Prepared Statement Presented on behalf of the Ratepayers of the U.S. Virgin Islands and the St. Croix Alliance to Protect Utility Ratepayers – SCAPUR, by Darryl E. Miller to the Committee on Natural Resources Subcommittee on Insular Affairs and Subcommittee on Energy and Mineral Resources

"Charting a Clean Energy Future for the Insular Areas" April 12, 2008

Good Morning, Chairman Nick J. Rahall, Chairwoman and Delegate Donna M. Christian, and other distinguished members of the Committee on Natural Resources Subcommittee on Insular Affairs and Subcommittee on Energy and Mineral Resources.

On behalf of the hard working Ratepayers of Virgin Islands, I am privileged to appear before you to speak as the voice of the Ratepayers, and to express in the most urgent manner possible, the need for immediate and tangible solutions to our extremely high and inefficient power production and distribution system in the Territory.

The Ratepayers of the Territory look forward with great anticipation, towards the results of this hearing in an effort to alleviate the burden placed on us daily by the inefficiency of our Water and Power authority.

Members of the Committee on Natural Resources Subcommittee on Insular Affairs and Subcommittee on Energy and Mineral Resources, let me inform you if you do not already know, we the Ratepayers of the U.S. Virgin Islands are currently paying the highest cost per kilowatt for electricity under the U.S. flag, coupled with the additional high cost of water production.

The extremely high cost of water and power production has exponentially increased our cost of living here in the Territory, as it pertains to every single commodity we consume on a daily basis, resulting in nothing short of a burden on the backs of each and every Ratepayer territory wide.

Members of the Committee and Subcommittee, on August 31, 2005, I testified before the 26th Legislature's Committee of the Whole, as it pertained to the very same relevant and critical issue at hand today, developing and implementing immediate solutions to the problem of an inefficient and extremely high electric and water production system in the Territory. Needless to say, three years into the future, the Ratepayers of the Territory still face the exact same dilemma of 2005, with additional increases in both water and power costs, with no solutions in sight from the Governor, the Legislature, the Public Services Commission, and the Water and Power Authority.

To date, there is absolutely no definite or clearly intelligible 'sense of urgency' to this problem, and as a result, the Ratepayers of the Territory implore you the Oversight Committee on Insular Affairs, not to follow suit in inaction, but to post haste use all your resources and power to mitigate corrective solutions to our outdated water and power production and distribution system.

Corrective solutions must result in an implemented dynamic energy strategy that will help us meet our energy needs based on highly informed decisions about how our energy is purchased, consumed and managed. This requires a robust energy management system with data analysis and reporting capabilities to proactively manage energy production, consumption, and cost.

An investment in the latest computer software the energy industry has to offer to track energy use, would enable our Water and Power Authority the ability to build a comprehensive energy database, over a period of years, to collect and analyze historical utility data to proactively manage energy production,

consumption, and cost. “The historical energy data also play a pivotal role in performing a host of energy management operations; particularly load forecasting for procurement purposes.” The result is the ability to forecast daily, weekly, monthly, and yearly energy needs, as well as potential peak demand periods and associated energy costs, increasing efficiency.

No longer should it be allowed for our Water and Power Authority, with the assistance of the Public Services Commission, to pass the cost of inefficiency onto the Ratepayers of the Territory without accountability. ‘Business Intelligence’ must replace party politics if corrective measures are to be implemented.

In the past, our Territory has been burdened by elected officials who lack competence in understanding the modernization of energy production and distribution. These officials would then appoint board members to the Water and Power Authority who similarly lack the knowledge of modernizing energy production and distribution. This would result in limited knowledge of how to wisely investment, plan, and forecast in the most effective and cost-effective energy efficiency program portfolios and programs for overcoming common marketplace barriers to energy efficiency. The solution is ‘Business intelligence’.

“Business intelligence is a combination of technology and management practices that prioritizes collecting, providing access to, and analyzing large amounts of unstructured data in ways that help people make better decisions.”

“The key to effective energy intelligence is transforming the large amount of energy and enterprise data into information and knowledge that can help achieve specific business objectives, such as:

- Avoiding surprises in energy costs and management
- Recovering costs through end user rebilling
- Reducing costs through identifying inefficiencies
- Reducing costs through demand response
- Reducing price risk through hedging and sourcing strategies
- Creating a culture of conservation through increased energy accountability”

“Business intelligence is the most effective way to keep successfully navigating change”, this translates into energy efficiency.

“Recognizing energy efficiency as a high-priority energy resource is an important step in efforts to capture the benefits it offers and lower the overall cost of energy services to ratepayers.”

Utilities, states, and others across the United States have decades of experience in delivering energy efficiency to their customers. Thus, it is the duty of this oversight committee of Insular Affairs, to work with our Government and Legislature to enact policies and programs to capture the benefits of energy efficiency and address underinvestment in energy efficiency. This can only be done by providing the funding necessary to deliver these programs, and by examining policies governing our Water and Power Authority to ensure that these policies facilitate, not impede, cost-effective programs for energy efficiency.

Our power production infrastructure is overburdened and outdated. Overburdened and outdated systems significantly limit the availability of low-cost electricity; and our sole reliance on fossil fuel raises energy

prices and potentially compromises energy system reliability, resulting in frequent outages with no compensation for damaged goods.

