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At WAPA Board Meeting, Concerns About Approving \$1.8 Million Project Cost Increase Without Reimbursement Assurance From FEMA

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Workers excavate portions of the Container Port Road on St. Croix early Oct. 2021 as part of a WAPA undergrounding project. J. Benton Construction, LLC is the lead contractor. By. ERNICE GILBERT/ VI CONSORTIUM

The V.I. Water and Power Authority governing board on Thursday fiercely debated whether to approve a \$1.8 million increase in the Container Port undergrounding project to facilitate changes to the scope of work and increased labor and material costs. These costs were incurred between the time bids were submitted and notices to proceed were issued.

Also increasing the overall cost of the project are some changes to secondary service requirements of some customers, according to the authority. These changes required additional equipment such as transformers and duct bank runs.

But the project is funded through the Federal Emergency Management Agency, which as of Thursday had not provided the funding for the change order.

Vernon Alexander, WAPA project management director, said the funding from FEMA is something that has been discussed and documented. "We just haven't gotten that final written document from FEMA that says 'yes, it is something in O.D.R. [Office of Disaster Recovery], it is something at the VITEMA level.' We just haven't received the document so we need to proceed in order to capture the remainder of the work so that the project can proceed." In essence, Mr. Alexander said while a final written document had not been furnished by FEMA, it has been documented that the federal agency has placed on record its commitment to fund the increase.

The Container Port undergrounding project is being developed by J. Benton Construction, LLC.

Board member and Property and Procurement commissioner, Anthony Thomas, whose department manages the government's procurement transactions, was the lead voice during the Thursday meeting on what he said was a problem in the way the local government operates. He called on O.D.R. and FEMA to move expeditiously in furthering the release of critical funding.

"I think that we have to push on everybody," he said. "The project is important to the people of the Virgin Islands, but we have to demand that the funding be approved because we [WAPA] don't have access to that type of funding. And for me, I think O.D.R. needs to be pushed on and WAPA needs to tell them that they're holding up the project. And every vendor needs to complain that with FEMA's slow action it has a trickle-down effect that affects everyone in the process."

"Once you recognize that there is a need for this expenditure, it has to have a quicker process, and nobody should be giving you a word-of-mouth because you can't trust it. Because once it's not in writing and it hasn't gone up the chain, it has not been approved. And we have to stop that practice in the territory..."

"Over and over this type of process has crippled us because we don't know what to believe. The only thing to believe is what's in writing, what's approved," Mr. Thomas said. He then asked Debra Gottlieb, WAPA interim chief financial officer, whether WAPA had the funds to cover the \$1.8 million increase, to which Ms. Gottlieb responded, "No, the authority does not have the resources to do this without the financial assistance from FEMA and their commitment to fund this project."

Mr. Alexander reiterated that while a final, written approval for the \$1.8 million from FEMA had not been received, there's documentation that speaks to FEMA's commitment. He said WAPA needed the board's approval to move forward with the work as much damage has been done to the Container Port Road as part of the undergrounding project.

"At this point we are at a stage in the project where we have excavated a significant length of the road and it needs to be returned to proper condition," Mr. Alexander said. "And we cannot return the road to its original condition, which is to pave half of the road or lane that is disturbed without the funding."

The WAPA board approved the request based on Mr. Alexander's assurance that FEMA would fund the cost increase.

St. John undergrounding project costs have increased as well

According to WAPA head of communications Jean Greaux, on St. John, the electrical underground project, from Mongoose Junction through Cruz Bay towards Frank Bay, required a 240-day extension and a \$448,910 cost increase associated with a new project schedule.

Board members were told that several circumstances have had a profound effect on the project including archaeological discoveries, additional civil work, and a delay in receiving easements and other clearances required for the project to proceed. The contract was further amended to include a change in the scope of work as it relates to the roadway restoration and resurfacing along portions of the project path. The additional changes require a thirty-day contract extension and a cost increase of \$1.8 million. FEMA, which is funding 90% of the project cost, has authorized the work scope changes and increased costs.

These projects involve the replacement of overhead electrical equipment with underground facilities making them less prone to the effects of weather-related events. The underground equipment also provides for a more timely and efficient restoration of service following hurricanes or less severe windstorms.

In other action, the board approved:

- A contract to establish a master service agreement for air pollution consulting and engineering services. The pact with Arcadis extends over a two-year period, through December 2023, at a cost of \$200,000.
- Modifications to an existing contract with American Wire Group to allow for more flexibility in the acquisition of materials and equipment.
- A change in work scope and the implementation of an updated rate sheet on an existing contract with Haugland Energy for the removal and disposal of transformer oil.
- Authorization for the interim executive director to negotiate and execute contracts with On Site Environmental Inc. and Grace Civil, LLC for various stages of the demolition of existing and construction of a new firewater pump house at the Randolph Harley Power Plant on St. Thomas. A replacement firewater pump house facility is required to facilitate installation of the newly purchased 36-megawatt power generating plant.
- Authorization for the interim executive director to extend an existing contract with Sustainable Capital Advisors, LLC through February 28, 2022. The three-month \$60,000 extension increases the overall contract total to \$920,000 plus reasonable expenses and transaction fees.

In an abbreviated meeting on October 28, the board authorized five-year bond anticipation notes (BANs) to cover the remaining acquisition costs, including maintenance and accrued interest of the Wartsila propane fired generators at the Randolph Harley Power Plant. The units have been in operation powering the St. Thomas - St. John district since June 2019. The funding will also address installation costs related to leased Aggreko units at the Estate Richmond Power Plant on St. Croix. The board was told that by the end of five years, the notes can be refunded as the Authority obtains long-term financing. BAN proceeds will also fund a debt service reserve and cover issuance costs of the 2021 electric system revenue notes. The bond anticipation notes will be secured by fuel tax revenue.

The board also approved the extension of credit lines with First Bank and Popular. The lines, and other credit facilities, which expired on October 31, were extended to January 31, 2022. They total

\$18 million with First Bank and \$21 million with Popular.

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