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Failure of Waste Management Authority to Pay Debts Leaves \$900K Hole in PSC's Budget

Senate / **Published On July 20, 2023 06:04 AM /**

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Public Services Commission logo.

The debt owed by the V.I. Waste Management Authority has put an almost \$900,000 hole in the budget of the territory's Public Services Commission, lawmakers learned when PSC representatives appeared before the Senate Committee on Budget, Appropriations and Finance on Tuesday.

PSC Interim Executive Director Sandra Satori detailed the commission's fiscal year 2024 budget of just over \$2.1 million, which includes salaries for 13 staff positions, stipends for five commissioners, fringe benefits, utilities, office supplies, rent and maintenance, professional services, communication expenses, transportation, insurance, unexpected or unallocated expenses,

and capital outlays.

The budget is 100 percent funded through assessments from the companies they regulate, not from the general government fund. She further outlined that the agency's financial health is reliant on the continuous growth and viability of these utilities and their ratepayers, which is why the delinquency of the Waste Management Authority is such a cause for concern.

PSC General Counsel Boyd Sphren told lawmakers that WMA has not paid its annual assessments since fiscal year 2020, accumulating arrears of \$896,000 over the past three years. After requesting a move from monthly to quarterly assessments, Mr. Sphren said the authority had made only one of those quarterly payments, and then remitted nothing since then.

Budget Committee Chair Senator Donna Frett-Gregory expressed concern about the impact this nonpayment would have on the finances of the PSC. "So you built your '24 budget on receiving \$367,000 from the Waste Management Authority. But they don't pay."

Satori, however, said that her agency was mandated to include the expected remittance from the entities they regulate into the PSC's budget. "They don't pay but by law they're supposed to pay so we have to anticipate and assess them accordingly," she said.

Attorney Sphren further explained the nature of WMA's recalcitrance. "Prior to [the enactment of Act 8471 last December], we only had authority over fees they charge and Waste Management only ever brought us piecemeal bits of fees; we could never get a comprehensive picture," he said. "Since the passage of the legislation, which empowered the PSC to treat WMA as a utility to be regulated, "??We spent five months trying to get them to appear and present information on the fees they charge, and their five-year plan. We finally ended up issuing a [subpoena to them to appear](#). They appeared, but the information they provided us to our quick analysis, we simply don't understand the numbers they presented." One glaring omission, Sphren said, was the wastewater user fee WMA collects, which the PSC general counsel says generates \$2.5 million annually.

Ms. Frett-Gregory vowed to use legislative oversight to address the situation, noting that WMA received close to \$70 million last year between their regular budget appropriation and subsequent supplementary funding. " At some point we're gonna really have to look back at the overall legislation and policies around Waste Management, because Waste Management is not working," she declared.

The PSC itself is planning to open an investigation into the rates and services of WMA, legislators were told.

Meanwhile, the PSC's fund balance will serve as a buffer against any related budgetary shortfall, according to Account Maintenance Officer Brenda Connor.

Another cause for concern was the PSC's recent [conditional approval of an increase in the LEAC](#) attached to water rates. Senator Diane Capeheart wanted to know why the PSC would have made such a move in the face of existing complaints about poor water quality. "How in good conscience can we even increase water rates for the people who depend on this? And based on the water quality, it's terrible," she declared.

Mr. Sphren explained that the LEAC increase was due to rising energy and fuel costs to generate water. "It doesn't pay for the plumbing, it doesn't pay for the distribution systems, it just pays for a

portion of the cost of producing the water,” he said.

Consumers have been expressing their dissatisfaction to the PSC, with most submissions relating to water and power utilities. “We have at least close to 20 complaints that are pending,” said Ms. Satori, the PSC interim executive director, noting that there has been an increase in the rate of resolutions of those complaints. “The ones that are pending are currently tied to utilities and are currently working out solutions to close those complaints,” she noted.

The PSC is also seeing an uptick in complaints related to cell phone services in the territory, particularly those tied to Liberty. That’s because consumers are becoming aware that the PSC has the ability to accept these complains, said Mr. Sphren. In the conversation about telecommunications regulation, lawmakers were told that the PSC still has authority over landline telephone rates, but due to competition, the telephone company has not been able to request or implement any increases. “The telephone company has acknowledged and admitted officially, that it cannot raise rates to the allowed levels...because the competition would not let them survive,” the PSC attorney said. Other telecoms services, such as cable television and broadband internet, are precluded from regulation by the federal government.

Senators praised PSC officials for their clearly articulated budget, and the work the commission was doing to ensure that utilities in the territory are properly regulated. They expressed concerns about potential budgetary difficulties caused by non-compliant utilities, and promised to support the PSC should they need to mitigate against any fiscal difficulties caused by the chronic non-payment of WMA.