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WAPA's Declining Customer Base Could Accelerate With Proposed Rate Increase, PSC Warns, as Residents Flock to Solar

PSC raises concerns over further customer loss at WAPA amid rate hike plans

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The Public Services Commission said on Tuesday it is concerned that approving an increase in the Water and Power Authority's electricity Levelized Energy Adjustment Clause would cause the utility's already-declining customer base to shrink even further.

Testifying before the Senate Committee on Government Operations, Veterans Affairs and Consumer Protection on Tuesday, PSC Executive Director Sandra Setorie said that any such move to implement a hike in the electric LEAC would be "self-defeating."

Frozen since 2022, the current LEAC is well below the true cost of fuel and purchased power, Mr. Setorie disclosed, with the government of the Virgin Islands deciding to subsidize excess costs that would otherwise be passed on to the ratepayer. Despite this assistance, she noted that WAPA has accrued some \$90 million in deferred balances, and the authority plans to address this deficit by applying to increase the LEAC for electricity.

While that decision is ultimately up to the PSC, Ms. Setorie argued that making customers pay more in LEAC rates would be detrimental to WAPA. Between 2012 and 2017, WAPA's sales fell by 30 percent, a trend that could accelerate with cost increases for electricity.

"WAPA is more expensive than many solar and battery systems," Ms. Setorie said in an explanation that seemed to surprise several lawmakers. For the utility to reverse the tide of consumers abandoning ship, WAPA must provide "better service at lower cost."

Committee members, including Senator Ray Fonseca, were disturbed by the realities presented by Ms. Setorie. "Because they are losing customers, the bill is going up," observed Mr. Fonseca, who also wondered whether WAPA had presented a plan to the PSC to "increase their customer service base."

While no "solid plan" had been presented, Ms. Setorie shared that WAPA intends to eventually "move into the direction of providing greater solar and wind power in order to reduce the rates of energy to its customers." Both entities are currently working on that initiative, with WAPA announcing [new wind and solar power purchase agreements](#) last year to much acclaim.

With WAPA anticipating reduced operating costs in the near future because of these sustainable energy initiatives and the switchover of fossil-fuel power generation from diesel to propane, "they will come forward with suggestions as to how much of that reduction of costs should be immediately passed to ratepayers," explained Boyd Sprehn, the PSC's general counsel.

However, with no firm timeline in sight for these developments, most committee members, however, were concerned about the immediate future. Senator Milton Potter noted that "it doesn't bode well for WAPA's long-term viability if more and more customers are migrating away." Ms. Setorie agreed with his position that WAPA could be at risk, commenting, "I think that all power-generating utilities are at risk because customers do have options and alternatives."

While the PSC continues to be "the driving force behind the adaptability of the Water and Power Authority to integrate alternative energy," Ms. Setorie admitted that progress on the matter is "very, very slow." However, the commission is committed to ensuring that WAPA "remain[s] viable at the lowest cost possible."

Senator Novelle Francis observed that many vulnerable Virgin Islanders are still reliant on the utility to power their homes and lives. "Those individuals that are able to pay the WAPA bills are the ones getting off the system. Those individuals on fixed income and struggling to pay the bill are the ones being forced to remain on the system," he noted, expressing the fear that central government will be forced to continue to subsidize WAPA at exorbitant costs.