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PSC Grants WAPA Base Rate Increase Expected to Generate \$30 Million; Commission Recommends Removal of Member for Alleged Slander

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Aerial shot of WAPA's power plant on St. Croix By. ERNICE GILBERT/VICONSORTIUM

After a year of debate and unified public opposition, the Public Services Commission on Thursday voted to grant WAPA the base rate increase that it had long sought, which will result in \$29,733,687 the authority says will be used to refinance its debt load. The 5.8 cents per kilowatt-hour in the permanent base utility rate, coupled with an “immediate offset” of 3.08 cents when the so-called Leased Generator surcharge paid by WAPA’s customers each month expires, and the additional promise of a future 2.57 cents reduction in the fuel charge, known as the LEAC fee, would mean little change to customers' power bill, both WAPA and Governor Albert Bryan have argued.

The base rate increase comes after a year of protests by residents of the Virgin Islands, many of whom have lost trust in the authority's ability to keep its promises. In the past, WAPA has sought base rate increases from the PSC with a specific purpose, only to use the funds elsewhere at the authority.

On Dec. 12, the PSC took action in favor of the consumer: it lowered the LEAC, allowed a surcharge to expire, and did not grant WAPA the base rate increase the authority had sought. But following WAPA's failure to make a payment to propane supplier Vitol, which caused the Dutch commodity company to halt the delivery of propane to WAPA — a move that forced the authority to revert to the more expensive No. 2 diesel fuel — the PSC [eventually reinstated the surcharge](#), even though WAPA's failure to meet its monthly obligation at the time was not tied to the PSC's action.

The Senate on December 27 voted to approve \$6 million in payments to Vitol owed by WAPA, which was supposed to be remitted to the firm by Dec. 31. WAPA and the Bryan administration contended that if the funds were not approved, rates would skyrocket to 57 cents per kilowatt hour with the use of No. 2 diesel fuel.

While senators approved the \$6 million, WAPA's chaotic financial management practices were on full display during the Committee of the Whole hearing, frustrating lawmakers who sought clear and consistent information about WAPA's monthly revenue, expenditures, and virtually incomprehensible billing practices.

“Are you doing monthly cash-flow statements?” Sen. Donna Frett-Gregory asked of WAPA executives providing testimony to the Senate Committee of the Whole. “Are you even doing monthly financials?”

Sen. Janelle Sarauw said the authority does a woeful job of explaining to ratepayers how WAPA actually spends public money. “Where is the accountability for the consumer? What is the plan?”

“It is tough to give in to WAPA and its every request,” said Sen. Athneil Thomas.

Senate President Novelle Francis said he was ready for a bill that would give the PSC regulatory responsibility over WAPA, and not just the commission's current authority to only adjust rates. “WAPA has not been accountable to the people of the Virgin Islands,” Mr. Francis said, contending that the financials WAPA presented Friday — and at other hearings — were deliberately confusing.

The base rate increase was essentially what Kye Walker, the hearing examiner, [recommended in December](#). According to the examiner's final report, the PSC should order an “automatic” reduction in the base utility rate down the line, when the Water and Power Authority provides evidence it has favorably refinanced its massive operating debts.

WAPA has argued that increasing the base rate paid by homeowners and businesses will cast the authority in a better light on Wall Street as the Authority attempts to refinance longstanding debts to VITOL, the Dutch company that provides liquid propane fuel powering WAPA's generators, and other creditors.

“The Commission should also order the automatic downward adjustment of the base rate be triggered by any future increase to the LEAC such that ratepayers would not experience an increase in their overall bill,” Ms. Walker recommended. “... The use of an automatic rate adjustment in this manner would provide an incentive to the Authority to deliver on the promises

of refinanced debt and reduction in generation costs ...”

"For the reasons stated above, the Hearing Examiner recommends the Commission approve the Authority's most recently revised request for a base rate increase of \$29,733,687.00, which increase would be tied to a corresponding reduction in the LEAC and having a zero impact on the current overall rates charged to consumers." Ms. Walker wrote.

Ms. Walker told commissioners that it was “difficult, nearly impossible for the hearing examiner to conduct an appropriate investigation” because of WAPA’s “inconsistency in the methodologies” used to arrive at its proposed rate changes.

“That the Authority further revised its proposed base rate increase after evidentiary hearings were conducted further complicates the work of both the Hearing Examiner and the Commission to determine whether rates are just and reasonable and deprived the public of the opportunity to express its opinion regarding a base rate increase that would result in zero impact to consumer bills,” she wrote.

Nonetheless, Ms. Walker said the “emergency nature” of base rate increase and overwhelming testimony of ratepayers opposed to any increase in their monthly bill leaves her with sufficient information to make her recommendation.

Along with approving the base rate increase, the PSC also voted to censor commission member Johann Clendenin for what members said were slanderous comments against the commission Mr. Clendenin allegedly made to the media in December. Commission members also recommended his removal to Mr. Bryan.