07-27-22 Committee on Finance pt.3

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0:00:00 did the way that we described if you look towards the bottom of the page next to the blue circle with the number one you'll notice that the initially submitted fully loaded budgets implied free cash flow for fiscal year 2023 of negative almost 136 million dollars so obviously that was very very far away from the free cash flow zero that we targeted and the authority took several steps to fill that gap and I'll walk through a few of those or I'll walk through all the major ones with you if we look at the middle column of numbers here titled proposed budget this is the what eventually became our final budget in the budget for the electric system that was approved by our board and if you notice towards the bottom the blue circle with the number two it resulted in free cash flow of zero so we did fill that entire 136 million dollar gap and i'll walk through some of the the big mechanisms that were used to do that the blue circle labeled number three on fuel cost this is the first lever that I wanted to discuss. So our our single biggest cost at the Authority by a wide margin is our fuel cost. Our current fuel cost exceeds what we can currently collect through our rates by a substantial margin. But our fuel cost forecast was reduced by almost 26 million dollars and that was to reflect the impact of several major initiatives that we're pursuing to improve the efficiency of our generation and to reduce our fuel cost. A couple of examples of that would be continuing

0:01:58 to convert additional units to propane, as well as expediting major projects like the Wortsilla project, which will bring 36 additional megawatts of what would be very efficient generation by our current standards and if we achieve those based on the timelines that we plan to that would reduce our fiscal year 23 fuel expense by again between 25 and 26 million dollars the blue circle number four fuel subsidy so even after those improvements that we discussed we still have fuel cost that significantly exceeds what we can collect through rates if we execute on all those initiatives over a full fiscal year it does get our fuel costs down to levels that are recoverable but that can't happen those you know those initiatives will be achieved during fiscal year 23 and so we will continue to require support for our fuel cost during this fiscal year and the assumption in this budget is an additional 48 million of fuel subsidies and so So the combination of those two buckets will reduce our fuel costs versus our initial budget by between 73 and 74 million dollars. And we'll get into a little more detail about the fuel subsidies and the like a little bit later in the presentation. So just addressing fuel in the budget reduced our gap from about 136 million. That covered about, as I mentioned, 73, between 73 and 74 million. So the other levers that were pulled within the budget process, the next one is next to the blue circle with the number five is personnel cost. So we've reduced the budget from the initial budget to the proposed budget for personnel

0:04:00 cost by 17 million dollars. We've implemented what we term within the authority a soft hiring freeze, which means that we will backfill open positions that are critical if they become open, and we will consider hiring but only for absolutely critical roles, and those approvals go to the executive director level in most cases. The personnel cost budget for fiscal year 23 is about a million to a million and a half dollars higher than what we're seeing in fiscal year 22. That will accommodate, again, a feeling of select very critical roles as well as some structural compensation increases built into some of our employment contracts and the like.

0:04:58 The next big budget of changes from the initial budget to the proposed budget is other, what's termed on this summary page is other operating expenses, so that would be operating expenses other than personnel costs. Another $21 million was removed from the budget, and this was a process that highlights what I described earlier in terms of approach of building the budget from the bottom up. So these were not changes that were made at the executive level. The business owners were asked to go back, review their budgets. They were shown the gap that we were trying to fill, and they prioritized their budgets and came back to us with adjustments that resulted in further reductions of just over $21 million. So when we get down to the EBITDA line here, in our initial budget, we were showing a loss of almost 81 million, and in our proposed and eventually approved budget, it was positive 31, so an improvement of 112 million. Even after those steps, we still had not achieved our target, a free cash flow of zero. The next bucket that we addressed was internally funded capital expenditures, so the initial budgets that were submitted by the business did reflect again what the business truly believes is required to, in terms of capital investment, to return our assets to conditions which would allow us to provide the type of service that we need to provide to our customers. But again, given our financial constraints currently, we had to ask the business to make the decisions here as well. And this was the same process. We went back to the business owners, reduced capital expenditure budget by about two-thirds, and again, improving our free cash flow by about $20 million. And that still left us with about a $4.5 million gap to close.

0:07:18 And that gap is filled in the budget by what, again, what I discussed very briefly in my prepared remarks, this management target or what we referred to as the go-get. So the business collectively, you know, everyone here today, everyone working at the authority, we need to continue to find ways to improve our operations, find cost savings, operational efficiencies, et cetera, in an amount of $4.5 million or greater to achieve our free cash flow target of zero. So I did want to go into some detail on some of the major assumptions in the budget. We mentioned already that one of the things that was very top of mind for us was making sure that our major assumptions were grounded and again in verifiable data and that those assumptions were consistent throughout the budget so the way our revenue projections were constructed was to look at our actual sales over a trailing 12-month period which were approximately 559 million kilowatt hours and then using those sales projections we calculate our revenue again based in our existing rate structure so we have not made any assumptions for changes in rates we've simply applied the existing rate structure to again a sales assumption that is grounded in recent history this resulted in total revenue forecast of 255 million dollars so a little more than 20 million per month and another validation exercise we went through was to not only look at revenues, but to actually look at cash collections from customers over the same historical period. Over the same historical period that we considered, we had total collections of approximately 252 million, validating our assumption of 255 million. The next critical assumption in our budget that is directly related to revenue is our fuel cost. And this is the biggest example again of what I mentioned before, which is ensuring that we have consistency of assumptions throughout the budget. And so another focus of ours was making sure that our fuel cost assumptions were consistent not only with our revenue assumptions, but with the actual operating efficiency of our system today. And so as we looked at kilowatt-hour sales over a trailing 12-month period, we looked at actual fuel purchases on a volumetric basis, so on a gallons basis for propane and for fuel oil, over that same 12-month period. And what this, again, ensures is that the assumptions between sales and fuel costs are consistent and linked by the actual operating history and kind of current operating situation of authority. That approach is what produced the fuel cost assumption in our initial budget,

0:10:58 which on the previous page was $198 million. You know, we've shown a few calculations here, again, on what the assumptions were for two oil and LPG purchases and the commodity prices at the time the budget was established, which are generally consistent with market prices that we see today they fluctuate all the time but still generally consistent and then from that 198 million base fuel cost we had the two adjustments that we described earlier the first the strategic plan initiatives that will reduce that 198 million by 25 down to 172 and then the assumed fuel subsidies of $48 million, which reduce our net fuel costs down to $124 million. And that $124 million is equal to what we expect to collect via the LIAC mechanism under our current structure. So again, the subsidy assumption in the budget is specifically sized to achieve that goal of net fuel costs that are recoverable through existing rates.

0:12:31 Also wanted to walk through a little more detail on our operating expense. So, the total operating expenses in our fiscal year 2023 budget are just over $100 million. About 37% of that is personnel costs, and again, that's generally consistent with what we've seen in fiscal year 22 and reflects the hiring freeze that we currently have in place. Our next two largest operating costs, other than personnel costs, are lease payments that we make to lease generators, both on St. Thomas and St. Croix, as well as the O&M service agreements that we have for those units. So the entities that we lease those units from, they perform the operating and maintenance on those units, and we pay them for that service. The next largest cost is LPG O&M services. So LPG refers to liquefied propane gas. That's the VTOL infrastructure system. These are not the infrastructure payments that we described before. Again, the budget assumes that we do not make the infrastructure payments, but we do continue to pay VTOL to operate and maintain the system. We also do continue to purchase propane from BTOL. And then we've listed several of the other major buckets here, maintenance and repairs, professional services, et cetera. And there's additional detail on some of these larger buckets in the appendix. From the initial budgets that were submitted to the approved budget, again, there was a major reduction in our non-personnel operating costs.

0:14:28 Our non-personnel costs specifically were reduced by $21 million, which was a 25% reduction. Several of these costs are quite fixed in nature, specifically the lease payments and O&M services agreements. When you take that into account, the amount that we've cut, other operating costs in the budget is very substantial. capital expense so as i said the budget also considers internally funded capital expenditures as we mentioned previously initially the business submitted budgets that included just under 29 million dollars in capital expense and that was reduced down to just under 10 million So about two-thirds reduction, 66 percent for the initial budget.

0:15:27 And I just want to highlight again, as I mentioned before, that the initial budget submissions by the business in this area, you know, reflected investment that is sorely needed at the authority today, but again, just not currently supported by the revenues that we we can currently generate. So we had to make significant reductions. And again, what is remaining is truly what we would call a bare minimum of critical projects. And again, in critical areas, primarily in power generation, TND, and kind of our administration, but really it's around maintaining our garage repair facilities, vehicles, etc. So that is, I think, concludes my presentation on the electric budget, and we can move into the water presentation next.

0:16:49 Thank you. So the materials we'll present today on the water system will be a little shorter compared to the electric, but the approach was the same. So again, the budgets were developed from the bottom up as opposed to the top down. And again, our focus was still on the same financial metrics that we targeted within the electric system. So we will look at both parts of the business in the same way in terms of how we track and report on spending, and as well, how we'll manage the budget throughout the year and use the budget as a tool to, like we said, effectively manage very limited internal funds. So the key assumptions are quite consistent with what we talked about on electric. Again, we assuming, you know, flat sales in terms of revenues versus prior year and also no rate increases, and again working with the businesses from the bottom up to ensure that our budget is supported by our current rate framework. Again, we spoke about the key financial metrics already with electric, so I won't rehash those here.

0:18:21 Okay. So again, a similar look to what we walked through with the electric system in terms of free cash flow. Again, we're going to, we constructed the budget, we'll track our performance against the budget, again, looking at the same key financial metrics, gross margin, EBITDA, and free cash flow. You know, the process in developing the budget for the water system this year was, well, the general process was the same with the electric budget, but we did not have the same issues in terms of needing to go back and make tremendous cuts to the budget. The budget as proposed by the business was supported by the current rate structure. That doesn't mean that there's not need for material investment in the water system today as well. But as I said, what was proposed by the business was supported by the current rates. We have presented here kind of a comparison to fiscal year 22. And generally the budget is consistent with prior year in terms of revenue and operating expenses and again results in a slightly positive free cash flow for the year. And again we did want to provide some detail in terms of the operating expense and capital expenditure as well again from an operating expense perspective again excluding personnel consistent with with prior year actually slightly favorable about two hundred thousand dollars and we are budgeting for just over five million dollars of internally funded capital expenditures for the water system in fiscal year 23. okay so i think that concludes the the presentations.

0:20:31 Thank you for your testimony, and if you don't mind, I'm taking over for the Chair, so could you please give me your name again? Yes, my name is Jacob Lewis, and I'm the Chief Financial Officer. Careful. All right, Mr. Smith, do you have anything else to add? No, thank you. The only thing I would add is I believe I saw Ms. Sabrina King-Leonce join virtually, and so I'd like to have her on the record if she's still on. Ms. King-Leonce, are you online?

0:21:02 Yes, I am. Please put your name and title on the record. Good afternoon, my name is Sabrina King-Leonce. I am the Director of Human Resources for the Regional Water and Power Authority. Thank you. All right, so we're gonna go to a colleague, six minute round. At some point I may have to skip out, but I'll stay as long as I can. I have another engagement. But before we go, I just need to make sure that we put it on the record what WAPA's fiscal year is. The Water and Power Authority's fiscal year starts calendar July 1st and runs through June 30th of the following year. So that would end calendar year June 30th, 23. 23. Got it. Wanted to make sure that everybody's aware of that. Yes, because it's different than the GVI. Absolutely. And your board has already approved your FY2023 budget? Yes, ma'am. We presented at the June meeting and it was approved. So we are full into July. Today's what? July 27th. So you are operating from your FY2023 budget. Correct. And that you're almost a month in, so let me just ask Mr. Lois, very quickly, based on you being a month in, are you realizing your revenues that you've projected for your first month?

0:22:34 So, you know, we have not gone through our first monthly close, so we don't have the actual financials to review at this time, but what I would say is that we do believe we're on track in terms of how we intend to manage the budget right we mentioned that the budget was built from the bottom up and that the accountability for the budget does is owned by the members of the team that are managing the business on a day-to-day basis and so we are operating under that new framework we're working very hard to build out the subsequent reporting that will be required to actually use the budget as the tool that we intend it to be used as so it was a major redevelopment of the budget and the process and so that does require you know a lot of work in terms of the development of that reporting and i think we're on track in terms of our timing there okay so let me just ask very quickly um i see that you've included a fuel subsidy so there is a commitment from the chief executive of this territory that the water and power authority will receive some 48 million dollars in fit in your fiscal year FY 2023 I'll answer that question senator um do we have a formal commitment for that amount of funding no have we been requesting again I'm sure I said do we have a formal commitment for that full amount of funding? We do not. We have been requesting funding as needed. We have been receiving it. But that is what we need to avoid running out of cash based on current fuel prices.

0:24:18 So your FY 2023 budget is built on an assumption that you will receive a subsidy of $48 million from the central government. That's correct. From ARPA funding. And what conversations are you having with the government of the United States Virgin Islands regarding this? So we are, in fact, we had a call earlier this week looking to get FEMA assistance with fuel oil purchases, for example, because obviously, as we've noted here, we have significant shortfall in our fuel costs. So we are pursuing all avenues for relief as well as reducing our cost, our fuel cost. So this $48 million subsidy assumption is a combination of getting funds not only locally but also from the federal level?

0:25:06 My assumption is that it would all be ARPA funding at this point. Okay, so it's all funding that's here in the territory? The assumption at this point is yes. And if you do not receive this subsidy? Because what my concern is, and I'm gonna go to my colleagues, but it definitely jumped out at me. What was the subsidy that you received in year 2022? Jake, do you wanna speak to that? to date we've received two forms of subsidies or support through the ARPA funds. We've received grants totaling $22 million specifically for fuel support. $20 million of that has actually been contributed to the authority to date, and I believe that number was 16 as of the end of fiscal year 22 we also received a grant of 6.75 million dollars which was used to fund the acquisition of a unit that we were previously leasing a unit you were previously leasing leasing okay i'm gonna think about this some more and i'm gonna go to my first the first senator uh senator Marvin Blyden, you recognize for your six minutes. Thank you so much Madam Chair, good afternoon Director Smith and your supporting team there with you and thank you so much for that testimony. I must say in terms of the budget presentation, the bottom-up approach it was on point but at the same time I have some concerns because based on your statement that is Mr.

