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It's a deal

Senate OKs HOVENSA agreement, 10-5

Limetree Bay Terminals will operate oil storage facility, may restart refining, in deal senators say 'gives St. Croix hope' Page 2

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Luis Hospital gets another deadline Page 5



Senate: HOVENSA deal says, 'V.I. open for business'

By JOY BLACKBURN

Senior Investigative Reporter

After almost four years of uncertainty on the fate of the shuttered HOVENSA refinery, the people of the territory got an answer on Tuesday as the 31st Legislature ratified an operating agreement with proposed buyer Limetree Bay Terminals.

Limetree Bay wants to operate an oil storage facility at the HOVENSA site on St. Croix's South Shore and has agreed to consider the possibility of restarting some refining at the facility.

The operating agreement was not without controversy, though, and one third of the senators voted against ratifying it.

It passed 10-5.

Some of those who voted for the deal said it sent a message that St. Croix is open for business, that it provides hope, that it could stimulate the economy. Those who were opposed laid out different reasons that they were not able to get comfortable with the agreement.

Local attorney Joel Holt, who was legal counsel to the government, said officials anticipate that closing on the sale could occur as soon as Monday or Tuesday. Although it is not selling the refinery, the V.I. government is scheduled to receive a \$220 million cash payment at closing under terms of the operating agreement ratified Tuesday and the separate purchase agreement between HOVENSA and Limetree Bay.

The U.S. Bankruptcy Court selected ArcLight Capital Partners' Limetree Bay Holdings as the successful bidder for HOVENSA after a bankruptcy auction.

Limetree Bay Holdings' bid involved total consideration of approximately \$370 million, with the V.I. government getting approximately \$235 million of that amount when the sale closes — \$220 million in cash; up to \$9 million for potential payment of a disputed amount between the law offices of John Dema and the government; and construction of a bitumen storage facility for the government that is to be worth up to \$6 million.

The V.I. government is not selling HOVENSA, but the buyer had to have an operating agreement in place with the government for the bankruptcy sale



Shuttered no more: The oil storage facility at the HOVENSA refinery on St. Croix will reopen after the 31st Legislature approved an operating agreement with proposed buyer Limetree Bay Terminals on Tuesday.

to close.

A subsidiary that is several generations removed from ArcLight — Limetree Bay Terminals, LLC — is the company that would be operating the oil storage terminal on St. Croix's

South Shore.

Questions arose on Tuesday about the relationship between Limetree Bay Terminals and Limetree Bay Holdings and who would own the facility.

Testifiers, including Holt and Evan

Schwartz, a principal at ArcLight, said the facility on the South Shore would be owned and operated by Limetree Bay Terminals.

Limetree Bay Holdings owns Limetree Bay Terminals, Schwartz

said.

Government House on Tuesday night issued a prepared statement, where Gov. Kenneth Mapp thanked senators "for their due diligence" in ratifying the agreement and welcomed to the territory ArcLight, Limetree Bay, Freeport Commodities — which has a 20 percent interest in Limetree Bay Terminals — and Sinopec, which is to be a major petroleum storage customer at Limetree Bay Terminals.

"I look forward to working with Limetree Bay Terminals, LLC and their partners that will bring investment and economic opportunities to the island of St. Croix," Mapp said in the statement. "The additional revenues to our treasury will also assist the government in providing much needed and improved public services. As a result of today's ratification of the Operating Agreement, I am directing the Commissioner of Finance to release the almost \$22 million in tax refunds owed through the tax year 2014."

Tuesday's hearing

Senators asked questions for almost two hours on Tuesday in Committee of the Whole before rising back into session to debate whether or not to ratify the measure.

Sen. Jean Forde said he had not taken the proposal lightly and had carefully considered it. He said he'd heard lots of comparisons with HOVENSA and Hess.

"But there's a reality check here, Mr. President. There's no HOVENSA, there's no Hess, there's no HOVIC," Forde said. "We have what we have before us and we must address it. St. Croix needs economic activity and I want to suggest also that economic activity is contagious."

Sen. Marvin Blyden said he believes the closing of HOVENSA taught the territory a valuable lesson — "not to put all our eggs in one basket" — and that the territory needs to diversify its economy.

He said that while the deal is not perfect, he believes it brings economic opportunity to St. Croix and sends "a signal to the world" that St. Croix and the territory is open for business.

"I believe this is good news for the Virgin Islands," Blyden said.

HOVENSA

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'Signal to the world'

Alfredo Liburd gave credit to the Mapp administration's strategy of starting by saying the government would use HOVENSA. He said he supports the agreement.

"This agreement to me is the beginning of a signal to the world," Liburd said. "We're turning the page as a talk host would say. We're turning the page to business, to opportunity, to a chance for our younger generation to look at what's there on the horizon."

He said he believes it brings hope.

