 1248. Today, WAPA generates electrical power at production plants on St. Thomas and St. Croix and distributes electrical service through smart grids to customers on St. Thomas, St. Croix, St. John, Hassel Island, and Water Island. Potable water is distributed to almost 13,000 customers through water lines and standpipes. WAPA also has the responsibility of installing and maintaining streetlights.

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