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# Brushing Aside Lack of Due Diligence Concerns, PSC Approves WAPA Wind Turbine Projects on St. Thomas and St. Croix

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Efforts by the V.I. Water and Power Authority to reduce power generation costs in a sustainable way have been given the nod by the Virgin Islands Public Services Commission (PSC) on Tuesday.

The PSC approved two Power Purchase Agreements (PPAs) between WAPA and Advance Power which will seek to provide wind energy generation on the islands of St. Thomas and St. Croix.

Advance Power LLC [describes itself](#) as a USVI-based firm founded in 2014 "to design, build and operate a wind turbine installation to produce electric power in the territory."

After the alternative energy project comes online, WAPA is expecting to buy electricity from Advance Power at a fixed price of just under 11 cents per kWh. “Our most efficient generation today makes electricity at about \$0.13,” said Andrew Smith, the utility company’s executive director and chief executive officer.

The wind energy projects are also anticipated to provide capacity for more than 15 megawatts of power on St. Thomas and 29 megawatts on St. Croix. “This project will put approximately 20 percent to 22 percent of energy on our system at a fixed price of just under \$0.11. So, it gives certainty into rates,” Mr. Smith told commissioners.

If realized, the PPAs could result in savings to WAPA of over \$3 million each month. Mr. Smith said that this would change the risk profile of the company which is currently prone to rate hikes due to the high cost of fuel and volatility in the fuel markets.

The fixed-price contract agreements for the next 25 years would also allow the utility company to take advantage of federal subsidies and tax credits. WAPA as a standalone entity cannot benefit from federal subsidies and tax credits, but it can receive some remuneration by using Advance Power as a third-party company. “By extension, the benefit of those is passed down to us. Now in fair disclosure, the developer keeps a little of that too because they have to make money ... but we are able to actually capture a significant amount of the benefit of those tax credits that otherwise would be unavailable to us,” Mr. Smith explained.

Commissioners expressed concerns that the PPA would be a repeat of the VITOL project, which has left WAPA indebted to the tune of hundreds of millions of dollars, and in dispute with the company that built and owns much of WAPA’s propane power generation infrastructure. At least two members of the PSC were also concerned that WAPA was asking the commission to approve the project before its board did. Commissioner Andrew Rutnik called it “a strange move,” adding, “It scares people because they think ‘wait, why all of a sudden this is getting approved today.’”

“I have a problem with the process coming to us first in a two or three week span,” PSC Commissioner Raymond Williams added.

Mr. Williams said that while he is onboard with moving forward with renewable energy generation, he is concerned that the due diligence process is not adequately being followed. “There are too many missing pieces for me to want to agree to this today without hearing about the other pieces,” he said.

However, Mr. Smith defended the deal by assuring that WAPA will put up no capital to construct the project and that its only responsibility would be to purchase the electricity. He claimed that bringing the matter before the board was a strategic move and argued that the agreement was not rushed as was being perceived. He said discussions about what the fixed rate would be started about four to five months ago.

“An approval by this body, an approval by my governing board is by no means a contract...there are other things that have to happen,” Mr. Smith insisted.

The usual process involves approval first by WAPA’s board members, who would then take the agreement before the PSC. However, according to attorney Boyd Sprehn, legal counsel for the commission, there is no requirement that the approvals take place in a specific order.

He informed the meeting that once the PPAs were approved, it would take 24 months to construct the wind turbines, after the leases and Coastal Zone Management (CZM) permits are issued.

“Every month that it’s delayed here is another \$3 million out of either the GVI pocket book or the ratepayers’ pocket book,” Mr. Sprehn noted.

The commission eventually approved the agreement. Now, the PPAs will have to be approved by WAPA’s board to be able to go into effect.

The decision was taken during a Regular Meeting and Public Hearing on Tuesday, March 14.

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