

GOVERNMENT OF THE UNITED STATES VIRGIN ISLANDS

PUBLIC SERVICES COMMISSION

In Re:

The Virgin Islands Water and Power
Authority's Levelized Energy Adjustment
Clause

PSC Docket No. 289

Order No. 05/2014

ORDER

WHEREAS, on August 15, 2013, the Virgin Islands Water and Power Authority's (hereinafter "WAPA" or "Authority") filed a petition with the Virgin Islands Public Services Commission (hereinafter "PSC" or the "Commission") for the Electric and Water Levelized Energy Adjustment Clause (hereinafter "LEAC") factors for the period of October 1 to December 31, 2013; and

WHEREAS, on September 23, 2013 the Commission received the report and recommendations from its technical consultants; and

WHEREAS, on September 24, 2013, the Commission met in regular session in the Commission's offices on both St. Thomas and St. Croix and heard from witnesses for the Authority and the Commission's technical consultants; and

WHEREAS, the Commission has reviewed the Authority's Petition for new LEAC rates for October 1 to December 31, 2013, the supporting information, and the report of the Commission's technical consultants; and

WHEREAS, the Commission now adopts as its findings, conclusions and recommendations, the technical consultants' report, specifically including setting the Electric LEAC at a twelve (12) month amortization period and the Water LEAC rate.

NOW THEREFORE, the Commission Finds and Orders:

1. An Electric LEAC rate of \$0.416850 per kWh should be set for the Electric Department.
2. A Water LEAC rate of \$12.10 per KGal should be set for the Water Department.
3. WAPA shall file for revised LEAC rates by November 15, 2013.
4. WAPA should provide the production reports for electric and water production as an integral part of its petition and filing – as a MFR. WAPA and the Technical Consultant should continue to discuss including a fuel oil inventory pricing model that has recently been removed by WAPA from the revised LEAC methodology.
5. WAPA should continue to provide, unless changed by Order of the PSC, all MFR requirements for future quarterly LEAC filings including the expanded requirement to provide information regarding annual revenues and outstanding balances for the previous two quarters for all accounts, government and non-government by customer class (MFR5). Omission of such information should result in the petition filed as being considered incomplete.
6. WAPA should continue to provide a detailed and full narrative in the manner described herein to accompany each LEAC filing describing the request in detail and highlighting the reasons and components for the change in the LEAC rates requested for both the electric and water departments and for underperformance or better than expected performance of the generating units and the resultant fuel costs as compared with the data filed in prior petitions until changed by PSC Order. WAPA should also provide in the narrative data on KPI's in a manner similar to those contained in this report. The complete filing including all MFRs should be filed no later than the date contained in recommendation 3 above.
7. WAPA should file with the petition all of the requirements of the June 29, 2012 MFR amended stipulation. Specifically, (i.) Attachments 1 and 2 shall be filed taking into account the recommendations and discussions between WAPA and the Technical Consultant; (ii.) Attachment 3 shall be filed in sufficient detail to provide the PSC and consumers a clear and continuing analysis of the benefit cost ratios of the each of the investments that are proposed using RFM funding; and (iii.) The quarterly financial report required by the stipulation detailing monthly derived revenues and Commission authorized expenditures and the monthly ending balances shall be provided with each filing. This RFM data and information shall be filed with the Commission with the quarterly LEAC filing.
8. WAPA shall provide with its next LEAC petition a detailed report on whether it will meet the December 31, 2013 compliance date for full implementation at the generation level of MAXIMO and, if unable to meet this date, why it will not comply with the requirement to fully implement the Maintenance Management

Planning System (MAXIMO) on both Islands and should identify the resources required for implementation of the MAXIMO maintenance management planning module.

9. WAPA shall identify when it plans to use RFM funds to acquire all of the spare parts it previously identified and shall identify any proposed modifications to the RFM that it deems necessary.
10. WAPA should identify in the next LEAC filing what actions are necessary for it to implement to get the deferred maintenance and other components of the RFM back on track.
11. WAPA should provide for the PSC's consideration clear and transparent benchmarks for its projected operations taking into account funding from the RFM. Specific benchmarks for projected generation efficiencies for each island should be provided together with an understandable schedule for the rehabilitation of the units undergoing deferred maintenance.
12. The PSC should investigate WAPA's station service levels and the cause of the high levels of station service being passed onto consumers. Meanwhile, WAPA should continue to provide a complete reconciliation of the station service (plant use) values allocated to the electric department and used for LEAC and energy accounting purposes with the station service data included in the monthly plant production reports for each power plant. This reconciliation shall be provided with the next LEAC petition.
13. WAPA and the PSC's Technical Consultant shall collaboratively work to identify and recommend KPI benchmarks—inclusive of plant efficiency, equivalent availability rates for combined-cycle operations, and station services—for the PSC's consideration at its March 2014 meeting. In the event the parties are unable to reach agreement on recommendations for proposed benchmarks the parties shall file by February 14, 2014 their respective positions for PSC consideration and potential action at its March 2014 meeting.
14. The pricing mechanism for electricity provided to the water department for sea-water RO production should be based on a determination of the current LEAC rate inclusive of the RFM component, variable and fixed power production costs, and associated A&G allocation factors divided by gross generation less station use and should be reconciled each quarter.
15. Should the balance of deferred fuel shown on the LEAC schedules be different than the internal financial statements, WAPA should file a full report showing the full reconciliation of the deferred fuel accounts on its books and the deferred fuel accounts used in the LEAC calculations (other than the \$18 million financed through the Series 2012B). Once new base rates are established, the reconciliation

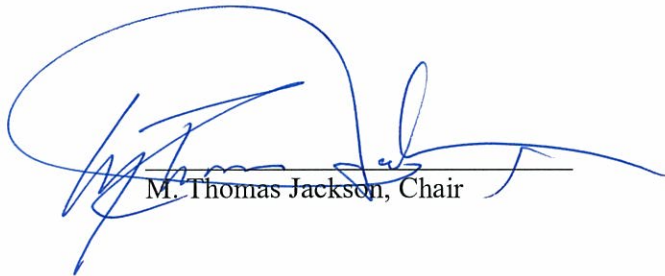
of the total deferred fuel expense balance for the electric department should also show the unamortized amount recovered through base rates.

16. Concurrent with the petition filed with the PSC WAPA shall provide the Technical Consultant, until changed by further Order of the PSC, all of the required LEAC filings and documents and work papers. WAPA shall include in the transmittal all documents in electronic (WORD and EXCEL, etc.) executable format with all formulae. The documents should not be password protected or, if so, the appropriate passwords should be provided. Currently many spreadsheets are not supplied in this fashion.
17. The PSC staff shall be required to include on its website the Technical Consultant's report and PSC order from each LEAC proceeding.

So Ordered.

For the Commission

Dated: October 15, 2013



M. Thomas Jackson, Chair