



THE VIRGIN ISLANDS WATER & POWER AUTHORITY CORPORATE COMMUNICATIONS NEWS RELEASE

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Authority Testifies in Front of the Legislature; OMB, Finance, and GVI Joins at Special Session addressing VITOL buyout

U.S. VIRGIN ISLANDS – The Virgin Islands Water and Power Authority (“WAPA” or “Authority”) testified at the Committee of the Whole Hearing on April 5, 2023, on the Governor’s proposed legislation, BR No. 23-0485. The approval of this bill would authorize a \$150M line of credit to the Government of the Virgin Islands, that will deliver working capital for 100+ critical projects approved by FEMA and aid the Authority with its negotiated infrastructure settlement obligation to VITOL, the current propane supplier to the Territory.

The cost of propane remains significantly cheaper for ratepayers than diesel, and therefore acquiring VITOL’s propane infrastructure is a critical component of the Authority’s Strategic Plan to lower rates and improve operational efficiency. As such, WAPA’s current leadership, with the support of the Government of the Virgin Islands, embarked on and succeeded in proactive negotiations over the last several months to acquire VITOL’s propane assets. “This is a major step to put the Territory and WAPA on better footing,” said Attorney Kye Walker, General Counsel to the Virgin Islands Public Finance Authority.

The propane infrastructure enabled WAPA to convert to predominantly propane operation, putting the Territory on a path to burning cleaner and cheaper fuel to make electricity. For comparison the cost of diesel is 1.7x higher than propane. If WAPA was still operating on 100% diesel, the higher cost of diesel would cause customer’s rates to be higher than the current rate. The propane infrastructure under Authority ownership will also allow for an important redundancy in WAPA’s fuel supply, effectively doubling the amount of fuel in inventory and days that WAPA can operate without being resupplied with fuel. With full propane and diesel inventory, the St. Croix district would have over two months of fuel on hand, and the St. Thomas/St. John district would have over one and one-half months of fuel on hand.

“This buyout of WAPA’s debt to VITOL is part of WAPA’s strategic plan and is a critical path to sustainability for WAPA because WAPA’s debt to VITOL represents its single largest debt and operating cost. The Authority has on several occasions reviewed the strategic plan that will not only reduce the debt of WAPA, but also get us closer towards reducing the customer rate,” noted CEO Smith. “Given how critical the resolution of the debt to VITOL is to WAPA, we are hopeful that the line of credit can be established timely to support the upcoming first payment due to VITOL in mid-April.”

The acquisition of the propane assets and the corresponding termination of the relationship with VITOL not only improves the Authority’s financial position, but also improves the financial standing of the entire Territory by significantly eliminating debt that has negatively affected the GVI on its annual audits and

current bond credit rating. Additionally, an improved financial standing will better position the Territory for the advancement of upcoming future initiatives.

“The legislation presented during Wednesday’s Special session was a long-worked and negotiated attempt by the Government of the Virgin Islands, after months of lobbying with the federal government, the Congress, and VITOL to move forward dozens of critical recovery projects and to make a good faith payment toward resolving a longstanding financial obligation between the Virgin Islands Water and Power Authority and its propane supplier VITOL,” Governor Bryan said. “I look forward to working with the 35th Legislature and those members not supportive of this current approach toward alternative solutions to addressing these matters prior to the next scheduled legislative session on April 13.”

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About WAPA: The Virgin Islands Water and Power Authority is an autonomous agency of the Virgin Islands Government which produces and distributes electricity and drinking water to residential and commercial customers in the territory. WAPA was created by the Fifth Legislature of the Virgin Islands in 1964 through Act No. 1248. Today, WAPA generates electrical power at production plants on St. Thomas and St. Croix and distributes electrical service through smart grids to customers on St. Thomas, St. Croix, St. John, Hassel Island, and Water Island. Potable water is distributed to almost 13,000 customers through water lines and standpipes. WAPA also has the responsibility of installing and maintaining streetlights.

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