

## **Economist Proposes WAPA Privatization Amid Financial Crisis; Clifford Joseph Opposes, Claims It's a Nonprofit**

**An economist urged lawmakers to privatize WAPA, citing its \$389 million debt and \$6 million monthly deficit. Senator Clifford Joseph opposed, claiming WAPA operates as a nonprofit, despite its history of financial instability and gov't bailouts.**

WAPA / **Published On March 04, 2025 06:22 AM /**

Nelcia Charlemagne **March 04, 2025**

Image not found or type unknown



**WAPA's Richmond Powerplant in St. Croix. By. ERNICE GILBERT, V.I. CONSORTIUM**

“WAPA is not run professionally, and the best alternative is to put it in private hands.” That was the suggestion of economist Mark Wenner during a special meeting of the Senate Committee of the Whole on Monday, intended to identify and discuss the contributors to the territory’s high cost

of living.

Among Monday's invited testifiers were the Economic Development Authority, St. Thomas/St. John Chamber of Commerce, Viya, the Housing Finance Authority, and the Department of Licensing and Consumer Affairs. Nearly every speaker cast blame on the Water and Power Authority for contributing to the territory's abnormally high cost of living.

Households continue to grapple with bills they say are inflated and inaccurate, while businesses say the large monthly bills are making it harder to turn a profit. The authority's well-documented, ongoing cash crisis is why Mr. Wenner says privatization, or at least a public-private-partnership, needs to happen sooner rather than later.

"Electricity costs in the U.S. Virgin Islands are the highest among 56 U.S jurisdictions," Dr. Wenner reminded the committee. Coupled with frequent power supply interruptions, "the combination of unreliable service and high electricity costs negatively impacts everyone." WAPA, he contended, is "acting as an albatross on the economy." Topping off the list of changes that Mr. Wenner believes will turn the tide on the territory's high cost of living is "invest in renewable energy reform and privatize the insolvent public utility."

Senator Carla Joseph, however, questioned his recommendation. She argued that the Virgin Islands does not possess the necessary economies of scale – described as a reduction in the per unit cost of production as the volume of production increases. "Wouldn't that, in turn, increase even higher with the privatization cost of electricity to the ratepayers," she wondered. While Mr. Wenner agreed that it would, he maintained that it should be considered as a separate issue.

"The big problem with WAPA is that WAPA is insolvent," Wenner argued. Referencing a [recent report](#) from the utility's turnaround management company Ernst & Young, he noted that "WAPA needs \$389 million of free money to deal with all the legacy debts that they have, to deal with the deferred maintenance issues they have, and all the vendor payments that are owed." Currently, WAPA's operational deficit is unsustainably large. "They're short \$6 million every month... The issue of scale of economies doesn't play here. This business is just not viable," Mr. Wenner insisted.

WAPA, he said, will not be able to survive off federal grants. "Federal grant money is normally geared towards capital improvements. It needs to be project specific." Instead, Mr. Wenner says "what WAPA needs right now is free money with no strings attached." He suggested that the local government get creative about how it can make WAPA solvent. "The local government is broke. They don't have \$400 million hanging around so WAPA can deal with itself and restructure itself. The federal government is not going to come in and give you \$400 million with no strings attached."

Even after Mr. Wenner's explanations, Senator Clifford Joseph was skeptical. WAPA currently operates as a nonprofit, Mr. Joseph reminded his colleagues, as he highlighted the profit motive that would drive any private company. "They ain't gonna come here to work for free," he contended. Mr. Wenner agreed that "privatization will be complicated to manage" but stated that "at least it holds a better chance of providing reliable service for, hopefully, a lesser cost." Despite being a public entity, he told Senator Clifford that WAPA should still be generating a profit. "The serious problem now is that WAPA is in a crisis state and we can't continue like this," he said.

With WAPA unable to sell any assets to assist in debt repayment, the authority now needs a "radical reform" that Mr. Wenner believes "will not be possible due to the politics of the

situation.” The next best option, he said, is a public-private-partnership. “The government has tried for over 60 years, and it’s a failure,” he declared. Wenner warned, though, that “the longer you take to wait to try to privatize it, it becomes less attractive. The problems get worse. The debt is increasing.”

Not commenting specifically on the suggestion of privatization, Senator Kurt Vialet described WAPA as the “common component” in the woes of many. “If we don't fix WAPA, it stops investment, it decreases your disposable income... If we don't fix WAPA, the Virgin Islands can't change. WAPA has been a series of bad contractual decisions for the last fifteen to twenty years that have cost this government millions of dollars.”

In the agency's defense, WAPA’s chief financial officer Lorraine Kelly said that the authority has “not passed on the true cost of operations for over eight years, absorbing financial challenges rather than burdening our customers. We've bitten the bullet.” “Every department within WAPA has made sacrifices to ensure that the cost of power and water remains as affordable as possible,” testified Ms. Kelly. WAPA, she said, has “been the last bastion on the front lines, holding the line to prevent further increases in the cost of living.”

Ms. Kelly's testimony agitated Senator Franklin Johnson, who recalled instances where it was the government – and thus taxpayers – who stepped in to bail out the beleaguered entity. “I don't know where the bragging rights come from for WAPA to say that they have held this down to this extent, which it is still the highest rate under the U.S. flag,” he stated.