Nereida Rivera-O'Reilly said she supports the agreement, which she said contemplates "every possible scenario" — and that this is an excellent agreement, an agreement where the people of St. Croix are going to be protected, where the government is going to benefit down the road," she said.

However, Rivera-O'Reilly also noted that the agreement sparked controversy and the discussion surrounding it took a turn that she believes will leave scars. She spoke about the need for healing moving forward.

Sen. Justin Harrigan Sr. raised concerns over the length of the contract and about the number of tax exemptions in the agreement.

He said he thinks it will be too expensive for Limetree Bay to restart refining — and said he would have liked to see a fuel discount for the government in the agreement.

He also raised concerns over the annual charitable contributions from Limetree Bay going to nonprofits only on St. Croix — and the requirement the governor approve which nonprofits get the contributions.

"That's a shame. It's one territory," he said. "I don't think this governor should have access to all of that money."

'Open for business'

Sen. Tregenza Roach raised concerns about what the Virgin Islands government is giving up. He said he was not sure he could support that it could return St. Croix to the economic life that some of us still had never left it — but I'm not certain that this is the agreement that's going to do it," he said. "I think it has the votes that it could possibly pass, and I hope that it does what people expect of it."

But he said he was not satisfied and not confident enough that it will vote for it.

Sen. Kenneth Gittens said it had been a "real, real challenging decision as we're looking at the future of these islands."

He noted that the senators only got to decide whether or not to ratify an agreement — and do not get to negotiate.

"My decision today will be as always from the heart — and what I believe is indeed in the best interest of we, the people," he said.

Sen. Novelle Francis said the people of St. Croix were hit hardest by HOVENSA's closure. He noted that

the agreement does not guarantee that Limetree Bay will restart refining — and he also pointed to the need for diversity in the economy.

"This is most likely the best deal that can be negotiated in this market and under these conditions," he said. "It is not a perfect deal. By far, it is not a perfect deal."

But he said he believes it is a beginning and he supports it. "It's a start. It's a start to show that we are open for business," he said.

'A 40-year impact'

Sen. Terrence Nelson outlined a number of concerns he has about the agreement and said there are a lot of unanswered questions.

He noted that it is "a big decision" that will have "a 40-year impact on us." The agreement is for 25 years, with an optional 15-year extension.

Nelson urged his colleagues to "think carefully, consider carefully."

"We're talking about our future, but what future is there if we can't live in this environment? What future is there if we can't use the water in this territory," he said.

He said he would like to see some changes in the agreement — and that his vote would be no.

Sen. Kurt Violet looked back at other agreements the state has ratified in years past and talked about the terms of this agreement and the benefits to the territory.

He said this is not a bad agreement. "This is a start. This is a start of letting the outside world, the investors, know that St. Croix is open for business," Violet said. "We are ready and

willing to meet with investors who want to invest in the island of St. Croix. Bring your monies. We are ready to start."

'One job at a time'

Sen. Clifford Graham noted that senators were not privy to the negotiations.

"You have to look at the merit of what's in front of you for what it is, he said, and pointed out a number of the elements in the agreement that are beneficial to the government.

He said that economic growth has to start somewhere.

"We may not get 2,000 jobs, but, Mr. President, how do you start to get back 2,000 jobs?" he said. "You start at one job at a time."

Sen. Samuel Jones said that he supported the agreement as on life support and we need to jump start it," he said. "And I'm not saying that this is going to bring us back to the glory days of the past, at all, not at all. But it's a start."

He said it is more than just money and housing and jobs.

"What we're talking about is hope," Sances said.

Sen. Myron Jackson said it is an historic moment for the Legislature.

He noted that he is concerned about the corporate organization of Limetree Bay and ArcLight and said that he fears that the territory is setting itself up for "a similar arrangement that we created with HOVENSA."

He also expressed concern about the tax exemptions and other provisions of the agreement and how they

would affect the territory for years to come.

"This agreement hinges on the backs of future generations," Jackson said. "I have a responsibility to look at what is down the road."

Sen. Janette Millin Young said she thinks senators need more time.

"Why risk St. Croix's biggest asset by not taking the time to make sure that this deal is the right deal for Crucians and the people of the Virgin Islands?" she said, noting that she had made a motion earlier to send the measure to committee for further consideration of an amendment that officials said they would make that sets a formula for pricing fuel at the truck racks. That motion failed.

Millin-Young also noted that the two analyses that the senate paid for raised a number of questions about the agreement.

"Isn't it irresponsible to move forward with a vote today based on these damning analyses before us?" she said.

Senate Pres. Neville James said he is voting for the deal, which he believes is important for St. Croix.

"The deal is OK, but the situation on St. Croix is dire and the deal is a band-aid, that's next to death."

When it came time to vote, senators Blyden, Forde, Francis, Gittens, Graham, James, Liburd, Rivera-O'Reilly, nes, and Liburd voted ye; Senators Harrigan, Jackson, Nelson, Roach and Millin Young voted no.

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