

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. 30/2014

ORDER

WHEREAS, on December 19, 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") requesting a one-year extension of the Rate Financing Mechanism Surcharge (hereinafter "RFM") established by the Temporary Emergency Generation Maintenance Management and Efficiency Improvement Stipulation (hereinafter "GE"); and

WHEREAS, on February 14, 2014, the Authority filed a Petition with the Commission for the Electric and Water Levelized Energy Adjustment Clause (hereinafter "LEAC") factors for the period of April 1, 2014 to June 30, 2014; and

WHEREAS, on March 24, 2014, the Commission received two reports from its technical consultants: the Report and Recommendations and the Report on WAPA's Proposed RFM and GE Lease Extension; and

WHEREAS, on March 26, 2014, 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 April 1, 2014 to June 30, 2014, 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, decreasing the current Water LEAC rate from \$12.10 per KGal to \$10.85 per KGal and the electric LEAC rate from \$0.412692 per kWh to \$0.401807 per kWh.

NOW THEREFORE, the Commission Finds and Orders:

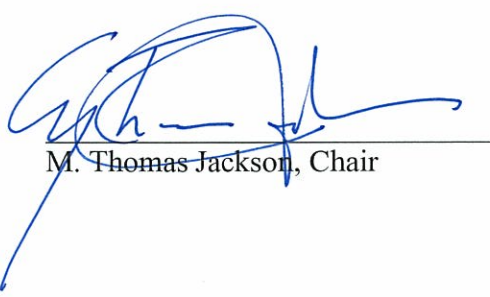
1. A LEAC rate of \$0.401807 per kWh should be set for the Electric Department based on the recommendations and computations made in this report.
2. The Water LEAC rate should be reduced to \$10.85 per KGal as requested by WAPA for the Water Department.
3. WAPA shall file for revised LEAC rates by May 15, 2014. The filing shall be in compliance with all Commission orders governing the requirements for information and any other orders in pertaining to this proceeding.
4. With respect to the RFM, the Commission finds that the progress to date has been unsatisfactory, and fails to provide ratepayers with a reliable forecast as to when the Authority's services will be provided at reasonable rates. The Commission further finds that the projected duration of the RFM funded maintenance program has doubled from original projections without adequate explanation or support.
5. The Commission is increasingly concerned with the effects of the delayed collection of Government and Government related accounts, such as the hospitals and streetlights. The Authority has stated that these delayed payments have severely stressed the Authority's cash flow and its ability to perform the required tasks necessary to bring the system to a reasonable level of performance. The Authority is notified that the Commission will be monitoring this situation, and directs the Authority to present before the next Commission hearing on the LEAC solutions that will avoid adversely affecting those ratepayers who pay their bills timely and currently while addressing the delayed payments from these select customers.
6. As a result of these findings, with respect to all future LEAC Petitions, the transmittal cover letters should include implementation of the changes recommended on the bottom of page 6 of our report with regard to the content of the cover letter. Additionally, the LEAC petition transmittal cover letter should include:
 - a. For the St. Thomas and St. Croix plants when significant improvement from current efficiency levels is projected to be achieved and when the projected economic savings to consumer bills are to take place. WAPA shall provide a detailed discussion on whether the date projected for improvement can be accelerated and the resources costs and benefits related to these actions.
 - b. Discussion of generation caused outages that occurred during the prior 3-months and their causes.
 - c. Discussion of resources projected by month that will be unavailable for service and the ability of the remaining system to meet the loss of largest unit operating reserve that has been established by the PSC, the consequences of not meeting such a criteria, and all remedial actions planned by WAPA to meet the criteria.
 - d. WAPA shall provide a detailed discussion on why the lease of the GE unit was extended only through December 2014 and the impact that this would have on the system operating reserve at the end of the current lease. Additionally, WAPA shall provide a discussion of all additional options that are being studied.
7. The Commission reaffirms its prior orders requiring the submission of information, which include that:
 - a. WAPA shall provide a complete and transparent accounting of each quarter's RFM revenue as described in this report.

- b. WAPA shall provide a reconciliation of the balances in the general obligation note as carried on the accounting books and the amounts used in the LEAC filing.
 - c. WAPA shall provide a complete description of the maintenance management planning program and cost as described in this report.
 - d. WAPA shall provide a complete report on the retrofit of the St. Thomas HRSG as detailed in our report.
8. WAPA shall provide a complete report as to why long term efficiencies on St. Croix are projected at substantially lower levels than identified by the Harris Group. (Limited to 14,000 BTU/kWh at best in the most recent forecast.)
 9. Timely implementation of the IRP would assist in the determination of the prudent level of revenues and should be initiated as soon as possible.
 10. Determination of the least cost scenario should be central to the determination of appropriate LEAC rates and should be included in any proposed LEAC framework. The recommendations of the IAC would be relevant in determining the least cost scenario for consumers.
 11. Discover from the current LEAC proceeding should be permitted to continue.

So Ordered.

For the Commission

Dated: ^{April}~~March~~ 11, 2014


M. Thomas Jackson, Chair