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As WAPA Lags Behind, PSC Considering Issuing RFPs to Transform Territory's Electric Systems to Renewable Energy Backup

WAPA / **Published On November 17, 2021 06:30 AM /**

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Dawn of new renewable energy technologies: modern, aesthetic and efficient dark solar panel panels, a modular battery energy storage system and a wind turbine system in warm light. Imagined through 3D rendering. By. GETTY IMAGES

The Public Services Commission on Friday conveyed its frustration with the V.I. Water and Power Authority's slow pace in moving the territory away from traditional power plant electric generation with fossil fuel to the increasingly cost-effective renewable energy backup such as solar.

WAPA Interim CEO Noel Hodge turned over questioning on the matter to Vernon Alexander, director of project management at WAPA, who spoke of ongoing land acquisition efforts for solar farms on St. Croix.

One pending project whose timeline was not discussed includes a solar plant on land across the Agricultural Fair Grounds on St. Croix that would produce 18 megawatts of solar and 18 megawatts of storage, according to Mr. Alexander. He said the National Renewable Energy Laboratory, or NREL has been providing guidance to the authority. NREL specializes in the research and development of renewable energy, energy efficiency, energy systems integration, and sustainable transportation. It also partners with industry, government agencies, and research and nonprofit organizations to accelerate the transition of renewable energy and energy efficiency technologies to the marketplace.

PSC Chairman David Hughes expressed frustration that while other jurisdictions were moving quickly with integration of renewable forms of energy, the territory continues to lag behind, and even when it goes into agreements to install solar farms, the kilowatt per hour usage ends up being much higher than industry standards, providing little relief to customers.

Mr. Hughes spoke of the Hawaii island of Kauai, which has transitioned to nearly 100 percent renewable backup. "They used to have the highest rates, exceeding our own for power, and now they are down almost in the category where they can compete with places like California and other states and jurisdictions," Mr. Hughes said during the Friday PSC meeting.

He added, "It's been a remarkable transition for Hawaii and it's an excellent model for the Virgin Islands because it's a very similar situation — the high cost of fuel to be transported in, and the reliability issues and the weather issues that they sustained. That project was completed in 2012; I would challenge the idea that this is new technology at this point. The state of California has actually required that storage and PV replace new gas turbine generation for baseload generation, so this is getting to be settled technology and the availability of batteries notwithstanding, I think it is something that we could certainly implement here quickly."

Baseload generation is the minimum level of demand on an electrical grid over a span of time.

Mr. Alexander said financing such efforts would be difficult. "If we could find someone who could finance this project and try to have it expedited we would definitely welcome that offer," he said.

Mr. Hughes pointed to NextEra Energy, located in Florida. "They call me all the time asking for entry to this market. This is a very small project for them, but an RFP could be issued tomorrow for solar and storage in the Virgin Islands at grid-scale stateside rates."

The PSC chairman then honed in the commission's frustration. "I guess the reason that this item is on our agenda today is we don't understand why that hasn't happened," he said Friday. "We don't understand why we pay 17 cents for power that's generated in the Virgin Islands by the sun and in Florida they pay 3.5 cents. We both have hurricanes; shipping is just not that expensive — most of the stuff is coming from overseas anyway. Why are we not issuing an RFP to the commercial markets for some of these projects? They are turnkey projects; there's nothing about them other than the real estate acquisition that is local. Why aren't we doing that? Why shouldn't the PSC do that if [WAPA] chooses not to?"

Mr. Alexander responded, "As I said we welcome every type of involvement that would help expedite this project. However, to go back to your question about the cost, when the individuals

come to you and you approve and you enter into negotiations, a number of them want to hit the home run. All of them want to go at the cost the authority sells its power for." Giving an example, Mr. Vernon said, "They look at our price and say, 'Oh it's 41 cents [per kilowatt hour] therefore we can sell it to you for 27 cents.'"

"They always want to go at a point higher than we are at or slightly higher than the avoided cost. And even if they go down below the avoided cost it's something that is still too close to what we would like to entertain," Mr. Alexander added.

Avoided cost is the incremental cost that is not incurred when the additional output is not produced. For example, the term can refer to the cost avoided by an electric utility when another service option exists, in this case solar.

Mr. Vernon said this is where the PSC could step in and demand better rates. Mr. Hughes said WAPA needs to stop negotiating renewable energy prices at or below avoided cost. "Because we set a bar that is so much higher than what the known industry cost per kilowatt or megawatt of these projects is everywhere else but the Virgin Islands, apparently.

"I think we should consider — and we'd love to work with you guys on this — putting a general RFP out for a series of these projects without putting a price on it, and without putting an expectation. In fact, the expectation should be that these projects will be brought in at rates similar to those rates which you might experience in other hurricane-prone locations.

"We are no different than the flat lands of Florida or Upstate New York — these projects are going in everywhere. They're going in at PV-only, 3 to 3.5 cents [per kilowatt hour.] They now are lowering cost per output than fossil fuel generation. They have actually exceeded in becoming a cheaper alternative to power plants."

Mr. Hughes said the territory always seem to end up paying a premium for these projects. "I believe it's because we tend to deal with individual bidders; we don't go and do an open bid process for these things."

He added, "This is a commodity, Mr. Alexander, we should treat it like it's a commodity, and we should expect commodity pricing."

Mr. Hughes said the PSC would like to put together quickly some RFPs and put the bids out. When asked whether WAPA would be interested, Mr. Alexander said, "We don't have an aversion to what you're saying."

The talk of transition to renewable energy came during the same meeting that WAPA sought increases to LEAC fuel charges that would have skyrocketed the territory's already extremely high kilowatt per hour usage to [above 50 cents](#). The PSC refused the requests, but WAPA is expected to return before the year ends.