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PSC Decreases LEAC, Allows Generation Surcharge to Expire, and Delays Base Rate Increase Request Action

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Aerial shot of WAPA on St. Croix. **By. Ernice Gilbert for the Virgin Islands Consortium.**

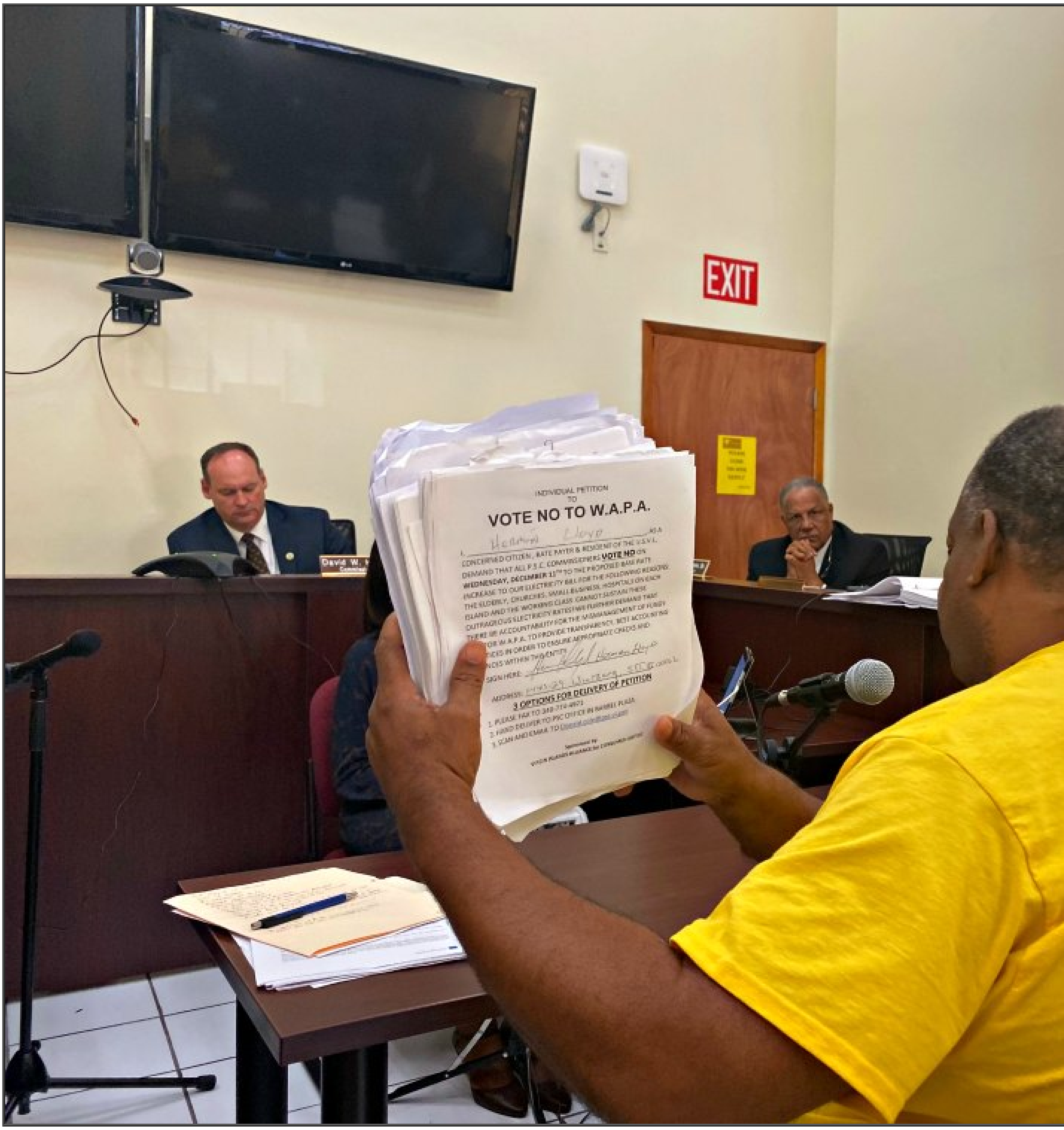
Heeding the pleas of thousands of Water and Power Authority customers, the V.I. Public Services Commission (PSC) dealt WAPA a major – and somewhat unexpected – setback on Thursday.

In a series of 4-0 votes, PSC members pumped the brakes on the base utility rate increase WAPA had desperately sought to stave off potential insolvency and pay down crushing debts.

At the same time, the Commission reduced the so-called LEAC – a roundly despised fuel charge that shows up on residential and business electric bills each month. And, going a step further, the PSC opted to allow expiration of a propane generator surcharge that added another 3-cents per kilowatt-hour to customer bills.

“There are substantial issues that need to be addressed here,” said PSC Chairman David W. Hughes. The Commission’s first act of the day Thursday was to elect Mr. Hughes as Commission chairman and front man in the most consequential PSC vote this year.

While the rate increase was shelved for now, the matter is highly likely to resurface in the early months of 2020. WAPA or others who back the idea have 30 days to appeal the PSC action, setting off another arduous round of public debate over high utility costs, and the financial waste and mismanagement that has plagued WAPA for a generation or more.



