The Virgin Islands Consortium

Unable To Pay Propane Supplier, WAPA Extends Oil Contract For Up To A Year

Business / **Published On May 31, 2017 10:06 AM /**

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ST. THOMAS -- As its dispute with propane supplier Vitol persists, the Virgin Islands Water and Power Authority Board of Directors on Tuesday extended an oil contract with Glencore for another six months, with an additional six-month extension available were WAPA to need it.

The extension comes as WAPA's outstanding balance of over $24 million to Vitol has yet to be paid, which has forced Vitol to withhold propane supplies to the semiautonomous entity. WAPA is currently seeking an $85 million bond to help with its financial woes and to purchase new generators, but whether the firm will be able to secure the funds after seeing multiple downgrades from top U.S. rating firms, and with the revelation that it has so far unable to honor its covenant to Vitol, is an open question.

The news about WAPA's switch back to oil after spending over $200 million converting its systems to propane, was brought to the fore after Senator Alicia Hansen informed The Consortium that she had learned of the switch. The Consortium later obtained copies of letters Vitol wrote to WAPA, revealing the suspension and the amount WAPA owed, which stood at over $24 million.

Following our story, WAPA Board Chairperson Elizabeth Armstrong and the firm's CEO Julie Rhymer, issued a joint statement in an attempt to allay residents' fears.

“While there is an existing contractual dispute between Vitol and WAPA, and an outstanding invoice for propane fuel delivered to the power plants over the past three months, we remain optimistic that we will reach an agreement on the issues at hand,” read the statement.

But with WAPA's financial woes persisting, and armed with a new extension with oil supplier Glencore for up to a year, WAPA's ability to switch back to propane -- which the firm promised would usher in a new day of lower power bills in the territory -- is in question.

In other board action on Tuesday, the board approved additional funding to PRMG consultants on the ongoing electric system rate case filing. Mr. Rhymer told board members that an additional $60,000 is needed to finalize the rate case with a target implementation date of July 1, 2017. The rate case has been pending since 2015, and finalization is dependent on approval by the V.I. Public Services Commission. WAPA is expected to spend about $255,000 on its overall contract with PRMG for work on the electric system rate case.

The board also approved the following:

- An adjustment in the cost of security guard services at WAPA’s facilities to factor in anticipated increases in the minimum wage. The adjustment increases the security contract to $770,737. Funding was also provided to cover the presence of security at a secondary access point to the Randolph Harley Power Plant on St. Thomas.
- The purchase of automated switches and controls for the electrical transmission and distribution systems in both districts.
- An extension of a contract with Risked Revenue Energy Associates for the implementation and maintenance of WAPA’s fuel hedge program, which runs through 2019. WAPA has realized about $5.7 million from the fuel hedge program.
- The purchase of two-way radios for the Authority’s personnel to replace almost non-functional handheld, base and mobile radios. The current radios and supporting systems are no longer compatible with a mission critical communication operating system, and cannot interface with radios used by emergency first responders.
- A change order totaling $53,256.84, to a contract with Majestic Machine & Engineering, for major repairs of Unit 11 steam turbine generator on St. Croix. The project completion date was also extended.
- A six-month extension and contract increase of $106,400 to Tantalus Systems for the purchase of network controller upgrade kits. The approval also provides

additional time to upgrade and optimize the Automated Metering Infrastructure network. The system is being upgraded to accommodate the addition of smart potable water meters and new streetlight automated functions.

All approvals came on unanimous votes.

Board members present included: Chairperson Elizabeth Armstrong, Vice Chairman Noel Loftus, Secretary Juanita Young, Commissioners Gustav James and Devin Carrington, Director Marvin Pickering, Gerald T. Groner, Esq., Cheryl Boynes-Jackson and Hubert Turnbull.