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PSC Cuts LEAC to 17 Cents, Bringing Relief to Customers; WAPA Warns of Financial Collapse and Irresponsible Governance

Despite WAPA's warning that a \$2.5 million monthly revenue loss could derail its operations, the PSC lowered the LEAC rate to 17 cents per KWh, citing years of overcollection, unfulfilled transparency, and cheaper fuel alternatives already online.

WAPA / **Published On June 10, 2025 08:53 PM /**

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On Tuesday, the V.I. Public Services Commission voted to reduce the Levelized Energy Adjustment Clause on electricity bills from 22.22 cents per KWh to 17 cents.

The V.I. Water and Power Authority had requested that the LEAC be maintained in order to give them the opportunity to recover deferred fuel costs. However, as Jamshed Maden of the

Georgetown Consulting Group put it, “WAPA’s ratepayers have been waiting nearly a decade for more level and efficient generation-associated rate relief.” About the request that the LEAC remain at 22.22 cents, “staff does not believe that this is a reasonable assumption,” Mr. Maden said.

The consultant noted that WAPA’s four Wartsila generators are now running on propane – a substantially cheaper fuel than diesel. Despite this, he indicated that the utility had not yet signed a new fuel supply contract for LPG, instead still relying on an extension of their contract with VITOL, which comes with an associated transportation cost of 59.5 cents per gallon. This arrangement will last until August this year. After that, “there is significant uncertainty around what responses WAPA will receive to the RFP and what transportation rates will be offered.”

Meanwhile, several solar farm projects are also online and providing WAPA with power, presumably at much less cost than diesel-powered generators would.

Should the LEAC remain where it is, Mr. Maden said, WAPA would be in a position to “keep all of the surplus for itself, provide no relief to ratepayers or concurrence with assessments from its regulators.” The surplus Mr. Maden refers to could reach \$42 million each year if transportation costs drop, a sum he called “substantial.” Thus, he recommended the LEAC be set at 15.39 cents per kilowatt hour, despite acknowledging that WAPA had no working capital and operational liabilities exceeding \$100 million. Commissioners, he suggested, could allow for a slightly higher LEAC in order to “partially pay off liabilities that WAPA has accrued.”

After extensive discussion on technical and accounting matters, commissioners opted not to adopt the recommended 15-cent rate. Instead, they voted to reduce the LEAC from its long-standing rate of 22.22 cents per kilowatt-hour—unchanged since 2022—to 17 cents per kilowatt-hour. Both PSC Chair Raymond Williams and Commissioner David Hughes voiced concern over WAPA’s continued “overcollection” of revenue to cover outstanding bills and deferred fuel costs. Their concern was heightened by WAPA’s current default on PSC assessment payments and has been uncooperative in clarifying the total amount owed for deferred fuel. “I think they need to be put in the penalty box for three months while we consider the deferred fuel account,” said Mr. Hughes. Laura Nichols-Samm was the commissioner who suggested that the rate be set at 17 cents/KWh, a figure to which her colleagues agreed.

On Tuesday evening, WAPA issued a press release stating that the PSC decision to lower electric rates was “not only irresponsible, but harmful to the public interest.”

The utility company says that the PSC decision does not fully consider “the operational and financial consequences” of WAPA’s revenues falling by \$2.5 million per month as a result of the LEAC decrease. “This places the Authority at risk of defaulting on its obligations to vendors, contractors and employees,” the press release stated, WAPA’s circumstances are especially precarious given its need to account for hurricane season preparation and expenditures. “It is the people of this territory who will pay the price for the PSC’s unsound decision-making,” said WAPA.

The Authority argues that it is only now, after years of wallowing in debt, “beginning to realize the operational savings necessary to dig itself out of its deep financial hole.” Progress on reducing its monthly deficit could be wiped out by the PSC’s decision, WAPA’s press release states. Referring to Commissioner Hughe’s quip that WAPA be placed in the penalty box, the press release calls it an example of “irresponsible governance.”

The PSC has been [signaling for months](#) that it intended to implement a LEAC rate decrease once WAPA's more efficient generation platforms came online and began contributing power in a substantial way. Despite the ample warning, WAPA complains that "rate adjustments should be data-driven, deliberate, and made with full understanding of operational realities and facts." The entity has pleaded with the PSC to "immediately reconsider this decision before irreversible harm is done to the Virgin Islands community."

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