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WAPA Making Steps to Actualize Bryan's Vision of an All Solar St. Croix; PSC Approves Fuel Surcharge Extension

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Kayra Williams **September 29, 2022**

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A solar farm in a Nevada desert. By. GETTY IMAGES

A team from the V.I. Water and Power Authority including CEO Andrew Smith, Chief Operating Officer Micheal Sharp and Chief Financial Officer Jacob Lewis this week appeared before the Public Services Commission with a presentation on solar renewables and to discuss an extension of WAPA's existing fuel surcharge.

The solar discussion was first on the agenda and the WAPA team shared a report on increasing solar and storage capacity, which corresponded to a dialogue the PSC had with WAPA about accelerating the adoption of renewables, particularly on the island of St. Croix.

The urgency to transform St. Croix into a renewable energy-powered island through solar was brought to the fore in March, when Governor Albert Bryan said he hoped to [get the process moving posthaste](#).

"We want to put St. Croix 100 percent solar and put as much solar as we can in as quickly as possible. If we have one island that's burning the least amount of fuel possible that's a huge solution for us," the governor said.

On Monday, Mr. Smith provided the PSC with more information on the current stage of that effort. "We're focused on St. Croix initially simply because the landmass is more accommodating to a large scale solar project," said Mr. Smith. "That does not mean we're not looking at St. Thomas and St. John as well... Even though the assets will be on St. Croix, I'm sure as everyone knows our rate is a territory-wide rate, so it doesn't physically matter where the assets are. It's the energy savings accrued to all our customers in the community."

He added, "We look to execute this under a Power Purchase Agreement, or a PPA. The authority will not build, own or operate the system. We will look to third-party experts who know how to do this and do it all over the world to put a system in place for us that's highly functional."

The territory has waited a long time, according to PSC board members, to get to the point of adopting solar. WAPA representatives outlined possible contractors during their presentation to assist in carrying out the plan.

PSC Commissioner, Senator Genevieve Whitaker had questions regarding the procurement process. Aside from the business opportunities page on WAPA's website, Ms. Whitaker believed there should be a simple procedure with clear means for individuals to make contact and get involved in the process.

PSC Chairman David Hughes noted that the solar procurement process had seen the "absolute broadest participation of any procurement activity I've ever seen the utility do."

Four major national participants had shared guidance and made offers, while three local participants had chosen to participate as well.

After WAPA's solar status report, Hughes noted that he was looking forward to the utility coming back in mid-October to propose a final power purchase agreement for this phase of solar development in the territory.

Regarding the fuel surcharge extension, WAPA made a filing to extend the current rate in the territory for a further 3 months prior to the required January 1st, 2023 filing.

After reviewing the current rates, PSC Consultant Larry Gawlik of Georgetown Consulting Group determined that WAPA was not over-collecting for fuel costs. The consultant recommended an extension of the rate.

Responding to questions from PSC Commissioner Pedro Williams at Monday's meeting regarding WAPA's intentions on rate increases, Mr. Smith, the WAPA CEO said the authority did not plan to file for deferred fuel once the extension expires, though Mr. Hughes noted that the authority had the right to do so.

Smith's response to the question from Pedro was that he could not predict the future.

"If that fuel support is withdrawn, I will be faced with running out of cash where prices are today. Now, obviously if prices go way down, that is a different equation... if prices go way up and I don't have that support, I have no other choice than to stop buying fuel... we'll have rolling black outs, and bad things happen. The last thing I intend to do is come back and ask for any change in rate, but, if you're asking me can I guarantee to you 100 percent that there is no scenario where that can happen, that would be inaccurate to say that."

WAPA Chief Financial Officer Jacob Lewis noted that WAPA has received \$24 million for fuel support from the central government since March 18.

After significant debate, the fuel surcharge rate was extended for 90 days through December 31, 2022. At the end of the discussion, Hughes reiterated how crucial it was to the PSC that WAPA and its consultant reach an agreement on future rates before the next meeting in October.

Savings to be Realized Following Transition to Solar

During an interview with the Consortium on Aug. 1, pinning Mr. Smith down on providing a number relative to the savings that ratepayers would realize once the transition to solar on St. Croix was completed, was near impossible. Mr. Smith decided not to provide a set amount, telling the Consortium that he had not done the math.

He said the authority is expecting to pay 10 cents per kilowatt hour from the company that is eventually chosen to create the solar farm on St. Croix, but that there are other factors that influence the final cost to consumers.

"There's a blend in there; we'll still have some fossil fuel on St. Thomas and so the Levelized Energy Adjustment Clause (LEAC) won't go to 10 cents — a portion of it will be a little more because it's still fossil, but blending in that 10 cents brings the rate way down," he said.

Pressed by this reporter for an estimate on savings, the CEO said, "I haven't done that math, and let me explain to you why. I haven't done that math yet because I'm so focused on 1), [not running out of cash](#), and 2), executing on the steps. If we get the cheapest solar, we get the cheapest replacement efficient generation, all of those things will drop the LEAC down," he said.

Speaking of the LEAC specifically, it would drop from 22 cents per kilowatt hour to somewhere "in the high teens," the CEO said. The other expense that carries the total per kilowatt usage for residential customers to 41 cents, is the 18.6 cents Base Rate. This charge covers payroll, operations, vehicles and other expenses. The Base Rate will not be affected by the move to solar; only major, structural and operational changes at the authority would impact it, which Mr. Smith said is already happening.

"We've already taken steps to get that cost down," Mr. Smith said. He mentioned [the purchase of Unit 27](#) on St. Thomas, which he said saves WAPA \$8 million annually in lease expenses, hence reducing the Base Rate. He also spoke about the refinancing of a debt maturity that reduces costs further by \$3.5 million annually. A U.S. Dept. of Interior grant eliminates another \$700,000 for an employee development program that would have otherwise been paid for by the authority.

"More to go, I think there's a long list of things that we can deal with" to reduce the Base Rate, Mr. Smith said.

But even with all the changes made aimed at reducing costs, Mr. Smith said the Base Rate won't be reduced from the current amount because while on paper the authority's Base Rate said 18.6

cents, it was actually higher, according to the CEO.

"The problem with that is 18.6 cents when I got here on an actual basis was not 18.6 cents, it was higher than that. We were spending more money than the 18.6 cents [that was] actually in our rate. We had to close the gap on the Base Rate as well," Mr. Smith, [who joined the authority in January](#), told the Consortium.

That meant going to the V.I. Legislature and even with all the recent efforts to reduce the Base Rate, presenting a budget that reflected the 18.6 cents per kilowatt hour in Base Rate charges, combined with the 22 cents for the LEAC which carries the current residential cost to 41 cents per kilowatt hour.

"We have other things that we can do overtime to reduce that so that could come down," Mr. Smith said.

He said the LEAC, which is currently 22 cents per kilowatt hour, is not only influenced by the cost of fuel, but also the efficiency of power generation. He said the current LEAC should certainly be "in the high teens at a minimum as a starting point," once 100 percent solar is implemented on St. Croix. Mr. Smith added, "The Base Rate — and again I've been more focused on the LEAC — certainly I think we can take several pennies out of the Base Rate."

"Now again, I haven't done specific math on what that longterm structure looks like; I would pledge to you that I will do everything in my ability, and my team will do everything in its ability that will make that absolutely as low as possible. And one other point to make on that is it's got to be durable," he said.

So what savings can residents expects even when St. Croix is transformed to 100 percent solar? Initially, not lower than 30 cents per kilowatt hour if the base rate remains in the "high teens" and the non-definitive "several pennies" are eliminated from the LEAC.