The Virgin Islands Consortium

WAPA's Power Bill Hike On Pause As PSC Revokes Base Rate Increase Authorization

VIC News / **Published On January 27, 2017 10:29 AM /**

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The Public Services Commission on Thursday night revoked its decision, at least temporarily, to grant the Virgin Islands Power and Water Authority the clearance to move ahead with a base rate hike that would have increased the power bills of roughly 29,000 WAPA customers.

The authorization would have resulted in power bill increases from a current rate of $121.95 for residents consuming about 400 kwh monthly, to $138.16, an additional amount of $16.21, or 13.3 percent. Commercial customers consuming about 1,200 kwh monthly, would have seen their power bills go from $393.88 to $472.52 under WAPA’s proposed base rate increase — a difference of $78.64, or 20 percent increase. And large power users (with 75 percent load factor), consuming about 20,000 kwh, would have seen their bills go up from $5,827.00 to $6,942.98 — an increase of 19.2 percent.

Without PSC's decision last night, the increases would have taken effect on February 1. But PSC Commissioners Raymond Williams, Johann Clendenin and David Hughes voted in favor of a Hughes motion to rescind the base rate increase that the commissioners approved on January 12, a motion that also left the Levelized Energy Adjust Charge reduction intact. PSC Chairman Andrew Rutnik voted against the motion.

The base rate would have increased WAPA revenues by $14.5 million annually, which the semiautonomous entity said it needed to stabilize its financial position, provide funding for operating and capital investment needs including new generation, avoid technical defaults on bond covenants, and to allow time for further examination of WAPA’s base rate requirements, which has a target date for completion of June, 2017.

But contention among PSC commissioners and WAPA led to the surprise decision, one that USVI residents -- many struggling to make ends meet and whose power bills were promised a 30 percent reduction following the implementation of WAPA's propane project -- will welcome. The dissent arose from one of WAPA's items for consideration at the PSC meeting -- which was ultimately denied -- relative to a consulting firm hired by the PSC to evaluate whether WAPA had taken action on recommendations resulting from a 2014 management audit of the power and water company. The firm, Vantage Energy, was hired by WAPA to perform the audit, and WAPA saw the PSC's hiring of the same firm for the evaluation as a conflict of interest.

At a meeting earlier on Thursday, WAPA Executive Director Julio Rhymer said the rate increase would not affect about 28,000 WAPA customers, but that left another 29,000 residents in the path of the now-suspended increase, as WAPA has 57,000 customers territory-wide, according to WAPA Director of Corporate Communications Jean P. Greaux, Jr. "The increases result from our removing all non-fuel related charges such as the LPG infrastructure and maintenance costs from the LEAC and placing it should have resided all along, in the base rate," Mr. Rhymer said at the meeting.

Meanwhile, Moody's downgraded WAPA's bonds on Wednesday, a move that came even before Thursday's PSC reversal.

"The rating action is prompted by growing pressure on WAPA’s financial prospects in light of the authority’s direct exposure to increasing economic and financial stresses in the U.S. Virgin Islands and an inability to disconnect itself from local economic conditions, including the continued slow payment pattern and weak financial profile of governmental customers and a very high adjusted net pension liability (around $220 million), Moody's said in its release. "The rating action also considers VI WAPA’s weak liquidity profile with currently around 5-7 days cash on hand. VI WAPA’s limited financial resources constrain the authority’s capacity to mitigate working capital swings as a result of slow payments of government receivables, absorb other unexpected calls on its liquidity profile and finance future capital expenditures to maintain the reliability of its electric system."

By the end of the PSC meeting, which was largely one of discordance, commissioners gave the sense that they would work with WAPA to come up with a resolution, a feeling that was mutual on WAPA's end as well.