

**GOVERNMENT OF THE VIRGIN ISLANDS  
OF THE UNITED STATES**

*Public Services Commission*

*In re*

<b>The Virgin Islands Water &amp; Power Authority</b>	)	Docket No. 651
<b>Petition for Permanent Electric System</b>	)	Order No. <u>56</u> /2017
<b>Base Rate Relief (<i>Docket 651</i>)</b>	)	
	)	
	)	

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**ORDER**

**Whereas**, in 2013, the Public Services Commission (“Commission” or “PSC”) concluded Dockets 611 and 612, which provided new base rates for the Water and Power Authority’s (“Authority” or “WAPA”) electric and water systems, respectively; and

**Whereas**, no later than 2014, the Commission began expressing its concern with the accuracy and propriety of WAPA’s base rates and its Levelized Energy Adjustment Charge (“LEAC”) rate; and

**Whereas**, the LEAC, which had been created on or about 1988 to fund changes costs of fuel above or below the fuel amounts included in base rates; and

**Whereas**, in 2003 the LEAC was changed to include all fuel and energy charges; and

**Whereas**, over the prior several years, an increasing number of other charges were included in the LEAC in an effort to reduce fuel charges, which included the Rate Financing Mechanism (“RFM”; which itself funded a number of activities including previously deferred generator maintenance, spare parts procurement and lease expenses for a “temporary” emergency generator now known as Unit 25), and initial expenses for the infrastructure charges associated with the VITOL project to convert generators to propane/LPG; and

**Whereas**, the Commission had approved those other items in the LEAC in an effort to make generation more efficient and to reduce the overall fuel expense, these expense were not intended to be a permanent part of the LEAC; and

**Whereas**, the Commission desired to properly allocate expenses to base rates and return the LEAC to a fuel only basis; and

**Whereas**, at its meeting in December 2014, PSC Chair Clendenin requested that WAPA file a new base rate case promptly; and

**Whereas**, at the Commission’s March 2015 meeting WAPA stated that a new base rate proceeding will be filed by June 2015; and

**Whereas**, at the Commission's June 2015 meeting WAPA stated that it had not yet prepared a new filing and that a new base rate case would be filed by September 2015; and

**Whereas**, at the Commission's September 2015 meeting, with no filing made by WAPA, the Commission ordered that a base rate case be filed by December 1, 2015 or the Commission would proceed with an investigation without a rate application; and

**Whereas**, on December 1, 2015, WAPA made a base rate filing; and

**Whereas**, in its December 2015 filing WAPA requested a permanent base rate increase of \$18.24 million per year, which represented a base rate increase of 25.5%; and

**Whereas**, in February 2016 PSC Staff met with WAPA management to review the December 2012 filing and WAPA concluded it should refile to address infirmities and concerns that PSC Staff had identified.

**Whereas**, on May 15, 2016, WAPA filed a petition for emergency rate relief for a cash reserve surcharge of \$0.026783 per kWh that would generate approximately \$15 million per year; this petition was subsequently withdrawn; and

**Whereas**, on June 6, 2016, WAPA filed supplemental testimony indicating that its new basis for requesting base rate relief was now a requested increase of \$40.8 million annually, on a comparable basis to the original request, a 58.4% increase in base rates. This requested increase was 124% above the initial filing in December 2015, just six months earlier.

**Whereas**, the Authority has stated that it was aware that its sales had declined by approximately six percent during the prior rate case, and has stated that it has suffered additional losses in its sales; and

**Whereas**, WAPA has repeatedly complained that it did not receive all of the anticipated revenues from the prior rate increases granted in Dockets 611 and 612, at least in part because of declining sales, WAPA has not explained why it failed to file a request for new rates until ordered to do so; and

**Whereas**, the Authority had not completed its Integrated Resource Plan ("IRP") which was required by Act 7075 to be completed by October 31 2009 and would not do so until December 15 2016; and

**Whereas**, on May 31, 2017, the Commission met on a duly noticed meeting, including a formal hearing on Docket 651; and

**Whereas**, at the hearing on May 31, 2017, Commission heard from the utility and staff witnesses, and after reviewing the documents and hearing from the utility;

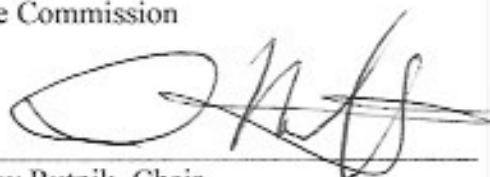
**NOW THEREFORE**, the Commission finds and **ORDERS** that

1. The Water and Power Authority's Filing dated December 1, 2015, seeking an approximately \$18.24M Annual Rate Increase be denied as incomplete and superseded by the

June 6, 2016 Supplemental Replacement Testimony and the rate increases requested therein, and subsequent actions and filings.

*So Ordered.*

For the Commission

A handwritten signature in black ink, appearing to be 'AR', written over a horizontal line.

Date: **June 08, 2017**

Andrew Rutnik, Chair