0:26:48 Mr. Lewis, the CFO, is grounding verifiable concrete data, but yet still the budget presentation included the $48 million, but it's just word of mouth, correct? So the $48 million for other subsidies is just word of mouth, correct? There's nothing in writing, correct? That's correct. We have no guarantee of that. Exactly. And I know when I look through the post, I'll report for last year you received approximately 1.6 in federal grants so where what role does that play in this budget because as a budget we need to see the overall picture so we can determine and make make informed decisions so i would have liked to know exactly how much have been spent of those federal funds if any funds were expired and so on and so forth where can we get that information for this fiscal this fiscal budget yes thank you for the question senator blyden we can provide that one of two ways miss Reimer who's on virtually can provide that in this forum or we can also submit it to you in writing uh subsequent to this event well it's it's too much to submit in such a short time but I can ask I'd like to ask Ms. Reimer first of all I want to come to the fellow grants have any of those funding expired thus far have we expanded all funds according to the timelines um senator blyton those funds have not expired as yet the projects are ongoing yeah okay through the through the chair we're gonna need a copy of um that listing okay additionally um have we within the last fiscal year have we had any retirees i'd have to ask human resources specifically in you're asking in fiscal 23 no not 23 you're just start in 23, 22. Even though it's off, we are off, but I'm going to go based on 22. Sure. I'm sure we have had retirees in 2022. Do we have a number? I'd have to defer to Ms. King-Leonce or other members of the human resource team for that specific number.

0:28:51 Please. And also, how much vacancies do we have at authority? What's that number? And in addition to that, how many new positions have we filled within the last fiscal year also in 22? Okay. Good afternoon. Brenda Lillio, Assistant Director of Human Resources. For 2022, we've had about seven retirements. And right now, we have actively recruiting 51 vacancies. 51 vacancies. Are those vacancies funded in the fiscal year 23 budget? Fully funded?

0:29:33 So, the answer to that is no. So as I mentioned before, the fiscal year 23 budget reflects so what we termed as a soft hiring freeze, right? And so, you know, in terms of... When did the soft hiring freeze begin? When? I'd have to check the specific date. I believe it was about a month to five weeks ago. What, five weeks ago? about that and how long have you been on board mr lewis how long have you been on board three months how long have you been on board sir yes good afternoon my name is mike sharp um chief operating officer of electric i've been on board a little less than four months four months and so we have a feed of the five weeks ago okay you can you continue sir so i was just going to state as i mentioned before the budget reflects this soft hiring freeze and so while there's certainly you know many vacancies that are being analyzed again the budget only supports the hiring of a very limited amount of what would be determined absolutely critical positions and those are going to be analyzed on a case-by-case basis the seven retirees what what positions were they may ask so the seven retirees they were various positions um they were either linemen maintenance employees uh i believe we had one supervisor so it was a combination across the organization were any of them critical considered critical um positions yes they were and in the exit interview what what type of um what have we gleaned from the exit interviews were there any exit

0:31:25 interview done and what was gleaned from the exit interviews there were exit interviews conducted um what sort of feedback are are you looking for can you clarify the question as to the reason why they retired did they have their years in did they get better opportunities etc yes they they retired because they've completed their service okay very well okay as to back to the vacancies now after the vacancies the 51 vacancies and you say many of them are considered critical what's the plan moving forward in order to fill those vacancies so to assist in running a better utility in terms of the staffing sir yes sir what's the plan so our plan moving forward is to do one of two things um as we mentioned filling critical vacancies our director of safety role is currently open. It's held by an interim. So we're in a search now to fill that role. The other thing from my perspective, and I would argue that both Mr. Lewis, Mr. Sharp and others in the leadership team, we have a number of employees in the organization, but not necessarily in the right places, right? And so, you know, that's the concept behind the soft hiring freeze as well is first and foremost, we look internally if we have an opening, right? And we look to have you know an employee give them an opportunity right you know to to learn a different skill or get in a different role okay i'm happy to hear that um because many times you know when we have vacancies it's good to do all that's there you know give them the position i'm bringing new people but i know my time would have been called because of the the clerk is not there but thank you so much man i don't like to take advantage thank you for the time and um i look forward to the next one if we have one thank you so much all time now is thank you mr chair um we're going to have to take a quick break to make sure that we got time here um i'm gonna ask our um our media guy over here to please keep time when you don't have mother you gotta use father let's get this done Okay, so help us out, Mr. Potter, please, as we keep time.

0:33:36 So, yes, six minutes, but going back to what my colleague was talking about as it relates to the critical vacancies, I'm still not clear. So is your critical, do you have a pool of funds or a, based on your cash flow, of course, aside for your critical vacancies or are you looking at filling them in a case-by-case basis? We would be looking to fill them on a case-by-case basis and so when we mentioned the 51 open positions, those are simply in name only. That does not mean we intend to fill 51 positions in fiscal year 23. Okay, so let me be clear. Do you have a priority listing of what you're focusing on and what you're not going to go over as it relates to your critical vacancies, because 51 vacancies, based on what we see in front of us, definitely cannot fit in these numbers that you have.

0:34:31 We will manage our head count to meet or come in under our budgeted expenses, and so that is how we will prioritize hiring and needs at the Water and Power Authority, because we have to live within our means. So Mr. Smith, I don't like a response. I can be just very upfront with you. If you have critical vacancies, you have to be able to, you know what your vacancies are, correct? I do. And we will fill the critical vacancies. So you know what they are. So if you know what they are, you should be able, off the top, you should have a listing that says, these are the must fills, and these are the ones that come after if we, you know.

0:35:11 So that's what the question I think that my colleague was trying to get at. What are your clear... Do you have 10? Do you have 15? Do you have 20? What are your clear critical vacancies? It cannot be on a case-by-case basis because then you're not truly identifying the critical nature of your vacancies. Understood. We'll develop that list for you. Thank you. Well, it's not necessary for me. I'm trying to make sure that you understand or we all understand if we're gonna talk about critical vacancies and we have 51 vacancies, in fact, we have to prioritize those vacancies. So it can't be that, okay, if we choose to fill this one today and somebody comes today for that one, if it doesn't fall in line with your critical vacancies, then it's a no can do.

0:35:54 And I actually misspoke, Senator. I'm thinking back to a meeting we had a couple of weeks ago. We actually do have that list. Is that right, Ms. King-Leonce? That's what we went through a couple of weeks ago to remove positions and identify positions. And we do have that list, Senator. Yes, we do. Okay. So, Ms. Leonce, I think you should send it over so we can see it, please. because that type of information we shouldn't have to pull out of the authority. So let's just be very upfront in our conversation today so we can make things easier, clear, and we can all be on the same page. Okay? Thank you. Senator Bocas, you're recognized for your six minutes.

0:36:32 Thank you, Madam Chair. Good afternoon. Good afternoon. I wanted to read your mission statement on your website. It states, by 2023, WAPA will be the leading utility service provider in the Caribbean by placing its customers first, engaging and educating our employees and protecting our pristine environment. We will utilize technology and implement infrastructure improvements to safely provide a diversified mix of energy resources and high-quality water. Do you stand by this mission statement, I believe? I stand by that mission statement. I would tell you the objective of time in that mission statement has not been met.

0:37:08 okay understood I'm looking at your operating expense detail and I have a few questions concerning the bank fees it's 2.6 I was wondering why it was so high yes so there's a couple of components to that so one component of it a smaller component of it is the fees that we pay just for our day-to-day commercial banking services payment processing, you know payment processing etc. A big component of this bank of these bank fees actually is a result of something we're actually dealing with this week in fact we have several lines of credit with our two primary banks that have been fully drawn or nearly fully drawn for a very very long time and due to the financial position of the authority those banks have required us or only allowed us to extend those lines because we're not in a position to repay them at this point in time to extend them on a quarterly basis and every quarter that we do that we incur fees from the banks to perform those extensions as well as legal fees both on our side and on the bank side we are working on the most timely extension of those the majority of those actually expire at the end of this week we'll be extending them unfortunately only for another quarter but this time around we have through negotiation with the banks and talking them through our strategic plan and wanting to work in cooperation with them them, you know, a reduction of just under $120,000 for the cost of this extension. And we intend to continue to work with them to find solutions to potentially extend them for longer periods of time and do them in a more efficient way to reduce some of these costs. But what's in the budget today does reflect kind of what the cost has typically been in recent history.

0:39:19 Understood. On page seven, the bad debt expense at 1.3, elaborate on that for me for a second. So bad debt expense, generally, most commonly, you would hear it kind of in accounting terms, but it's really a reserve that you typically take against your revenues that you bill your customers based on an assumption that you won't actually collect 100 percent of what you bill for various reasons um and so we do uh reflect that in our budget um we do everything that we can to collect um as much of what we bill as close to 100 of what we bill as possible um and we'd have okay that's good thank you so have you been going over the amount that you've proposed in the past i know you just got here but anyone anyone else can answer that question um yeah i i can't speak to the historical uh amounts going back but i would say in the budget our assumption is grounded in what we had been seeing on a year-to-date basis in 2022 as of the time that we were putting the budget together okay on page number 12 uh i'm looking at the preventative maintenance for both islands. They're very high. Does WAPA monitor its outages pertinent to logging information in some sort of ledger concerning how many outages you have per year, how long the duration was for outages? Does a document of that nature exist? Yes, sir. We have an outage law which has, whether it's

0:41:03 transmission distribution or generation outages, the cause behind the outage and the duration of the outage. Would, through the chair to WAPA, administrative leadership, can we get a copy of that? Yes. Please, thank you. Also, I noticed that you're doing a number of trainings, a lot of trainings, and I know my time is running out, but I see all other trainings at 817 425. it's higher than any other training I'm just very curious to know what that training would be yes so we broke out the you know the largest individual ones the other bucket you know is comprised of mostly smaller amounts across many many departments but we can provide additional detail at a later date you know okay I'm sure can I have one last question please oh my time is okay good The last page, page 13, I see that you have an expense detail by project, all of your projects that you currently have. I don't know which island I'm looking at, could you please make sure to add the island so that we know which island has which projects? And I think that will be all for me, Madam Chair, thank you very much for the time.

0:42:16 Thank you, Senator Volkes. Very quickly, you asked for a copy of, I missed the request. Please recognize the senator's mic. I wanted a copy of a listing of power outages for the entire year and the duration of each power outage. I'm being told that that's something that they document, and I think that that data would be very beneficial to this body in the future.

0:42:47 Thank you. Thank you. Next, Senator, Senator Carrione. Carrione? Good afternoon. We recognize for your six minutes. Thank you, Madam Chair, and good afternoon to the WAPA team. I want to say thank you for the testimony you presented this afternoon. I think it provides, of course, like you said, a different approach, a different way of reporting. But I like the concept of allowing, like the term you use in the business leader, is to present and have it prepared from the bottom up. I do have to greet my colleague.

0:43:40 get like to see some of your um federal dollars and how those are being used and i know that sometimes those are used to um complement of the operation budget so um love to see some of that but moving along uh you have specific contract listed on the professional services contract and post-audit uh that seems to be pretty expired and have not been paid um can you share light as to what is the plan um for those contracts that have not been paid and attorney sinclair can you answer answer that i also uh i i was remiss earlier in my prepared remarks i meant to also highlight that there are a few things that were included in the post-audit materials that were not transcribed correctly but i'd ask attorney sinclair to speak to those contracts specifically i'm not okay good afternoon senator um yes when we please put your Put your name on the record, put your name on the record, and title.

0:44:57 Dionne Sinclair, General Counsel. You're correct in that when we submitted the materials, I believe, earlier this year, some of the contracts were due to expire shortly. We do have updates to the contracts and the amounts, which are quite a few in number, so So I don't know if you want me to go through them here or if you would prefer that I submit that information following our appearance here today. If you can, through the chair, if you could submit that list since it's a bit extensive. But just in general, what's the plan then to make some of these payments?

0:45:44 I understand you've made some. So what's the total amount that you have outstanding? In terms of the professional service contracts, most of them are done by certain benchmarks, and so the funds are remitted at various intervals, and it could be different depending on the contract terms. I don't believe that we ... I'm looking at the list right now. I would have to go step-by-step for each contract to know whether they are based on federal funds, local funds, and the timing for such payments. If there's a specific one that you would like to address, I can try to respond to that one.

0:46:38 Okay, I'll come back to it, because I'm not even sure then if what I'm looking at here in the post audit report is accurate based on what you just shared. For the time period it was submitted, it was, but this is several, I would say about three months later now, so there have been quite a few changes. all right so i'll just move along based on what you stated um with regards to uh your recently awarded one million dollars from the department of interior for a fleet of electrification grant um you stated that these monies will be used for purchasing hybrid bucket trucks and electric vehicles to support your operations what's the status of the year Yes. So there are kind of two parts to that, as you mentioned. It's electric vehicles and hybrid bucket trucks. We received, along with other government agencies in the Virgin Islands, we received eight Teslas, I guess a couple weeks ago. we put them into service on St. Thomas earlier this week, you know, again, with federal funding supporting that, it's no cost to the authority. Those vehicles will reduce our fuel cost by about $85,000 a year. Can you repeat that again? I'm sorry. The electric vehicles will reduce our gasoline purchases by approximately $85,000 a year. $85,000 a year. So have you received the hybrid bucket trucks? We have not. We spoke with a company called Alltech, which is a primary

0:48:27 provider. They have a 3.75 year wait list. So we are on to other alternatives to try to secure a bucket truck. And then in the meantime, then if we cannot secure the hybrid bucket truck, What's the status then with your fleet? Because I understood in the last hearing we had, there was just shortage in bucket trucks. You had a number of bucket trucks that weren't operable. Can you please provide an update on that? How many do you have per district operating? We have six in service on St. Croix.

