

The Virgin Islands Consortium

New \$85 Million WAPA Bond, If Approved, Won't Carry Rating From Major Rating Firms

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The Virgin Islands Water and Power Authority, as made known during [an April board meeting](#), is seeking a new round of funding -- a Wallstreet Journal article reveals the amount as \$85 million -- that WAPA says will be used to purchase new generators slated to improve reliability and efficiency at its two power plants, as well as to make infrastructure improvements.

The effort for new funding came before it was revealed that [WAPA had reverted to oil](#) after failing to make payments amounting to over \$24 million to its propane supplier, VITOL. The semiautonomous entity's struggle to meet its obligation to fuel suppliers -- even as it seeks funding for new generators -- could impact its ability to close on the new

round of funding.

According to [WSJ](#), the sale will take place next month, and it will be managed by Atlanta-based broker-dealer IFS Securities Inc. The sale will be open to only select investors and, interestingly, won't carry a rating from any of the major credit rating firms. WSJ cited people familiar with the matter as sources.

As noted by WSJ, a successful sale of the \$85 million bond would signal that the markets, though jittery, aren't closed to doing business with WAPA, even as Wall Street has twice rejected the government of the Virgin Islands' attempts in the past six months. The new reality forced the Mapp administration to introduce legislation that levies additional taxes on Virgin Islanders, including new taxes on timeshare unit owners, properties, alcoholic beverages, sugary drinks and tobacco products -- the latter three being called sin taxes.

And the borrowing, if approved, would come as WAPA continues to struggle with cash flow and government entities such as the hospitals continue to lag behind on their bills; WAPA said the hospitals owed it over \$20 million as of last month.

Meanwhile, WAPA and the Public Services Commissione (PSC), which regulates WAPA, have been in a public back and forth, with WAPA blaming PSC for at least some of its woes, while the PSC has openly questioned WAPA's competence.

In a recent release, WAPA said while it has been unable to get its rate structure approved by the PSC, there have been assessments levied by the PSC on WAPA in excess of \$3.9 million over the last three calendar years, adding that all matters that are reviewed, considered and acted on by the PSC bear a cost that is eventually passed on to WAPA and to its customers.

In its response, the PSC said, "The regulatory costs (assessments) which WAPA uses as a distraction are a normal part of utility operating costs, here as elsewhere in the United States. Those costs are not surprises, and are included in WAPA's rates, but not being paid. That failure to make payment has restricted the commission's ability to perform its duties, as it is not paid for by taxes or general fund monies, but only through the utilities. The commission's assessments are significantly less than one percent of the revenues of WAPA, and have more than paid for themselves over the years."

Additionally, the PSC said the VITOL-provided propane have been collected through the LEAC since WAPA began using that fuel, and that VITOL O&M costs have been authorized for inclusion as well, originally in the LEAC, and then subsequently transferred to the base rates. That transfer to the base rates was a significant factor in making those amounts more even on power bills. Apparently, the PSC went on, those funds collected from ratepayers have not been paid to VITOL.

In an attempt to reassure the community, Governor Kenneth Mapp stressed that [the territory would not fall into darkness](#), crediting the recent tax increases and cost-cutting measures as reason. He also chided lawmakers, more pointedly Senator Alicia Hansen -- who provided information to this publication confirming WAPA's switch back to oil -- for voting against the new taxes, dubbed the Virgin Islands Revenue Enhancement and Economic Recovery Act of 2017. And he praised Democrats, a majority of whom

supported the bill.

“Because of their vote, we can solve this problem and assist the Water and Power Authority,” Mr. Mapp said, referring to Democrats, bar Janette Millin Young, [who voted to pass the measure](#). “Because they voted yes, no government worker is struggling in terms of working 80 hours per pay period. Because they voted yes, no school in this territory is being closed. Because they voted yes, we’re not only able to keep the lights on, keep the payroll intact, but are now releasing income tax refunds.”

“So... if we did what Senator Hansen asked us to do, [which is] do nothing, vote for no new revenues, vote for not stabilizing this government and the realities of the conditions of this government that has been going on for the last ten years, the lights would go off. Government workers would have lost eight hours in their biweekly checks and schools would have closed for one day or two days a month — and there would have been no income tax refunds,” the governor contended.