

The Financing Plan

The Petition sought PSC approval of the Authority's Financing Plan, which includes the following:

- Issuance of Electric System Revenue Refunding Bonds, Series 2010A (Federally Tax-Exempt) refunding of an amount not to exceed \$65.0 million of the Electric System Revenue Refunding Bonds, Series 1998 ("Series 2010A Bonds");
- Issuance of Electric System Revenue Bonds, Series 2010B (Federally Tax-Exempt) in a principal amount not to exceed \$6,000,000 ("Series 21010B Bonds") to finance certain capital expenditures temporarily funded through draws on the Lines of Credit;
- Issuance of Electric System Revenue Bonds, Series 2010C (Federally Taxable) in a principal amount not to exceed \$3,000,000 ("Series 21010C Bonds"), to finance certain capital expenditures temporarily funded through draws on the Lines of Credit; and
- Issuance of Electric System Revenue Bonds, Series 2010D (Federally Taxable) in a principal amount not to exceed \$34,000,000 ("Series 21010D Bonds"), which may be issued in full or in part as "Build America Bonds", for certain capital improvements within the Capital Improvement Plan, and if said Series 2010D Bonds are not issued as Build America Bonds, to issue the Series 2010D Bonds as Federally Tax-Exempt Bonds, and

- o The costs of issuance related thereto.

The Capital Projects

The capital projects ("Capital Projects") proposed to be financed in whole or in part from proceeds of the Series 2010 Bonds consist of the following:

- (a) Upgrade St. Croix Richmond Substation;
- (b) New St. Croix Mid-Island Substation;
- (c) Funding Improvements for a new Administration Building;
- (d) 34 KV Submarine Cable between St. Thomas and St. John;
- (e) Station Service Switch Gear Replacements;
- (f) New 0.25 Fuel Oil Tank; and
- (g) New Line Department Facilities.

The testimony of David M. Womack, Managing Director of Rice Financial Products Company and Nellon Bowry, Assistant Executive Director/CFO of the Authority described the Financing Plan and the short-term opportunity current financial markets present for the financing of the Capital Projects. Glenn Rothgeb, Assistant Executive Director of the Authority, and Clinton Hedrington, Director of Transmission and Distribution of the Authority, described the Capital Projects, including the need for and benefits of each of the projects. The Commission is satisfied that the Capital Projects, once they become operational, will improve the reliability and efficiency of the Electric System of the Authority by, among other things, significantly reducing line losses and improving System reliability in the long-term.

The Technical Consultants

Georgetown Consulting Group, the Commission's Technical Consultants have reviewed the Authority's Financing Plan and Capital Projects and have recommended approval of the Authority's petition to issue additional Electric System Revenue Bonds and Electric System Revenue Refunding Bonds to fund certain capital improvement projects, to refinance a portion of the outstanding Lines of Credit, refund all or a portion of the Series 1998 Bonds, and to pay a portion of the costs and expenses of the financing . However, their recommendation is subject to a number of conditions which the Commission finds meritorious.

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

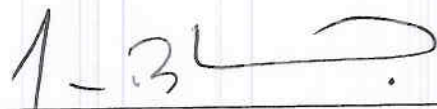
1. The Commission, having reviewed the proposed Financing Plan, hereby approves the same, including issuance of the Series 2010 Bonds and the use of proceeds there from for the purposes authorized therein, with final project documentation as to the Capital Projects to be provided, with the exception of the first four projects.
2. The Commission affirms its commitment to support a debt service coverage ratio of 1.75 times with respect to the Bonds.
3. The Commission approves the Third Supplemental Resolution substantially in the form presented to the Commission.
4. The Commission approves the funding of the Capital Projects and determines that the first four capital projects (Upgrade Richmond Substation, New Mid Island Substation, Funding Improvements for a new Administrative Building, 34 KV Submarine Cable for St. John) are reasonable and prudent uses of the Bond funds; however, the Commission reserves the right to review the other capital projects and all future projects and

expenditures for the reasonable and prudent use of funds and resources of the Authority in future rate settings.

5. The Commission approves payment of the fees and expenses related to the transaction.
6. The Commission authorizes its Chairman to approve such changes with respect to the maximum principal amount of the bonds to be issued, the principal amount of the Lines of Credit to be refinanced or such other matters not inconsistent with the terms of this Order.
7. The foregoing approvals of the Commission are subject to the following conditions:
 - a. The Series 2010A Refunding Bonds achieve a net present value savings of at least two percent (2.0%). The Authority shall confirm to the Commission in writing, supported with appropriate work papers, that at the time of sale, the proposed refunding will result in the required net present value savings after inclusion of all appropriately allocated fees and expenses.
 - b. That the savings to be derived from the refunding issue are expected to fund approximately two years or less of payments on the non-refunded (new project) Bonds.
 - c. That no implied approval is provided by the Commission concerning the revenue and expense *pro-forma* statements utilized in the financing.
 - d. That the Authority promptly provides a reconciliation of the *pro-forma* associated with the 2009 electric rate increase and the *pro-forma* associated with the Series 2010 Bonds prior to the financing.

- e. That the Authority promptly provides copies of all information, work papers or responses provided in response to questions raised by the rating agencies to the Commission.
- f. That the Authority promptly provides documentation concerning the \$15.2 million receivable (interagency loan) due to the Electric Department from the Water Department inclusive of the terms of such loan (interest rate, amortization schedule), summary of the receivable balance by month for the past 5-years, and the internal process utilized by the Authority for the approval of increasing the principal balance.
- g. That the Authority:
 - i. Provides quarterly reports on the actual uses of the Series 2010 Bonds within 45 days after the end of each quarter in a format approved by the PSC. Any proposed changes in the uses of such funds from those uses approved pursuant to WAPA's petition shall be promptly provided to the PSC.
 - ii. Any reprogramming of the projects approved herein shall be subject to review and consideration in the setting of appropriate rates by the PSC.

Dated: February 26, 2010



JOSEPH B. BOSCHULTE, Chairman