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WAPA Says It Has No Plans to Raise Rates by 39 Percent, But Acknowledges it Cannot Survive its Current State Without Cutting Costs or Raising Prices

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Ernice Gilbert **June 08, 2022**

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Aerial shot of the V.I. Water and Power Authority Richmond Plant. By. ERNICE GILBERT/ V.I. CONSORTIUM

The V.I. Water and Power Authority issued a detailed statement Wednesday in response to a widely shared St. Croix Avis article that says the authority hopes to raise utility rates by 39 percent. WAPA categorically denied this particular claim, but it acknowledged that it would not be able to survive its current trajectory, where the cost to provide a service is more than the charge for the service itself, without making changes.

On the portion of the article that says the authority in a strategic plan posted on its website intends to raise utility rates by 39 percent, WAPA CEO Andrew Smith said, "Nowhere in the strategic plan posted on the Authority's website is a rate increase discussed. I have never made the statement, in public or in private, that the Authority intends to increase rates by 39%. What the strategic plan posted on our website outlines, and I have repeated in my public and private comments, is that our current cost of serving our customers is 39% higher than the rate we charge our customers. That does not mean that there is an intent to increase rates by 39%. The Water and Power Authority has been absorbing those increased costs and protecting our customers from our high cost of serving our customers. This is partially being made possible by strategic assistance from the Government of the Virgin Islands that helps to offset the current high cost of fuel."

Mr. Smith said he was taken out of context in the article when the paper said he is seeking to raise revenues for WAPA. "What I have said publicly and privately is that the Water and Power Authority is seeking to raise revenues by pursuing new lines of business," he said. "For example, I have discussed an additional standpipe where water haulers can load their water trucks and pay us for the water they take. I have also discussed adding electric vehicle charging stations, which would be another source of revenue because customers would pay us to charge their electric vehicles. These sources of revenue would not be in the rates we charge customers. These revenues would come from us charging the water-haulers and the electric vehicle chargers directly."

Regarding a portion of the article stating that under Mr. Smith's plan the cost of electricity per kilowatt hour could climb from \$0.47 to \$0.57, the new WAPA CEO responded, "Nowhere in the strategic plan posted on the Authority's website is there a statement that says rates could go as high as \$0.57 per kWh. I have never made the statement, in public or in private, that rates could go as high as \$0.57 per kWh. What the strategic plan posted on our website outlines, and I have repeated in my public and private comments, is that fact that our current cost to serve our customers is \$0.57 per kWh."

Yet while Mr. Smith sought to dismantle much of what was stated in the article, he admitted that WAPA's current state of operations could not continue, as it represents an existential threat for the utility.

"It currently costs the Authority \$0.57 per kWh to provide electricity to its customers. Our regulatory rate is \$0.41 per kWh. This is disclosed in the strategic plan posted on our website and I have talked extensively about this fact publicly and in private. It is true that no company can survive if it costs the company more to make its product than it can charge its customer for its product," Mr. Smith said.

The CEO offered two ways in which the problem can be addressed: raising prices or cutting costs.

"The strategic plan outlines an action plan over the next 12 months focused entirely on point #2 – cutting costs. It does not contemplate a rate increase," he said.