CDBG-DR Electrical Power System Improvements Action Plan

Public Hearing

Thursday September 15, 2022
Purpose of Today’s Public Hearing

Give community members the opportunity to:

- **Understand** the goals of the CDBG-DR allocation for Electrical Power System Improvements
- **Learn** how the electric power system in the USVI operates
- **Find out** about VIHFA’s plans to allocate CDBG-DR funding
- **Ask** questions and provide input regarding the process and proposals

At the end of this presentation:

Formal comments will be accepted here at the hearing or in writing. Written comments can be sent to the following address:

- Email: media@vihfa.gov
- Please label your comments: **CDBG-DR Electrical Power System Improvements Action Plan**
Background

The U.S. Department of Housing and Urban Development (HUD) is allocating $67,653,000 in CDBG-DR funds to support Electrical Power System Improvements in the Virgin Islands recovery from Irma and Maria.

The Federal Register Notice Vol. 86, Issue 117 (June 22, 2021) requires at least two (2) Public hearings be held in conjunction with the Action Plan.

- One prior to the Action Plan Publication
- Another, once the Action Plan is released

The Electrical Power System Improvement Action Plan will be made available on our website at: https://cdbgdr.vihfa.gov/home/cdbg-electrical/
Hurricanes Irma and Maria Impacts

Hurricanes Irma and Maria caused significant impacts to USVI energy networks:

- More than 90% of all above-ground power lines were damaged and more than 50% of all wooden utility poles knocked down
- 13,478 utility poles damaged and over 1,100 miles of transmission and distribution lines impacted
- Over 20% of power-generating capacity was lost for almost a month
- By January 2018 (four months later) electricity was restored to 99% of active customers

CDBG-DR Electrical Power System Improvement Funds address remaining systems restoration and improvements costs not already covered through other sources of funding.
Roles and Responsibilities

**VIHFA:**
- Administrator of the territory’s CDBG-DR Electrical Power System Improvements funds
- Lead coordinator with territorial and federal agencies and community stakeholders

**WAPA:**
- The territory’s regulated public utility, generating energy and distributed it to Virgin Islanders
- Partner to VIHFA in making improvements and upgrades to power systems

**HUD:**
- Awards CDBG-DR funds to grantees
- Conducts federal oversight of rules and requirements

**Other Local and Federal Stakeholders:**
- Virgin Islands Energy Office
- Public Services Commission
- Office of Disaster Recovery
- Department of Energy
- Federal Emergency Management Agency
Technical Coordination Team (TCT)

In the development of the Action Plan, VIFHA is consulting with the federal Energy Technical Coordination Team (TCT), which was established to:

- **Coordinate across local and federal agencies** on the use of various forms of assistance provided for electrical power system improvements
- **Provide support through technical assistance** and other planning resources
- **Review the Action Plan** and provide feedback and input

At VIHFA request, an TCT Action Plan Working Group was established.
Purpose of the CDBG-DR Electrical Power System Improvement Funds

Funds may be used for a newly established eligible activity for electrical power system improvements.

The new eligible activity category defines the following terms:

**Electrical power system**: physical components, technology and services for generation and distribution of power from origination to end user. Implementation necessary for the provision of reliable, resilient, stable, and cost-effective electrical service.

**Improvements**: activities that will extend, upgrade, and otherwise enhance and improve the cost-effectiveness, reliability, efficiency, sustainability, or long-term financial viability of the VI’s electrical power system including activities to increase the resilience of the electrical power system to future disasters and to address the impacts of climate change.
Low- and Moderate-Income Benefits

VIHFA will ensure that at least 70% of the CDBG–DR Electrical Power System Improvements provide benefits to low- and moderate-income persons.

This National Objective is achieved through a demonstration of:

**EITHER**

- **Rate Savings**: Provide at least 51% of low- and moderate-income residents with either a subsidized rate for electricity below that charged to other residential ratepayers or a lower rate for electricity than was charged prior to complete implementation of the CDBG–DR funding electrical power system improvements;

**OR**

- **Reliability**: Improve the reliability of the electrical power system in low and moderate-income areas that are primarily residential.
LOW- AND MODERATE-INCOME MAP

Source: HUD User Data 2019 (based on 2010 Census), U.S. Census Bureau 2018
Projection: Global Coordinate System North American Datum of 1983
LOW- AND MODERATE-INCOME MAP

Low- and Moderate-Income Census Tract Map
St. Thomas and St. John

Legend

- Census Tracts >51% LMI

Source: HUD User Data 2019 (based on 2010 Census), U.S. Census Bureau 2018
Projection: Global Coordinate System North American Datum of 1983
Renewable and Alternative Plans/Goals

CDBG-DR Electrical Power System Improvement funds incorporates:

- mitigation and resilience into project scope,
- promoting the use of renewable energy, and
- reducing greenhouse gas emitting sources of fuel.

