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WAPA Proposes 11% Property-Tax Share and Customer Surcharge for Streetlights; Says $2M Annual Funding Falls Short of $7.5M Cost

WAPA says the current streetlight funding formula is unsustainable, with about $2 million generated annually against roughly $7.5 million in costs. It proposes raising the property-tax allocation to 11% and adding a customer surcharge for energy use.

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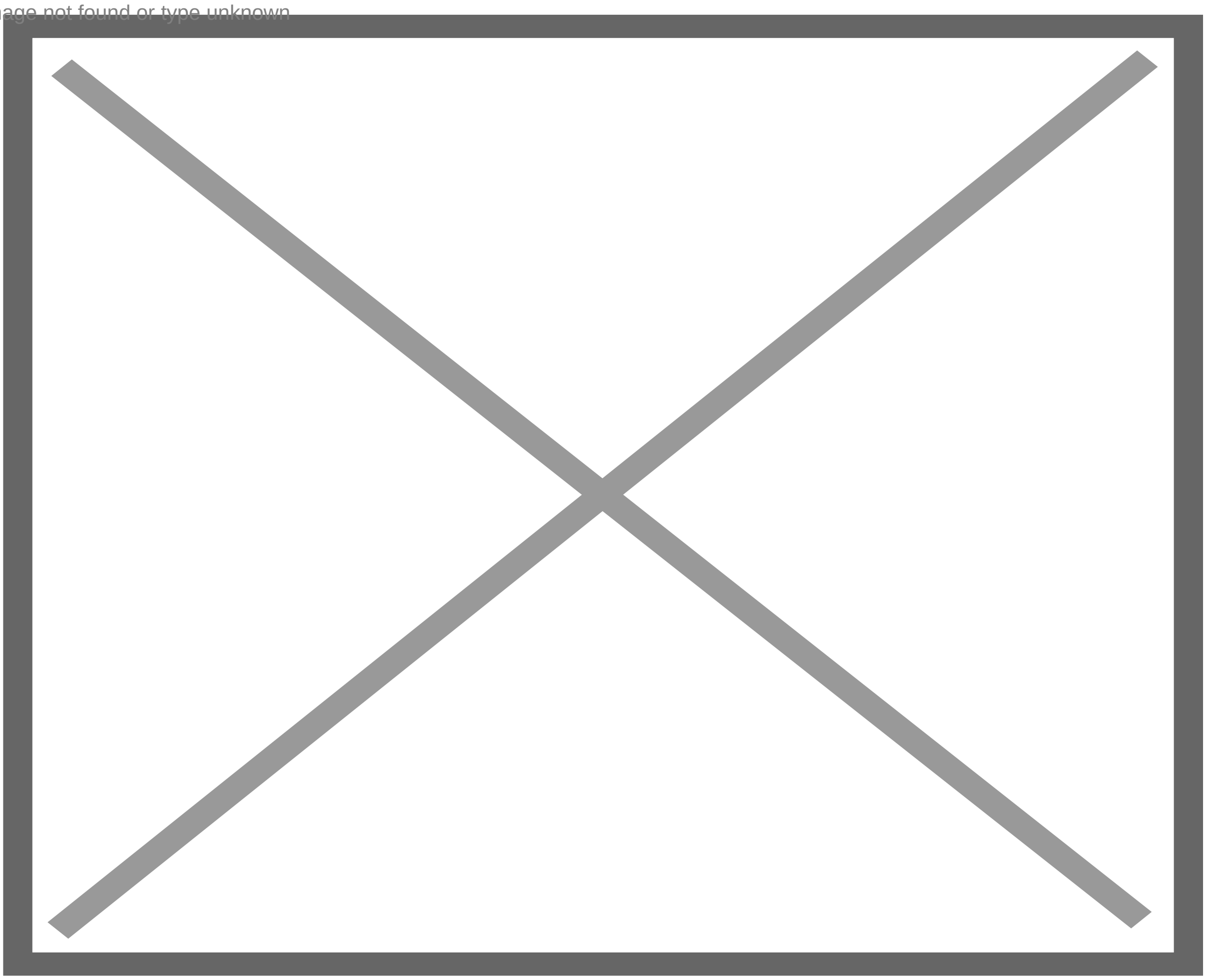

WAPA CEO Karl Knight says the current streetlight funding formula is unsustainable, with about $2 million in annual funding against roughly $7.5 million in costs. **By. V.I. LEGISLATURE.**

The V.I. Water and Power Authority says the territory's current street-lighting funding structure is unsustainable, with roughly $2 million in annual property-tax funding available for a service that WAPA says costs approximately $7.5 million each year.

During the authority's budget hearing Wednesday, Executive Director Karl Knight told the Committee on Budget, Appropriations and Finance that "funding is insufficient to energize, repair, and maintain existing streetlights, let alone support new installations."

WAPA is proposing that the statutory share of property-tax revenue dedicated to street lighting be increased from 4 percent to 11 percent, which Knight said would raise approximately $5.5 million annually.

The authority also intends to petition the Public Services Commission to "add a customer surcharge of approximately $0.0033 to generate $2 million to cover the cost of street lighting energy consumption."

