

The Virgin Islands Consortium

Government Owes WAPA Over \$22 Million For Streetlights And Hospitals

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The Virgin Islands Water and Power Authority continues to grapple with liquidity stemming from large government receivables, most notably, the unfunded cost of operating streetlights and the non-payment by the territorial hospitals for electrical and potable water services, WAPA Executive Director Julio A. Rhymer told the semiautonomous entity's board during a Thursday meeting.

The outstanding total, \$22.7 million, represents more than 70% of the government's receivables and is attributable to three customers (JFLH -\$10.6 million; RLSH - \$8.4 million and street lights - \$3.7 million), according to WAPA.

The last known bulk payment made to the authority by the government for the hospitals, [was in April](#), when the 31st Legislature approved legislation that saw \$8 million — secured by the government from litigation titled Virgin Islands Public Finance Authority, et al v. [Buchanan Ingersoll and Rooney](#), PC, et al — being paid to WAPA for the hospitals' electric bills. Back then, Governor Kenneth Mapp urged [speedy passage of the measure](#), stating that W.A.P.A.'s financial condition was fragile, and that the payment was needed to ensure, among other things, that W.A.P.A.'s bond rating did not drop any further than it already had.

But WAPA's credit rating has dropped at least twice [since then](#), and the authority continues to struggle with liquidity. Mr. Rhymer said WAPA has been utilizing creative financing mechanisms such as low cost capital to continue funding operations, including new generation and the implementation of new, more efficient street lights.

"The use of low cost capital and private placement bonds allows the Authority to avoid the markets where rates will undoubtedly be significantly higher due to the continued bond rating downgrades," Mr. Rhymer said.

Also at the board meeting, the authority approved both a reduction in the scope of work and a time extension on a contract to upgrade the load center of a generator at the Estate Richmond power plant.

"While the Authority entered into a contract with United Electric Supplies last year for the upgrade of load centers of Units 10 and 11, changes to the contract are required as we have had to re-engineer the project to bring it in line with the Integrated Resource Plan. The IRP recommends that we decommission Unit 10 within five years making it no longer economically feasible to go forward with the upgrade to both units," Mr. Rhymer said. Instead, he said, the project has been re-engineered and only the load center on Unit 11 will be upgraded.

Under the revised project scope, new systems were added to enhance operations of the power plant including an interconnection for a new one megawatt standby generator to guarantee a safe black start of the plant following a total loss of all generating units.

Mr. Rhymer said the revised scope of work does not include installation of the load center, that will be addressed through a separate contract and scope of work. "Through this project, the Richmond power plant will obtain the latest state of the art load center technology to effectively and efficiently manage the power requirements for balancing the power plant's operations," he said.

The revised scope of work, eliminating the load center for Unit 10, will represent a cost savings of almost \$261,000 when compared to the project's original price tag. The revised contract total is approximately \$480,000. The board's vote to approve the changes to the contract was unanimous.

In his monthly report to the governing board, Rhymer spoke of negotiations being near completion with Wartsila for the acquisition of three, seven-megawatt units, the first of new generation to be introduced at the Harley power plant on St. Thomas.

"I expect in the next day or two to approach the board for a special meeting to approve the contract. We really want to take steps to remove the inefficient Unit 18 sooner than

later. The Wartsila units should be on island by the end of this year. Our second leased unit, Unit 26, will soon be on island and operational in a few months. When Unit 26 is on line, St. Thomas will be near 100% on propane," Rhymer said.

He added that there is a possibility of the Authority looking into another leased unit being brought on temporarily at which point the original leased Unit 25 will be returned to APR Energy. Once the additional leased unit is brought on line, Rhymer said the largest generator, Unit 23 will undergo the overdue maintenance overhaul and propane conversion.

"We expect after the overhaul, Unit 23, will become among the most efficient of our generating units. We have fast-forwarded our new generation plan by some three years in order to maximize on savings to the Authority on the order of about \$20 million per year, per district," he said.

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