These funds present the opportunity for community investments, distributed generation, solar, wind, and localized power projects throughout the territory.

These project would be aligned with the US Virgin Islands Renewable and Alternative Energy Act of 2009 (Act 7075) plans to reduce usage of fossil fuels by 60% by the year 2025.
## Overall Funding, In Context

<table>
<thead>
<tr>
<th>Programs</th>
<th>Amount</th>
<th>Use/Project Investments</th>
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</table>
| CDBG-DR                           | $1.075 billion  | **Specific investments for utility infrastructure:**  
|                                   |                 | • $417,750,000 - Non-Federal Share (Match) Program, which includes some CDBG-DR funding for electrical system improvements and energy needs  
|                                   |                 | • $60,750,000 - Infrastructure Repair and Resilience  
|                                   |                 | • $95,903,330 - Electrical Power Systems Enhancement and Improvement, currently identified for the Randolph Harley Power Plant |
| CDBG-MIT                          | $774.188 million| **The award includes the relevant earmarks:**  
|                                   |                 | Infrastructure & Public Facilities  
|                                   |                 | • $102,500,000 Community Resilience & Public Facilities Program  
|                                   |                 | • $315,700,000 Critical & Natural Infrastructure Resilience Program  
|                                   |                 | **Economic Resilience & Revitalization**  
|                                   |                 | • $40,962,500 Commercial Hardening and Financing Program  
|                                   |                 | • $35,787,500 Small Business Mitigation Program  
| CDBG-DR Electrical Power Systems  | $67.653 million | **Details to be provided in the forthcoming Action Plan. All proposed investments benefit the electrical grid.** |


Broader Disaster Recovery Efforts in Electrical Power System Improvements

The Virgin Islands is receiving Disaster Recovery funding across multiple territorial agencies for Hurricane Irma and Maria recovery.

WAPA has significant recovery and sustainability needs with no source of funding currently identified.
**Proposed Allocation**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Action Plan Allocation</th>
<th>Percent of Total Allocation</th>
<th>Estimated LMI Benefit</th>
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</thead>
<tbody>
<tr>
<td>Electrical Power Systems Improvements</td>
<td>$53,000,000</td>
<td>78.34%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Richmond Estate Generating Facility</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electrical Power Systems Improvements</td>
<td>$10,000,000</td>
<td>14.78%</td>
<td>May Vary</td>
</tr>
<tr>
<td><strong>Community Innovations Application Program</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Planning</td>
<td>$1,270,350</td>
<td>1.88%</td>
<td>N/A</td>
</tr>
<tr>
<td>Administration (5%)</td>
<td>$3,382,650</td>
<td>5.00%</td>
<td>N/A</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$67,653,000</strong></td>
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$67,653,000 allocation for CDBG-DR Electrical Grid Improvements

- $53,000,000 allocated to the Richmond Estate generating facility on St. Croix.
- $10,000,000 allocated to the competitive application program for community organizations with innovative and smaller-scale electrical grid improvement projects.
- $1,270,350 for Planning
- $3,382,650 for Administrative costs, 5% of the total award.
VI Electrical Power System

There are two separate power systems in the Territory. One with generation based on St. Croix and distributing power to the Island across different feeder zones.
VI Electrical Power System

The second power system generation distributes power to St. Thomas and St. John.
Rate Structure

One set of rates charged to customers across the entire territory, which covers different rates for residential, commercial, and industrial customers.

The most significant component of the rate structure is the Levelized Energy Adjustment Clause (LEAC), which is used to cover the cost of fuel sources for power generation and adjusted periodically.

Virgin Islanders pay amongst the highest electric utility prices in the Caribbean, and significantly more than the U.S. mainland.
## Coordination with WAPA

### 2019 WAPA Integrated Resource Plan

Objectives “to identify the mix of incremental resources that will achieve

- a safe, adequate, and reliable supply of power at the lowest reasonable cost and
- in an environmentally acceptable manner”

Proposes recommendations on next steps for the development of a rate study and a transmission study, refinement of cost and performance information on renewable energy, and the creation of detailed timelines for project development.

### 2020 WAPA Strategic Transformation Plan

Focuses on three key areas:

- Financial & System Stabilization, System Resiliency
- Generation Sector Transformation, with specific recommendations of expanding fuel sources beyond fuel oil, undergrounding utility lines and installing composite poles
- Replacing inefficient generating units and promoting renewable energy generation.

### WAPA’s Finances

- With extremely limited internal funds, WAPA is required to be strategic in its use of resources to support fuel procurement, operating expenses, internally funded capital expenditures and debt service, all in context of not pursuing electric rate adjustments and in the pursuit of transformational reform.

