

The Virgin Islands Consortium

PSC Denies WAPA Rate Increase Request, Demands Audit On All WAPA Financials, Contracts

VIC News / **Published On June 13, 2019 10:32 PM /**

Ernice Gilbert **June 13, 2019**



The Public Services Commission during a special meeting Wednesday denied the Virgin Islands Water and Power Authority its [requested base rate increase](#) that the authority said was needed to avoid rolling blackouts.

After much back and forth between WAPA and the P.S.C., the commission said the base rate would remain at its current level at least until another meeting, which has been set for July 31.

The P.S.C., itself under pressure from the public through petitions to stand against WAPA's requests, passed a motion calling for a full financial audit of the authority. The

audit seeks full disclosure on all of WAPA's business transactions, contracts, subcontracts and all other relevant financial information.

The financial information must be received before the base rate application comes before the commission, the P.S.C. told WAPA.

The motion comes on the heels of a recently revealed major blunder at WAPA, which saw the utility [sending \\$2.3 million to an offshore account](#) that the authority said was a phishing scam. Residents have mocked this explanation and have called for an investigation into the utility.

The P.S.C. painted a grim picture of WAPA's future, foretelling of a semiautonomous entity whose constant demand for rate increases on customers to sustain itself, leads to the mass exodus of ratepayers for alternative sources of energy that cost less. As these customers leave, WAPA will have no choice but to keep raising utility rates on its ever-dwindling customer base, which in turn leads to more separations, the P.S.C. said.

During a board meeting in April, WAPA board member Noel Loftus said the territory would experience blackouts if the requested increases were not granted. "If we don't get the rates, then we are going dark. There is no doubt in my mind," Mr. Loftus said. WAPA's most recent rate increase request would send the kilowatt per hour usage near .50 cents -- an unheard-of amount that would all but end the territory's slow economic recovery.

"The current financial crisis facing WAPA is grim and challenges the very centralized utility business model under which WAPA operates and desires to continue to operate," said the P.S.C. in a document listing its concerns. "Its ratepayers, not under some abstract theory, but in reality, can opt today to self-generate using ever more efficient and low-cost PV solar panels with battery backup to regulate their output allowing them to meet their capacity requirements. The continued decreases in the cost of PV solar panels, plus the availability of lower cost electric batteries with improved management software, have combined to make PV attractive to virtually all consumers in the VI."

The P.S.C. added, "As WAPA power costs have continued to rise, self-generation costs have continued to fall – an unhealthy recipe for WAPA centralized business model. The tipping point arrived in the VI long ago and, if uncorrected, may represent the beginning of a series of non-reversible events adversely impacting the very financial viability of WAPA. Almost without exception at costs approaching, and perhaps exceeding, \$0.50 per kWh it is economically advantageous for WAPA ratepayers to produce their own electricity. Absent WAPA taking more aggressive and proactive steps to restructure its business model, its operating and maintenance practices, its staffing levels and incorporation of best practices and key performance indicators, WAPA financial position will continue to erode as more of its ratepayers self-generate.

"Meanwhile, WAPA will be forced to seek repeated rate increases on an ever-shrinking rate base that will only drive more of its ratepayers off the grid. Left uncorrected, a strategy of chasing repeated rate increases is a strategy that will assure WAPA's failure."

The P.S.C. said WAPA's use of propane has been significantly lower than projected, which has had a net result of higher fuel costs. The commission said WAPA continues to

maintain the position that ratepayers should absorb these costs wholly, with no consequence to the authority.

"We do not believe that any private utility would be permitted these pass-throughs of additional fuel costs as a result of the utility not performing as would prudently be expected," the PSC said. "In addition, we are informed by counsel that VI statutes require WAPA to be regulated on the same principles as would a private utility and the VI Supreme Court has held that the PSC should apply the same principles. This is another significant paradox that needs to be resolved or enforced."

The authority is also drowning in debt. WAPA owes Trafigura, its prior fuel supplier, \$25million; it owes Glencore, the authority's current fuel supplier, \$12 million. WAPA owes Vitol, its propane supplier, \$25 million for fuel, \$62 million for infrastructure and \$10 million for other charges for a combined total of \$134 million. WAPA's total debt load, however, tops \$200 million.

And the utility is facing a number of lawsuits as well, a notable mention being one [filed by two current employees](#), which levies damning accusations on the semiautonomous entity, contending that WAPA has lied to the P.S.C.; it has taken retaliatory action against whistleblowers; and has made bad decisions that caused costs to increase 20-40 percent annually.