The Virgin Islands Consortium

W.A.P.A. Board Votes To Increase Electric Rates; Blames Government Delinquency

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ST. THOMAS -- In an emergency meeting Thursday, members of the governing board of the Virgin Islands Water and Power Authority voted to file an electric rate increase with the Public Services Commission that would amount to, on average, $13 monthly.

Interim Chief Executive Officer Julio Rhymer Sr. told board members that the emergency filing seeks to improve W.A.P.A.'s financial stability and avoid further credit rating agency downgrades while allowing the utility to become current with some of its outstanding payables. But the increase gives no end date, and would depend on W.A.P.A. having 45 days of cash on hand.

Last month, the Legislature approved some $8 million to W.A.P.A. -- secured by the government from litigation against Buchanan Ingersoll and Rooney, PC, et al -- with Governor Kenneth Mapp stating that the monies would help ensure, among other things, that W.A.P.A.'s bond rating did not drop any further than it already has.

"We need to have 45 days of cash on hand, approximately $34 million, to avoid a further downgrade of our ratings and to pay our outstanding bills. The industry norm is to have 85 days of cash on hand and we are nowhere near that level at this point. We are at a place where we simply cannot await the outcome of pending base rate case to stabilize our finances," Mr. Rhymer said.

The interim C.E.O. blamed government agencies, especially the territory's hospitals, for the emergency increase. "The hospitals just don't pay," Mr. Rhymer said. Combined, the Government of the Virgin Island owes W.A.P.A. around $31 million.

Mr. Rhymer contended that rating downgrades would have detrimental effects on W.A.P.A., such as its relationships with fuel and supply vendors and with ongoing capital projects such as the propane conversion that is continuing in both districts.

And he explained that the emergency base rate relief will translate into a 2.687 cents increase per kilowatt hour to W.A.P.A.'s customers, both residential and commercial. The increase will represent a $13 per month hike on the average residential electric bill.

"As we look back to a year ago, electric rates have dropped significantly, approximately $115 per month on the average residential bill assuming usage of 500 kilowatt hours per month. When this proposed increase is factored into the present cost of electricity, our rates will still be some 20 cents per kilowatt hour less than they were one year ago," Mr. Rhymer said. He added that the increase, assuming P.S.C. approval, would take effect on July 1 and remain in effect until the 45 days of cash on hand is achieved, which Mr. Rhymer estimated would equate to $34 million in two years. At that point, the increased rate would be lowered to a level to be determined by both W.A.P.A. and the P.S.C. as the utility continues the effort toward building a total of 85 days of cash on hand to satisfy the credit rating agencies.

The board's approval of the petition was unanimous. Thursday's meeting was held via video conference from WAPA's offices on St. Thomas and St. Croix.

Board members in attendance included Chairman Gerald Groner, Esq., Vice Chair Juanita Young, Secretary Noel Loftus, Commissioners Devin Carrington and Gustav James, Director Marvin Pickering and Cheryl Boynes Jackson. Member Elizabeth Armstrong was excused.