

The Virgin Islands Consortium

Territory Could Face 'Rotating' Power Outages Following PSC Vote To Rescind Base Rate Increase, WAPA Says

Business / **Published On January 30, 2017 10:03 AM /**

Staff **January 30, 2017**



Executive Director of the Virgin Islands Water and Power Authority, Julio A. Rhymer, Sr., told members of the Authority's governing board on Saturday that an vote by the V.I. Public Services Commission (PSC) has placed WAPA in a precarious and volatile position, which threatens the company's ability to produce electrical service.

Mr. Rhymer's comments came during an emergency meeting of the board where he outlined the anticipated impact of the PSC's decision. "The action by the PSC threatens continued operations of our power plants and threatens our ability to pay for fuel.

Together, the islands could face rotating power outages, or worse, in the not too distant future."

The emergency meeting was called to discuss the PSC's [action of Thursday](#), the effect of the commission's vote and legal matters. The legal matters were discussed in executive session, according to a release issued by WAPA Director of Corporate Communications, Jean P. Greaux.

The commission voted last week to rescind an interim base rate it had approved [two weeks before](#). "Without notice, discussion, explanation, or giving the Authority an opportunity to be heard, they made a motion to rescind the rate adjustment that would have taken effect on February 1st. The irony of their vote is that the commission, its consultant and WAPA had completed successful negotiations and had agreed since the end of 2016 on the base rate and LEAC adjustments," Mr. Rhymer said. "In fact, the PSC was to have voted at its December 15th meeting, however, the commission delayed the vote to January, voted to approve the interim rate structure on Jan 12th, and then reversed itself on January 26th."

Contention among PSC commissioners and WAPA during Thursday's meeting 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 — welcomed. 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 Saturday's meeting, Mr. Rhymer explained that without the rates, WAPA cannot pay for a leased generating unit on St. Thomas, (Unit 25), will continue to struggle to pay for future fuel shipments, and cannot overhaul and convert the largest generator on St. Thomas, Unit 23. Mr. Rhymer listed a litany of effects the PSC vote has on the Authority, primarily impacting generation capacity and service reliability on St. Thomas, and continued fuel supply to both power plants.

"Not only does their action not allow us to pay for the leased unit, we cannot make payment on another leased unit that is presently en route to the territory that would have led to St. Thomas being completely on the lower cost LPG fuel. We cannot make payment for the units and no doubt there will be legal ramifications for contract breach," he said.

Responding to board members' questions and concerns, Mr. Rhymer admitted that Unit 23 is limping along because of WAPA's inability to overhaul the unit on a timely basis. The unit was last overhauled seven years ago.

"Unit 23 needs to come off line for maintenance overhaul before we convert it to LPG. Without Unit 25 and given the poor operating state of Unit 23, WAPA has to run its three most inefficient units: 14, 15 and 18. Together, they produce about 53 megawatts of power, short of the 65 megawatts needed to meet peak power demand. The result will be rotating power outages," he said.

Additionally, Mr. Rhymer said, without funding to purchase fuel oil, St. Croix's Unit 19 will no longer be functional. "Units 16 and 20 will burn LPG however, any malfunction of or maintenance required on either of those units will mean a shortage of generation capacity. Without capacity to meet peak power demand, St. Croix could face rotating power outages as well."

In discussion with the governing board, Mr. Rhymer also detailed how WAPA would have benefited from the base rate increase.

"The base rate had the potential for long lasting and far reaching effects on the community. The rate would have generated about \$14.5 million to implement both near-term and long-term generation plans which evolved from the Integrated Resource Plan (IRP). The IRP was born out of the recently completed management audit and calls for the replacement of all generating units within five years."

Additionally, he said, the plan called for stabilizing the Randolph Harley Power Plant by overhauling and retrofitting Unit 23 while introducing temporary units along with new generators over the next 18 to 24 months.

"By this implementation, the plant becomes more efficient and ultimately, more reliable. With new generators, there is also significant fuel savings. The changes provide savings to the customers both in the short term and into the foreseeable future," Mr. Rhymer said. He also noted that another benefit of the base rate increase would have facilitated WAPA realizing the revenue it needed to cover annual debt service coverage. "This would have allowed the Authority to not only finance new generation capacity but fund critical capital projects to improve WAPA's overall operations and maintain a safe working environment for its employees."

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.

Mr. Rhymer concluded his discussion with the board noting that aside from the operational impact on the Authority, the PSC vote has reverberated throughout the bond market where three rating agencies have already categorized WAPA's bond rating at junk status.

"We are in the middle of negotiations for new generators to stabilize the power plant on St. Thomas and this type of action leaves bond holders and financing professionals wondering about WAPA's financial stability...one week you have a rate increase, the next week you don't," he said.

The board took no action before the emergency meeting was adjourned. All eight board members participated either by teleconference call or videoconference. The board members include: Chairwoman Elizabeth Armstrong, Vice-Chairman Noel Loftus, Secretary Juanita Young, Commissioner Devin Carrington and Gustav James, Director Marvin Pickering, Cheryl Boynes-Jackson and Gerald T. Groner, Esq.

