

The Virgin Islands Consortium

PSC Votes To Consider WAPA Utility Rate Increase To Pay For FEMA Loans

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With the Virgin Islands Water and Power Authority currently owing the federal government more than \$90 million in community disaster loan payments, the Public Services Commission (P.S.C.) on Wednesday voted to consider WAPA's request for an electric rate increase, which WAPA said is needed to pay for the loans, secured through the Federal Emergency Management Agency (FEMA).

Most of WAPA's infrastructure sustained damage from Hurricanes Irma and Maria in September and October of 2017. From downed poles and power lines to generating systems, the utility saw over 90 percent of residents go without power for months following the hurricanes, which drastically affected WAPA's bottom line, and hence its

ability to sustain itself.

The community disaster loans of more than \$90 million, along with tens of millions more in federal grants, were an essential part of WAPA's efforts to get back up and running. However, now that the utility's systems are in operation, with new, more hurricane-resistant poles erected in many locations, the \$94.5 million federal loan must be repaid, unless FEMA decides to forgive the debt. Such a move by FEMA would not be without historical precedent. In fact, the U.S. Treasury commonly forgives disaster loans.

Because WAPA is a utility, it is regulated by the P.S.C. and must petition the commission to acknowledge the receipt and payment of loans. P.S.C., however, cannot forgive WAPA's or any other utility's loans.

P.S.C. commissioners voted 4-1 in favor of the consideration, with Johann Clendinen being the sole commissioner voting against the request.

WAPA in October filed the P.S.C. petition that would facilitate approval of the federal community disaster loans. The loans were secured through a first-lien and security interest in water system revenues and/or electric system revenues, to pay the interest and/or principal on the loans beginning in July 2019. Under sections of the Electric Bond Revenue Resolution, WAPA is permitted to include projected net electric revenues resulting from future rate increases only where the P.S.C. has approved the projects referenced in resolutions authorizing the issuance of the bonds and that is what the petition sought to achieve, said Executive Director Lawrence Kupfer in October.

The P.S.C.'s consideration approval, though it signals that an electric rate increase is possible, was not an approval of a rate increase, so residents are not expected to see another hike in the electric bills yet ([electric rates were increased in July](#)). The consideration approval merely gives FEMA the assurance that WAPA has the means to repay its debt.

If FEMA does not forgive the loans, then residents will foot the bill to repay the federal agency.