“We are at the start of a process. … There should not be any expectation among my fellow commissioners that we're going to act on this recommendation today,” Mr. Hughes said.

The Levelized Energy Adjustment Clause (LEAC) rate decreases from 19.25 cents per-kilowatt hour to 16.39 cents per kilowatt-hour. That is a 15% reduction in the LEAC, the largest portion of monthly electric bills. LEAC is, basically, a formula for projecting the cost of the diesel fuel or liquid propane that WAPA will use over the next six months. If fuel costs worldwide increase, the LEAC rate will surely rise with it six months from now.

The LEAC change amounts to a reduction of 2.86 cents for every kilowatt-hours of electricity a home uses. That is a 6 percent reduction in the total residential rate.

Every penny saved matters for many Virgin Islanders. Margaret Price of St. Thomas recalled when she left island in late summer 2017 to visit her 96-year-old mother. Then Irma and Maria struck. When she was finally able to get a flight back home months later, her house was unlivable. “Totally destroyed,” she sobbed. “I have nothing in there now but a bed and refrigerator… and a stove.”

Yet, Ms. Price was handed a $3,998 electricity bill from WAPA. Despite obvious errors, Ms. Price said she was told by WAPA that she should be placed on a payment plan or pay the entire bill at once. She continues to fight to resolve bill.

“Every single one of us know hundreds in our community that are in her predicament,” said Clarence Payne, president of the V.I. Alliance for Consumer Justice, an advocacy group established to protest the proposed rate increase. “Her tears are not fake … This lady has been suffering for two years. Two years.”

Mr. Payne spoke for the more than 7,000 residents who signed petitions over the past six months opposing the proposed rate changes. He presented the Commission with another 1,500 signatures on Thursday.

“WAPA’s financial and operational problems will not be solved by simply throwing more money at the issues,” Mr. Payne said, paraphrasing a Government House report written a year ago.

The business community made its opinions known, as well. Earlier this week the St. Croix Chamber of Commerce came out in opposition to rate increases.

“The private sector is unable to withstand any further rate increase and while we understand the dire financial situation of WAPA, we do not sympathize nor tolerate their inept ability to be fiscally responsible. If WAPA can’t operate without a bailout, we call on the Government of the Virgin Islands to find an alternative solution that will not hinder the economic progress of the territory” said Ryan Nelthropp, chairman of the board.

Kupfer's Very Bad Day

By most accounts, WAPA can lay a far amount of Thursday’s bad news on its own Chief Executive, Lawrence Kupfer, whose conflicting public comments and shifting objectives left the PSC little time for the PSC to sort matters out.

WAPA initially asked the Commission to approve the increase earlier this year. As the public outcry grew, Mr. Kupfer revised the rate request multiple times, wavering between imposing a “nominal increase” in monthly bills to a rate adjustment that would have “no impact” whatsoever on customers.

PSC Hearing Examiner Kye Walker recommended in a report to the Commission that the base rate be increased only if “automatic” decreases down the line could be imposed. Her report, however, was so delayed by WAPA’s public statements and “inconsistent” filings that Commission members were unable to read and digest the report before Thursday’s hearing.

PSC staff and consultants were also highly critical of WAPA in written reports to the Commission. “In a break with the normal protocol for filing a LEAC, WAPA has petitioned the Commission to consider three different options that it has presented for the upcoming LEAC rate. It is not immediately clear which of the three options WAPA is petitioning the Commission to adopt,” a December 9th report by the Georgetown Consulting Group Inc. and the PSC technical staff read.

In a brief remark to the Consortium Thursday afternoon, Mr. Kupfer said WAPA had always backed the idea of reducing the LEAC charge. Standing outside of the PSC hearing room, Mr. Kupfer told the Consortium he would comment at the end of the meeting.

Moments later, a Consortium reporter spotted Mr. Kupfer zooming his two-door white Jeep out of the Barbel Plaza parking lot.

WAPA said the proposed base rate increase was a necessary component of refinancing suffocating debt owed to the Dutch company VITOL, which supplies the liquid propane fuel used by WAPA to generate a portion of electricity at its power plants in St. Thomas and St. Croix.

Political Capital Spent

Gov. Albert Bryan took a big political risk earlier this month by publicly backing the WAPA rate change plan. Mr. Bryan said, openly, that he backed the “rate adjustments” because they were the best way to get WAPA back into the best position to refinance

He has come under intense scrutiny for his stance.

Nevertheless, Mr. Bryan understands the fury and frustration of ratepayers, said Government House Communications Director Richard Motta.

"The governor supported the reduction of LEAC and expiration of lease generation surcharge because he understands as a ratepayer the frustrations people are feeling.” In the end, he said, “We understand that the decisions made today are part of the process.”

Mr. Bryan, however, supported the LEAC decrease to go along with the base rate increase. He did not get what he wanted. And after the PSC allowed the surcharge to expire come Dec. 31, 2019, a WAPA executive asked for a moment to speak. Coming to the mic, she pleaded with PSC commissioners to restore the lease generation surcharge because she said WAPA needed the funds to pay Aggreko, which provides generation capacity to St. Croix. The PSC refused.

"Mam I appreciate that and there's a process for that reconsideration," Mr. Hughes said.

It wouldn't be Thursday. WAPA would have to wait.