Together, those proposals are aimed at correcting what Knight described as a "structural imbalance" between the cost of providing street-lighting service and the funding available to pay for it.

One-Time $4 Million Appropriation Already Being Used

The Legislature previously addressed the problem through Act 9074, which appropriated $4 million to WAPA for street-lighting needs.

Of that amount, $1 million was earmarked to cover outstanding invoices associated with transmission and distribution.

WAPA has also spent another $1.63 million procuring materials needed for the street-lighting program, including two F600 4x4 trucks.

Knight stressed, however, that Act 9074 provides only a one-time appropriation and does not resolve the recurring annual funding gap.

Under current law, the Department of Finance is required to allocate 4 percent of property-tax collections to the District Street Lighting Fund, generating approximately $2 million annually.

WAPA, by comparison, bills "approximately $7.5 million annually for street lighting services."

"Clearly, this formula is unsustainable," Mr. Knight said.

WAPA Proposes 11 Percent Property-Tax Allocation

To bring recurring revenue closer to actual street-lighting costs, WAPA wants the property-tax allocation increased from 4 percent to 11 percent.

Knight said that change would produce approximately $5.5 million annually.

The remaining portion of the cost would be addressed through the proposed PSC customer surcharge, which WAPA estimates could generate another $2 million annually to cover the electricity consumed by streetlights.

Lawmakers did not indicate during the hearing whether they would support either recommendation.

Sen. Kurt Vialet said that if the government is expected to provide additional funding for street lighting, “ it should definitely be able to decrease one of the obligations that the Government of the Virgin Islands has towards WAPA.”

Vialet said he intends to pursue that discussion.

Knight estimated that outstanding government payments owed to WAPA are primarily connected to street lighting and total “maybe about $14 million.”

WAPA Plans $316.7 Million FY 2027 Budget

The street-lighting discussion came as WAPA presented a total operating budget of $316.7 million for FY 2027.

The spending plan supports “approximately $310.8 million” in projected expenditures.

That includes $29.5 million in debt-service payments, $500,000 for Payment in Lieu of Taxes and another $5 million to reduce critical obligations carried over from prior years.

Knight confirmed that some of those outstanding debts are “as old as 10 years old.”

The $5 million allocation will “more than likely be utilized for some of our small local vendors that provide essential services on a daily basis,” per Mr. Knight.

Chief Financial Officer Lorraine Kelly said WAPA’s monthly debt-service obligation currently stands at approximately $1.7 million, down from about $2.2 million.

WAPA’s FY 2027 operating budget includes no government funding.

The authority operates on a different fiscal year from the central government, with its new fiscal year beginning July 1.

Fuel Projected at $121.5 Million

Fuel represents the largest single component of planned expenditures.

WAPA expects to spend $121.5 million on fuel, representing 38.5 percent of projected expenditures.

Actual fuel costs during FY 2026 exceeded $146 million, according to Knight.

He attributed the projected decline to “increased efficiency at the power plants due to the installation of temporary generating units, a complete year of LPG pricing based on the new contract entered into this past march, and additional solar production to be brought online on the island of St. Thomas.”

Those projections were developed “early in the current Iranian conflict,” and Knight said he remains uncertain about the conflict’s full impact.

If expected revenues do not materialize and fuel costs cannot be covered, Knight said WAPA may "petition the PSC to increase the LEAC to cover the shortfall, or we find areas within the budget that we can cut."

Knight also told lawmakers that WAPA has under-recovered fuel expenses "for the last several years."

Revenue generated through the Levelized Energy Adjustment Clause, he said, "has not fully covered the actual costs of the fuel purchases incurred by WAPA."

Operating and Personnel Costs

WAPA projects another $95.9 million in operating expenses, covering areas including generator maintenance, materials and supplies and maintenance of propane terminals.

Personnel costs are projected at $63.5 million.

That amount includes funding at varying levels for 100 vacant positions.

Sen. Marvin Blyden expressed concern about the number of vacancies, describing the situation as a "serious problem in terms of your staff and them being overworked."

WAPA currently has 543 employees.

Major Infrastructure Work Planned

The authority plans to use its available funding and workforce to continue a broad range of electrical and water infrastructure projects.

Electrical work includes repairs to Units 15 and 23, installation of temporary power generation, standby generation on St. John and placement of overhead electrical infrastructure with underground components on Feeder 9E.

WAPA also plans to install distribution automation devices, repair the Ride Road Feeder 7E submarine cable to St. John and repair the Great Bay transmission line serving St. John.

Additional work includes repairing and replacing transmission lines on Feeders 11 and 12 and constructing a transmission-line bypass on Feeder 13.

On St. Croix, work remains underway on the Queen Street underground infrastructure project.

Water Infrastructure and 55,000 New Meters

WAPA also plans waterline rehabilitation projects in Blackbeard Hill, Mahogany Estate, Canaan Road, Hospital Ground and Norre Gade.

Pump stations in Contentment and Concordia are also scheduled for rehabilitation.

Meanwhile, approximately 55,000 new electric meters are already in the Virgin Islands awaiting deployment.

Installation is expected to begin on St. John in November.

Knight said the automated metering infrastructure is expected to “modernize how we measure and manage electricity use, reduce reliance on manual meter reading, and give customers a more efficient billing experience."