



VIRGIN ISLANDS  
WATER AND POWER  
AUTHORITY

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**OFFICE OF THE EXECUTIVE DIRECTOR**

June 21, 2024

**VIA ELECTRONIC MAIL**

The Honorable Novelle E. Francis  
Legislature of the Virgin Islands  
3022 Estate Golden Rock  
Christiansted, St. Croix, VI 00820a

Dear President Francis:

Thank you for the invitation for the Virgin Islands Water and Power Authority (“WAPA” or the “Authority”) to testify regarding Bill 35-0292, an Act extending the State of Emergency Declaration. Relevant testimony is attached.

The term of my employment as Chief Executive Office and Executive Director with the Authority ends June 30, 2024, so I believe it would be inappropriate for me to appear before the legislature and offer opinion, commentary, or other testimony addressing matters that may affect the future direction of the Authority. Accordingly, I am respectfully declining to attend the June 24, 2024 hearing.

The State of Emergency addresses the path forward for the utility in a broad strategic sense, so in coordination with the Governing Board of WAPA as well as Government of the Virgin Islands Incident Command, it was determined that the appropriate representation for WAPA at the upcoming June 24, 2024 Committee of the Whole hearing is the Governing Board. Director Kyle Fleming, Chairman of the WAPA Governing Board, will be appearing on behalf of the Authority.

Regards,

Andrew L. Smith  
CEO/ Executive Director

**TESTIMONY OF ANDREW SMITH, EXECUTIVE DIRECTOR AND CEO OF THE VIRGIN ISLANDS WATER AND POWER AUTHORITY, TO THE 35<sup>TH</sup> LEGISLATURE OF THE U.S. VIRGIN ISLANDS ON BILL NO. 35-0292**

Good day. I am Andrew Smith, Executive Director/Chief Executive Officer of the Virgin Islands Water and Power Authority, (“WAPA” or the “Authority”). I would like to thank the Honorable Senate President, Novelle E. Francis, as well as the other honorable members of the Senate present for the opportunity to provide testimony today. Good day as well, to the listening and viewing audience and to the WAPA family. We are grateful for the chance to address you today on Bill 35-0292, an Act extending the State of Emergency Declaration. I am providing this testimony to affirm our commitment to continued improvement, transparency, and strategic progress at the Authority.

WAPA faces a significant structural financial deficit, a challenge acknowledged by its regulator, the Virgin Islands Public Services Commission (“PSC”) as recently as the June 11, 2024, public PSC hearing wherein the shortfall between permitted rates and the actual cost of service was plainly conceded. The utility last changed its electric rate in early 2021 and based on a policy decision and directive by the Government of the Virgin Islands and the PSC, the utility has held rates flat since then. Utility rates across the Caribbean Basin increased approximately 50% during this timeframe, while the Virgin Islands has been shielded from this cost. This has been invaluable to Virgin Islanders because the utility has absorbed approximately \$200 million in excess fuel costs that it did not pass on to its customers. That amount equates to approximately \$2,400 each for every man, woman, and child in the Virgin Islands, and almost \$4,000 per WAPA electric customer. This cost to the utility of paying more for fuel than it charges its customers was partially offset by a grant of \$77 million from the American Rescue Plan Assistance or “ARPA” funds. This dynamic of regulated rates that customers pay not covering WAPA’s true operating costs highlights the urgency for support of the strategic plan to address our financial challenges. By investing in our plan, we can bridge this gap and ensure a more stable electric future for all Virgin Islanders.

Continuing financial deficits are not sustainable. To this end, the WAPA management team developed a comprehensive strategy, as detailed on WAPA’s website and discussed extensively

in public forums, to address WAPA's financial and operational challenges. WAPA's strategic plan has been adopted within the plan of action by Incident Command under the State of Emergency.

During the State of Emergency, we acknowledge and very much appreciate the government's efforts in enabling the government's entities to pay its past due utility bills, which is crucial to our financial stability. The Authority also welcomes the government's support in obtaining funding outside of payment for electric and water utility services provided by WAPA. External funding sources are critical to the survival of the utility. As detailed in this testimony, Virgin Islanders are being protected from the high cost of fuel. However, the utility cannot survive without external funding to close the approximate \$5 million monthly gap between its revenue and costs.

This support is necessary until the benefits of our strategic initiatives are fully realized. There has been a narrative of "fixing" WAPA; I'm here to propose that the members of this body "support" WAPA. This means supporting our plan and our people, building a new future rather than merely patching the past. We need your support to construct a sustainable and reliable infrastructure for our community. True action requires commitment to support our team's efforts with continued focus on improved stability for utility services to our residents, reducing WAPA's fuel and other operating costs, and on improving processes.

Over the past two years, we have consistently sought to:

1. Encourage understanding of the strategic plan to financial and operational stability, recognizing that long-term solutions are necessary.
2. Invite active involvement in the rebuilding process. Truly work with us as partners in supporting the action items listed above to build a brighter future for the Territory.
3. Value and support the hard work of the men and women of WAPA, who are committed to seeing these projects come to fruition which would greatly improve the lives and livelihood of our residents and businesses.

We understand fully the challenges we face but have consistently fought for investment in our future. By supporting WAPA's comprehensive strategic plan, you are investing in the future of our community. Your support is crucial for building reliable infrastructure and sustaining the community members who make our society thrive.

We strive for transparency and are here to present the facts. We seek support from the Senate and the community at large, aiming for open, candid dialogue. Our team consists of dedicated professionals, and our leadership has been proactive in addressing criticism and challenges and driving necessary changes to improve services to the community.

Thank you for your attention and support as we navigate these complexities. This concludes my testimony.