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BMR Energy on Verge of Shutdown Over WAPA's Unpaid $4 Million Debt

With WAPA's debt reaching critical levels, BMR Energy seeks regulatory intervention to survive by selling power independently

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On Tuesday, the V.I. Public Services Commission heard from the operator of a solar power company that said their business is on the ropes due to an outstanding $4 million debt owed by the V.I. Water and Power Authority.?

Bruce Levy, chief executive office of BMR Energy, told commissioners that over the past two and a half years, WAPA has withheld approximately $3.5 million dollars in payments due. Last April, BMR resorted to seeking help from the PSC, asking that a portion of the Levelized Energy Adjustment Clause specifically allocated for solar plants be withheld from WAPA, until the utility company agreed to pay its debts. While WAPA ultimately agreed to pay, the authority have reportedly failed to honor their agreement. “As I mentioned earlier, they have paid us for…three months,” said Mr. Levy. “We have not been paid since February,” he noted.

Telling commissioners that he has heard “all the bad things about WAPA’s financial condition,” Mr. Levy nevertheless emphasized to commissioners that BMR Energy obviously is incurring significant operating expenses by continuing to keep the solar farms running. “We’ve been spending on insurance and debt payment and operating costs for the last three years and we have no money,” he disclosed. “We’ve been subsidizing this from other projects, and we cannot do that indefinitely,” Mr. Levy warned. “In fact, I was keeping the plants on even though I wasn’t getting paid the last three months pending this hearing,” he said, noting that whether in operation or not, debt payments and insurance rates remained the same, as did the majority of personnel costs. “So I am in a very bad situation,” Mr. Levy admitted, saying that the next course of action for the company “is to just stop paying my loan and stop paying for insurance and leaving.”

That scenario, of course, would derail WAPA’s plans to introduce low-cost solar energy as a significant part of its energy mix. “I don’t know how WAPA wins with that,” Mr. Levy said. He noted that WAPA and the central government was able to find money to pay Seven Seas and Aggreko, ostensibly working under the theory that BMR Energy could just pick up and leave if they were offended by the chronic non-payment. However, Mr. Levy observed that he could also stop providing WAPA with the approximately $200,000 worth of free power every month.?

He recalled asking the PSC for authorization to sell power to other customers. However, Mr. Levy acknowledged that it would be a very complicated thing to achieve, and would rely on WAPA’s lines remaining operational, which “doesn’t seem to be something we can count on.”

However, the current scenario cannot continue. WAPA is not the only entity involved that has insolvency problems, Mr. Levy said. “The free supply of solar energy cannot go on.” He noted that should BMR Energy be forced to close up shop, WAPA would have to replace the $200,000 worth of solar energy currently being supplied by costlier oil- or gas-powered generation, which could add up to an extra $150,000 each month.?

“We’ve got a monopoly exercising monopolistic powers,” noted Commissioner David Hughes. “That’s what a PSC is supposed to stop from happening.” He outlined the Commission’s three options. “One is we can use the bully pulpit and point out the obvious math,” he said. However, he was not optimistic that WAPA’s ability to pay would improve in the near future. “Their situation is getting worse, not better,” he argued, “as long as they’ve got the predatory Vitol fuel contract and the Wartsilas are not online.”

The PSC could also “actually step inside WAPA’s cash management, and we sequester funds for your payment,” Mr. Hughes said. However, that option might not be feasible given the existing state of emergency, he noted. The third option, according to Commissioner Hughes, “is to allow you to sell power.” Although acknowledging the challenges of setting up another power supplier in the territory apart from WAPA, he suggested to his fellow commissioners that this would be the only way BMR could generate capital to keep themselves afloat, since the chances of payment from WAPA were slim.

PSC Chair Raymond Williams expressed concern at this state of events, noting that WAPA is on one hand pushing for the introduction of alternative and sustainable energy into the mix, but at the same time not paying those vendors supplying this energy. “This becomes troubling to me."?

General Counsel Boyd Sprehn then added even more troubling information into the discussion, informing commissioners that “we’re aware that VI Electron is currently conducting an auction of its power purchase agreements and its projects here in the Virgin Islands.” While he admitted to being unsure as to whether this was signaling an intention to sell, or “if they’re pricing or doing it as part of a federal loan program,” he advised commissioners to be aware of the “very real possibility that they are seeking to exit this market themselves and leave the company or the projects in the hands of someone else.”?

There is a concern that VI Electron, which is supposed to be at the stage to supply power within the next two months, “will clearly be in the same boat as BMR,” Mr. Sprehn fretted. He noted that the wind energy suppliers were less of a concern, because those projects were still approximately two years from coming online.

Ultimately, Mr. Sprehn advised that because WAPA does not have an exclusive franchise, the PSC can authorize BMR Energy to sell their power on the open market, at which point they would be designated as a public utility and subject to the PSC’s rate regulation.

To cut through technical complications relating to interconnection and billing agreements, Mr. Hughes suggested that BMR energy could be allowed to “identify some industrial or commercial customers, as few as possible, so that we don’t have to have a great deal of interface between him and WAPA’s meters.” He expressed the desire for PSC staff to “develop a quick and simple…wheeling interconnection capacity.” The power that BMR Energy sells “”would not be at a substantial discount to WAPA’s current rate.” Any excess revenue generated by BMR Energy, over and above the amounts specified in the current power purchase agreement and owed in the proposed wheeling fee would be remitted to WAPA. “I would like the man to get paid for his power,” Mr. Hughes insisted. “I’m not proposing a broad-based, let's create another private utility in the territory."?

Making this move should, in theory, jolt WAPA into paying for the power directly, because “they’ll lose customers this way,” according to Mr. Hughes. Either way, WAPA will no longer be using another company’s resources to obtain power for free. “That’s an untenable situation for me as a regulator.”

Mr. Sprehn promised to work with BMR Energy’s attorney to prepare some draft proposals outlining different options for the PSC, which will be presented at the regulator’s next meeting. As Tuesday’s meeting came to a close, Commissioner Raymond Williams reminded his colleagues that the PSC had a responsibility “to see how we can make the best of the worst situations we face here in the territory.”