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## **WAPA to Pay Propane Supplier Additional \$300,000 Monthly For Fuel After Board Approves \$.5 Cents Increase; WAPA Says Costs Will Not Be Passed on to Customers**

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The governing board of the Virgin Islands Water and Power Authority voted Tuesday to approve an increase of \$.5 cents in the per gallon price of propane fuel. The increase, which WAPA says will have no effect on electrical rates for its customers, comes at the request of VITOL to continue the postponement (forbearance) of payments the authority makes to VITOL for infrastructure, operations and maintenance costs. WAPA said it requested the forbearance as a result of the affect of the Covid-19 pandemic on the authority's finances. WAPA suspended disconnection of electrical and portable delinquent accounts since mid-march. Disconnection is the authority's main tool to force customers to pay.

WAPA pays VITOL roughly \$10 million annually in operations and maintenance (O&M) costs for the two propane terminals, one on St. Thomas and the other on St. Croix, the authority made known. The cost to payback VITOL for the roughly \$167 million the company spent to build the propane terminals (infrastructure) territory-wide is about \$31 million annually. The project is being financed at an interest rate of 15 percent, according to WAPA. The authority said it has combined arrears of \$75 million in both O&M and infrastructure. WAPA communications head, Jean Greaux, said the authority would provide information on the total debt owed to VITOL for the propane project, which had cost overruns of roughly \$90 million.

The \$.5 cents increase translates to roughly \$300,000 in additional payments to VITOL monthly. It moves WAPA's cost for propane fuel from \$.33 cents per gallon to \$.38 cents.

“VITOL made the case that the authority has purchased less propane fuel than was anticipated for its two power plants. As a result, the fuel supplier was adversely impacted in its ability to cover the costs of its fuel deliveries to WAPA,” Kupfer told board members in an emergency meeting.

“Originally, WAPA had estimated a need for 240,000 barrels per month, however, as the utility adopted more efficient generating units, and experienced a reduction in generation load since the 2017 hurricanes, WAPA’s monthly purchase was closer to 150,000 barrels,” he added.

Kupfer explained that VITOL made certain changes to compensate for the loss in volume but requires the increase to offset the reduction in the quantity of fuel being purchased.

Before voting 6-3 to approve the requested increase, several board members asked Kupfer whether the increase would be absorbed by WAPA’s operating budget and would not be passed on to the customer. “I am confident that we can absorb this increase which allows us to remain in good stead with VITOL while we continue efforts to identify investors to refinance the existing agreement for more favorable terms,” he said.

Board members voting against were Elizabeth Armstrong, Jed JohnHope and Hubert Turnbull. Voting for the increase were board members Anthony D. Thomas, Juanita Young, Joel Lee, Kyle Fleming, Cheryl Boynes Jackson and Noel Loftus.

In response to a specific question on operating costs of oil versus propane, Kupfer estimated that an all-diesel operation at both power plants would cost approximately \$3 million a month and would result in increased reliability issues for customers on St. Croix. On St. Thomas, the impact on reliability would not be as critical, but would still be a concern. Board members agreed that the increase in LPG fuel cost of \$300,000 per month versus the \$3 million cost of an all-oil operation was justified.