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WAPA Confronts Historic Cash Flow Crisis as it Secures 6-Month Fuel Contract Ahead of Hurricane Season

Effort to mitigate hurricane season risks challenged by the utility's severe budget constraints

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WAPA's Power Plant in Richmond, St. Croix. By. ERNICE GILBERT, V.I. CONSORTIUM

During a meeting earlier this week, the board of the Water and Power Authority approved a contract to secure a land-based supply of fuel over the next six months, in an effort to mitigate the risk of a potential interruption in their usual sea freight deliveries due to inclement weather during the hurricane season.

While the Estate Richmond power plant can normally operate with only 7 days of fuel inventory on hand, Director of Production Kevin Smalls explained that “we prefer to have that additional week buffer simply because if we do get impacted with a hurricane, and we have any sunken vessels or debris in the channel, it takes roughly like a week” before fuel deliveries by sea can resume.

To avoid interruptions in the fuel supply for the power plant, the board was asked to approve an initial 6-month contract with SOL Petroleum, in an amount not to exceed \$4.78 million for ultra-low-sulfur diesel; an estimated total of 25,568 barrels in total.

A separate trucking contract would be needed, at an additional cost of just under \$129,000.

In response to a question from [newest board member](#) Maurice Muia, Mr. Smalls explained that keeping 14 days of reserve fuel on hand at all times would represent an opportunity cost that was just too high for WAPA to bear under its current financial constraints. “That extra seven days’ worth of fuel is what, give or take like \$3 million, and that’s viewed as money sitting in a tank that can be spent on other issues,” he told Mr. Muia.

WAPA CEO Andrew Smith went further, acknowledging that “the simplest way to protect against storm risk would be to put significant fuel in a tank.” However, according to Mr. Smith, the utility doesn’t even “have the choice to make a conscious decision to do it or not do it. Our finances are so limited...we just don’t have the financial capacity to do it.”

Mr. Smalls told the board that WAPA’s current cash flow issues are the worst he has experienced in his 41-year career with the utility, prompting board members to muse about being able to resell some of the purchased fuel as a way to earn some revenue.

The power plant production director also notified the board that empty tanks pose a risk of being damaged during a hurricane. One solution, Mr. Smalls said, would be to fill them at least three quarters of the way with “station water” during hurricane season, since WAPA does not have the financial ability to keep fuel in all of its 125,000 barrels’ worth of storage.