The Ratepayers of the U.S. Virgin Islands hereby respectfully request the Committee on Natural Resources Subcommittee on Insular Affairs and Subcommittee on Energy and Mineral Resources take immediate and visible action and establish a timeline of implementation and completion in order to:

- Modernize the Water and Power Authority; it's water/electrical energy production and distribution, and other assets, to drastically improve overall water/electrical systems efficiency
- Establish a team of competent individuals to recover, analyze, and implement existing studies already done (by both PSC and WAPA) with taxpayers money that have clearly expressed solutions and corrective measures to our current energy crisis
- Establish an Energy Management Division with a robust energy management system and a comprehensive energy database
- Develop a comprehensive and dynamic energy strategy/plan that establishes how energy from 2008 and in the future is Purchased, Consumed, and Managed in the US Virgin Islands
- Manage WAPA's electrical and water production and distribution by improving meter reading efficiencies and implementing automatic meter reading technology and data collection
- Manage outage response, by implementing outage detection technologies to reduce the frequency of outages, improve response and restore times for outages
- Subsidize the Water and Power Authority for the expressed purpose of eliminating substantial rate increases
- Audit the Water and Power Authority to correctly assess financial inefficiencies and determine the true financial picture. Apply "business intelligence" to control our energy costs
- Once and for all, direct the Water and Power Authority to negotiate the RFP to secure Alternative Energy Solution, in accordance with the Public Utility Regulatory Policies Act, no more stalled talks
- Allocate money that would liquidate outstanding Government Water and Power Authority bills owed, set clearly defined and stable energy budgets, and mandate that government agencies pay their utility bills annually
- Develop investment strategies and planning that would convert government buildings into "green buildings" that utilizes solar technology
- Place technologically competent people on the boards of the Water and Power Authority and the Public Services Commission
- Establish and mitigate safe, reliable, efficient, and affordable services and rates for the ratepayers of the U.S. Virgin Islands to reduce consumption and cost
- Restore Ratepayers faith in the oversight of the Water and Power Authority, and all other utilities of the Territory, that our trust and tax dollars are being well spent
- Establish the National Action Plan for Energy Efficiency Recommendations and Options in the U.S. Virgin Islands (see figure ES-2)

In conclusion, the past four years has resulted in nothing but higher utility cost to the Ratepayers of the Territory, with no visible or tangible 'sense of urgency' to mitigate the problem of high energy cost, by our elected officials. The St. Croix Alliance to Protect Utility Ratepayers would like to thank you Chairman, Nick J. Rahall, and Chairwoman, and Delegate, Donna M. Christian, for this opportunity to appear before the respected, Committee on Natural Resources Subcommittee on Insular Affairs and Subcommittee on Energy and Mineral Resources.
Thank you for your attention and time.

Figure ES-2.

National Action Plan for Energy Efficiency Recommendations & Options

Recognize energy efficiency as a high priority energy resource.
Options to consider:

- Establishing policies to establish energy efficiency as a priority resource.
- Integrating energy efficiency into utility, state, and regional resource planning activities.
- Quantifying and establishing the value of energy efficiency, considering energy savings, capacity savings, and environmental benefits, as appropriate.

Make a strong, long-term commitment to implement cost-effective energy efficiency as a resource.
Options to consider:

- Establishing appropriate cost-effectiveness tests for a portfolio of programs to reflect the long-term benefits of energy efficiency.
- Establishing the potential for long-term, cost-effective energy efficiency savings by customer class through proven programs, innovative initiatives, and cutting-edge technologies.
- Establishing funding requirements for delivering long-term, cost-effective energy efficiency.
- Developing long-term energy saving goals as part of energy planning processes.
- Developing robust measurement and verification (M&V) procedures.
- Designating which organization(s) is responsible for administering the energy efficiency programs.
- Providing for frequent updates to energy resource plans to accommodate new information and technology.

Broadly communicate the benefits of and opportunities for energy efficiency.
Options to consider:

- Establishing and educating stakeholders on the business case for energy efficiency at the state, utility, and other appropriate level addressing relevant customer, utility, and societal perspectives.
- Communicating the role of energy efficiency in lowering customer energy bills and system costs and risks over time.
- Communicating the role of building codes, appliance standards, and tax and other incentives.

Provide sufficient, timely, and stable program funding to deliver energy efficiency where cost-effective.
Options to consider:

- Deciding on and committing to a consistent way for program administrators to recover energy efficiency costs in a timely manner.
- Establishing funding mechanisms for energy efficiency from among the available options such as revenue requirement or resource procurement funding, system benefits charges, rate-basing, shared-savings, incentive mechanisms, etc.
- Establishing funding for multi-year periods.

Modify policies to align utility incentives with the delivery of cost-effective energy efficiency and modify ratemaking practices to promote energy efficiency investments.
Options to consider:

- Addressing the typical utility throughput incentive and removing other regulatory and management disincentives to energy efficiency.
- Providing utility incentives for the successful management of energy efficiency programs.
- Including the impact on adoption of energy efficiency as one of the goals of retail rate design, recognizing that it must be balanced with other objectives.
- Eliminating rate designs that discourage energy efficiency by not increasing costs as customers consume more electricity or natural gas.
- Adopting rate designs that encourage energy efficiency by considering the unique characteristics of each customer class and including partnering tariffs with other mechanisms that encourage energy efficiency, such as benefit sharing programs and on-bill financing.

Sources:

Itron White Paper, Business Intelligence for Enterprise Energy Management

National Action Plan for Energy Efficiency, July 2006