The Virgin Islands Consortium

Vitol Threatens To Pull Plug On WAPA; Senators To Meet Tuesday To Give Authority $22.9 Million

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Propane tanks arrive at WAPA

WAPA on Wednesday called an emergency meeting with all 15 members of the 33rd Legislature to relay crucial information: Vitol, WAPA's propane supplier which also maintains the equipment for the propane conversion, had threatened to halt all operations by June 30 if WAPA could not come up with a feasible, stable and consistent way to pay its covenants on a monthly basis, according to Senate President Novelle Francis, citing a letter addressed to him by Vitol. Such an action would send the territory dark.

The authority had just been rebuked by the Public Services Commission on June 12, which denied WAPA what amounted to a 9-cent per kilowatt hour rate in crease on its customers, a hike the authority said was needed to meet its financial obligations.

On Wednesday, during the meeting (Senator Kenneth Gittens said he refused to participate as he could not ascertain whether the community had been informed) WAPA expressed urgent need of not only the $22.9 million, which it expects to collect from a $39.5 million Medicaid reimbursement to the territory's medical facilities, but a larger infusion of cash to stave of eventual collapse. A Senate session has been called for Tuesday.

In an interview with The Consortium Friday morning, Mr. Francis said Wednesday's meeting with WAPA was not the first the utility had called to discuss its ongoing financial woes and need for cash. The senator said lawmakers have been adamantly opposed to rate hikes that would result in residents' already high utility bills increasing. And he said mounting pressure from the chambers of commerce was helping shape senators' perspective on the matter.

"We have to minimize the impact of WAPA's financial woes on ratepayers," Mr. Francis said, stressing that the financial wellbeing of the territory's residents was of paramount concern to him and his colleagues.

He said WAPA has been working on a formula aimed at reducing the initial 9-cent per kilowatt hour it had requested. "We're continuing to ensure that we don't see a 9-cent increase," Mr. Francis said. The third-term lawmaker said WAPA actually proposed higher rates if it were not to receive the $22.9 million immediately. "They are saying if they are not able to address their financial needs it could get worse into 2020 and 2021, or force them into darkness," Mr. Francis said.

Mr. Francis said he was extremely frustrated with WAPA, and vowed to subpoena the authority's officials and board members for an investigative hearing in the near future. His reasons are just: WAPA has broken promise after promise relative to relieving residents of the astronomically high utility rates being paid year after year. One of its more egregious sins: the authority entered into a contract with Vitol in July 2013 for propane conversation with a taxpayer-funded budget that jumped from the original $87 million to $150 million in 2016. WAPA had promised lower rates of 30 percent once the conversion was completed, but that promise never materialized, and residents have realized increases over the years in their bills instead of the promised relief.

"I am totally frustrated with WAPA and the fact that they have not been able to live up to their promises, and hence our apprehension," Mr. Francis said, referring to senators' current attitude towards the authority. He said any funding from the Senate would include language that demands changes at WAPA.

In its letter to Mr. Francis, Vitol called for consistent, monthly payments of not less than $2.5 million. Also in the letter, provided to The Consortium by Mr. Francis, Vitol gives a timeline of WAPA's nonpayment, and the course of action the firm intended to take.

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"WAPA is asking for a large infusion of cash. Vitol has written to me in my capacity as Senate president. If there's no fix by June 30, they will be forced to cut WAPA off," Mr. Francis said. He also revealed that the Bryan administration, since March, has been making advance payments to WAPA of $2.6 million, for a total of $7.8 million so far to pay Vitol.

"The executive branch is not satisfied either. Certainly the Senate is not satisfied," Mr. Francis said of WAPA's operations.

Even so, Mr. Francis said both the legislative and executive branches of government are "being held over a barrel," meaning they're currently in a helpless position as it relates to WAPA, as not providing the funding would lead to power outages territory-wide, which would affect the economy and the territory's residents.

WAPA's dilemmas are also manifold. During the June 12 board meeting, the P.S.C. painted a grim picture of the utility'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.

Echoing the P.S.C.'s prediction, Mr. Francis said, "We have large companies that continue to come off the grid and as a result of that the current WAPA ratepayers are held on the hook."

Mr. Francis said WAPA's management and board need to be held accountable, and that the board needed to take appropriate action, or the Senate will have to step in. He said the level of unaccountability at WAPA was unacceptable.

Notably, Mr. Francis said WAPA's current state should not be laid solely at the feet of CEO Lawrence Kupfer, reminding The Consortium that the utility's woes predates the current leader.

"This is not solely Larry Kupfer's fault; he just got there," the senator said.

To the authority's credit, Mr. Francis said WAPA has been taking certain actions aimed at overtime lowering utility rates. He said the authority is still not fully utilizing propane, which he said WAPA has been working towards. And he mentioned new generating units being purchased that are supposed to run more efficiently, which should result in lower rates.

Feature Image: Vitol propane tank arrives at WAPA in October 2014 (Credit: WAPA)