

The Virgin Islands Consortium

WAPA Promised 30 Percent Decrease On Customers' Bills Through Propane. Six Years And Multiple Hikes Later, It Seeks Rate Increase On Customers To Pay Propane Debt.

WAPA / **Published On August 02, 2019 09:54 AM /**

Robert Moore **August 02, 2019**



Propane tanks arrive at WAPA

Calculating fair utility rates is complicated business, for sure.

But there is nothing so complex about what drives the V.I. Water and Power Authority's latest attempt to increase monthly electric rates paid by thousands of the territory's

homeowners and businesses.

It's propane.

In 2013 – a year after the closure of HOVENSA on St. Croix – WAPA contracted with the VITOL Group, one of the world's biggest traders and exporters of natural gas liquids like propane.

WAPA and the privately owned Dutch company struck a deal whereby VITOL would become the territory's primary provider of energy supplies. The agreement promised Virgin Islands residential and business customers 30 percent reductions in their electric bills over the long haul.

Six years later, WAPA is well north of \$100 million in debt to VITOL and other fuel, equipment and operations vendors – and seeking another 3 cents per-kilowatt hour increase to rates that are already among the highest in the nation.

Without the proposed ratepayer bailout, WAPA says it is unable to pay its debts. V.I. Public Services Commission commissioners, during a Wednesday special meeting, blamed WAPA's current woes on mismanagement of the propane project, whose cost was originally \$87 million but after seemingly countless delays had ballooned to \$150 million by 2016. The commissioners chided the authority, telling Mr. Kupfer that leadership change is needed at the authority.

Mr. Kupfer told the commissioners that Virgin Islanders would then face rolling power outages if WAPA's petition was not granted. "Those vendors, we owe over \$100 million," Mr. Kupfer told P.S.C. members.

"VITOL. If they stopped supplying propane, our rates would have to go up from 43 to 49 cents per kilowatt hour because that's what we are currently saving with propane," Mr. Kupfer said.

Despite Mr. Kupfer's testimony, P.S.C. board members voted 5-0 to delay action on the petition until the board's next meeting on Oct. 3rd. As Mr. Kupfer testified Wednesday, dozens of angry WAPA customers protested outside of the P.S.C.'s St. Thomas offices.

Ratepayers shouting anti-WAPA slogans were heard inside the P.S.C. boardroom. Inside, WAPA customers peacefully observed the meeting with signs criticizing the authority in hand.

According to the P.S.C. staff report on the proposed 3-cent rate increase, "WAPA claims that it is working with the governor and will be able to meet the VITOL demand for a \$20 million payment this week, but is requesting the adjustment in base rates to be able to have sufficient cash flow to pay the additional monthly \$1.5 million being requested by VITOL towards the outstanding arrears."

"The proposal can only be viewed as kicking the can down the road. It does nothing to address WAPA liquidity including regular bank overdrafts, a lack of cash reserves, payables to fuel suppliers, vendor payments, pension and ... liabilities and capital needs," the P.S.C. staff report reads.

Mr. Kupfer told P.S.C. members that an increase in the base rate – combined with an equal reduction in the fuel surcharge (the so-called LEAC fee) – would have zero effect on consumers' electric bill. Meanwhile, he said, juggling the rates would enable WAPA to borrow more money to payoff debts to VITOL. P.S.C. commissioners labeled the characterization of the matter as misleading, stating that the "savings" would only last until the end of the year, and that LEAC cost changes with markets, and therefore could go up or down based on trends.

According to the P.S.C. staff report, the demands made by VITOL to continue supplying propane are substantial:

- Immediate payment of \$20 million towards accrued infrastructure costs
- \$2.6M - Infrastructure payments to be made monthly
- \$1.5M additional monthly payment beginning August, to reduce arrears (increased to \$2.5M beginning in January 2020)
- All propane deliveries to be pre-paid until all arrears and interest are paid in full.