

**GOVERNMENT OF THE VIRGIN ISLANDS
OF UNITED STATES**

PUBLIC SERVICES COMMISSION

In the Matter of the Approval of Alternative Energy Projects of the Virgin Islands Water and Power Authority))))))))	PSC Docket No. 584/2009 Order No. <u>11</u> /2010
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ORDER

This matter is before the Virgin Islands Public Services Commission ("Commission" or "PSC") as a result of the filing of a petition ("Petition") by the Virgin Islands Water and Power Authority ("Authority" or "WAPA"), for the Commission's approval of two executed Power Purchase Agreements (the "PPAs"), dated as of August 10, 2009, two related Interconnection Agreements and Equity Structuring Agreements, each dated as of August 10, 2009 and, with respect to the District of St. Croix, a Site Lease Option Agreement, dated as of August 10, 2009 (the PPAs, the IAs, the Equity Structuring Agreements, and the Site Lease Option Agreement, each as further identified on Attachment 1 hereto, are collectively referred to herein as the "Agreements") for the purchase of electric energy by the Authority for the Territory of the Virgin Islands from two alternative energy projects (the "Projects") to be developed by affiliates of Alpine Energy Group, LLC ("Alpine"). The Projects will be located in each District of the U.S. Virgin Islands, St. Thomas-St. John ("STT") and St. Croix ("STX"), and will utilize refuse-derived fuel (derived from municipal solid waste), petroleum coke, biomass, and other waste fuels.

The Commission has carefully reviewed the testimony presented, and the joint stipulation of the Authority and the PSC's Technical Consultants, for approval of the Agreements and concludes that those Agreements represent a reasonable solution to:

- (a) Decrease WAPA's dependence on fuel oil and volatile fuel oil prices by attracting non-oil electric generating facilities for the District of St. Thomas-St. John and the District of St. Croix; and
- (b) Reduce the cost of electricity to WAPA's customers, compared to continued generation of electric energy from the Authority's existing oil-fired power plants.

WHEREFORE, IT IS THE DETERMINATION OF THE PUBLIC SERVICES COMMISSION THAT:

1. The Petition of the Authority is an outgrowth of the request for proposals ("RFP") issued by the Authority on December 28, 2007, for the purchase of electric energy from alternative or renewable electric generation facilities on St. Croix and St. Thomas.
2. Out of fourteen responses to the RFP, the Authority narrowed its selection down to Alpine after extensive technical and legal review, and over a year of extensive negotiations, which concluded on August 10, 2009, when the Authority entered into the Agreements with two project subsidiaries of Alpine. For the St. Thomas-St. John District, WAPA contracted with AEG Bovoni Power, LLC for the 20 year purchase of electric energy generated from a 33 MW project to be fueled by refuse-derived fuel, derived from municipal waste ("RDF"), petroleum coke ("Pet Coke"), and other supplemental fuels such as tire derived fuel, sewage treatment sludge, woody biomass, waste oil, rum bottoms, and other waste materials or other

fuels. For St. Croix, WAPA contracted with AEG Anguilla Power, LLC for the 20 year purchase of electric energy generated from a 16 MW project to be fueled by RDF, Pet Coke, and supplemental fuels. Both PPAs provide WAPA with an option to renew for 5 years. The Agreements include 20 year interconnection agreements (“IAs”) for each Project, and WAPA and AEG Anguilla Power, LLC entered into a site lease option for the leasing of 8 acres of WAPA property on the South Shore of St. Croix for the Alpine project on St. Croix. In addition, a side agreement was entered into regarding the sharing of tax benefits and other governmental incentives for renewable fuels projects between WAPA and Alpine and its equity investor, an affiliate of Energy Investors Funds.

3. The Agreements (the PPAs and the IAs) are in the interests of the ratepayers of the Authority in that they meet the objectives of the Authority’s RFP to reduce the Authority’s energy costs and to diversify away from total reliance on fuel oil, through the use of renewable and alternative energy resources.
4. The Authority's entry into the Agreements and the incurrence of costs in accordance therewith are prudent.
5. The Commission, having reviewed the PPAs and the IAs, hereby approves the Agreements, as contemplated by Section 3.2(a) of the PPAs.
6. The Commission further approves the recovery in full by the Authority of all costs to be incurred by the Authority under, or in the administration or performance of, the Agreements, including energy charges, costs for petroleum coke fuel, interconnection costs, costs of site acquisition and preparation, and dock facility

costs, if any, and all direct out of pocket costs stated in the Agreements, as prudently incurred expenses for ratemaking purposes. Such recovery may occur through the Levelized Energy Adjustment Clause (LEAC) (or other rates if the LEAC is ever terminated), or base rates or other rates. The Commission approves the recovery of such costs by the Authority for the duration of the terms of the PPAs and the Authority hereby is authorized to recover such prudent costs.

7. This Order represents the full and final Order of the Commission approving the Agreements and the rates for the Alpine Projects, and supersedes, in relation to the rates for the Projects, any prior orders of the Commission and any other documents, to the extent of any conflict between them and this Order.

Dated: October 6, 2009
Nunc pro tunc



JOSEPH B. BOSCHULTE, Chairman

ATTACHMENT 1

WAPA-Alpine Agreements

St. Thomas-St. John

1. Power Purchase Agreement, dated as of August 10, 2009, by and between Virgin Islands Water and Power Authority and AEG Bovoni Power, LLC.
2. Interconnection Agreement, dated as of August 10, 2009, by and between Virgin Islands Water and Power Authority and AEG Bovoni Power, LLC.
3. Equity structuring letter agreement, dated as of August 10, 2009, by and among EIF Alpine, LLC, Virgin Islands Water and Power Authority, and Alpine Energy Group, LLC.

St. Croix

1. Power Purchase Agreement, dated as of August 10, 2009, by and between Virgin Islands Water and Power Authority and AEG Anguilla Power, LLC.
2. Interconnection Agreement, dated as of August 10, 2009, by and between Virgin Islands Water and Power Authority and AEG Anguilla Power, LLC.
3. Equity structuring letter agreement, dated as of August 10, 2009, by and among EIF Alpine, LLC, Virgin Islands Water and Power Authority, and Alpine Energy Group, LLC.
4. Site Lease Option Agreement, dated as of August 10, 2009, by and between Virgin Islands Water and Power Authority and AEG Anguilla Power, LLC.