

GOVERNMENT OF THE VIRGIN ISLANDS
PUBLIC SERVICES COMMISSION

IN THE MATTER OF THE VIRGIN ISLANDS
WATER AND POWER AUTHORITY'S PETITION
FOR APPROVAL OF THE TEMPORARY
HURRICANE RECOVERY SURCHARGE AND
LEASED GENERATION SURCHARGE

PSC DOCKET NO. 676

Order No. 45/2019

ORDER

WHEREAS, on December 27, 2018, the Virgin Islands Water and Power Authority (hereinafter "Authority" or "WAPA") filed a Petition for Approval of a Temporary Hurricane Recovery Surcharge and Leased Generation Surcharge (hereinafter "Petition"); and

WHEREAS, while not filed as an emergency petition the Authority requested a Hurricane Recovery Surcharge of \$0.033714/kWh beginning on or after January 1, 2019, and continuing for such time until a permanent base rate investigation is completed; and

WHEREAS, the Authority also requested a Leased Generation Surcharge of \$0.030842/kWh beginning on or after January 1, 2019 and continuing for such time until a permanent base rate is completed; and

WHEREAS, the Authority stated that it is in need of the Leased Generation Surcharge to cover its leased payments for St. Thomas generating units 26 and 27 and the temporary St. Croix generating units (hereinafter "Aggrekos" or "Aggreko Units"); and

WHEREAS, the Commission received a report dated January 17, 2019, from its staff that recommended denial of both surcharges, for the reasons detailed therein, and further recommended that the Leased Generation Surcharge be revisited when those units were operational and useful; and

WHEREAS, the Commission denied both requests at its January 22, 2019 meeting; and

WHEREAS, the Authority filed a Petition for Reconsideration of both surcharges on February 21, 2019; and

WHEREAS, the Commission received a staff report on March 15, 2019, reviewing the Petition for Reconsideration; and

WHEREAS, the Commission conducted a meeting on March 19, 2019, and after hearing from the Authority, denied the Hurricane Recovery Surcharge; and

WHEREAS, on March 20, 2019, the day after the Commission meeting, the Authority submitted a "Renewed Petition for Temporary Base Rate Relief," seeking only the previously requested "Leased Generation Surcharge"; and

WHEREAS, the Commission scheduled a meeting for April 15, 2019, and after notice of the 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 States Virgin Islands and received testimony from the Authority; and

WHEREAS, at the April 15, 2019 meeting WAPA's Executive Director Kupfer and COO Hedrington testified that the Wartsila Units on St. Thomas were still in testing and certification, but all three units had been working and would shortly be in full commercial operation; and

WHEREAS, they further testified that the Aggreko Units on St. Croix had been in testing, that improvements were being made to eliminate condensation in the fuel supply system and that those units were expected to continue with start-up and testing procedures and be in commercial operation shortly;

The Commission now **FINDS** that:

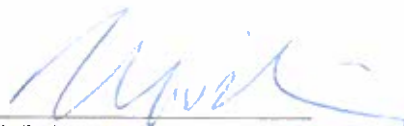
- a. at this time the use of Leased Generation is critical to keeping the electrical system of WAPA reliable and providing continuous electric service to all consumers;
- b. the use of Leased Generation is more fuel efficient than WAPA's owned generation and has the capability of reducing fuel costs substantially if properly utilized;
- c. for these reasons, the Commission has encouraged the use of Leased Generation pending the implementation of the recommendations of the Management Audit and the Integrated Resource Plan for the replacement of WAPA's current generation with new and more efficient generation, as well as compliance with the Virgin Islands Energy Act mandates;
- d. it is critical that the Leased Generation and the new generation be brought on-line in a prompt manner at the lowest net present cost to consumers and that WAPA use all necessary internal and external resources, if needed, to do so; and
- e. WAPA's LEAC forecasts have historically been optimistic in assuming that improvements in generation efficiency will be made by improvements in its existing plant or the implementation of new generation that are often delayed, to the ratepayers' detriment.

Now, therefore, the Commission **ORDERS** that:

The requested Leased Generation Surcharge is approved for the payment of generation equipment leases and training for the operation of the new Wartsila units in the amount of \$0.030842 per kilowatt/hour, conditioned on the following requirements prior to collection from ratepayers. In advance of filing the rate tariff for the Leased Generation Surcharge and beginning collection from ratepayers of all classes, Executive Director Kupfer must:

1. Certify that Aggreko generating units (leased) on St. Croix are in "Full Commercial Operation" (as defined in the contract for the lease of those units);
2. Certify that the first three Wartsila generating units on St. Thomas (to be WAPA-owned) are in "Full Commercial Operation" (as defined in the contract for the acquisition of those units);
3. Certify that the Authority has submitted a base rate application to the Commission; and further
4. The Leased Generation Surcharge is limited to six (6) 30-day billing periods once collection begins.
5. The Authority shall file a compliance tariff with the Commission with the required notice period and sunset provision.

For the Commission:



Raymond J. Williams, Chairman

Dated: **April 24, 2019**