June 3, 2019

The Honorable Novelle Francis
Senate President
33rd Legislature of the U.S. Virgin Islands
Earle B. Ottley Legislative Building
Charlotte Amalie, St. Thomas
PC: Senator Kurt Vialet, Committee on Finance
Sent via e-mail to: nfrancis@legvi.org, kvialet@legvi.org

Dear Senator Francis,

I understand that the USVI Senate is considering some steps to provide financial support to WAPA. I thought that a review of the situation since our meeting of March 4, 2019, with some of your colleagues in the Senate may be helpful.

Unfortunately, since then there has only been a small, albeit important change. During our visit with WAPA and Governor Bryan, we made clear that WAPA's debt to Vitol could not increase and further, WAPA must commence a schedule of payments to cover the amount past due. The first change was that WAPA began to pay all monthly charges, including the one for the infrastructure (which had not been paid regularly since 2017). We gratefully note that this has been done for the last three months. It is an important first step as continuing to increase the outstanding debt was not an option.

However, nothing has been done about the outstanding debt. Vitol, in accordance with our contract with WAPA, is owed $97 million. This amount excludes the accumulated interest. During our visit, we made clear that this outstanding debt needs to be paid down. We requested a repayment plan from the company that could be acceptable to us as much of the debt is overdue by more than 730 days. Since nothing had been done, we sent a note on May 10th repeating our request.

In the May 10th letter, we communicated to WAPA that Vitol needed that plan immediately. In addition, Vitol required a minimum payment by end of May of $20 million towards the debt to enable it to continue fulfilling its contractual obligations. In response, WAPA sent a letter dated May 29th explaining parts of their financing sources, a proposal to pay only $7.5 million and noting that continuing to pay infrastructure bills as they became due was dependent on a combination of receiving rate increases and future Medicaid reimbursements. Further, WAPA claimed that the balance of overdue infrastructure "can only be paid down through the transfer of the lease to another third party." – clearly this is far from the specific plan we had required.

In our last response, dated May 31st, we made clear that the amount proposed and the 'plan' were both wholly inadequate. We also point out that Vitol is not involved in, nor is our debt subject to, the vagaries of the company's financing sources. Vitol also needs to see an acceptable plan with a schedule of payments (we have asked for a minimum of $2.5 million per month) paying the entire debt including the accumulated interest by a specific date. In order to allow this to be put in place, Vitol extended the date for the $20 million payment to June 30, 2019 before pursuing its legal and contractual rights.

Perhaps most importantly to all stakeholders, in our last letter we took the liberty of pointing out the savings that are being realized from using propane instead of diesel. Per our calculations based on today's prices and the generating fleet that WAPA is using, using propane saves over $5 million per month. As the islands increase their use of propane instead of diesel, these savings will grow. The savings will likely be much bigger starting in 2020 when regulations world-wide for the use of bunker fuel drive the relative cost of diesel to propane much higher.

I hope that this summary is helpful. As I mention in this letter, as well as in the letter to WAPA, Vitol does not wish, nor is it within our contractual scope, to be involved in how WAPA is financed. I send this letter to, hopefully, add clarity to the process.

I thank you for your attention.

Sincerely,

Mike Loya
President
Vitol Inc