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WAPA Fears Rotating Blackouts in December as Vitol Suspends Propane Supply to USVI

WAPA / **Published On November 16, 2022 08:00 PM /**

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The Randolph Harley Power Plant in St. Thomas, USVI. By. VI CONSORTIUM

Vitol, the V.I. Water and Power Authority's propane supplier has suspended fuel deliveries to WAPA, the authority made known in a statement today.

The suspension leaves WAPA without its main propane fuel supplier, and although the authority has confirmed to the Consortium that it is in discussions with at least two other companies to fill the gap, whether an agreement can be reached with the would-be new company before the territory's dwindling propane supply is exhausted remains uncertain. WAPA told the Consortium that its current propane supply will be completely consumed by late November or early December.

That leaves the authority with the costly option of purchasing diesel, which is not sufficient for St. Croix as many of its units only work on propane. The St. Thomas-St. John District can keep the lights on with diesel, but the fuel is costly and WAPA simply does not have the funding to keep purchasing diesel. That means if the authority can't arrive at an agreement with Vitol or a new propane supplier, territory-wide rotating blackouts would take effect.

Because of WAPA's financial constraints, essential services would have to be prioritized if rotating blackouts were to be implemented, explained Shanell Petersen, WAPA's director of corporate communications.

"We would have to prioritize communities in most need. We would have to prioritize the hospitals, we would have to prioritize Seven Seas which makes the drinking water, and so that's why territory-wide we would have to implement rotating blackouts," Ms. Petersen said.

"We are actively engaging with other propane suppliers," she added. "We could potentially have something lined up very quickly, but at the end of the day we would still have to see what Vitol decides when we have the propane ready to be provided to the territory by another supplier, if they're actually going to operate and turn that propane into the gas needed."

Vitol has employees at the WAPA plants operating its propane infrastructure.

WAPA said it received a copy of correspondence sent to Governor Albert Bryan from Vitol on Wednesday, in which Vitol stated that it is suspending propane supply to the territory. The authority said it received similar correspondence late last week.

"It is disappointing to the Authority that its preferred propane fuel supplier has elected to pursue this course of action. The Authority's new leadership has been in contact and negotiations with Vitol since the new leadership team's arrival at the Authority. The Authority pays Vitol for fuel before Vitol delivers fuel to the Authority, and the Authority remains current on its payments to Vitol for operations of the propane facilities," WAPA said in a statement.

WAPA and Vitol are in dispute over the amount of WAPA's capital lease obligation, or costs for propane infrastructure that Vitol built at WAPA facilities. The authority pointed out in its statement that the capital lease obligation was the subject of a [V.I. Inspector General audit](#), "which highlights several concerns and issues with the inception, execution, and cost of the project," WAPA said.

In its statement, WAPA also mentioned that Vitol [threatened to suspend fuel deliveries](#) to a German state-controlled energy business for a sum of €1 billion owed to the commodities giant. As of Nov. 7, Vitol and Germany were in discussions to remedy the standoff.

The total Infrastructure cost that WAPA owes, according to Vitol, is \$150 million, \$30 million of which is in penalties and fees. The company has proposed a \$140 million buyout, which would see WAPA owning the infrastructure, according to Ms. Petersen.

But WAPA has flatly rejected Vitol's proposal, contending that the offer is in addition "to the almost \$80 million that the Authority has already paid to Vitol for the capital lease, over \$40 million for operation of the propane system, and almost \$400 million for fuel."

"To put the buyout proposal from Vitol in perspective, a buyout of \$145 million would increase the Authority's outstanding debt by approximately 60," WAPA said.

The utility said that despite the history of the propane project, it has been clear with Vitol that it "has a strategic plan to improve its cost structure." WAPA said its new leadership "has also been consistent in its message to Vitol that the authority's plans also envision a path forward in which it arrives at a commercially viable solution that is equitable to both Vitol and the community of the Virgin Islands to address its debts to Vitol."

WAPA expressed disappointment at Vitol's decision to suspend propane to the territory, stating that the company has "chosen to put the energy security of Virgin Islanders at risk as part of its strategy to have its debts addressed, and the Authority reiterates that it has a strategy identified that includes a resolution of its debts to Vitol and stands ready to continue to engage with Vitol to reach an equitable, sustainable solution for the U.S. Virgin Islands."

Richard Motta, the Bryan administration's director of communications, referred the matter to WAPA's release, and said a statement from the administration could be issued as early as Thursday.

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