0:49:03 So St. Croix is in good shape. St. Thomas, we have between one and two, depending on the day. We are currently on the market right now, looking for two used bucket trucks to purchase for St. Thomas. I've set a deadline for the team of August 15th to have a vehicle identified and in line to purchase. And that was for St. Thomas. Because I know Liz has a backlog in services and clearly is kind of ridiculous when someone has to wait months months to get connected or months because they need a poll has to be placed somewhere and they've made the payments in our office receive those calls so I think this is a matter of urgency that especially the funds are there that we really need to attend to this matter so I'm hoping to hear I was a carry on your time was called a few minutes ago would you like to wrap up please oh we we couldn't hear over here we have yeah okay well thank you very much you have another time that you could ask you other question yeah it was referred to the capital outlaying the post on a report they're just section that mentions that you have they were for admin expenses that is page 16 post audit report page and page page 15 i'm sorry under capital outlay mm-hmm was it i don't know if he asked for admin expense

0:50:57 mr hodge are you are you able to speak to the admin expenses capital outlay and water historically from last fiscal year admin yes So FY21, the actuals were $3,185,720, and projected for FY22 was approximately $2 million. What's the breakdown? What is that expense, the capital? And can you respond on the chair's time? Give me the chair. I'm not sure we have the breakdown here, but I did want to point out one of the clarifications that we were going to make at the beginning that we failed to do was that what's labeled as fiscal year 22 projections here was actually year-to-date actuals for fiscal year 22 as of March 31st, so you are looking at a partial year for 22 versus a full year for 21. So that is certainly a significant portion of the difference you're seeing between those two numbers. But as I mentioned, I don't believe we have the detail buildup of that number with us at the moment.

0:52:21 Okay. So, while you may not have the detail of all of the, what is included in admin expense? What's in there? Again, so, well, so these numbers were compiled for actuals before I arrived. We can certainly get the breakdown, but generally admin expenses for us would be kind of like general office expenses things not directly related to production or maintenance or the like security you know security that type of uh those type of expenses um i would mention also the the template that we were provided to um populate you know didn't line up that well with how we historically looked at our budget so you know i'm not sure exactly the one-to-one kind of comparison but that's generally the nature of expenses that would be captured in okay so i could see why you have a challenge because the template that you you you receive is tied to how we do governmental accounting you guys do enterprise so so i understand but i we really need to figure out at some point what does admin expense under capital only mean that's a i don't know what that means and that's the amount is significant so that's why it's important that we understand what it means I mean this is one of those other report so yeah no absolutely I will link one other clarifying uh point here I believe when the team attempted to populate the template to the best of their ability it was populated what with what we generally call op you know would term operating expenses so while while there are items in this template that were provided that are under capital outlay those wouldn't be things that we would typically consider capital expense right so again And, you know, we can work on clarifying.

0:54:13 You probably have a point because I'm seeing, I don't see a operating expense account, but you do have other services and charges. Right. Which would have covered your operating. So I can confirm that, you know, what's in here in fiscal year 2022 projections, the totals at the bottom do tie to our total operating expenses on a year-to-date basis out of March 31. Okay. So it does tie into your bottom line. yes it does okay so senator marvin blyton you recognize for your point of inquiry thank you thank you madam chair um edie smith um you see your response to my colleague on my left when it came to um the st thomas st john district and the bucket truck which um fund in your budget is that come down among that funding coming from and what's the amount in terms of the cap to get get a truck for this district because you said by mid-August, which is very important, but can you tell us that, please? No, so the cost of the trucks we're looking at will be somewhere between $75,000 and $125,000 per truck. It'll depend on the condition and the age we're buying used. We're going to start with two, make sure that we can work those into our expenses and cover them. We'll then look to buy additional trucks and pressure diggers. Those funds would arguably come out of the, arguably the maintenance account. There are a couple other places we could pay for them. Back to ownership of the budget, that's one of the things we think about. We need trucks, so we're going to buy trucks, but we've got to figure out how to save money somewhere else.

0:55:46 Thank you so much for your response. Madam Chair, thank you so much. Senator James, you're recognized for your six minutes. thank you for the time good afternoon testifiers as far as individuals who individual which are in charge of training do you have somebody who's a director of training with it and if so can you of the position and what's that I'm sorry, Senator Frederick, I can't hear the remote. Yes. Yes, can you hear me now? Yes, Senator James, I'm being distracted at this end. Please hold the Senator's time.

0:56:45 You may proceed, Senator. Let's hear how you're sounding now. One, two, one, two, can you hear me? Yes, we can. You may proceed. Okay, greetings once again, thank you for coming. Greetings. Good afternoon. Patience. Can you hear me over there? You're still breaking up. You're breaking up, but continue.

0:57:13 Be very deliberate in your words, in your speed. Don't go too fast. So the question is, is there a director of training, and if so, what is the exact name of the position, and how much does that person make? So I think the question was, do we have a director of training, and how much does that person make? That is handled and overseen by our human resources department, so there's not necessarily a specific director of training. Okay, so no one within the Water and Power Authority oversees who needs training and what have you. You're basically saying everything is outsourced? No. So training is absolutely overseen within the Water and Power Authority. It initiates really from a team effort. One, the business owners identify what their team needs for training. Some of it is regulatory compliance, so we don't have a choice. and then there are other trainings that are suggested by human resources or others in the organization training is both internal and external when we have resources internal that have the knowledge and the competency to train we utilize that in some instances for very specific like for example hotline lineman training we don't have those skills in-house and so we contract for those we also have a training system called me over that is free for the organization that has an array of topics from business management to safety microsoft skills for all of our business units to utilize for training so madam chair that was a bit random because she just altered the blue does spoke and i don't mind her answering the question but i don't even have a clue to who that individual is so the next time with that sinker does based in him on the record but moving right along the reason why i'm getting at that right i want to say congratulations to the individuals who took part in the three-year

0:59:19 power line workers apprenticeship program i also want to say thank you to the department of labor thank you to all those individuals who took part in that three-year program the reason why i'm asking these questions it's this echo it's hard to concentrate i i see here it was made mentioned in the testimony that we have 41 employees line clearance street training what is the funding source for this training with funding this training is it local funds or federal funds um it'll be a combination of both but they'll absolutely be federal funds um uh director of transmission ashley brian recently secured a 750 000 department of interior grant that will pay for ongoing lineman training and um underground uh training safety training and and maintenance training so it's a combination of both but we our first focus is federal funding for training and i want to applaud the water and power authority i see first aid cpa cpr and aed training proper cover-up of overhead power line safety meetings confined space entry certification that is why i was asking a question earlier that you have a director of training to make sure that we stay on top of these things to have continued training not just because of we receiving federal funds or open funds over the case maybe but make it a practice to improve the workforce and the mora of water power right so that is a suggestion something you can do in the future that needs to be the norm when i used to work at the whole ends up at we had constant training we have a director who always stay on top of all in the train to make sure that we do some kind of injury or any incidents that have been just once again slow down a bit so you could your words could be heard when it comes to our personal protective equipment for our employees i'm not sure if you have it covered there but what is allotment just for supplies and do we supply that federally as well or on a local level um we we supply the bulk of our safety with local dollars and the dollar amount for this fy

1:01:40 2023 budget is how much um i don't think we actually have the specific safety breakdown but we absolutely prioritize that spending um i'll see if i can find it i can come back to you with that but i don't know that number off the top of my head the reason why i'm asking that i want to make sure i continue to train our young men and women and even those of of our age within the water power authority that we give them the necessary resources to protect cells where they adequate amount it's on your assessment would you think that you're able to go back and watch your inventory and you can put some extra funds in there but to make sure that we have more than enough ppe for our men and women for what i'm proud authority we will absolutely ensure that we have appropriate safety equipment uh i just launched an initiative uh i've never been in a power plant in my career where you can walk inside the gate without safety glasses on we don't require safety glasses inside the gate unless you're doing specific things we will require safety glasses inside the gate no matter what you're doing uh so we're right now looking to source safety glasses for the team so i absolutely prioritize safety equipment 30 seconds okay and i see here where you made mention in your testimony that you were able to successfully extend the exhibition of the authority bank of popular lines of credit by facility and first black lines of credit over the facility so since you have successfully extended it can you explain to us how much like credit that the part of the art to make sure that when we do have our function that you can be able to sustain um so when we mentioned that we've successfully extended the lines of credit um that's along the same lines of of what i was describing earlier which is uh the unfortunate reality today is that those credit facilities are fully drawn today and so when we're extending those credit facilities we're only doing so because we're not able to pay them off and we're not able to re-establish them currently as the proper working capital facilities that they should be time so madam chair with your indulgence um what steps or measures are being taken to make sure that we can get to compliance and move forward so we we don't have those issues that we take when it comes to a lineup right right so i'll

1:04:07 speak to that in two ways first is what i already alluded to which is we are working very proactively with with all of our banking partners um to understand that we need to work collaboratively and that um we're all working towards the same goal which is to you know the banks obviously are not pleased with the position that the facilities are where they are and we aren't either and that we want to work together to make sure that the authority can change that the first step in that is again what i mentioned before is we are working to see if there's any ways that we can make the extension process less burdensome both operationally and from a cost perspective But then the bigger part of your question really goes to the, really the whole point of the discussion today, which is the first step that we need to achieve as an authority is to stabilize the authority from a financial perspective and get our costs to a level that can be supported by our current rates. And we need our financial partners to work with us to make that happen. And once we're able to achieve that, and we'll work on this concurrently as we execute on plan to do that we need to wholesale in a wholesale way address our capital structure and make sure that the financing sources and the types of financing that we have in place are the correct ones to support our operations and that would certainly include address the way the lines of credit are currently utilized thank you madam chair for the time i'm not going to use my time but I hope and I pray that you get that situation corrected and once again I wish you the best. Thank you Senator James. Just to piggyback on the line of questioning so of course you uh the authority currently receives some 14 cents. Sorry what was the question? You receive fuel tax revenues from the Bureau of Internal Revenue?

1:06:12 Yes, there's a specific financing that's funded by the fuel tax. Yes, so the question that I'm asking is, are you utilizing the entire $0.14 to support your debt service? For the fuel tax financing, yes. So the entire $0.14 is being used? Yes, so those funds can only be used to support the debt service or those specific obligations. And, you know, so, yes, so that is where that money is directed. Okay, I'm going to move on to the next senator, because I see my colleague in the left of my eye, moving her hand.

1:06:52 We just need to verify that the entire $0.14 is being used to cover your debt service. Yes. That's an affirmative. Yes. All right. Senator Saru, I'm sorry. You're the next senator. You recognize you at six minutes. thank you madam chair and you're 14 that was my first question actually this poor 14 cents are we always trying to obligate someplace the 14 cents is still 4 million roughly do you know that off the top of your head i do not no but mechanically the the way the fuel tax revenues work is that when they're collected they're contributed to an account that's held by a trustee who oversees the specific debt obligation. The interest on that obligation is paid out of those revenues, and any excess revenues that remain after the debt service is automatically put towards reduction of the principal.

1:07:49 So what's your debt obligation? Let me see. I have that here. So if you could bear with me. Well, okay, so the specific loans that are secured by and serviced by that are series 2021A and series 2021B bond anticipation notes. The initial combined principal amount of those notes was $35 million, and the initial sweep of revenues towards principal occurred on July 1st. The entire $500,000 of principal of the 2021 B on intestinal patient notes was redeemed, and then there was an additional small amount that was paid towards the principal of the 2021 A's. So I don't have the exact number, but somewhere between 34 and 34.5 million dollars remains on that note. So, what's your annual debt obligation? You just gave me the whole amount. So, our annual cash debt service is approximately $25, $26 million. So, if the $0.14 is going to the annual debt, then you don't have anything left over from your $0.14, from the gas tax? Clarify, but that's only for the pledge.

1:09:21 so as i mentioned the fuel tax revenues are only used to service uh to pay the debt service on these specific notes that i just mentioned and so our debt service for um other uh debt so that's what i'm asking so what is the debt service for a and b you gave me 35 million specifically yeah because that's that's what the the the gas tax is paying for right a and b right um i'll get the exact number i believe it's between four and four and a half million per year approximately okay so if it's between four and four half million and the last let me check your fuel tax was roughly four million then the entire fuel tax does go to series a and b roughly correct anybody there from before could tell me anything mr had you you were the acting ceo once upon a time yeah it is my understanding that the entire 14 cents of the fuel tax was towards those bands which funded the completion of the outstanding amounts for that we owed on the Waxilla units, the ones that we currently have in service. So there's a public discussion by our gas station, the Carla office, the gas station owners asking for us to um help the fuel tax and i just want the public to know that the fuel tax is tied to your series a and b so putting a freeze on a fuel tax will have an adverse impact on the operations of wapa correct yes good um let's go to disaster payments and at one point hogland was I was owed some exorbitant among HR disaster recovery, so at one point I had your vendor listing and it was quite long. So are we up to date on our vendor payments for disaster?

1:11:20 I mean, in front of me, I have our current accounts payable balance to Hogland Energy Group is just over $3 million. I don't have a breakdown of that number between federally related projects and internally WAPA funded projects. I'd like to see, through the, have any Trader Chair requests? Yeah. Trader Chair, I'd like to request the breakdown of the Highland payments for our local and for all contractors, period. Federal and local. One minute, 30 seconds. No, let's go to the VTAL, the noose around our neck. Any plans for the refinance of the VTOL deal? So for VTOL, just to sort of level set back, we purchase fuel for them, we prepay for it.

