

**TESTIMONY OF
THE HONORABLE USIE R. RICHARDS
SENATE PRESIDENT – 27TH LEGISLATURE OF THE VIRGIN ISLANDS
BEFORE THE
U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON NATURAL RESOURCES
SUBCOMMITTEE ON INSULAR AFFAIRS
AND
SUBCOMMITTEE ON ENERGY AND MINERAL RESOURCES**

**Saturday, April 12, 2008
Legislature of the Virgin Islands
Frits E. Lawaetz Conference Room
Frederiksted, St. Croix, U.S. Virgin Islands**

On behalf of the members of the 27th Legislature of the Virgin Islands, I am honored in my capacity as Senate President to bring greetings to the Honorable Donna M. Christensen, the Territory's Delegate to Congress who is here today in her position as Chairwoman of the Subcommittee on Insular Affairs along with her distinguished Subcommittee Members. Equally so, greetings are bestowed upon the Honorable Jim Costa, Chairman, Subcommittee on Energy and Mineral Resources and his distinguished Subcommittee Members. I welcome each of you to our beautiful Island of St. Croix! Enjoy its splendor and while here, you are encouraged to contribute to our local economy by dining and shopping in our hospitable establishments.

It is most fitting that a Joint Oversight Field Hearing on, "*Charting a Clean Energy Future for the Insular Areas*" be convened in the U.S. Virgin Islands, where energy

costs, sources, alternate sources and revenues generated are paramount concerns for the Territory and its residents. Please allow me the opportunity to elaborate a moment.

LEVELIZED ENERGY ADJUSTMENT CLAUSE (the LEAC Factor):

Simply put, LEAC is the fuel charge: the cost to the U.S. Virgin Islands Water and Power Authority (WAPA) to produce electricity and water that is consumed by its customers. According to WAPA, it does not profit from LEAC; the LEAC amount paid by each WAPA customer is passed on directly to HOVENSA, the local oil refinery.

Any Virgin Islander would tell you that LEAC makes up in excess of one half of his or her monthly WAPA bill. The cost of LEAC is ever-increasing. It is the foremost quandary affecting the energy future of the Territory. Thus, it remains difficult to chart the progression of LEAC costs and the projected future impact on Virgin Islanders. This is due primarily to the fact that as the cost of fuel increases worldwide, LEAC likewise increases. At present, fuel cost is now over \$100 per barrel!!

On December 1, 2007, the U.S. Virgin Islands Public Services Commission approved WAPA's request for a LEAC increase for electricity use from 19 cents per kilowatt hour to 25 cents per kilowatt hour, resulting in a 34% increase in LEAC electricity costs for every Virgin Islander. This means that for every kilowatt hour a WAPA customer uses, WAPA charges 25 cents! LEAC costs for water use remained unchanged at 7.58 cents per kilowatt hour. WAPA's average customer uses 500 kilowatt hours monthly, and the average customer's bill went up by 22%.

What is being done?

- Alternate sources of energy are being explored
- WAPA is encouraging its customers to lower consumption of electricity and water

ALTERNATE SOURCES OF ENERGY:

“Charting a Clean Energy Future” suggests that we should look towards alternative energy sources which would 1) reduce pollution that is a by-product of energy use; 2) conserve non-renewable energy sources; 3) help preserve the ecological balance of the planet, and 4) help preserve natural resources. However, viable alternate energy sources must be researched thoroughly before a commitment to use is made in the Territory. Here, I use the term “viable” because an alternate source of energy has to be cost-effective to the Virgin Islands. This would include reasonable costs for start-up as well as reasonable costs for required long-term maintenance. Moreover, since the U.S. Virgin Islands is now four distinct islands geographically (St. Croix, St. John, St. Thomas and Water Island), the alternate source of energy must have the capacity to be applied on a widespread basis to meet the needs of the Territory’s infrastructure and WAPA’s residential and business customers.

Some alternate sources of energy being explored presently include:

- **Wind Power:** Wind-powered generators are used to produce wind energy. It is a renewable source of energy; as long as there is wind, this source of energy can be generated. No pollution is produced from wind power therefore the environment is not contaminated.

- **Petroleum Coke:** Petroleum Coke is a waste-product of the Hovensa Oil Refinery that is the result of the process utilized to refine oil using the catalytic cracking plant. This material when efficiently burned provides an opportunity to produce clean energy. Currently this material is in demand by off-island entities and thereby is collected and shipped off-island.
- **Solar Power:** Solar energy is obtained when the sun's rays are collected into solar cells or solar thermal panels for conversion into electricity. Solar power also is a renewable source of energy and is non-pollutant. I am aware that a St. Croix family on the East End (Jan Mitchell and Steffen Larsen) was recently honored for use of solar power in their home.
- **Geothermal Energy.** Geothermal power is derived from heat energy beneath the earth. GeoNet BioFuels is a company recently established on St. Croix as an alternate source to gasoline.

PROPOSALS BEFORE WAPA TO REDUCE THE COST OF ENERGY IN THE VIRGIN ISLANDS:

At the end of November 2007, WAPA released a request for proposals for alternate sources of energy. According to WAPA, pre-qualified bid responses were received from companies for wind, solar, bio-mass and ocean thermal energy. Eighteen (18) companies expressed an interest and financial capability to sell power to WAPA. The respondents' proposals are due by May 1, 2008.

GASOLINE EXCISE TAX:

As you are aware, the HOVENSA Oil Refinery, on this island of St. Croix, is one of the largest refineries in the Western Hemisphere and has continuously served as a major

supplier of gasoline and various oil products to the U.S. mainland. In turn taxes collected from states on gasoline sold within their states are collected by both the state and federal governments. A great percentage of these taxes are returned to States to support and finance their infrastructure development. This act is of no controversy with the people of the Virgin Islands. What is of consequence to our people? It is heart wrenching to acknowledge that existing Federal Laws mandates that products produced in the Virgin Islands and shipped to the U.S. mainland, where taxes are collected on this product, that the Virgin Islands Government is reimbursed a percentage, if not all of the taxes collected on the oil products shipped to the mainland. It is evident that we must establish a mechanism to finance the development, production and distribution of clean energy in the Virgin Islands. Our territorial government, despite its willingness, does not possess the necessary capital to ascertain and retain clean, renewable and sustainable energy. I thank you for this opportunity and look forward to a healthy discussion on this matter.