

logo not found or type unknown

WAPA Remains 'In Survival Mode' and Would 'Run Out of Cash' Without Gov't Help; Authority's Debt Sky-High at \$223 Million

WAPA / **Published On October 20, 2022 05:21 AM /**

Elesha George **October 20, 2022**

Image not found or type unknown



WAPA executives, with CEO Andrew Smith center left, during a Senate hearing on Wed. Oct. 19, 2022. By. BARRY LEERDAM, LEGISLATURE OF THE VIRGIN ISLANDS.

The cash flow of the V.I. Water and Power Authority has been on a roller coaster ride, and just as you get hopeful that the ride is going to end, the roller coaster skyrockets again.

This analogy describes the situation at the U.S Virgin Islands' sole utility company, which as of September 13, 2022, owed vendors an accumulative \$223 million. One-hundred-and-fifty million dollars (\$150 million) is owed to Vitol, the company which supplies its fuel, while other vendors are owed in excess of \$40 million.

The sum owed to Vitol is reportedly a mixture of unfulfilled infrastructure payments as well as penalties and fees that Vitol has invoiced the authority for.

While it is \$10 million less than the amount quoted by Vitol in a letter to Governor Albert Bryan Jr. in August, it is still a significant sum compared to the amount of expendable income that WAPA generates each month.

WAPA also owes \$10.6 million to Seven Seas and \$4.7 million to Aggreko.

In addition, WAPA owes just over \$1.9 million in remittance of employee withholdings for retirement benefits to the Government Employees' Retirement System (GERS). The outstanding amount includes employee withholdings which were not previously remitted to GERS. Through September, the authority said it has made \$918,890 in catch-up payments for employee withholdings which roughly totals one-third of the previously unremitted employee withholdings due.

“We’re in survival mode now,” Chief Executive Officer and Executive Director, Andrew Smith reiterated when asked about the company’s integrated resource plan that would allow it to begin to stabilize its operations. “We will return to a longer-term planning process,” he said, but in the meantime without the subsidy from the government the company would “run out of cash.”

So far for 2022, WAPA has received funds from the government’s share of the American Rescue Plan Act (ARPA), amounting to \$28 million in order to subsidize fuel purchases. It is that generosity that has allowed the utility company to continue to operate. Governor Albert Bryan [has committed to making the payments](#) as a way of protecting consumers.

When Mr. Smith and his team were subpoenaed before the Legislature on Wednesday, they told the Committee on Government Operations and Consumer Protection that they had to apply a special strategy to draw down on the most critical debts. These debts, he said, add up to approximately \$23 million a month.

According to Jacob Lewis, WAPA’s chief financial officer, as of September 13, 2022, the vast majority of vendor payments (older than 120 days) have been accrued over the last two years.

“The cost for the authority to provide the services to its customers due to rising fuel cost greatly exceeds what we can collect from our customers in our current rates, and the way that the authority has been able to continue to procure the fuel necessary and also continue to service its debts, is to defer payments to virtually every vendor that we interact with,” he explained.

Even with government subsidy, WAPA said it is losing 0.16 cents on every kilowatt of electricity it produces.

A major part of WAPA’s inability to pay its debt has been the high cost of fuel for which the company’s executive director said the authority pays “tremendously high prices.”

At the start of 2021, Mr. Smith said the cost of propane rose 22 percent while diesel rose 161 percent.

In his testimony, he shared that the authority makes electricity by burning approximately 80 percent propane and 20 percent diesel, but spends over 90 percent of its revenue on fuel, debt service, and payroll. Fuel alone, he noted, consumes approximately 70 percent of the authority’s revenue.

“Over the past 12 months, overall inflation is up 8.2 percent; the price of food is up 11.2 percent; and the price of gasoline is up 18.2 percent,” Mr. Smith said. Yet, the authority has held rates steady for its customers while neighboring rates soared.

“For example, Puerto Rico has raised rates seven times within the past year, and its rates have roughly doubled over the past two years, rising to \$0.33 per kilowatt hour from \$0.17 per kilowatt hour,” Mr. Smith explained.

Even so, WAPA said it is in the process of executing a number of significant internal initiatives to improve its operations and its financial position which is anticipated to save it \$35 million in operating costs over the next three years.

These initiatives include a \$6.4 million in interest savings negotiated in a refinancing agreement earlier this year, lower negotiated insurance premiums, elimination of the Bolongo lease and a freeze on hiring.