



**VIRGIN ISLANDS
WATER & POWER
AUTHORITY**

February 22, 2023

Ms. Sandra L. Setorie
Executive Director
Virgin Islands Public Services Commission
P.O. Box 40
St. Thomas, VI 00804-0040

Re: Virgin Islands Public Services Commission Docket 289 (Water LEAC)

Dear Director Setorie:

The Virgin Islands Water and Power Authority (“The Authority”) hereby submits its petition for the Water Levelized Energy Adjustment Clause (LEAC) rate for CY2023 (January through December 2023). The Authority is not requesting that the Public Services Commission (“PSC”) take action on the petition at the upcoming hearing on February 22, 2023. Instead, the Authority is requesting that PSC Staff review the petition prior to the March 2023 PSC hearing, at which time the Authority is requesting that the PSC take action on the petition. The Authority also stands ready to engage with the PSC Staff in addressing any questions that the PSC Staff may have regarding the petition during its review. In the meantime, the Authority will make the necessary public notices related to LEAC.

In calculating the Water LEAC, the Authority used actual data from 2022 as a forecast for 2023, including gross production and sales, as there is nothing to indicate that 2023 will differ materially from 2022. Based on actual data from 2022, the Authority calculates an implied LEAC recovery of \$9.53 per kilogallon (“kgal”) to be applied to all bills rendered on or after January 1, 2023. However, the Authority is not proposing any change in rates at this time. Worksheet B3 shows the net effect the new rate of \$9.53/kgal would have on customer bills if it were adopted. As discussed above, even though the rate calculated in the Water LEAC represents the CY2023, the Authority is only seeking to have the rate take effect upon adoption by the PSC prospectively. The Authority is not requesting any retroactive application of the Water LEAC to the beginning of calendar year 2023.

The calculated rate for 2023 is \$1.71/kgal higher than the currently approved \$7.82/kgal. This is primarily due to three factors (in order of magnitude):

1. Contractually obligated Seven Seas rates increase in line with CPI. Compared to the Authority’s previous October 2021 filing, the combined increase in First Pass Water and Ultra Pure Water rates about 8% on St. Croix and 14% on St. Thomas for each kgal produced. The rates assumed for 2023, based on those charged in December 2022, are listed below:

- St. Thomas - \$6.44/kgal – First Pass Water + \$2.99/kgal surcharge – Ultra Pure Water
 - St. Croix - \$4.77/kgal – First Pass Water + \$2.89/kgal surcharge – Ultra Pure Water
2. The Electric System consumes only about 20-25% of the Ultra Pure Water minimum take amount specified in the Seven Seas contract (350,000 gallons per day per month on St. Thomas and 140,000 gallons per day per month on St. Croix). Previous filings billed the Electric System for electricity to produce Ultra Pure Water based on the minimum billed amount from Seven Seas, rather than actual Ultra Pure Water consumption. This filing has been adjusted to bill the Electric System for electricity based on actual Ultra Pure Water quantity.
 3. Versus the October 2021 filing, total plant use and line loss as a percentage of gross production is forecasted to be ~5% higher in 2023, which compounds with higher rates as outlined in item #1. This is based on actual gross production, plant use, and line loss from 2022, whereas the approved filing from October 2021 was based on forward-looking assumptions that turned out to be lower than actuals.

In addition to the Water LEAC exhibits attached and the narrative listed above, the Authority is providing the following supplemental exhibits:

- Seven Seas Invoices

Note that the Authority is not filing for any deferred cost recovery. As a result, the associated schedule has not been included in this filing.

The Authority, its employees, and advisors are available at the PSC's convenience to discuss any of the information provided.

Sincerely,



Andrew Smith
CEO, Executive Director