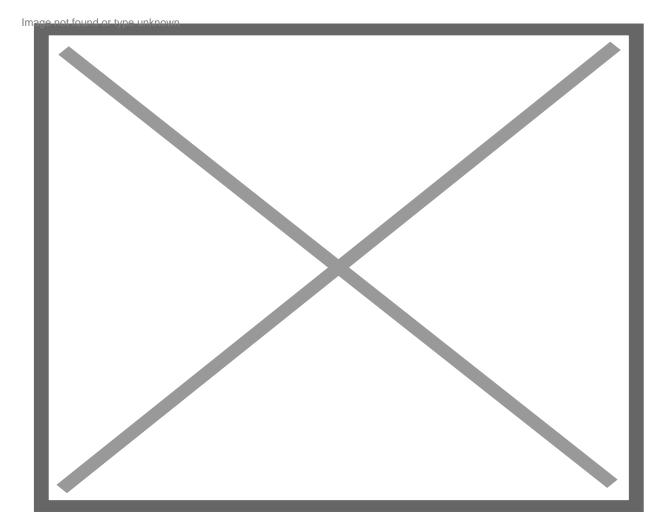
PSC Hears Grim Assessment: WAPA III-Prepared for Upcoming Storms, Financial Stability in Question

With key equipment depleted, WAPA faces a daunting hurricane season with limited resources and outside dependence

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As WAPA admits its weak storm preparedness, an area of low pressure is expected to form in the Tropical Atlantic within days. Favorable conditions for slow development could see this system impacting the USVI as it moves westward

On Tuesday, Water and Power Authority Executive Director Karl Knight told members of the Public Services Commission that tropical storm Ernesto had significantly reduced the utility's readiness to handle any potentially stronger storms later on in what is predicted to be a highly active season.

"How would you rate your preparedness?" PSC member Pedro Williams enquired, asking Mr. Knight to use a 10-point scale.

"I think we went into Ernesto at a seven. We're probably at a four now," Mr. Knight responded. "We've depleted inventory on conductors. We're razor thin on inventory on transformers," he explained. "I need to get some of my bucket trucks out of the shop," he continued. Mr. Knight also articulated the need to possibly engage a tree trimming contractor "so I don't have to tie up my line workers doing tree trimming." As he expressed at WAPA's <u>recent board meeting</u>, Mr. Knight also pointed to the need to hire additional in-house line crews to bolster staff numbers. Currently, "I'm very dependent right now on outside groups."?

Despite the setbacks following Ernesto and his own failing readiness assessment, Mr. Knight put on a brave face. "We are as prepared as we can be and we will rise to the occasion as necessary," he asserted. Mr. Knight noted that WAPA has access to "contracting partners that will jump to our assistance as necessary," as well as mutual aid relationships with regional associations of energy providers. "If we have to respond, we are prepared to respond."

Mr. Williams pointed out that he had posed the same question previously to Don Gregoire, WAPA's director of water distribution for St. Croix. "His response was '<u>we're at a four</u>,' and this was before Ernesto," Mr. Williams noted. A similar three point drop applied to Mr. Gregoire's assessment scale would leave the agency with a readiness score of one.

Joking that Mr. Gregoire had always been a tougher teacher than he when it came to grading, Mr. Knight nevertheless acknowledged that the drop in preparedness was real. Despite what he assessed as a satisfactory performance of the system during the storm and of the WAPA employees in the restoration efforts after the storm had passed, "the system has now taken a blow," he concluded. "There's some things we did in the essence of restoring power in a timely fashion that we now need to shore up."

Financially, however, the picture was much more bleak. According to Lorraine Kelly, interim chief financial officer, "I would debate with myself whether we're at a half, or one." Chronic cash flow issues leave little room for maneuverability when it comes to dealing with the exigencies of a hurricane season, Mr. Knight explained. "We are managing our cash flow on a weekly basis. We are triaging and making sure that we continue to provide the critical functions that we need to provide, but it's not much room...for anything else beyond that." The implication is that WAPA's widening structural deficit must be solved before anything meaningful can be done to boost the utility's ability to adequately prepare for, and respond to, seasonal storms.

Meanwhile, an area of low pressure could form in the central portion of the Tropical Atlantic in a few days. Environmental conditions appear generally favorable for some slow development of this system over the weekend and into early next week as it moves westward to west-northwestward at 10 to 15 mph, with the USVI in its current path. Currently, the formation chance through 48 hours remains low at near 0 percent, with a slightly higher chance of 20 percent over the next seven days.

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