



THE UNITED STATES VIRGIN ISLANDS

OFFICE OF THE GOVERNOR
GOVERNMENT HOUSE

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340-774-0001**

February 18, 2014

Honorable Craig W. Barshinger
Senator
30th Legislature of the Virgin Islands
Capitol Building
St. Thomas, VI 00802

Dear Senator Barshinger:

This is to acknowledge receipt of your February 6, 2014 email on the financial performance of the Virgin Islands Water and Power Authority for the twelve-month period ended June 30, 2013 and your commentary on the amount owed by the V.I. Government to the utility for electricity. The predominant theme in your email was to cast the Government of the Virgin Islands, as you stated in the third paragraph, as a “deadbeat WAPA customer”, which is both sensational and unfounded. I find this to be extremely unfortunate, but consistent.

The most significant aspect of WAPA’s audit is that it was issued on time, for the first time in seven years, which bodes well for the Authority as it undertakes new energy saving ventures that will require the establishment of fresh relationships with vendors, suppliers, and financing partners, as it maintains its contact with current bondholders and rating agencies.

In addition, this Administration successfully assisted WAPA through Act No. 7028 in securing lines of credit with both FirstBank and Banco Popular, both of which were recently extended, which allowed WAPA to access \$4.87 million dollars for electrical system capital projects as well as make their final fuel payment to HOVENSA. Having a secure line of credit is essential for WAPA to maintain a stable bond rating as is their ability to determine future fuel costs which will now be greatly improved with the completion of the VITROL multi-fuel turbine conversion fully supported by this Administration.

With respect to your underlying theme that we are “using WAPA as a bank of convenience”, this is far from the truth and without any foundation. Our executive branch departments and agencies have been extremely diligent in paying their monthly invoices and managing our aggregate exposure to WAPA for both electricity and water charges. Not one single day goes by that I am not mindful of the realities of our community and difficulties being

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experienced by our residents; and therefore, I am even more acutely aware of the need to ensure that our only provider of utility services remains financially viable. The \$25.4 million figure that you highlight is an amount that is due not only from executive branch departments and agencies, but also from semi-autonomous entities, both the Legislature and the Courts, and in a large part, for street lights. We do not by any means minimize the need for the Authority to be paid what it is owed for the service provided, but your misrepresentation of what is owed by the executive branch is unfounded.

We have done a review of the audited financial statements dated June 30, 2013 and an analysis of the accounts receivable aging for periods ending September 30, 2013 and January 31, 2014 and find that in all cases, the aggregate amount owed by executive branch departments and agencies does not exceed \$6.2 million, a difference of \$19.2 compared to what is noted in your email.

In fact, for the period ended June 30, 2013, the amount owed by the executive branch departments and agencies was approximately \$3.48 million. The difference is primarily due from the hospitals (\$9.7 million) and for street lights (\$9.3 million).

This differential is owed by semi-autonomous and independent entities for electricity (primarily the hospitals, GERS, Housing Finance, and Superior Court) and for street lights. The semi-autonomous entities, as you are aware, do not come under the financial control of the executive branch. Regarding the latter, the methodology for paying for the street lights was established by the Legislature with Acts No. 6595 and 7101 based on the collection of real property taxes, which is inadequate to pay for street lighting. To date, the Legislature has not provided sufficient funding to cover the cost for of street lights for all four islands.

I agree with you that we must address the amounts due to the Authority, but our emphasis has to be in addressing the balances, not in dramatic assertions or by ignoring the essence of the issue. This requires us to address the past-due amounts owed by our hospitals and revise the methodology as to how we pay for street light usage. The problem is not as you assert, but rather, we need more funding for the hospitals and we need a formula that produces the financial resources to make the right amount and timely payments on the street lights.

I do not believe that the implementation of The Single Payer Fund, pursuant to Act No. 7562, addresses the real issues for even with this mechanism, we would be experiencing a significant payment shortfall. As I noted in my transmittal dated October 15, 2013, this method would expand the bureaucratic layers for processing payments to the Authority without requiring any of the obligors oversight to control costs. Additionally, my veto message highlighted that you placed the expense of the certain utilities on the General Fund without identifying the funding to absorb that responsibility. I acknowledge the override of my veto.

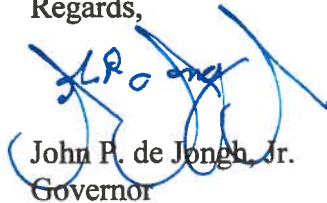
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With respect to the three requests in your email:

- The request for past-due balances and amounts over six months aging should be requested directly from the Authority as it would be able to give a more accurate accounting for a billing cycle; and
- We are consistently working on the outstanding balances based on our financial resources.

I am hopeful that this provides a better understanding of our payment of amounts due to the Authority and indicates that we take payment of these obligations extremely seriously. I am prepared to work with you on a realistic solution.

Regards,



John P. de Jongh, Jr.
Governor