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Confluence of Positive Developments at WAPA Gives Rise to Hope of More Reliable, Affordable Energy in USVI

WAPA / **Published On July 20, 2023 04:53 AM /**

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Aerial shot of the Randolph Harley Power Plant in St. Thomas, USVI. By. ERNICE GILBERT/ V.I. CONSORTIUM

Representatives from the V.I. Water and Power Authority struggled to convince skeptical lawmakers that the chronically cash-strapped utility has a sensible financial management strategy for the challenging economic times WAPA finds itself in.

WAPA Chief Executive Officer Andrew Smith during the Tuesday hearing focused his initial testimony before the 35th Legislature's Committee on Budget, Appropriations and Finance on highlighting what will have the largest positive impacts on WAPA's bottom line: the pending

finalization of the VITOL debt repayment deal, the coming online of four new energy-efficient generators on St. Thomas, and power purchase agreements that have been signed for wind and solar energy generation projects.

Under the terms of the negotiated settlement with Vitol, WAPA has one more payment of \$100 million due on August 14, after which the utility company will have no further financial obligations to the propane supplier, Mr. Smith said. He expressed gratitude towards the Legislature for approving the initial \$45 million, without which Mr. Smith says WAPA would have been forced to fall back to expensive diesel-generated power, like it did in December last year during a payment dispute with VITOL.

After the August 14 payment is made, not only will WAPA be free of the threat that it might have to revert to diesel for generation, questioning by Senator Dwayne DeGraff revealed that WAPA is expecting its cost to import propane to drop precipitously as well. After the authority concludes its business with VITOL in August, a new contract — currently under negotiation — is expected to be signed with a new supplier. Jacob Lewis, WAPA's chief financial officer, told Sen. DeGraff that costs would drop from almost 70 cents per gallon for propane transport down to the "low 30 cent range." Mr. Smith agreed with the projections. "I'm very comfortable with the numbers that CFO Lewis has presented," the WAPA CEO told DeGraff, who remained skeptical.

The much-touted new Wartsila generators at the Randolph Harley Power Plant on St. Thomas are currently being commissioned and are expected to be operational by September. "The generators are approximately 30 percent more efficient than WAPA's old generation," Mr. Smith said. Additionally, the new engines operate on propane, which will result in additional cost savings, particularly if a new propane delivery contract brings the price of the fuel down to the levels expected by WAPA management.

In addition to the efficiency and cost-savings of WAPA's traditional energy infrastructure, an expansion into solar and wind energy is expected to drive consumer prices for power even lower. The signed power purchase agreements will generate a quarter of WAPA's electricity from renewable energy, at a fixed price of 11 cents per kilowatt-hour.

When it comes to the management of WAPA's finances, Mr. Lewis explained that the authority was targeting a free cash flow rate of zero, and making financial projections taking into account the cessation of all government subsidies. Mr. Lewis said that the authority has found a pathway to viability without direct taxpayer support. "We also feel it takes great effort to make sure that all of our major assumptions are grounded heavily in verifiable data, that we're not just making assumptions that we may not be able to support," he said. "We always start looking at historical verifiable data, and then adjusting assumptions from there based on known strategic initiatives or known changes throughout the year." However, he noted that the goal of zero free cash flow meant that WAPA would have to find an additional \$625,000 in savings, even as it struggles to keep costs to consumers low in an inflationary environment.

When it comes to power, "Wapa has worked closely with the GVI to shield the community from the high cost of fuel over the past year, when the price of almost all other commodities including food, housing, etc. were rising sharply," Mr. Smith said. This has been accomplished by a combination of funding from the Bryan administration, a decision [heavily favored by the governor](#), and strict cash management by the utility, Smith said. However, Mr. Lewis acknowledged the [pending increase in consumers' water bills](#) due to a soon-to-be-implemented hike in the water LEAC (Levelized Energy Adjustment Clause) rate.

The increase from \$7.82 to \$9.53, conditionally approved by the Public Services Commission recently, was mainly due to inflation, said WAPA CEO Smith, while Mr. Lewis quantified the impact to consumers as an average monthly increase of between \$4 and \$5. While serious water quality issues persist particularly on St. Croix, the water LEAC increase was unacceptable to Senator Novelle Francis. “How do we justify...the water LEAC at a time when individuals have to run the water excessively just to be able to get that system cleared and purged?” he asked.

Don Gregoire, WAPA’s director of water distribution, acknowledged the challenges with water inventory on St. Croix, and mentioned that a regular flushing program would resume once the inventory stabilizes. Meanwhile, customers with water quality issues can call the utility which will then dispatch crews to flush water lines as needed. He noted that WAPA is finalizing documents to submit to the Federal Emergency Management Agency (FEMA) in order to receive approval for a prudent replacement of St. Croix’s entire water system.

Senator Marvin Blyden inquired about the outcome of a recent FEMA-funded study of the Automated Metering Infrastructure (AMI) system. Mr. Smith explained that there were numerous problems with the AMI identified by the study, including the impact of storms on the meters. The study recommended the issuance of an RFP to repair the system, but Mr. Smith held out hope that FEMA’s prudent replacement program might allow for a wholesale upgrade from the damaged system to one that was best-in-class.

Even so, until these cost-saving measures can come online, WAPA said it is carefully managing every cent. Despite pressing staffing needs of over 50 personnel, this year’s budget has factored in only a modest increase in employee numbers. “We are stretching our cash position until we can get the Wartsilas online, get the Vitol transaction closed, and get a market competitive price propane supply and continue to live within our means,” Mr. Smith said, with lawmakers vowing to continue their strict oversight over, and scrutiny into, the utility’s financial decisions.