

The Virgin Islands Consortium

Op-Ed | WAPA: Where Do We Go From Here?

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Yogi Berra the legendary Yankee catcher once said, “when you get to the fork in the road, take it”.

Like so many of Berra’s offbeat remarks, that one made people laugh ——

The Virgin Islands Water and Power Authority is at a crossroads, and nobody is laughing.

WAPA’s future is hanging in the balance.

The single most important question that must be answered in the upcoming Senate hearing on October 1 is this: Is WAPA beyond the point of solvency on its current

trajectory?

The answer to that question of course dictates the governmental steps required for a favorable outcome to our energy crisis.

According to a June WAPA schedule I reviewed:

WAPA's projected operating loss in 2020 will be \$43.1 million. WAPA's projected total debt service payments are \$32.4 million.

The propane conversion contractor VITOL alone is owed \$97 million in fuel cost, operations and maintenance expenses.

WAPA's long and short-term bond debt schedule exceeds \$500 million. There are other unfunded liabilities I am told, in the hundreds of millions

Is the central government prepared to step in now with a debt restructuring plan to stabilize WAPA? If so what is the plan?

If the VI Government does not or cannot provide adequate operating capital, WAPA could easily fall into receivership unable to pay its vendors.

Involuntary receivership would be a messy outcome and disastrous for the VI economy, rate payers, and our credit ratings.

Another possible option for consideration would be for the Senate to draft legislation signed by the governor to allow for a public-private partnership to be explored, with a goal of energy security, reliability, and affordable power for the benefit of rate payers.

Any future restructuring would undoubtedly need the support of the bondholders and requires careful examination by experts in this highly complex area of energy financing and bond securitization.

Privatization (a public-private partnership) is not a bad word; it does not necessarily mean job loss for the approximately 600 employees of WAPA, and it does not have to be a career-ending move for elected officials -- if approached sensibly with community approval and support -- WAPA included.

The website [FEMA.ORG](https://www.fema.org) has a section under statutory and regulatory requirements for an entity seeking federal aid stating that the applicant must be able to provide satisfactory IRS evidence that it is a nonprofit organization. Thus a for-profit run utility will not be eligible for FEMA recovery.

Given this fact, it might make sense to divide WAPA into two entities. One private and one public, and owned by the Virgin Islands Government, which would continue its FEMA eligibility in future weather disasters.

Hypothetically, if WAPA was split into two it could transfer a large portion of its workforce to a company whose primary function would be power transmission, pole and line maintenance, meter reading, billing, installation and maintenance of emerging wind and solar assets, and customer service and administration.

A private partner company could operate the plant and be solely responsible for power generation. This company would need to insure its plant and equipment through Lloyd's of London or a similar syndicate since it will not be eligible for FEMA monies.

To protect the WAPA employees in the private entity, the privatization legislation could provide that any sale of the plant assets must guarantee and be conditional upon the protection of the current jobs required to run the plant. Any adjustment to staff levels could be done through normal attrition, retirement, or early retirement incentives.

A for-profit company is of course run for maximum profit. How then do we protect the rate payers from investors or a company whose sole overarching goal is financial return since they would control the generating plant in a monopoly market?

The Public Service Commission (PSC) is the gate keeper. Currently the PSC only has regulatory authority over rates. It can say yes or it can say no. However it cannot hold WAPA accountable for decisions its board or management make, or with respect to its day-to-day operational decisions, the debt it acquires, or if a project goes over budget like the VITOL propane conversion project.

Any privatization legislation will likely require an expansion of the regulatory authority of the PSC specifically with respect to a private entity that owns the power generation plant. The goal would be to ensure compliance as a gate keeper and defender of consumer protection rights, and a staunch advocate for the rate payer.

PSC members need to be qualified, non-political appointees with energy and financial experience as would board members in any new government-controlled entity.

Governor Bryan, the 33rd Senate body, and the Water and Power Authority have arrived at the fork in the road.

It is time for our elected officials to take the fork in the road seeking the best possible outcome for WAPA and the people of the Virgin Islands.

Energy security and affordability is transformational. It will bring healing, hope, and renewed prosperity to our community and is achievable now with political leadership.

Submitted by: **Filippo Cassinelli**