

Press Statement



FOR IMMEDIATE RELEASE

18th October 2012

Power Suppression by the Antigua Power Company

The Antigua Power Company (APC), independent power producer and supplier, by letter dated 12th October 2012 advised the Antigua Public Utilities Authority (APUA) of its intent to suspend power generation incrementally commencing with the 50.9 mega watt power plant at the Crabbs Peninsula. This came as a result of APUA's failure to make weekly payments, as per the Consent Order, of **EC \$1,200,000.00** per week until the total debt of **EC \$36,862,310.70** owed to APC is liquidated.

To date APC has carried through with this threatened action and has in fact suspended electricity generation at the 50.9 mega watt power plant and their Black Pine facility at the Crabbs Peninsula. As a result of this, APC's usual supply of 34.5 mega watts to the grid was reduced to 16 mega watts as of 9:00 am on Thursday October 18th. Further to this, they informed the Authority that they would reduce this supply by 11 mega watts by 2:00 pm and the remaining 5 mega watts will be withdrawn by 4:00 pm on the same date, unless the outstanding payment of **EC \$36,862,310.70** was paid in full.

This has a severe impact on the provision of power to the Antiguan public as APC usually supplies 61% of the daily power demand. The Board of Commissioners and management have sought to bring this matter to the immediate attention of Antiguan and Barbudan consumers.

Currently the daily peak demand for power in Antigua is 51 mega watts. This action by APC has forced APUA to rely solely on its own generating capacity, which can currently supply 20 mega watts to the grid. This shortfall has forced load-shedding activities and consumers are asked to be prepared. The APUA Board of Commissioners and Management would like the public to know that this is being treated as the highest priority, and will provide updates as this situation develops.

Background:

To provide some context to this scenario, the said Consent Order came about as a result of legal action taken against the Authority by APC in October 2011, to recover outstanding funds owed to the company. This debt has been incurred as a result of APUA's failure to consistently meet payments under the Power Purchase Agreement (PPA) implemented in 1997 and amended in 2003. The order committed APUA to discharge its debt owed to APC amounting to **EC \$36,862,310.70** by monthly payments of **EC \$1,000,000.00** and to make weekly payments of **EC \$1,200,000.00** to service current debt.

APUA has not ignored this obligation, but has striven to meet it, and in most instances has not been able to meet the full stipulated amounts. Between the date of the judgment and now APUA has paid to APC **EC \$42,000,000.00**. Despite this payment, APC has also

chosen to charge interest of 12% on the outstanding amount. This has placed a severe strain on the company which must meet other obligations such as payment of salaries to staff, purchase of fuel from the West Indies Oil Company, servicing debt owed to Semcorp (formerly Cascal) for desalinated water purchased and vendors of telecommunications equipment and software. This is further compounded by inconsistencies in payment from our largest consumers, large private corporate entities and the government. This places great burden on the residential consumer who has consistently met its obligation to APUA.

Benefits of the Power Purchase Agreement:

APC has benefitted from the provisions of the Power Purchase Agreement with APUA, and continues to benefit, despite APUA's inability to provide up to date payments. The Cabinet amendment of 2003 permitted APC to install two Wartsilla engines capable of delivering a net output of 15.22 mega watts to the 69kv grid, and revised the contract period to 15 years. It committed the Authority to purchasing a minimum of 120,000 mega watt hours in the first year of operation, 133,000 mega watt hours in the second year, 147,000 mega watt hours in the third year and 160,000 mega watt hours annually thereafter. Among other things, it permits for the cost of energy per kilowatt hour to be inflated by 1% annually, and APUA provides all fuel. **It is noteworthy that the total investment in this venture by APC amounted to approximately 28 million US dollars.**

The other concessions that were granted to APC via the said Cabinet amendment of 2003 are as follows:

- Exemption of 15 years from the payment of custom duties, consumption tax and customs service tax on the importation of spares, equipment and lubricants.
- Exemption of 15 years from the payment of corporate income tax.
- Exemption for 15 years from the payment of withholding taxes.
- Permission to repatriate funds free from all taxes and levies.
- Exemption from the payment of custom duties and consumption tax on vehicles to be imported for use by the company.
- Grant of work permits to expatriate workers hired to install, commission, and operate the plant.

From 2000 to date APC has received payments totaling **EC \$427,771,155.91** of the invoiced amount of **EC \$464,171,797.71**. This figure does not include fuel made available to APC by APUA under the agreement amounting to **EC \$587,333,460.31** dollars. Additionally, APC through this arrangement was able to earn its total investment of approximately **US\$ 28 million** in this project by the second year of this agreement.

It is worthwhile as well, to note that the installation and commissioning of the 30 mega watt power plant at Crabbs Peninsula has served to cut APUA's payments to APC by 50% for the year 2012.

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