

The Virgin Islands Consortium

WAPA St. Thomas Burning Diesel As Three Generating Units Unable To Use Propane

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ST. THOMAS -- Three generating units at WAPA's Harley Plant in St. Thomas are using diesel fuel instead of propane, it was revealed during a Friday emergency WAPA Board meeting.

Following the meeting, The Consortium asked WAPA board member Noel Loftus for clarification on the need to use diesel, and he said that the issue had been quite contentious, explaining that of three generating units that WAPA has been renting in St. Thomas, two of them were supposed to be on propane.

"APR Energy was unable to do that, so we have been negotiating with them for a substantial amount of time for compensation because diesel is more expensive than propane," he said. APR Energy LLC is described as a global leader in fast-track power solutions. The company has been delivering power to WAPA since 2012. "The purpose of the board meeting Friday was to discuss and take action on two legal matters that were presented to us. The two legal items we took action on and approved in the executive session were to ensure that WAPA would not be [financially] damaged by not using the propane," Mr. Loftus added.

He said APR Energy lowered the rental rates of the generating units and gave WAPA some concessions to compensate for not being able to run propane. "The three units in St. Thomas are not running propane. It is not our choice, we do not like it, but it has been negotiated for a fair compensation package. This only affects WAPA St. Thomas; St. Croix uses propane," Mr. Loftus said.

WAPA recently installed Wärtsilä generating units that run propane, but they are still in the testing phase.

The renegotiated pricing adjusts the rental cost for unit #25 to a full variable rate of \$400 per fired hour. The rate is retroactive to November 1, 2018 and under terms of the agreement, there is no minimum use of the 20-megawatt unit, and if the unit is to be used due to the unavailability of other APR rentals, the variable rate will not apply. According to WAPA Executive Director Lawrence Kupfer, the agreement is a 20-month contract term, through the end of 2020, which also adjusts the monthly rental rates for the two other generating units, numbered 26 and 27, to \$475,000 per month, per unit. This equates to \$19 million in 20 months for the rental of the two units, costs which could rise if WAPA decides it needs to use the third generating unit.

The board unanimously approved the renegotiated price structure.

"Our intention is to finish getting [back] on propane as quickly as possible. We have three propane units coming from Wartsila, and the U.S. Department of Housing and Urban Development will provide another four propane units to WAPA [to be used in] St. Thomas within the year." Mr. Loftus explained.

Mr. Kupfer said that unit #25 is WAPA's most efficient of the APR units. "If we choose to run it, we pay \$400 for the hour. At current oil prices, the fuel would cost less than \$400. If fuel prices increase, then it might be worth it to run the unit," Mr. Kupfer said.

Board members in attendance included Vice Chairman Hubert Turnbull, Secretary Juanita Young, Director Joel Lee, Gerald T. Groner Esq., and Mr. Loftus.