- In its 2023 budget was adjusted to reduce projected expenditures for personnel costs, operating expenses, and capital expenditures so that the budget would balance with projected revenues.
Proposed Use of Funds: Richmond Estate Generating Facility

The Richmond Estate Generating Facility is the primary source of generation for St. Croix has a current configuration:

- 3 permanent operable units, total capacity of approximately 60 mW
- 18 leased (Aggreko) generators, total capacity of 20 mW

The Proposed Use of Funds:

- Will replace the leased Aggreko generators and older existing units, with more efficient, cost-effective, and environmentally friendly generation.
- Will also improve reliability and resiliency of the overall system.

The investment of CDBG-DR electric grid funding is based on the overall availability of funds, vulnerability to storms, alignment with reliability, cost savings, environmental goals, and benefits to LMI populations.
Proposed Use of Funds: Richmond Estate Generating Facility

The Richmond Estate Generating Facility has 10 feeders serving approximately 28,632 customers.

Of the 15 Census tracts, all but 2 census tracts have greater than 51% of the population designated as LMI with the average LMI composition on the island of 61.9%, as shown:
Community Innovations Program

VIHFA will administer an application program.

**Primary focus is to foster community partnerships by identifying organizations that are closest to and best positioned to address local needs.**

Program goals:

- **Address ongoing electrical power grid needs** in the Territory.

- **Allow other interested groups to demonstrate innovate ideas around electrical grid improvements** that strategically can address vulnerabilities in the Territory’s electric grid.

- **Enhance other electrical power system improvement projects** that may be currently being implemented with other financial investments.

- If identified as a need, **make available technical assistance and capacity building resources to selected organizations** to ensure grant awardees have the capacity and knowledge to manage the CDBG-DR funding and meet requirements.
Community Innovations Program

VIHFA will manage a competitive process for eligible applications based on:

- **National Objective & Grant Objective** – Will activities benefitting low- and moderate-income persons?
- **Electrical Service** – Will activities address duration and frequency of outages in the project area?
- **Schedule** – Will overall schedule (environmental permitting, design, construction), be completed in grant cycle?
- **Sustainability** – To what degree green or sustainable methods will be incorporated into the project?
- **Resilience** - How resilience and mitigation measures are incorporated?
- **Project Requirements** – What degree of specialized equipment, or innovative technology is incorporated?
- **Institutional Capacity** of the agency to carry out the project, including staff, budget, ROI, leverage, etc.
- **Cost Reasonableness** - How reasonable are costs?
## Electrical Power System Improvements Action Plan

- Federal Register Notice 86 FR 32681, June 22, 2021
- Awarded $2 billion in CDBG-DR funds for enhanced or improved electrical power systems in Puerto Rico and the Virgin Islands
  - $67,653,000 for the VI
  - 100% of the fund **allocation must be expended within six (6) years** of HUD’s execution of the grant agreement

### Action Plan Process

<table>
<thead>
<tr>
<th>Action Plan Writing, Analysis, Consultation with Stakeholders</th>
<th>Summer 2021 to Fall 2022</th>
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<tbody>
<tr>
<td>Pre-Action Plan Release Public Hearing (This Event)</td>
<td>September 15, 2022</td>
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<tr>
<td>45-Day Action Plan Public Comment Period</td>
<td>TBD</td>
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<tr>
<td>Post-Action Plan Release Public Hearing</td>
<td>TBD</td>
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<tr>
<td>Deadline for Action Plan Submittal to HUD</td>
<td>December 31, 2022</td>
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<tr>
<td>Anticipated HUD Approval Date</td>
<td>Within 60 days of receipt of Action Plan</td>
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# Public Engagement Schedule

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
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<tbody>
<tr>
<td>Sep 15th</td>
<td>1st Pre-Plan Public Hearing</td>
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<tr>
<td>Sep 20th</td>
<td>2nd Pre-Plan Public Hearing</td>
</tr>
<tr>
<td>TBA</td>
<td>Publication of Action Plan to Official DR Website</td>
</tr>
<tr>
<td>45-Day</td>
<td>45-Day Public Comment Period</td>
</tr>
<tr>
<td>TBA</td>
<td>Draft Action Plan Submitted to HUD for Approval</td>
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<td>HUD approval is expected in March 2023, with funding availability occurring shortly thereafter.</td>
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PUBLIC COMMENTS

People who wish to provide public comments at one of the hearings will each be given three minutes to speak. Those wishing to speak are encouraged to provide a written copy of their comments to VIHFA staff.

All written comments can be submitted by:

- Email: media@vihfa.gov
- Please label your comments: CDBG-DR Electrical Power Improvements Action Plan
- For additional information, please visit VIHFA’s website at: https://cdbgdr.vihfa.gov/home/cdbg-electrical/
Thank You!