

# The Virgin Islands Consortium

## National Press: WAPA Meltdown Echoes What Happened to Puerto Rico's Bankrupt Power Provider

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Robert Moore **October 05, 2019**



The Virgin Islands Water and Power Authority is facing an existential crisis. The government-run power company is spiraling into insolvency while the territory itself struggles to recover from two catastrophic hurricanes. WAPA, which is flat-lining under more than \$1.2 billion in institutional and other debts, according to testimony given in March by WAPA Executive Director Lawrence Kupfer, saw its senior bonds downgraded last month by Moody's Investors Service to eight steps below investment grade. That means Wall Street sees a high likelihood the utility will default.

"That's the situation in the U.S. Virgin Islands, where the power agency is contending with a financial squeeze that echoes what happened in Puerto Rico in the run up to that

government's record-setting bankruptcy," according to the Bloomberg business publication on Tuesday, October 1<sup>st</sup>.

Later that day, the mad squabbles between WAPA and just about every ratepayer and public officials in the territory spilled over. Virgin Islands senators grilled WAPA executives for more than 12 hours during a Committee of the Whole investigative hearing as a handful of anti-WAPA protestors chanted outside.

WAPA is under an intense public microscope as island-wide power outages were a near-daily occurrence much of the summer on St. Thomas/ St. John, and a little less frequently, on St. Croix. Meanwhile, Virgin Islanders pay one of the highest utility rates – 43 cents per-kilowatt-hour. And the rate could go even higher.

The Senate session this week set the stage for a VI Public Services Commission hearing two days later.

Members of the PSC on Thursday questioned WAPA's financial management capabilities, [then declined](#) for the second straight hearing to vote on the power authority's request for a 3 cents per-kilowatt-hour increase in the base utility rate paid by homeowners and businesses.

"You went to the Legislature the other day and you got brutalized because of power outages and your rates being so high," said PSC member Andrew Rutnick. Quite simply, "... you have a bad track record when it comes to managing things," Mr. Rutnick said.

At home, Virgin Islanders deal day-to-day with the high rates and routine power outages. Outside of the territory, it's not a good look either.

- The VI Delegate to Congress, Stacey Plaskett, wrote to Gov. Albert Bryan and Sen. President Novelle Francis urging an energy State of Emergency in the territory be declared. An emergency declaration, she said, would open the doors to additional federal financial and subject-matter expertise.
- Consumer advocates are circulating a petition calling on lawmakers to impose stricter oversight.

Mr. Bryan has been one of the few influential officials to publicly stand behind WAPA.

"Baseless" public criticism of WAPA hurts the territory's attempts to attract economic investors, the governor said. "We have had several investors come to the table. And every single time someone opens their mouth to make a disparaging comment about WAPA, we start over again. ... that's making it more difficult."

According to Bloomberg earlier this week, "The (WAPA) saga resembles a small-scale repeat of what happened to the [Puerto Rico Electric Power Authority](#), which went bankrupt in 2017." The story goes on to report that the risk of WAPA defaulting on substantial debt has increased due to the authority's "unsustainable capital structure with very tight liquidity, high debt load including a substantial unfunded pension liability, the increased frequency of power outages, reducing the reliability of the electric system, high electric rates, and chronic challenges facing the economy."

In Ms. Plaskett's letter to Mr. Bryan and Mr. Francis, she pointed out that federal intervention may be necessary to save WAPA from "duress by several of its vendors/creditors."

James Spiotto, an expert in municipal bankruptcies, said Congress would have to act to allow WAPA to go through a type of bankruptcy process being used by Puerto Rico to restructure its debts, according to Bloomberg.

If there's a default, bondholders could also move to appoint a receiver and work on a recovery plan for WAPA, Spiotto told Bloomberg.

Despite the noise, Mr. Bryan said at a weekly press briefing that he has bought-in to WAPA's internal recovery plan. "Unequivocally, I can say that we are able to keep WAPA solvent without any outside interests, without any type of restructuring in terms of bankruptcy or insolvency," the territory's leader said.