

The Virgin Islands Consortium

WAPA Approves Base Rate Petitions To Fund Electrical And Water Systems Overhaul

Business / **Published On December 01, 2015 10:07 AM /**

Staff **December 01, 2015**



ST. THOMAS -- During a special meeting on Monday afternoon, the governing board of the Virgin Islands Water and Power Authority authorized Executive Director / CEO Hugo V. Hodge, Jr. to file petitions with the Public Services Commission for both emergency and permanent base rate cases, a press release issued by WAPA on Monday has revealed.

The commission, which ordered WAPA to file both rate cases on or before December 1, 2015, will make the final decision on all rate case petitions.

"The emergency rate case seeks to provide the electric system with sufficient revenues to cover costs associated with the balance of the lease unit payments and the overhaul of Generating Unit # 23 on St. Thomas. The overhaul must be completed before the unit can be converted to burn LPG," Hodge said today.

According to the release, the emergency electric system rate filing, which upon PSC approval, would take effect on January 1, 2016, is essential to maintain the current rate financing mechanism (RFM) surcharge that has been included in the base rates since July 1 and which would otherwise expire at the end of this year.

"The emergency filing facilitates the continuance of the RFM until action has been taken on the permanent electric rate case filing. For all intents and purposes, the emergency filing avoids a gap in funding of the RFM between December 31st and when final action is taken on the permanent electric rate case," Mr. Hodge said.

The permanent electric system rate increase, which, if approved by the commission, would take effect in July 2016, is required to achieve PSC recommended debt service coverage metrics and satisfy bond resolution requirements; to provide for cash flow along with fuel tax revenues and additional debt to fund \$145 million in capital projects; to fund new generating units, rehabilitation as well as transmission and distribution projects.

"The electric system increase also seeks to support \$113 million in new borrowing. The projects will represent an increase in the base rate however, there will be substantial savings in the LEAC rate which we will achieve through greater efficiency of the electrical system," Mr. Hodge said.

The third filing approved Monday is a permanent water system rate case. If approved by the PSC, the rate would take effect July 2016 and would result in the elimination of a significant amount of the rampant line loss that is witnessed today. The nagging issue of water discoloration will also be addressed through many of these capital improvement projects. The permanent water system rate case is also required to achieve PSC recommended debt service coverage and satisfy requirements of existing bond resolutions. The rate would result in a \$4.57 increase in a typical residential monthly bill.

Mr. Hodge told the board that the water rate case is needed to fund \$67.1 million in capital projects primarily related to line loss reduction and improved water quality, beginning to address the long standing problems associated with water discoloration due to old water lines that have long outlived their usefulness. A capital plan now on the drawing board will require additional debt service of \$41.5 million along with federal grants to fund the projects.

Among the capital improvements slated for the water system on St. Croix: rehabilitation in Smithfield; Campo Rico pipeline rehabilitation; Pressure Management Phase II; Grove Place rehabilitation and a water line project in Christiansted. On St. Thomas water capital projects include: Tank 2 rehabilitation; Veterans Drive 10" main rehabilitation; Bolongo Bay transmission main water line; Phase II of the rehabilitation of the waterfront 24" water main and a 10" main rehab in General Gade.

Board members present included Chairman Gerald Groner, Esq., Vice Chair Juanita Young, Secretary Noel Loftus and members Elizabeth Armstrong, Cheryl Boynes

Jackson, Director Marvin Pickering and Commissioner Devin Carrington. Commissioner Gustav James was excused.

© Viconsortium 2026