1:12:08 In our budget, we have our O&M fee to VTOL to gasify propane as well as maintain operation of that associated system. We currently do not have 5.01 cents in our rates for the VTOL recovery. That sunset earlier this year. We are in active discussions with VTOL about how to resolve the capital lease obligation. And so that's ongoing, obviously I don't have a resolution because we'd be talking about it, but that is certainly in our plans to address as long as it fits within our financials that we can afford it and it doesn't burden the community. That needs immediate attention, the retail deal.

Understood. Okay, let's talk about your leases really, really quick. You were paying some exorbitant leases for four wins and I think 43,000 a month at Bolongo. Are you still in those visas? We are in going, in fact, tomorrow, as it relates to Four Winds, to attempt to settle that. We're in litigation over that, and so I can't talk too much about that because we're trying to resolve that.

1:13:09 Tell me about Bolongo. I'm sorry? In Bolongo, we have the trailers in place. We've got to get a little more infrastructure in place. We expect to be out of Bolongo by the end of next month, so August 31st, if not sooner. You're leaving Bolongo? Yes. Okay, and Madam Chair, could you give me something? AMI, what's the status of the AMI contract? We were using, was it RUS, payment, the RUS revenue from through the PSC to pay for the AMI project. What was that, what was the generated revenue a year? Can somebody tell me?

1:13:46 I don't know that off the top of my head. I think it was some 13 million or something of that sort, but don't quote me. How are we on the AMI, revenues generated from from that to fund this ami system right so so on on the on the russ monies you're talking about for the ami system i'm not familiar with with what you're talking about we received um funding through russ for ami i don't know if it's been exhausted um what's the status of russ and then we also went back to the psc years ago for a rate increase for the AMI so we are generating revenues for the AMI system but I don't know if it's being used for AMI am I am I no I understand I understand your question now let me let me try to speak to that um so our AMI system as everybody I think in here knows it's failing period um you know it the the the meter reads continue to deteriorate um we I just just signed uh an approval we've got a a federal grant to go out and devise a solution for how we address that. And that's a, that's a no limits proposal, right? Do we replace the whole thing? Do we replace what's broken? Do we replace the communications technology and that sort of thing? In terms of the rates, your point is well taken. There are elements in our rates for things that we currently don't have. For example, we had leased generators that we no longer lease, right? Part of the rate flow process that I described in my earlier testimony, is that we should not be collecting those monies in rates, right? We don't have it, so we shouldn't be collecting those funds. Now, the flip side of that is, is there are other costs. For example, our Cigna health insurance costs have risen. You know, gasoline is more expensive today. And so what we will look to do, and we will collaboratively work with the PSC on, let's ensure that what we're actually investing in, right, is appropriate in our rates, and that we're not collecting rates for things that we don't have.

1:15:39 And I'm sure if you could, you know, on your time, if you could answer in a free cash flow summary as well. I'm a bit confused with your LIAC revenue, FY 2022 approval 7.2 million, your LIAC revenue goes up 1 million, 8.7, but there is no change in LIAC, right? And then you have less consumers because people have left the grid. I don't understand the math with how you have a variance of 1.5 million. If you could explain that to me. Thank you for the latitude, Madam Chair.

1:16:12 You're asking about fiscal 22? Yeah. Or the 23 budget. 23, yeah. 23. You're on that page? So I'm looking at the free cash flow summary. What page is that? Senator, page 6? 5. 5. Okay. On the water side. Oh. Sorry. Okay. Water. I said water. Okay. Water site. Oh, okay. So, okay. So you're, oh, I'm sorry. So you're asking about the water budget. Yeah. Because the LEAC is still the same, right? It hasn't changed. So if you could explain the math here, I'm a little confused.

1:16:54 Yeah. Water LEAC, I'm sorry, water LEAC was actually raised earlier this year. Okay by how much? I have the current rate I don't have the change right in front of me I would you remember how much it went up Mr. Hodge? If someone on the team can look that up for me and send it to me we can we can respond with that you know in another minute thank you for a lot too madam chair all right thank you um let's go back to um the question that the senator asked about the she didn't ask the aggregate but the aggregate but she got the aggregate so your aggregate uh that service you said annually is 26 million did i hear that correct so that is the debt service, cash debt service that we have to cover out of our operating cash flow. So there is incremental debt service to that, but that is funded by sources that are either already posted with the trustee, or as an example we talked before, the 2021 notes, those are funded by the fuel tax revenue so when i reference the 25 to 26 million of cash debt service again i'm speaking specifically to the debt service we need to fund out of internal cash flow out of your annual revenue correct and that's 26 million but that's not 26 million annually that's the aggregate over whatever that period is the 30 year 15 year whatever that is right uh no so if we look at our free cash flow summary in the electric budget cash debt service for fiscal year 2023 is 25.8 million dollars and that is inclusive of what what are those um what what projects does that cover so if that's annually so so let me make sure that we we keep this structure so it's 25 million in this fiscal year so what's the total debt service for your your internal cash obligation so out of our internal cash we'll need to fund 25.8 million

1:19:20 of debt service during fiscal year 2023 okay so what's your overall total though okay so to that I would add approximately $4 million that is funded out of the fuel tax revenues. No, I'm not asking this the right way. You're talking about what is the total debt? What is the total debt? The total debt, okay. The total debt only for the operating, not with the 14 cents.

Okay. The operating component. Okay, so our total debt, which is made up of senior bonds, subordinate bonds, bond anticipation notes, and our mostly fully drawn line of credit is around 285 million dollars if you include the remaining infrastructure payments under the VTOL contract so this excludes ones we haven't paid to date yeah that would be another hundred million so when you add those all together total debt is approximately 385 million dollars so 285 million debt service absent of the vital matter correct and that's for what's the um how many years out um so the maturities on our debt vary um we have the longest one um the longest one is 2035 how many years is that uh 13 13 years 13 13 years another 13 years so this commitment overall this 25 million dollar commitment we're going to see it with and what's the shortest one so our bond anticipation notes typically have maturities of two years So the 2021 series mature on July 1st, 2023, I believe. No, I'm sorry, those are 2025.

1:21:13 So our shortest maturity currently is actually a new issuance that we did, which just was a refinancing of a maturing 2020 bond anticipation notes. Those have a maturity of July 1st, 2024. And then, of course, our lines of credit currently mature on a three-month rolling basis. For the most part, for the most part, this 25, 26 million probably will drop, will not drop significantly over the next 13 years. Well, I don't have the full schedule in front of me, but I would say yes. over the coming near-term fiscal years, there will not be a, unless we are able to accomplish some type of significant refinancing or evaluation of the entire capital structure, we will have similar debt load to service in the near term. And just to echo, we absolutely intend to do that.

1:22:10 Senator, sorry, I recognize your point of inquiry. Then we're going to go to Senator Joseph. Thank you, Madam Chair. Based on your questioning, if we can get through the chair request a copy of your bond schedules and your list of bonds owed, well, your debt, a full comprehensive report. With the debt service schedules and everything associated. Thank you. Absolutely. Thank you, Senasaro.

1:22:41 I'm seeing Senator Joseph, but I need to figure out where does Senator Francis fall in this because I'm not seeing his name on this list. And of course, I was not chairing the meeting earlier. So who's next? Okay, so based on the listing that was left here by Senator Vele, it says Senator Saro, then Senator Joseph. So I'm going to have to follow this because I was not chairing the meeting. And after Senator Joseph is Senator DeGraff, but I'm not sure where Senator...

1:23:19 Yeah, I should have taken this one. No, I'm following this. But I'm still asking, where does Senator Francis fall next? He falls next. Okay, Senator Francis, you're recognized for your six minutes. Senator Francis? I check one, two.

1:23:59 We can hear you. Before you go, before you hold the Senator's time, Senator Vele is on St. Croix. he will chair the meeting from St. Croix he had to travel back to catch his flight so I am going to vacate the chair and the meeting will flow the way it should because he has the information all right so I'm Senator Francis you're recognized for your six minutes and then Senator Vaila will take over thank you thank you very much Madam Chair good afternoon to everyone I want to get the cliff hangar burden the fans in a room we have had several I don't know what it's here in St. Croix can anyone speak to what is the cost of these outages they know we're here for budget um however I believe that this public deserve to know what's called island way for outage and what are we doing to remedy those I'll ask my chief operating officer Michael Sharpe speak to that yes good evening senator Mike Sharpe chief operating officer electric water and power authority. So obviously, we want to acknowledge our performance and our outage performance is unacceptable. And we, I personally apologize for the performance, right? It is unacceptable. And there's a number of reasons why that is. Just having lack of instrumentation on the units, lack of funding to do appropriate maintenance, lack of data to monitor our units and appropriately control them, lack of work management processes, so a number of things. So what I'd rather do is talk about the steps we're going to take to improve things. And first is, you know, when I talk about lack of instrumentation, we need insight into our system and the operation of our units. And when problems arise, we need to know those, anticipate those before they cause an outage. So it's getting the instrumentation that we need on the unit. Some of it just doesn't work. some of it we don't have. So it's getting the instrumentation on the units, it's getting the data from that instrumentation into appropriate control software, so we're controlling the

1:26:09 fleet in an appropriate manner, and again, predicting when things are going to happen and taking action. It's getting proper work management and equipment reliability processes in place. So we know what equipment and systems are the priorities. We have work plans in in place to address those. We have preventive maintenance program in place so that we're preventing these outages. You know, we're changing oils, fluids, filters, bearings, instrumentation on a periodic, regular basis, again, to prevent these outages. We're doing predictive maintenance, meaning we're taking vibrations, temperatures, thermography, and we're putting that in appropriate software, again, to predict when things go out of design and we can take appropriate actions. So it's getting those processes in place. And then having a long time. I only have five minutes. That's a cliffhanger version. I could imagine what would be the wrong version.

1:27:12 But I only got five minutes. But I think that it's important that we come back and at least give the public some feedback in terms of the challenges that we're experiencing. I think they deserve an explanation for that. The other elephant in the room, of course, is the sarcasm and the issue with the water that's impacted as a result of that. No fault of WAPA, no fault of Seven Seas, obviously Mother Nature and our global warming situation. Is there any consideration, any talk about some type of credit going to our customers in regards to their inability to use this water? OR IS THERE ANY ALTERNATIVE WATER DISCUSSION IN TERMS OF PROVIDING, ESPECIALLY A SENIOR AND DISABLED, SOME WATER?

1:27:57 SO I'LL ASK MR. HODGE AND MR. GREGWARD TO SPEAK TO THAT, BUT I'M SURE, AS EVERYONE KNOWS, THERE HAS BEEN AN EMERGENCY DECLARATION DECLARED, WE WORK VERY CLOSELY WITH ITEMA ON EXACTLY THE TYPES OF ISSUES YOU'RE TALKING ABOUT, BUT I'D ASK THE WATER TEAM TO SPEAK TO THAT. YES, GOOD AFTERNOON, I'M NOEL HODGE, COO OF WATER SYSTEM. So in terms of the sargasm issue, while it did impact our production ability for a few days, the quality of the water was not compromised in the sense that what I want to say is that we are meeting our EPA primary drinking water standards, and we continue to do that. monitoring it um the water quality taking samples on a daily basis and having it tested and we are within our our drinking water um standard and parameters so um is it is it your testimony mr hodge that this thinking water that people have to endure as a result of the sarcasm the despite their filtration and everything that they're going through that is meeting epa standards Yes, our primary EPA drinking water quality standards are being met. One minute, 30 seconds.

1:29:18 So that's what I just wanted to get on the record because, you know, we have the data that we, you know, sample every day, you know, to support that. But, you know, we are doing a lot better now based on the actions that we've taken to actually physically remove the sargassum, replace the filters on the water plant on a more frequent basis. We're seeing the improvement in overall water quality versus last week. very well thank you um i i beg to differ on that issue but again you're the expert and um i i stand with what you're saying in respect to your director of safety uh that should be considered a very important position within wapa what is the status of um filling that vacancy yes and absolutely agree that is a critical vacancy for ours uh we went through a series of interviews unfortunately did not at least come to a conclusion on who the permanent person in that role should be. We are conducting additional interviews because to your point, the role is currently being handled by an interim director, but that's absolutely critical that we get the right person and the right infrastructure in around our safety because from my personal perspective and I think others on the podium here would echo, our safety culture needs to improve. We have a culture of blame. uh it needs to be a culture of learning uh and so that's why that role unfortunately is taking a little longer to fill but we've got to make sure that we get that right 30 seconds is there in house consideration or are you thinking about outsourcing that position we are looking internally and externally evaluating all candidates okay and also um in terms of in terms of line loss i know that this there have been a discussion that passed in respect to a percentage of um of line loss occur and that impacts the bottom line in terms of revenues what is the estimated line loss that

1:31:22 you're experiencing at this time yeah we don't the the way that we calculate line loss is effectively back solving for the difference right it's not something that we necessarily measure directly um you know that's running somewhere in the seven to ten percent range but that's a combination of things. Some of it's physical. Some of it is the fact that we use propane to run auxiliary systems at the power plants, right? And that effectively consumes energy, but for no value that's seen, you know, coming out of the meter. There's theft. We have a revenue assurance group that goes out and attempts to catch that. But there's kind of all of those things work together to drive that lime loss. And it's certainly something that we are, you know, going to be focused on reducing very well i know i heard my time called i just wanted to ask um as a follow-up to that what what is can you quantify what is the the amount of dollar value in respect to seven to ten percent of my loss yeah that's somewhere in the order of magnitude of you know probably 15 million dollars annually it's it's it's real numbers and and let me just follow that it'll never get to zero right it just structurally no utility in the world ever gets it to zero ours is too high and so we you know that is a that's money that we're leaving out on the table that we need that we need to go get very well thank you my time I've been called I'll thank you very much for your responses thank you mr. chair for the time yeah just real quickly in respect to the revenues that you're being subsidized by uh from the governor's office how did you arrive or how do you um account for arriving at number that is requested on a um monthly basis of what is a monthly basis what is the that used to determine that number um in your request to

1:33:22 omb and the governor's office so the way that's derived is we have a weekly standing critical payments meeting that all of the business leaders attend. We prioritize our spending first and foremost to fuel, secondarily to debt service. We have to make payroll. We have to pay our insurance premiums for property and that sort of thing. And then we have very little money left. Quite frankly, we generally have, and there's a number of other payments in there, right? But 90% of it is covered by those big items that I talked about. We then figure out how much money we need to not run out of cash making those payments, and that's how we solve for that answer. Quite frankly, the support we're getting at this point is not enough. We continue to have to defer payments to vendors, and it's a number of them, but that's how we arrive at that number is we avoid running out of cash. Thank you.

