

The Virgin Islands Consortium

WAPA Propane Conversion Project Now At \$150M, Up \$63M From Original Budget

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WAPA employee looks on as barge arrives at plant

The Virgin Islands Water and Power Authority recently announced that its conversion to propane, expected to roll out in the first quarter of 2015, now has a price tag of \$150 million--up \$63 million from the original \$87 million price cap. However, WAPA officials say the increase in the program's budget will not affect the 30 percent savings expected to be passed on to customers as the territory moves away from fuel oil usage.

A press release issued Thursday by the utility said: "Although the project's costs have increased, customer savings from the switch to propane will not be impacted. WAPA remains committed to maintaining savings for all customers, and fuel costs will still be reduced 30% due to the conversion from fuel oil to propane. These fuel cost savings will be passed along directly to customers."

The need for the adjustment to the project budget, WAPA said, was the result of "unforeseen complications" that arose during the project's implementation.

WAPA Executive Director Hugo Hodge said much of the infrastructure increase can be attributed to "regulatory changes and costs." He noted that poor weather conditions in the early stages of the project hampered excavation work on St. Croix, at a price increase of about \$10 million. In addition, Hodge said \$17 million was added to the project due to regulatory changes. Other complications on St. Croix contributing to the \$63 million hike included undocumented soil conditions and the discovery of a group of underground pilings that had not been known before.

On St. Thomas, the amount of rock that required excavation by use of explosives was much more than originally anticipated, Hodge pointed out.

Another development WAPA says that has added to the increase in the project's infrastructure is that the offshore propane storage vessel will now be held in place using a permanent mooring instead of being anchored in place. The utility calls this method "a safer and more secure way to keep the fuel in place during periods of inclement weather."

The increased cost of the project is being shared between WAPA and Vitol Virgin Islands Corp. Vitol will still front all upfront costs and WAPA will repay Vitol according to a new amortization schedule. Under the previous \$87 million budget, WAPA and Vitol agreed to an amortization period of seven years, at an interest rate of 12.6 percent, and the option to complete payment in five years. With the new \$150 million budget, the amortization period has been extended to 10 years, at an interest rate of 8 percent, and the option to complete payment in seven years.

Commenting on the revised budget, Hodge said, "I want to assure our customers that the adjusted project budget will not impact the amount of savings expected for WAPA customers, or the improvements to air quality that the conversion project will deliver for the territory. We continue to anticipate a 30 percent reduction in the cost of fuel and a 20 percent reduction in greenhouse gas emissions."

He added: "While the amortization period will be longer, the economic and environmental benefits will not be forfeited. We continue to look forward with great anticipation to providing these benefits to the community as soon as possible."