

GOVERNMENT OF THE UNITED STATES VIRGIN ISLANDS

PUBLIC SERVICES COMMISSION

IN RE:

VIRGIN ISLANDS WATER AND POWER
AUTHORITY'S LEVELIZED ENERGY
ADJUSTMENT CLAUSE

PSC Docket No. 289

Order No. 37/2018

ORDER

WHEREAS, in 2012, the Governing Board of the V.I. Water and Power Authority adopted strategies for reducing the cost of energy, which included fuel diversification by converting base-load power production from fuel oil to liquefied natural gas and/or propane¹; and

WHEREAS, on or about July 26, 2013, the Virgin Islands Water and Power Authority (hereinafter "WAPA" or "Authority") announced its execution of a contract with Vitol Virgin Islands Corp. (hereinafter "Vitol") to transition to propane as its primary fuel source (hereinafter "Propane Conversion Project"), which "would ease prices by consumers by 30 percent with a 20 percent reduction in emissions," and that propane (hereinafter "LPG" or "Liquefied Petroleum Gas") would be the Authority's primary fuel source by the fall of 2014;² and

WHEREAS, by August 2014, WAPA reported that the Propane Conversion Project had been delayed from the final quarter of 2014 to the first quarter of 2015, and that WAPA would submit a revised LEAC providing a reduced expense for customers beginning in January 2015;³ and

WHEREAS, in May 2015, WAPA again assured customers that the savings from the Propane Conversion Project would become available in the summer of 2015;⁴ and

WHEREAS, in December 2015 the issue of the delays in the implementation of the Propane Conversion Project and the unexplained cost overruns was a significant issue of concern before the Virgin Islands Public Services Commission (hereinafter "PSC" or "Commission"); and

WHEREAS, at the Commission's regular meeting in April 2016, the issue of the propriety of Propane Conversion Project cost overruns and project delays was again the subject of testimony and reports before the Commission; and

WHEREAS, this Propane Conversion Project has been the subject of testimony, reports and discussions at Commission meetings, including but not limited to: December 15, 2016;

¹ GCG report dated 2012/12/15, at pg. 17.

² WAPA's Website at http://www.viwapa.vi/OurEnergyFuture/VITOL_POWERINGVI.aspx

³ St. Croix Source, 2014/08/14, "WAPA Bills Should Fall by January With Propane Switch".

⁴ St. Croix Source, 2015/05/09, "WAPA: Hodge Confident Propane Conversion Will Be Completed this Summer".

January 12, January 26, February 22, June 27, and December 19, 2017; February 28, June 15, June 29 and August 21, 2018; and

WHEREAS, in 2017, before the occurrence of Hurricanes Irma and Maria, the Authority was operating its plants on St. Croix primarily utilizing propane, but very little of the demand on St. Thomas was being met through the use of propane; and

WHEREAS, the Propane Conversion Project is now nearly four years behind its original schedule, resulting in ratepayers being billed for substantially higher fuel oil costs in those four years; and

WHEREAS, the Authority has presented before this Commission on numerous occasions evidence that the use of propane is prudent and reasonable; and

WHEREAS, on April 3, 2018, WAPA filed its Semi-Annual Petition (hereinafter “Petition”) with the Commission for the Electric and Water Levelized Energy Adjustment Clause (hereinafter “LEAC”) for the period July 1 to December 31, 2018, to be applied to the bills issued on or after July 1, 2018; and

WHEREAS, in the Petition, WAPA stated that on May 5, 2017, Vitol Virgin Islands, Corp. (hereinafter “Vitol”) suspended delivery of LPG to its power plants in the St. Thomas-St. John and St. Croix districts; and

WHEREAS, the suspension of propane deliveries to the Authority forced it to revert to costlier No. 2 fuel oil for electricity generation; and

WHEREAS, the Authority began again utilizing propane in August 2017 in its power plant on St. Croix; and

WHEREAS, on September 6, 2017, the Virgin Islands suffered a direct impact from Hurricane Irma, which directly struck the St. Thomas-St. John District as a Category 5 storm and caused damage on St. Croix; and on September 19, 2017, Hurricane Maria directly struck the St. Croix District as a Category 5 storm and caused further damage to the St. Thomas-St. John District; and

WHEREAS, as a direct effect of the Hurricanes, WAPA transmission and distribution system suffered 80-90% damage in the St. Thomas-St. John District, and 60% damage in the St. Croix District; and

WHEREAS, post-hurricanes, WAPA resumed the use of propane at its power plant on St. Croix in January 2018; and

WHEREAS, the Authority stated that its power plant on St. Thomas was scheduled to come online using propane in April 2018, but has not come online to date; and

WHEREAS, the Commission seeks to ensure that WAPA adheres to its own deadlines to convert to propane at its plant on St. Thomas and provides the cost savings to ratepayers; and

WHEREAS, on June 29, 2018, the Commission held a Special Meeting at its office located at No. 1003 Estate Ross, Suite 4, Barbel Plaza on the island of St. Thomas, United Virgin Islands and via teleconference at the Port Authority conference room located at the Henry E. Rohlsen Airport on the island of St. Croix, United Virgin Islands; and

WHEREAS, at the meeting, the PSC expressed its dissatisfaction with the inclusion of No. 2 fuel oil in WAPA's Petition and the continued delays in bringing more efficient propane-burning units online; and

WHEREAS, on June 29, 2018, the PSC held a special meeting at its office located at No. 1003 Estate Ross, Suite 4, Barbel Plaza on the island of St. Thomas, United Virgin Islands and via teleconference at the Port Authority conference room located at the Henry E. Rohlsen Airport on the island of St. Croix, United Virgin Islands; and

WHEREAS, at the meeting, the PSC expressed its dissatisfaction with the inclusion of No. 2 fuel oil in WAPA's Petition and the continued delays in bringing more efficient propane-burning units online; and

NOW THEREFORE, the Commission **ORDERS** that:

1. For all future LEAC applications before the Public Services Commission beginning with the LEAC application for rates to be applied January 1, 2019, fuel source costs which may be considered for recovery will be based solely on the price of liquid propane gas. To the extent that fuel oil is consumed for generation of electric power, costs for purposes of recovery in LEAC will be calculated using the applicable market price for liquid propane gas as converted on a thermal energy (BTU) basis.

So Ordered.

For the Commission,

Date: June 29, 2018
Nunc Pro Tunc


Raymond J. Williams, Chairman