1:34:21 Thank you. Thank you Justin. Thank you. Thank you. In reference to the $48 million, because this is your proposed FY23 budget, you're on a calendar year or your fiscal year begins October 1st? So our fiscal year starts calendar year July 1st of 2022 and runs through June 30th of 2023. June to June, you said?

1:34:54 July 1st through June. July 1st to June? Yes. Okay, so the $48 million is in addition to what you have already received? That is correct. Most of what we received already was in fiscal year 22. Okay. And you have already received what, $16 or $12 million? Go ahead, Jake. so for the fuel specific uh subsidies we received 16 in fiscal year 22 and so far in july we've received an additional four for a total of 20. okay so we're looking at um 64 million dollars overall from opera uh i think that's an yeah an approximate number if if we end up having to need the full 48 yes okay and is a 48 sub subject to change based on the price of fuel it's subject to change on not only the price of fuel but additional actions that we can take we've identified some other fuel savings initiatives uh that we will go out and actively pursue and that's why the 48 is absolutely subject to change okay before i go to senator joseph um and i'm sorry if i ask any question that might have been asked before but i'm looking at your fuel costs detail on page eight of the appendix that you provided and the number two aisle just 16 million gallons cost us 73 million dollars 76 million gallons of lpg cost us 125

1:36:48 thousand dollars is that correct 125 million that's correct okay so there's a significant savings if we just use appropriate significant because if we had used 32 thousand gallons of but two daughter classes 146 um million dollars and it's a significant saving it's like four times the cost of lpg what is a in terms of getting all the units 100 percent on lpg absolutely and um so i'll give you one number around the your comment on the price difference and i'll ask chief operating officer to speak to to addressing uh two oil burn so today propane sorry today uh fuel oil is 75 percent more expensive than propane on an energy equivalent basis. So it's a very significant difference. So I'd ask COO Sharp to speak to the conversion to propane. Yes, good evening, Senator. And I'll just elaborate what Andy just said. If you look on a heat content basis, so apples-apples basis, right now propane is approximately $16 per MMBTU, and fuel oil is $30. So it's almost half, you know, if you just look at it from a pure apples apples comparison um as far as what we're doing to get the units on on propane um so currently unit 27 which we just purchased from from general electric um we have a third party vendor right now helping us to convert that to propane as soon as possible um they are experts on gel and machines uh the current proposal which they admit is conservative is six months they're doing everything they can to expedite it because the savings is as you pointed out is significant uh, if we can convert that machine to propane, it's around two and a half million dollars a month. So we're going to do everything we can to get that converted as soon as possible. Um, and then unit 23 also, um, at the Harley plant, you know, my understanding is we have everything we need to

1:38:51 convert that unit. Um, so we're in the process of doing our due diligence to find everything we need to convert that unit. And then we'll do that as soon as we can. Um, so we're still working out the plan right now what is the ratio propane versus number two 85 15 80 20 currently it's around 80 20 okay now you have a timetable as to when you want to complete this conversion sooner than six months okay senator Joseph you Thank you so much Mr. Chairman, a pleasant good day to everyone. I really want to thank you for your presentation. Some of it is a little unclear to me as far as the numbers are concerned and so I want to drill down on it, especially where the human factor and human capital is concerned. Let's talk, Mr. Lewis, specifically about the budget and the free cash flow summary that you presented and you indicated that the board has already approved the proposed budget.

1:40:07 Correct? That's correct. Okay. Now, I would need to get some breakdown, especially with your operating cost and those that surround the pension system. I noted, and I don't know if that was used to balance this budget and to bring the free cash flow to zero to reduce the amount that we, or that you collect for the, or send to the pension system. Tell us how far along are you with paying the pension system for your WAPA employees Based on our post audit report, I'm gonna just, and it only went to the water side of it. Turn with me to, there we go, we have two parts of it. Page 15 and page 16, you come under other services, it says pension expense, and I'm on page 15 of the post audit report, and it says In fiscal year 2021, the actual was about 2.6 million. And then we look here, and this is the actuals you stated up until, what is this January? March of 2022, we've only paid about $242,246. So we're owing money to our pension system for our employees. So, I want to clarify a couple of things here. So, in our free cash flow budget for fiscal year 2023, that budget absolutely assumes that we make the employee contributions and employer contributions that are required based on service during that fiscal year. And we are actively working to get caught up on, you know, our delinquent employee contributions.

1:42:04 Stop there. How much are you delinquent in? What is the amount? So we owe for total amount owed to GERS at this point is $8.243,848,000. That breaks down into two buckets. It breaks down to employer contributions of $5,889,425 and employee contributions of $2,354,422. That includes all fees and penalties to GERS as well, which are substantial. We have paid to date for the employee contributions $1,167,615 for the employee contributions. We have also made payments related to loans. And when an individual retires, we have to make a catch-up payment to GERS. We have been making those payments. That's another $339,793, so a total of $1,507,407. dollars, and we continue to make catch-up payments to GERS for employee contributions.

1:43:07 Okay, and so this question would be to Mr. Jacobs, and you can answer as well, Edie Smith. How much is it that we, you're saying that we owe about 8.2 combined employee, 8.2 million combined employee and employer contributions, and that amount, CFO Lewis. Yes. Okay, is included in your cash flow budget that you was passed by the board and approved by the board? So the catch-up payments are not specifically captured in this budget. So where would you have your, where would that be in your budget?

1:43:51 So as we mentioned, the way that the budget was constructed was to, as a first step in stabilizing the authority, ensure that our fiscal year budget can be supported by our existing rates and we don't continue to increase the financial whole of the authority. In addition to operating within this budget, on a weekly basis, we analyze every cash expenditure that we make, and the catch-up payments associated with the employee, delinquent employee contributions are at the very top of that list and we continue to make those payments and we will continue to make those payments throughout fiscal year 23 and we will make sure that we do that within the fiscal year 2023 budget i just want to just wrap up by saying um it is tantamount especially because a lot of the employees have been there for a number of years that they don't encounter issues when it comes to retirement and they don't because that's a human capital those are the persons that you all met there and who are still in the trenches doing the work and they don't have to go through the headache when that time comes to retire I know of a person who is about 83 years old he's still working and someday it's going to happen when he desires to retire and not work and he goes to the pension system and to look for his money and it's not there because you have not prioritize giving it even though we have been getting about 22 million dollars in ARPA funds mr. chairman I do have one other burning question I would like to ask top can you go directly to the question I certainly can I wanted to

1:45:43 ask relative to the employees negotiated increases where we would that is this I I need to understand where these things are captured and laid out in your budget. That's what is not clear to me. Thank you, Mr. Chairman. That's the end of my question, and I'll allow them to answer on your time. Thank you kindly. Okay. Yeah, so in terms of where they are in our budget, those would be within the lines here that we've labeled as personnel costs. The personnel costs that are in our approved budget are about a million and a half dollars higher than what we've been seeing on a run rate basis in fiscal year 22, and that additional amount, as I mentioned before, is meant to provide for contractual increases as well as the filling of critical positions under our soft hiring freeze structure that we're operating under today. And I can give you specific numbers, Senator.

1:46:43 Our P&T union has a retro pay amount due that's broken out between two years. Fiscal year 20 is $224,393, and then the subsequent year is approximately $119,000. Our supervisor's union is approximately $80,000. The supervisor's union is for a more recent time period. We have been setting aside funds on a weekly basis to fund making those payments. We just today crossed the line to where we can actually make the payment for the P&T union for the $224,393. We've got to do some reconciliation, everything internally, make sure that the numbers all line up and everything. We'll be looking to move forward with that payment, and then continuing to set aside funds for the other two retro pets. Thank you, Senator Joseph. Mr. Smith, in reference to individuals who want to retire now, you would meet that particular obligation for that employee, correct?

1:47:45 Yes, sir, and we have them. Okay, thank you so much. Senator Blyden, point of inquiry. Thank you. Thank you, Mr. Chair. That was my specific question, but since you asked that one, let me ask. Mr. Smith, you know this is a very small community and everyone knows everyone and information comes up on a normal basis. So, the fact was I did get a text also stating from the GRS that you guys owe some money and folks can't retire because of that, but you answered that question. So, in respect to my point of inquiry since it was already answered, can you, Mr. Smith, give us what your salary is, the gentleman next to you and the next gentleman next to you, please? What's your annual salary?

1:48:31 Yes, sir. just to include myself in that, we've disclosed this earlier. My base salary is $325,000 a year. I have a housing allowance of $45,000 a year, and that's a total annual compensation of $370,000. I'm on a three-year contract. Thank you so much. Chief Financial Officer's salary is, I'm sorry, Chief Operating Officer's salary, who's Mike Sharp, two to the left of me, his salary is $230,000 dollars a year, with a housing allowance of $45,000 a year, for a total of $275,000. Mr. Lewis, our Chief Financial Officer, has a base salary of $180,000 a year, a housing allowance of $45,000 a year, and an education allowance of $25,000 a year, for a total of $250,000. I can repeat those numbers, I know I went a little quickly, but I'd be happy to go through those again.

1:49:21 but I'm just saying that our retirees who have been there forever don't make much of anything and it's critical that once they retire, they have a right to return. We are sure that their money is at the GRS so they can retire in peace. Thank you so much. Understood. Thank you, Mr. Chair, for the time. Thank you, Senator Blyden. Point of inquiry, Senator Fred Gregory. Thank you, Mr. Chair. I want to go back to the outstanding amounts owed by GRS. What is the outstanding amount, and are you, what did you say the outstanding amount is, and are you paying the current employer contributions? So to review those numbers again, the total unpaid amount to GERS is $8,243,848. To break that down into two pieces, the employer contribution is $5,889,425.

1:50:17 dollars the employee contribution is two million three hundred and fifty four thousand four hundred and twenty two dollars and then i'm sorry your second part of your question was um was what are you paying the current biennial by weekly amounts so we are remitting employer and employee contributions yes so for the employee uh contributions we are remitting those to gers each payroll cycle we are also on off payroll cycles making a catch-up payment for the employee contributions we are not in a financial position to make the employer contribution at this point i guess i can ask the additional questions on my time this conversation is not adding up to me thank you mr chair thank you senator fred gregory so you're not making any employer contributions at all no sir we're not making any employer contributions we are remitting employee deductions other than these i'm sorry thank you my cfo corrected me we are making the employer contributions related to loans and if an employee retires right so an employee who retires we have to make a catch-up payment that gers invoices us for they tell us what we what we have to pay and we are remitting those funds so to the extent of a retiree looking to you know secure benefits um we are making the payments that relate to those okay but not making the employer contribution is going to cause you to fall even further back that that is correct because we we can we continue to under recover um our our fuel expense i mentioned earlier we pay for uh fuel debt service insurance uh and payroll and then we run out of money We make some other payments, employee contributions, for example, and things like that. Otherwise there's very, very little money left.

1:52:09 We typically have somewhere around $70,000 a week left after we make those payments. So what is the plan as to how are we going to be able to begin to make those employer contributions? So that comes back to the broader plan that we've discussed previously, which is reducing reducing the structural cost of the Water and Power Authority. We currently lose approximately 16 cents on every kilowatt hour that we sell. We just made a filing at the Public Service Commission late last week. Our fuel cost is 11 cents a kilowatt hour higher than our LIAC recoveries. Now, we're taking steps to address that. What have we done? In the last, you know, a few months, we've saved $5.4 million in past due GE payments, $5.2 million in a buyout for Unit 27. If we look at the three-year run rate of avoided lease expense, which the past lease we had, that's $25.2 million. We renegotiated a ban refinancing that saves $6.5 million over two years. And there's some other savings in there. Unfortunately, that annual savings is still not enough to close the gap. So we have more work to do. We talked about converting unit 27 to propane. That's a couple million plus dollars a month for us. We are looking at getting efficient generation on St. Croix. We've had four or five offers come in on that. We're evaluating which ones of those are the right ones to move forward with. And we'll be open and transparent through the Public Service Commission with those conversations. We've been looking at renewable resources, most specifically solar. We've got indicative offers of somewhere in the nine cent a kilowatt hour range versus a 22 cent LIAC. All of those things combined get us to where we operate within our regulatory rate structure. Along the way, we will continue to make, you know, as much catch-up payment as we can. You know, we're prioritizing trying to work down that employee backlog. And as we free up cash flow that's where those funds will be allocated uh to uh to to address those those shortfalls

1:54:24 thank you so if we're able to reduce the amount of number two oil that that we utilize on a regular basis we should be able to pay the employer contributions we we will we will absolutely uh intend to uh start to make some headway on that we we may not be able to make a hundred percent of it we'd have to see what the numbers look like but we certainly would consider that in part of our part of our plan okay and before i go to senator dick raff i think the frustration of the senate is that we were supposed to be a hundred percent uh propane at the end of that particular project and we years after are we still not at a hundred percent and one time we're in 85 now we we're down to 80 but the we paid a vendor that was supposed to provide that propane infrastructure and be able to convert those units to propane and um legally i wonder what is our case against veto who are still being utilizing 20 of number two oil well what was it well what case does wapper have it shouldn't have been a hundred percent conversion at the end of the VTOL project? So we would have, there was no obligation on VTOL's part, and Cerny Sinclair, correct me if I'm wrong, there was no obligation on VTOL's part to convert our units to burn propane, as I understand it. We did have APR, who was the original provider of Unit 27, as I understand it, there was a provision in that contract for APR to convert the unit to propane. APR is essentially no longer in existence. So our ability to go, you know, enforce them going to do that is basically non-existent. The General Electric contract that we had had a provision to convert the unit to propane as well. Their proposal was extremely expensive and would have taken an inordinate amount of time to do. The other thing that some of the senators may be aware of is that the proposal that GE had to convert that unit to propane would de-rate the unit. The unit's a 24 megawatt unit the ge proposal would have taken it down to 17 megawatts now why was that uh there's a certain pressure on the propane supply that we that we uh provide to our wartsilla and other units um the the gas turbines want propane at a higher pressure if you don't step the pressure back up you lose megawatts um you know from our perspective and my chief operating officer could speak to more of the technical details uh i just listen closely i sound like i know know what I'm talking about, right, Mike? I pay attention. But it simply takes putting a compressor

1:57:02 on the propane supply for unit 27, and then you don't have the derate. I think it's important to note as well that the technology we're looking at to convert the unit, actually, we don't even have to open the unit. It's basically a propane blender is what it's defined as, and propane burns hotter than natural gas. And so what happens is you take this propane blender, you inject air, you put a little temperature into it, and what comes out of it looks like natural gas to the turbine, which the turbine is equipped to burn. And so it's a lower risk way to convert the unit from our perspective, because you don't actually have to open the unit. Our frustration at this point is that we're being told six months to get that physical piece of equipment. We have expressed to the vendor that we want it quicker, we need it quicker, and we're waiting to hear what answers we get.

