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New WAPA Chief Karl Knight Distances Himself from Vitol Contract Fallout

The Vitol project remains critical to WAPA despite \$113 million in cost overruns, with propane costing \$250,000 daily vs. \$900,000 for diesel, Knight contended

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Propane tanks started arriving at WAPA in on Oct. 5, 2014.

Earlier this week, new Chief Executive Officer of the Water and Power Authority Karl Knight sought to distance himself from the debacle that played out with the utility company's ill-fated contract with Vitol.?

Despite being one of the board members who voted for the deal, Mr. Knight told Jamila Russel, stand-in host for WTJX's popular program Analyze This, that he "wasn't around long enough to

see the project actually get off the ground.”

Vitol was tapped by WAPA for what was billed as an \$87 million propane conversion project in July 2013. By the time the Office of the Inspector General concluded its year-long audit of the contract, at the behest of the Public Services Commission, the project had ballooned in cost to over \$200 million, and – adding insult to injury – had failed to meet its stated goals.

“WAPA’s management did not follow WAPA’s established procedures for contracts and change orders,” reads the audit. “In addition, WAPA’s contract negotiations lacked transparency. Furthermore, WAPA officials created an apparent conflict of interest when they engaged the professional services of a firm that also worked for Vitol during a similar time period. Finally, WAPA did not achieve its goal to convert the number of power-generating units it needed to burn Liquid Petroleum Gas (LPG), and did not ensure that its rented units could burn LPG as stipulated in rental agreements,” auditors found.

Ultimately, Vitol this year settled for \$145 million to finally end this long-running disaster, underwritten by federal grant funding.?

On Wednesday, Mr. Knight sought to clarify his role in bringing the Vitol deal to the people of the Virgin Islands. “At the time I served on the board, I was one of nine board members. And I was not the chair of the board. So I wasn't even the lead amongst the nine, I was one vote out of nine,” he said. “I wasn't there for a lot of the more contentious costs issues that came up after the fact,” he continued. “For most of those I had already vacated the board at that time as well.”

Mr. Knight called claims that his vote in favor of the Vitol deal disqualified him from his new role as WAPA CEO “misguided,” and said that the scope of the project was “misunderstood.” According to him, “It was always understood that there was further work that needed to be done and it was always understood that the initial costs was not the final costs and that was something that we as board members knew upfront.”

The new CEO asserted that the eye-watering cost overruns as assessed by the Inspector General were not as extreme as they appeared. “That project is critical to WAPA to this day, whatever the cost overruns are. The project has already paid for those probably in the first two years. All of the savings and fuel expenses probably paid for any cost overruns that project incurred,” he told Ms. Russell, comparing the \$250,000 daily cost of operating on propane vs the \$900,000 per day cost of fueling power generation via diesel. “So it's in our best interest to get everything on propane. And we can only do that because of the Vitol project,” Mr. Knight concluded.

He also defended Vitol, which had “built everything, they absorbed all the cost overruns, they put all the upfront costs, and didn't charge up a dime until the project was fully operational and fully commissioned....And that's when the problem started with WAPA being able to pay and afford what they had asked Vitol to build for them.“