The Virgin Islands Consortium

Propane Project Delayed To October; WAPA Blames 'Operational Failure'

Business / **Published On July 22, 2016 09:39 AM /**

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ST. THOMAS -- In February, the Virgin Islands Water and Power Authority said that the long overdue propane conversion project -- which W.A.P.A. says will reduce by 30 percent the price of power in the territory -- would come online this month, with St. Croix coming online in the month of March.

But March has since passed and July is here, but neither of the projects has yet to come online. The latest delay is not the first, either. And the project's cost has gone way over budget, moving from the original $87 million to $150 million in January, 2015. The cost has increased further since last year, leaving the territory with a massive debt load without enjoying the promised savings.

W.A.P.A. Interim Executive Director Julio Rhymer acknowledged the delay at the semiautonomous entity's monthly governing board meeting, held in St. Thomas on Thursday.

"The LPG project was delayed due to an operational failure during the commissioning process and an engineering design flaw that will be corrected in the coming weeks," Mr. Rhymer said. "The Project is scheduled for completion in October of 2016, with both plants fully burning propane and delivering power to the grid."

He also acknowledged setbacks in the Advance Metering Infrastructure (AMI) effort.

"As for AMI, the St. Thomas/St. John District is ninety-nine percent complete, but the St. Croix district installation was halted due to the delay in obtaining leases from the Government of the Virgin Islands and Homeland Security. Without these leases the Authority was unable to install the needed towers to obtain readings from the meters installed. Recently, the leases were signed and towers were erected, and the project has resumed. The expected completion date for the AMI project is December 2016," Mr. Rhymer said.

At the meeting, the board approved an extension on an existing contract with Majestic Machine & Engineering for repairs, ongoing work and reassembly of generating Unit 11 on St. Croix. The extension, the second since the contract was originally awarded in January, is at no additional cost to the authority.

“The extension of the contract to the end of September will allow for the return of Unit 11 to combined cycle, a more efficient mode of operation, and with the unit available, the plant reliability is improved,” Mr. Rhymer said.

The board also approved an annual tree trimming and right of way clearance contract for the two island districts with Asplundh Tree Expert Company. The $1.4 million contract facilitates additional tree trimming services required to supplement in-house trimming crews with routine utility forestry control services to protect the integrity and reliability of the Authority’s transmission and distribution systems. The tree trimming service also facilitates an expeditious restoration effort of the transmission and distribution systems following any wind storm that may impact the territory.

Also approved was a resolution to create a voluntary employee beneficiary trust within the authority and take all steps necessary to create and manage the trust. The authority provides post-employment benefits to its retirees in the form of a defined medical plan. GASB 45, an accounting and financial reporting protocol which requires government employers to measure and report the liabilities with post-employment benefits other than pensions, requires that entities such as WAPA reserve for retiree medical plan liability.

“To accomplish this mandate, WAPA has elected to create a Voluntary Employee Beneficiary Association (VEBA), which is a stand-alone tax exempt trust which will hold the retirees medical plan assets to offset future medical plan retiree liabilities. The trust is expected to be created within 30 days,” Mr. Rhymer said.

The governing board on Thursday also formally accepted the 2015 electric and water systems financial audits. The audits reveal that in 2015 the electric system ended with an operating loss of $35.3 million and the water system also experienced an operating loss of $3.4 million. Board acceptance is required for general release of the audits.

In his monthly report to the board, Mr. Rhymer categorized the last fiscal year as one which presented challenges, setbacks and increased risks. "Challenges that continue to plague the Authority include: liquidity, reliability and customer dissatisfaction," he said, adding, that due to the continued high outstanding accounts receivable, WAPA continues to experience a hardship with cash flow.

Mr. Rhymer told the board that increased inherent risk has resulted in the downgrade of WAPA's bond rating, investors pulling out of agreed to power purchase contracts and overall exposure to additional actions by the investment community.

As top priorities in the year ahead, Mr. Rhymer told the board his focus is on the continued right-sizing of the authority, incorporation of new, more reliable and efficient generation for both power plants, and more cost effective street lighting to reduce their operating cost to the authority. At the present time, the operation of street lights on public roadways across the territory is an unfunded mandate of the Authority which bears an annual price tag of $9 million.

As is required by the board’s by-laws, election of board officers were held on Thursday, at the first meeting of the authority's new fiscal year. Elected to chair the board is Elizabeth Armstrong, Noel Loftus, who most recently served as board secretary, was elected to serve as vice chairman, and Juanita Young, who most recently served as vice chair was elected as board secretary. Other board members present at Thursday's meeting included Atty. Gerald Groner, Esq., Commissioners Gustav James and Devin Carrington and Cheryl Boynes Jackson. Director Marvin Pickering was excused.