1:57:54 Thank you. Senator DeGraf, have you gone already? Thank you, Mr. Chair. Good afternoon, colleagues. Good afternoon, testifiers. Wapa, we're happy to have you here. When I hear you talk about your frustration, imagine people listening, our frustration. and you know I want to go back to the employees because to me when you're going to build your organization from the bottom up employees got to be number one and I didn't hear you address them proper to me I got 23 years in the military, I spent 26 years in the police your employees are always first, you rely on them for your life so again this is how I look at every organization every department comes here so when you see in the free cash flow that you have on page six and you have the initial budget that's the 22 budget or the initial budget is where you had the 23 it was the initial budget for 2023 as submitted by the business um let me get a little background on that um we've under invested in our business forever and so we asked the teams to tell us what they needed to spend right to to get the company healthy we can't afford that within the rates we have so then we had to you know go out and ask the teams to give us cuts but that's what that initial budget reflects is the initial ask right and and that's what i figured so when you decided on cutting 17 million dollars 17 million 65 208 from the personnel cost and then to turn around and have to hear the employer and employee portions and stuff that we're not able to make and it's not budgeted. Again, it's not taking the employee to me seriously. Let me clarify one point on that difference that you see there. Our current run

1:59:56 rate of payroll is basically the same as the run rate of payroll in the fiscal year 23 budget, right that higher number that's reflected on the initial budget was what was requested for the people that everybody wanted to hire right we can't afford that today but frankly I don't think we need that many people and so that that's comes back to the concept of do we have the right people in the right places doing the right thing right again it is still equates to the The employee's contribution was not submitted to GRS. Nobody went to jail. The employee, you pay me a salary, you pay me $28, $30,000, is taken out of my paycheck to secure my future, never reached to the GRS. Employer section that you're responsible for never reached. one issue but when it comes out of me, my pocket, it's a breach of contract. Has anyone filed a lawsuit against the WAPA in regards to the employee contribution not going to GRS? So first we are remitting current employee deductions. We've been doing so since around May. We are making catch-up contributions on the employee deductions and we will continue to do so. Attorney Sinclair, can you speak to the second part of the question?

2:01:21 Yes. We are currently in litigation with GERS, you know, based on outstanding funds. And I can't really get into specifics because it's still accurate. I understand. You don't need to. But I'm just saying, again, when we talk about frustration, you know, I don't have no intentions to try to be rude, disrespectful. It's not my demeanor. but again it's when i hear you the new person taking over what we have so based on what you have seen and you have to come with this uh to to even add for fuel two minutes a fuel subsidy of 48 million dollars in terms of money you don't even have that that we adding in the budget to me it it it builds a fluff that when when when the people have to look at it you know it looks good but it's not good because again i go right back to the employee when you go make the statement building the budget from the bottom up are the are based on the numbers that you you just called out to your cfo your coo uh again i have it right cfo coo they are collecting the same salaries that their predecessors that the persons who left no so they're higher the higher right and that that's my point right there case closed argument done that's my point so you you and and i applaud you bringing your team experts who can operate but we've been fighting this whopper battle for years but understand and that's why I'm here and then that's what I say so then if you telling me you're correcting the budget from the

2:03:10 bottom up are you bringing in people to take positions of predecessors and paying them more then we can't have a conversation at all to me because I'm saying no it's not fair it's not right it's not fair because then the same higher salaries that these gentlemen are getting and they deserve the salaries they're getting don't get me wrong but the same higher salaries that they're getting they could have paid them what the predecessors were getting and put on money toward paying the employee contribution to grs to make that right for the employee even if you don't want to pay your section yet these are when you sit down and we're going to talk money if you ain't talking dollars you ain't making sense you're talking dollars you can't see you're building a budget from the bottom up and pack the top it it doesn't add up to me one and one is two so it however you slice it or dice it i have a problem with it understood and i speak for myself and again it's not to be rude but i have a problem for it so if you're going to look at the budget from the bottom up the employees have to be made whole first understood then you can give whomever else at the top wherever you want to give them fix the employees first employer contributions employee contributions because those guys who make it more don't have to invest in grs at all collect what they collect and when their time of the gun you have three years three years you can you put put nothing in, you're investing in the GRS, c'est voir. But again, thank you for coming and giving your presentation, but you just hear my sentiments and that's my frustrations. Thank you for the time, Mr. Chair.

2:05:01 Thank you, Senator DeGraff. Senator Frances Holliger. Thank you very much. Good afternoon once again to my colleagues, to the people of the territory, staff. Let me just make it very clear, because when we discussed this in the last meeting I attended with WAPA, what was done as it relates to employee contribution is a crime. And there's no way we could go around it. It's called embezzlement. You cannot take somebody's money out of their paycheck, and by law, you have to remit it where it's supposed to go. And when we ask the question, who is going to be held accountable for making the decisions for these actions to this date, we're not getting an answer. Because let's be real, if this was not the government and this was a regular business and that business took somebody's earned money and put it back into the business and didn't pay their loans or their car notes or their mortgages or whatever way it's supposed to be deducted and sent to, they more than likely could have been arrested it is what it is so all of this is nice but we have to understand that this thing cannot be done now what I want to know we have basically the highest rate of electricity cost and for me it's an embarrassment and that's just the long and short of it when i when i listen to family members that live next door in the bvi other surrounding caribbean islands and we're up at basically almost what 50 something we're applauding people for subsidizing millions of dollars none of this should even be happening and what i'm trying to

2:06:53 understand i appreciate that individuals are here to say that we're going to try to clean this up But I want to know, one, has anyone ever looked at or done a feasibility study from WAPA as it relates to hydro energy as a potential way of cost savings or lower electricity in the Virgin Islands? Has that ever been done? To look at hydro? We have not looked at hydro.

2:07:21 Is it something you guys are looking into? We don't really actually have any hydro resources in the territory. what we conceivably if we had any water that we could use for energy generation would be through some sort of wave technology those are grossly inexpensive they generally don't work and i refuse to be the beta test for new technologies okay when you guys spoke about doing an offset in the budget and this additional four million dollars um that you have to come up with was Was the employee contributions part of that offset that you're needing?

2:07:59 Was that included in that? If you're asking if our decision on whether we'll make employee contributions is a way we would try to achieve that target, no, absolutely not. Okay. And to speak to that target very quickly, we've already met that target through management initiatives. We bought Unit 27 for GE. We've secured a $750,000 grant for training from Ashley Bryan. And we have some interest savings that Jake secured. We've eliminated some other professional services, so we've already filled that hole. Okay. And we've got more to go, but we've already filled that hole.

2:08:33 What type of internal controls that you guys have implemented or plan to implement when it comes to some of these disadvantaged contracts that seem to have put WAPA in the hole that we are in today? Because at these rates, we can't keep going down this pathway. Right. So you're looking at the ultimate control, which is me. I have to sign and approve anything that's $200,000 or less. Everything other than that goes to the board. Anything related to energy procurement has to go to the Public Service Commission for oversight. And I can tell you from working with the WAPA team here today, every single person in this room has input into what is reasonable and appropriate for the Water and Power Authority. What are some of the timelines you have for some of these infrastructure projects to be completed? Because ultimately, all the consumer cares about is paying less money.

2:09:29 Absolutely. That's it. So two things to that. You mentioned the subsidy earlier for fuel. That subsidy so far has saved the average customer $70 a month. So it's real money for a customer. Average customer bills around $250. They save them $70 a month. It's about 40% rough numbers. So it's real to our customers. Prices of everything else are up. It's real to our customers. if we could do everything on our list tomorrow, we absolutely would. I mentioned getting the propane conversion for unit 27. We're getting a six month timeline. We're trying to get that faster. New efficient generation on St. Croix, probably fastest we could do that is 90 days. You know, we're waiting on one other vendor, maybe 60 days, but we'll see. You know, there's some other vendors that are more like six months and we just weigh that out economically. You know, the solar that we're looking at on St. Croix, we're looking to advance out here fairly quickly. probably 12 to 14 months commercial operation on that asset okay um when it comes to all the things you're attempting to do um as you know we've been dealing with quite a bit of blackouts um that's something you know if it wasn't for the fact that in my home between a generator or a rigged battery system i i would not survive these blackouts but what is happening in trying to make it a priority that these things are minimized um in order that the consumer will have some kind of faith that you guys are actually doing something about it yes good good evening senator i i can repeat all those things i said earlier if you want me to but you know so we have a lot of activity underway to to bolster particularly our generation fleet and our transmission distribution fleet for that matter you know on the tnd side we're putting a number of composite poles and undergrounding um i think it's about 50 of our above ground poles will ultimately be underground in which which will help from the transmission distribution side we have a lot of work to do on on the generation side and making our generation bringing up to date the older generation that we have it still it can be it can be made reliable

2:11:43 and it will be made reliable and time and then getting this newer generation such as the board so is online and the more efficient generation that st croix and st croix that uh mr smith mentioned getting it online mr chair may i ask my final question yes sir thank you what i would like to know is what is your vision for wapa in regards to actually seeing some light at the end of the tunnel in energy cost reduction so so my my vision for the water power authority is number one we're 100 propane burning number two we have maximized the amount of renewable energy that we can put on the system it's conceivable that we could basically almost not use fossil generation on st croix we'll see um you know ultimately maximize the amount of solar resources that we have on the system. We have optimized our other cost structures. We've gotten rid of expensive equipment leases, for example, for generation. We have restructured our balance sheet, extended maturities, whatever that may look like, and we've lowered the cost there. And so we have to get a system that not only reduces the cost for the community, but also transforms the system to reduce the risk to the system because right now we're exposed to a lot of volatile fuel prices and we have to reduce the amount of our reliance on fossil fuel.

2:13:13 Well, the only thing, thank you, Mr. Chair, and I just want to close out. You know, propane is also a fossil fuel. And the same way we might run into issues with oil fluctuating, the same thing could happen here. So that is also a concern for me, that we put in all of this work, and then we land right back to square one. But thank you, Mr. Chair, for the additional time. Thank you, Senator Francis Heiliger. I'm listening to all the discussion, and financially we're just in a bad place.

2:13:51 We're really in a bad place, and we've got to dig up out of this hole. So you can see that and speak to and everything is going to help, but the sad thing is that we put in $160 million into the appropriate facility and we're still paying for it and we've paid some $12 million for operational maintenance. Can we reduce that operation of maintenance by hiring requisite engineers with the skill set and the 12 million figure for everything propane portion, can we reduce that?

2:14:36 So you broke up a little bit, Senator Viola, but I think your question was about hiring Virgin Islanders to operate the propane O&M system. We do not have the option of doing that because we don't own it. However, VTOL, who operates that facility, does hire Virgin Islanders. So there is local employment associated with that facility. Hold on one second. I didn't say Virgin Islanders. I said hire qualified engineers. Oh, sorry. The appropriate facility, the OMM. Right. If we were supposed to hire a crew, we take $2 million and hire the best crew that we can find.

2:15:13 We'll still save $8 million, $9 million per year. That's correct. We don't own those facilities, so we do not have the ability to do that. Okay. We don't own the facilities because it hasn't been turned over to us because we haven't been paying them. That's correct. Okay. So how much are we not paying per month? That's adding up. What's the cost, the proposed cost of retail every month that we should be paying? Proposed infrastructure cost with some associated fees and penalties is $3.7 million. How many months have we missed?

2:15:53 We stopped paying that in June or July of last year. Okay, so right there we owe our next, close to our next 40-something million dollars. I'm looking here at my schedule. The total, I believe, is $120.5 million. dollars. Again that's got fairly significant fees and penalties included in it. Senator Fredko, are you recognized? Thank you Mr. Chair and good afternoon again. So I have a couple of questions. The 25K for the CFO, you indicated that's for educational expenses. What educational expenses are those? Jake do you want to speak up? So yes so that's a reimbursement of tuition expenses up to $25,000. Tuition expenses for yourself? For my children for my two sons. Well for your sons what school do they attend? They'll be attending until East in the fall. You know we have a good public school system here right? Yeah Yeah. It works for our kids. So, in essence, your salary is actually $208,000 and not $180,000 because you have an additional $25,000 added to your salary for tuition.

2:17:23 my base salary is 180,000 I have a housing allowance of 45,000 and an education allowance of 25 for a total of 250,000 250 yes and the CEO is 275 and the CFC oh CEO is to 370 and the CEO is 275 so I have to agree with my colleague across the aisle that you know we need to we need to really address the issues that we have with the GRS and our employees particularly the two million dollars that was taken out of the employees checks that were never remitted that should have been a priority in your in your proposed budget because those were does not employ your contribution those are employees dollars that were taken out of their checks i'm going to ask you today to please go back and look at your numbers and give that high consideration that's their money understood yes and the issue with that is if that amount is not paid then they have to pay the um the the penalty for the interest are you aware of that i'm not aware of that i have to ask someone else on the team to i'm aware of So that is a big issue.

2:18:44 That does not sit well with me. The employer contribution, you know, that's a whole issue. But if the amount was taken out of their checks, you guys have to figure out how to remit that. That is not satisfactory at all. That's their money. Now let's go back to this $48 million because I have to commend you on your budget presentation. The presentation, you know, you laid out all your numbers. but my primary concern is if you don't have a commitment for this $48 million, then you do not have a balanced budget.

2:19:19 That's correct. So you came before us today with a budget that has actually a $48 million shortfall. That's correct, without any funding, you're correct. Your budget is imbalanced. You don't have a commitment from the chief executive or this body for this $48 million or the federal government. So how do you feel comfortable coming before us without a footnote, an asterisk indicating that, look, we are anticipating this and ask us for assistance to figure out how we can get you to this point. But if we did not dig down into the details, then we would think that you have a balanced budget. Your budget is not balanced.

2:20:04 That's correct. We're relying on government support to not run out of cash, you're correct. We pay for fuel, we pay for debt, and we pay payroll. So that's how you present your budgets to folks on the national level? Yes. You make commitments that you don't have? We explained and we discussed today that that is not a guarantee of funding of ARPA money. You made that representation when I asked the question. You didn't make it before. It should have been a part of the discussion. Okay, so let's make sure that we're clear on that.

2:20:36 Senator, I believe we do have on the key assumptions that there's a GVI fuel, a subsidy in there. I guess we weren't clear that it wasn't guaranteed, so apologies. Yeah, yeah, you present it as if it's a guarantee, and that's just not, yeah, we can't do stuff like that. Of course not. We can't make that $48 million apology. That don't work for us. I wanna go back to the personal costs. So your initial budget, my assumption is the initial budget is, what year is that? That's 2022, or that's what you presented, and then the board sent you back? Because I'm not clear on that either.

2:21:13 So the initial budget is a presentation of the initial budget for fiscal year 2023 that was proposed by the business. Okay, so that was initially proposed. Okay, so why didn't you compare your last year, your actuals, or your unaudited, if you will, numbers for 2022 to 2023 why is that information left out so we presented it the way we did one because we did want to make sure that it was clear the level that the authority has to go to to attempt to stabilize the budget and to operate within its existing rates by showing the magnitude of the cuts we had to make in the presentation and I spoke to this before we absolutely considered our 2022 cost when we looked at the resulting budget and our personnel costs in our fiscal year 2023 budget are million to a million and a half higher than what we've been run rating in fiscal year 2022 okay so again generally in line again to accommodate the limited critical hiring we want but what is fair to us is to provide us with a snapshot so we could see what you're actually doing so at minimum you should have shared with us what your 2022 looks like we we don't have that information so we're just operating from where you you're heading not where you truly were that's not fair information now i want to go back to the personal cost so then that that says to me that i'm not even sure that i this question that i'm about to ask i i'm asking it but it doesn't make sense based on the fact that the initial budget information the initial information isn't your 2022 data it is in fact what was initially presented but you represented that you have a 51 million 51 um 51 vacant positions is that accurate am i accurate on i believe that was the number stated earlier so if if you have 51 vacancies right and your initial budget was

2:23:25 inclusive of those positions 53 632 mr chair might continue yes you may conclude 53 632 263 that's for for those of us that's following us on page six of the free cash flow summary 53 632 263 million right so your proposed budget is 36 million 567 055 for personnel and your variance is 17 million so if i do the mat on this 17 million with uh 51 divided um 17 million divided by 51 that's three hundred and thirty four thousand dollars per position so that's why I realized that when I as I continue to look at the numbers that there's something missing from this this this this sure that what you share with us we need perspective what you presented with us today like I said briefs well but it truly does not give us perspective so the number of positions you're referencing uh from earlier of 51 that's a current view i believe of you know open positions that we would consider recruiting for i don't believe that's the open positions quote unquote that were embedded in the initial budget if you'd like to see that information we can compile it for you again the way that we ultimately got comfortable and had confidence in the number that ended up in in our approved budget, again, is that we looked at our run rate that we were seeing for personnel cost for fiscal year 22, and especially at the tail end of fiscal year 22.

2:25:12 And given the soft hiring freeze that we have in place, it should, the logic should flow, right, that there should be only a slight increase from the run rates we're seeing today because the size of the organization will remain relatively constant. We'll work, as we've mentioned before, to optimize people in the right roles within the organization, within that framework. But that's ultimately how we got comfortable. So you have to wrap up. Okay. Again, we do not have, you did not provide us with true perspective today with where you are and where you're going. You did not, in all fairness to us, who's looking at these documents, We do not know where you were, where you ended up in FY 2022, and your true reductions, your reduction is based on a proposed initial budget. So that briefs well.

2:26:11 It shows that, yeah, initially I said I was gonna do this, but we really reduced it, but it doesn't show where you were and what you're proposing now. So you didn't give us, we're not playing fair here. And I'm just gonna wrap up by saying that we have a CFO. Do you have new staff on board, Mr. CFO, Mr. Lewis? Lewis. From the accounting, for my staff generally, my staff is relatively unchanged since I've joined the authority. So we still have, we're now paying Ernest and Young.

2:26:46 I think I saw that in one of your expenses, and that goes back to the concern with regards to GRS. So initially, we were utilizing federal dollars to pay Ernest and Young. Now we're utilizing your local dollars, your revenues to pay Ernest and Young. We have a new CFO on board. The total package is, what did we say? Three, 250. Are we still paying Ernest and Young $155,000 a month? And we're not remitting the salaries, the amounts that were taken out of the employees checks previously?

2:27:18 Mr. Smith, we must do better. Understood. We must. This is not acceptable. Understood. Yeah, so tell me about this Ernest & Young and this cash flow. What is Ernest & Young doing that we now have a new CFO on board that our CFO cannot take on that responsibility and train up their staff to assist? Do you have a director of treasury? We do. So why is your director of treasury not taking on this responsibility? What is your director of treasury salary? I'm not sure what Mr. Dow's salary is. Mr. Dow, do you want to provide that information?

2:27:51 Yeah, what are we doing here? We're trying to fix the Water and Power Authority. Yeah, but you can't fix it with the same status quo and then giving me a proposed budget and not sharing with me what you've spent last year. That's not, I don't have perspective. So if you'd like me to provide the numbers of what we spent last year, I can provide those here or I can provide those later. No, okay, the time has concluded but she asked two questions. One was, what is the salary of Mr. Dow? And the second was, why can't your division of treasury complete the task that Ernst & Young is presently doing?

2:28:34 So Mr. Dow will provide his salary. He was just texting me. In terms of what Ernst & Young is doing, one of the key things that Ernst & Young is doing is helping to develop our staff as well as put processes and procedures place around our financial management. They were integral in helping to develop the budget that we're here talking about today. They are integral in the critical payments process that I've talked about in terms of managing our extremely limited cash flow. They've helped advise us on the refinancing that saved us $6.5 million over the next two years. They've been instrumental in helping, Mr. Lewis mentioned $117,000 in bank fee savings. They've been instrumental in helping to achieve that. I could go through a number of other initiatives. They're helping us with our LIAC, they're helping with our rate flow process, but they are absolutely deeply engaged in the business, but they're also not permanent, right?

2:29:30 So part of their role is to get processes stirred up. When do you believe that we will be able to function without Ernst and Young, based on the fact that we now have a chief financial officer that can work with the existing staff? What's your timetable? So I would certainly look in the next 12 months to reduce the support from Ernst & Young. I don't know that it will go to zero. That will depend on how progress has been made in terms of, again, getting streamlined functioning processes in the Water and Power Authority. But certainly do not intend for Ernst & Young to be a permanent resource.

2:30:07 OK. Do you have a commitment from the governor of the Virgin Islands for the remaining six months of four million or you're just hoping that every month you get the $4 million? Do you have an MOU or MOA or anything with the executive branch? No, as I've mentioned several times before, we do not have a guarantee for that. So what has the discussion been with Government House in reference to that? So we have regular engagement with Government House and Office of Management and Budget. We've shared with them all of our projections. We've shared with them our cash flows. And as I mentioned earlier, the request we ask for when we ask for it from government house for ARPA funds is so we don't run out of cash. Because quite frankly, if we do not receive that funding, I have three options. Option one is a stop, buy, and fuel. The lights go out. It's unacceptable. I won't do it. But that's a choice. The other choice we have is we miss debt service, right? And, you know, I'm sure if people have rent or have mortgages, you miss your rent payment, your landlord's not happy. You miss your mortgage payment, the bank's not happy, right? So that's got problems, right? That, quite frankly, could take the future of the Water and Power Authority out of our hands, right, and out of the hands of the Virgin Islands.

2:31:25 The third option is I could skip payroll, right? I could do that maybe a couple times, but hopefully the senators can respectfully understand that that would be hugely destructive and also something that I will not do. Those are the choices we have if we do not receive OMB, ARPA funding when we need it. And that funding has shielded 40% of energy cost for the utility bill for our average customer. It's about $70 a month that that saves for our customers. So it's real savings. And with the plan we've developed, it's not a permanent subsidy. If we do nothing, the number's bigger. The number's $75 million a year if we do nothing. right we've already taken steps to reduce that cost and we're going to do more and we're gonna get that caught that that that requirement to zero but we can't do that overnight but our option is three things and they're all bad okay a last question before I go to you know Senator Johnson and Senator Blaine wants a point how are we factor in the possible reduction of fuel into budget the numbers that you have was based on what the the real high point or what it is now you i was having trouble hearing you there senator billy i think i thought it did you how did you calculate the fuel cost was the full fuel cost calculated yeah so i can i was 130 dollars a barrel or is it now when it's 95 and you also have provisions that if it hits um 75 $75, $70 a barrel or propane decreases that, have you worked that out?

2:33:06 Do you have a scale that you have worked out? So since the estimates in the budget were created, our fuel costs have fluctuated quite dramatically, which is not uncommon. There's, during the period of time from when these estimates were set to now, our fuel costs have been substantially higher than the budget assumed. currently slightly lower than what the budget assumes but I would say over the time period since we set the budget it's reasonably close to the budget assumption. To answer your question around how we came up with the fuel cost I mentioned this earlier when I walked through the presentation we looked at how much power we sold to our customers over a recent trailing 12 month period and that became the basis for our sales assumption for fiscal year 23. we then looked at how much fuel we had to purchase and consume over that same period of time to produce that amount of energy and to come up with the fuel cost we layered today's or at the budget time market pricing of fuel onto that purchase requirement and what that did is it created an estimate of fuel cost that incorporated current prices but also captured the current operating state of our system the first adjustment that we made in the budget was to then reduce that estimated fuel cost to reflect the benefits of certain initiatives that are already underway to improve our operating efficiency some examples the two biggest examples of that are converting additional units to propane and attempting to expedite and ultimately get in service the word silla project and so layering those improvements on top of our current operating profile reduced our fuel budget by 25 million and that's what then resulted in the what would be the residual subsidy amount that we would need so that that was the process that that we undertook Okay thank you so much. I missed it the last time I think I was flying over. What is your annual employer contribution was the total amount? The the total

2:35:40 employer amount that's currently due is $8,243,848. That breaks down. No matter what it's due, what do you pay annually over a year, over budget? Approximately a year, yeah. Yeah, so a year, it's approximately, for employer, it's approximately $5.9 million. Okay, so you have been quite creative in reducing costs so that we can be able to pay a number of our outstanding debts. so if you can apply that creativity a bit more so we can find a five point something million dollars so that we can at least begin to to make to make sure that we are meeting a very very important obligation that is just as important as being earns and young and everything else it was more of a statement I know you're looking but we need to get that done the employee satisfaction is a big deal and if they're employed so that the employer and employee contributions are being paid i think it would make a tremendous difference thank you yes yes thank you mr chair i'm with us director smith um in in respect to your budget we are talking about shorts falls etc and revenues but i've not heard anything about the water side especially when it comes to the the waterline extension project have been happening for some time now mr hodge where what's the status of the waterline extension program because that's federal free federal mitigation funds that can assist the authority in bringing much needed revenue so can i hear where we're at with that because it's critical at this point thank you mr chair yeah so uh noel hodge chief operating officer

2:37:32 water system so in terms of federal grants for waterline expansion we do have a few projects that we are seeking we've put applications in with hud to do those waterline expansions um we are waiting for um approval of of what we refer to as tranche tree um and those those Those projects include expansion to Bolongo, waterline expansions to Windberg, Anna's Retreat, the Smith Bay, and then also we have Barron Spot on St. Croix and parts of Strawberry. We are hoping that within the next quarter we would have that approval once we hear back from the Housing Finance Authority and, you know, then we could start planning those waterline expansion projects. Thank you. Thank you, Senator Blight and Senator Johnson.

2:38:46 Good afternoon, Mr. Chair, good afternoon to the testifiers and good afternoon to the people at his territory. I sit here and all I do is get headache when I hear WAPA start to talk. Trilla, you got to get to make some $900,000. I'm listening and up to recent, that's today, I spoke to an employee who retired from WAPA. He's been out for a year and he have not begin to collect his check and don't see a time when he's going to collect it because when he called GRS, they say wapa have not paid their portion yet and and that is very sad these people do deserve their pension too and i'm not here saying to you that you're not worth the nine hundred thousand dollars but i assure you the employees at wapa worked some 20 plus years and can collect their pension surely do deserve theirs they're putting the time they have put in the time and deliver service to the people of their ability and they're out there right now without check and and that's very sad when i listen to these numbers it's very sad and i hope that you guys will really emphasize and put some urgency to making sure that these people become whole and they collect the check i really pray that you do that it's very rough out here especially if you work out these years and now you go home and a year go by and you lecture that's difficult i continuously here in this number 51 you can see and from page 30 to page 31 me and my team continue counting and we're coming up with 65 vacancy so where is it wrong you continue saying you have 51 but your post audit report is 65. that's going to be a dynamic of the post audit report was prepared and submitted uh although i should say the supporting materials that were compiled into the post audit report were submitted i believe in late april uh and so the current the 51 positions

2:41:06 that's being discussed here is a current number okay thank you very much the revenue assurance in st thomas and sand reported six thousand dollars collecting tamper fees for physical year 2022 you had 26 electoral tampering and no collection collection of tampering fees were reported is this correct i'd have to go back and double check those numbers but i would have to assume at this point that they are um it's very hard to to look at this type of report and And this is your report, and you're telling you had this amount of tampering fees and nobody paid any penalties. At this present time, are the meter readers working, or are we still doing estimation? We are still estimating bills because our AMI system is not performing to standard.

2:42:01 Can you repeat that, please? We are still estimating bills because our AMI system is only reading about 70% of our meters. haven't you recently hired some meter readers we we have we have we have we have physical meter readers that go out and read meters our our our shortfall in estimations is largely related to vehicles because we do not have enough vehicles to keep our meter readers on the road uh continuously so those that those fleet of new vehicles are they going to the meter readers or to management No, no management has a Tesla.

2:42:37 I, in fact, have never been in a Tesla. I drive a 2014 Jeep that has a leaking roof and has been in the shop the last two months with an oil leak. So the Teslas went to our most heavily used users. The reason the Teslas didn't go to the meter readers is that the meter readers have to access a lot of rugged, remote locations, and the Teslas would, quite frankly, likely be damaged and damaged badly. Now, repurposing the Teslas frees up vehicles so they can be used elsewhere. And so the Teslas are a holistic component of our vehicle fleet, but they went to some of our most heavy users in the company. I see you have a reduce of cost for gas from $75,695 to $46,000. With the cost of fuel and gas, how do you make out doing this? That's nearly like a $29,000 reduction. How are you going to maintain?

2:43:33 Are you comparing the post-audit report? Yeah. Part of that difference is that what is reported is fiscal year 22. That was one of the things I should have read in my testimony. There were some corrections to the post-audit report. That's actually mislabeled. That's year to date through March of fiscal 2022. So some of that difference is just the fact that it's a quarter short of a full year. Hi. The transmission and distribution division held training for its employee on clearance of trees trimming. We're in the hurricane season as we right now. How soon can these crews get out there to start cutting these trees? And you have the equipment to start cleaning these lines.

2:44:16 So I mentioned earlier that I've tasked the operations team with going out and procuring two bucket trucks for the island of St. Thomas. We've targeted having a vehicle identified and ready to purchase by August 15th, and so that's certainly something that we're aggressively pursuing. Can anybody tell me when the last time the employees of WAPA receive a raise, a pay raise? So we had pay raises that went into effect on July the 1st for our unions. They have contractual changes to their pay. The management and confidential employees have not received a raise, I believe, even since calendar 2020.

2:44:59 You said the management part have not received the raises? No, no, I'm sorry, I misspoke. The unions are receiving their raises, they're contractual and are being paid. There were no raises approved for management and confidential employees since 2020. So it's not a question of people getting a raise but not being paid. There have been no raises awarded. So I have three gentlemen in front of me sitting out there, our supervisory management branch, and you're saying none of these three guys have received a raise of late. That's correct.

2:45:39 What's in the making for them? Because I see you got three of you guys came in, and your salary had increased on them. What's the status of these gentlemen, and they're receiving a raise? You said my salary has increased, Senator? Well, I think the three of you guys that are sitting there, salary have increased from your predecessor. Oh, yes, that is correct. We have a plan this year to propose salary action for management and confidential employees. One of the things that we'll have to underpin that is a performance management process. We don't just hand out raises, we've got to earn them. But that is something that we do have in our plan this year is to address that for the management confidential employees again the union employees receive those contractually and mr. chairman I wrap up with his last question is the authority scholarship program active at this time yes sir how many how many um students should I say uh are in enrolled I'd have to ask the human resources department to ask to answer that specifically I don't know the exact number my time I've been talk can you please uh share that information with us and uh share your time thank you very much thank you uh senator johnson uh mr smith what was the status of all of those trucks at caribbean automat some seem to be um at the old caribbean automat and none of them have none none of those trucks fixable um i'd ask our chief operating our chief administrative officer don gregoire to speak to that um he oversees the garage uh mike right here um mr mr gregoire is in the uh conference room in the saint just give me one second try it again microphone check yes yes um good afternoon don gregoire chief interim chief administrative officer for wapa we have been progressively making progress on st croix uh when i started in february we had one bucket truck i think we have about four or five up right now we have parts for the remaining uh a lot of the vehicles that are at caribbean auto mart are up for auction and they're you know we're probably gonna get rid of and as we update the fleet because we we have a aged fleet that we really need to

2:48:06 start moving forward because as you get older maintenance costs start to go do you now have four to five bucket trucks working on st croix we we've been making steady progress more on st croix than st thomas but we we are like we like that um ceo smith said to purchase them use st thomas but that is good progress because i was working you had guys going to try to service other individuals um these tesla cars who are they going to mr smith how many teslas are you receiving um we have six i'm sorry eight teslas four on saint thomas four on saint croix i'll ask our chief information officer julius or bain or ashley bryan our head of tnd who have led that initiative to talk about how they've been deployed uh good evening ashley bryan director of transmission and distribution the teslas we have appropriated four on each island two would be assigned to the it department so that they can service the different business aspects of our our organization two to the the messengers since they do a lot of running around to provide services to the organization and then the remainder will go to the engineering departments so that they can create work orders to supply to the line department and meter reading department to execute new customer installs okay thank you so much we are going to take a one minute recess and then we're going to conclude if senators don't have any more questions He said one. ¶¶ Thank you. Thank you.

2:51:56 ¶¶ ¶¶ Thank you. Thank you.

2:53:26 Let's go. Thank you. Thank you. Thank you. Thank you.

2:55:56 Thank you. Thank you. Thank you.

2:57:26 Thank you. Thank you. Thank you. Thank you.

2:59:26 Thank you. Thank you. The Committee of Finance is back on the record.

3:00:56 I got to say that in the presentation, we have a better handle as we're dealing with in reference to the breakdown of the numbers and possible solutions to decreasing the operating costs of WAPA. I think this is the lowest I've seen the budget in a while. So we need to continue in that particular direction, but we just somehow need to find a way that will be able to understand an obligation of the GRS, to take off more and more of a problem. In reference to providing details as we move forward, this is by far the most that I have received since my age year here in the legislature.

3:01:51 So it appears that we are moving in the right direction. We just have continued to be very frugal with ultimately all of our outside obligations. Mr. Smith, how long do you think it's going to take to write the ship? We intend to get our fuel costs within our regulatory rate within the next 12 months if not sooner. We've presented a budget here today where we live within our base rates from an operating cost perspective. So, you know, I see light at the tunnel. We've got a great team of people who are all working hard and driving in the right direction. And the thing that I think we've been able to do as a team is get everybody smarter about the business. You know, a lot of the numbers we're talking about here today, I think a lot of the people in the room here who work with me would say they'd never seen them before, right? how do you make decisions when you don't have information uh so i think we've got a really good foundation uh we've got a a team you know all approximately 500 plus employees uh who go above and beyond every day and so we've got the foundation to get there we just got we just got to fix some of the big elements and get our cost under control so i think that's a 12 that's a 12 month 12 month runway how many buckets do we have working this in thomas we have two um you know one of them goes in and out of service periodically but generally two and we're looking to buy two in the next few weeks okay you recently had a class of graduates the lineman that graduated were already at wapa or someone new they were already at wapa so you just were able to elevate them to the next level certified so they can now in times of disaster in other jurisdiction they can receive employment in other jurisdiction correct the lineman that graduated that is correct they now

3:03:46 have a very marketable uh certification okay are they journeyman or just certified linemen i'd ask ashley bryan to speak to that specifically i don't want to i know there's some very specific descriptions of what their their certifications are so i'll ask her to speak to that uh ashley bryan director of transmission and distribution the certification that the linemen recently received is a three-year apprenticeship program that's certified by by the US Department of Labor, and it classifies them as line workers. There's certain upward mobility that they have to go through before they could be classified as a journeyman lineman. So for instance, we have different ranks in the line department. You would start out as an apprentice. There's three ranks in the apprentice, one, two, three. Then you would move up to an uncertified second class. You would go through a hotline training, and then you could move up to a certified second class, a certified first class, and then the journeyman lineman classification would take place after you've sit through testing and you've qualified to assume that role. Thank you. Do we plan to continue with the various levels to move from apprentice to two?

3:05:03 Yes, absolutely. We perform training every single month for the line department. We've just completed the first wave of the apprentice program. We've sent about 34 employees thus far to hotline training. We've also sent them to an advanced lineman program, and we actually have nine linemen right now that are at a foreman leadership training in Georgia. Okay, thank you so much.

3:05:29 And Mr. Smith, Senator Johnson, wants to know if you have the information and reference to number of students that receive a scholarship this year? Yes, sir, I think we have nine total scholarship recipients four of which were awarded in 2022 Okay, yeah, I was gonna say for I saw that and unfortunately I got information that no one from the two public schools of St. Croix applied for the scholarship, which is Just a shame that that took place. I don't know exactly how that took place. I don't either senator We widely advertised it and we had no applicants Okay, Mr. Smith, I think we have exhausted all of our questions. Senator Blighton, you had anything left? I see you're still there.

3:06:21 Senator Blighton? I'm good, Senator. You're good. Okay. Senator Kerrio just stepped out. So, Mr. Smith, I'm going to allow you to put a closing statement on the record. Thank you. no closing remarks other than to thank the Senate for the opportunity to appear here. We appreciate the engagement. We appreciate the questions because, you know, we want to be open and transparent and informative. And, you know, we look forward to continuing conversation and sharing good news in the future. Thank you so much. I want to thank WAPA for the testimony and the work that they put into budget presentation um thank all the staff members of wapa that came to sleep today senator be like can i add one other closing comment please yes thank you um i meant to mention earlier too i would like to thank the men and women of wapa um who work 24 7 rain horrible weather up and down hills in the woods uh and they are they are the the the energy that keeps the lights on and the water flowing so i want to say thanks to everyone in the organization as well thank you for that additional closing remark thank you and that was an important closing remark i also want to to thank the individuals that at work at wapa i'm very impressed with the line crew on st croix i had a major electrical recently um by my home and the work that they came and and did on the line and the dedication was something else and that was in the one truck error so they actually hustled and then the next guy came it came in a jeep and they got everything done and i wish that um didn't receive teslas and where received jeeps and trucks for wapa i can't even see wapa drive teslas um on that particular note which wasn't wapa

3:08:15 uh issue just about every other jurisdiction and every other territory use the monies for solar lights for school and college and other stuff the virgin islands is the only territory that bought cars it's just like um a real sad reflection when you see what were done with the monies um for those other jurisdictions it's like they realize that they need to have a car saving here and say hey let's buy cars to the central government and we'll give a future whopper i think that is um totally um unacceptable use of the resources that we have i want to thank the members of my staff the members of the workers of the legislature we've had a long day today and thank you for being with us all day and thank the various groups that that came before the Committee of Finance today.

3:09:03 The Committee of Finance is here, Bayad. We'll be right back.

People named in this transcript

SUSPECTED, and a finding aid only. Names were matched by machine against the spellings used across all 426 of our transcripts, and the title is the one used in the room. Being named here is NOT evidence that a person attended or spoke · only that the name was said. Speech recognition mishears names, so a spelling may be wrong even where no alternative is offered.

6x **Senator Carla Joseph**
the surname alone also matches: Clifford Joseph; Karla J. Joseph
heard in this transcript as: Joseph

6x **Senator Novelle Francis**
heard in this transcript as: Francis

4x **Senator Dwayne DeGraff**
heard in this transcript as: DeGraf, DeGraff

4x **Senator Franklin D. Johnson**
heard in this transcript as: Johnson

4x **Senator Marise C. James**
the surname alone also matches: Javan James; Giovanni James Sr
heard in this transcript as: James

3x **Senator Janelle K. Saro**
heard in this transcript as: Saro, Saru

3x **Senator Kurt A. Vele**
heard in this transcript as: Vele

3x **Senator Marvin A. Blighton**
heard in this transcript as: Blighton

3x **Senator Marvin Blyden**
heard in this transcript as: Blyden

2x **Senator Alma Francis-Heyliger**
heard in this transcript as: Francis Heiliger

2x **Senator Angel L. Bocas Jr**
heard in this transcript as: Bocas

2x **Senator Fred Gregory**
the surname alone also matches: Donna A. Frett-Gregory; Donna Frett-Gregory

2x **Senator Hubert Frederick**
heard in this transcript as: Frederick

2x **Senator Kurt Viola**
heard in this transcript as: Viola

2x **Senator Samuel Carrion**
heard in this transcript as: Carrione