

**GOVERNMENT OF THE U.S. VIRGIN ISLANDS
PUBLIC SERVICES COMMISSION**

In re Water and Power Authority's)	
Emergency Petition for Approval Of)	Docket 603
Electric System Rate Relief)	
)	
And)	Order No. <u>28/2012</u>
)	
In re Water and Power Authority's)	
Emergency Petition for Approval Of)	Docket 604
Water System Rate Relief)	
)	

FINDINGS OF FACT AND ORDER

WHEREAS, the Commission, having received the Petitions of May 31, 2012 and the Amended Petitions filed June 28, 2012; and

WHEREAS, the Amended Petitions contain testimony of the Authority's Executive Director and Chief Financial Officer; and

WHEREAS, the Amended Petition for the Electric Department seeks \$16.2M per year in additional revenues; and

WHEREAS, the Amended Petition for the Water Department seeks \$2.576 M per year in additional revenues; and

WHEREAS, the Commission, having heard the testimony before this Commission of the Authority's witnesses and the Commission's technical consultants; and

WHEREAS, the most recent base rate investigations of the Water Department (Docket 576) and the Electric Department (Docket 575) were conducted in 2009; and

WHEREAS, these matters were filled as emergency proceedings, and the Commission seeks to prevent any harm to either the regulated utility or its rate-paying customers.

WHEREFORE, the Commission now makes the following findings of Fact:

- A. The Water Department has failed to meet its bond obligations for debt service coverage for the past three fiscal years (ending 2009, 2010 and 2011) and without an increase in its revenues will fail to meet that coverage again in 2012.
- B. If the Water Department fails to meet its bond covenants it may face action by the bondholders or bond trustees, and an immediate downgrade in its bond rating;
- C. The Electric Department is meeting its debt service coverage requirements.
- D. Both the Electric and Water Departments must make adjustments to their books to account for Other Post Employment Benefits ("OPEB"), costs which the Authority will have to pay for its retired employees other than direct pension costs, which costs must be reflected currently; and


- E. The depreciation schedule for the Authority has not been reviewed or updated in many years, and it appears that the depreciation schedules appear to be adversely affecting the net income of the Authority;
- F. The Authority has not been able to complete its 2011 Audit due to concerns regarding the Water Department's Debt Service Coverage, the Electric Department's net income, and the OPEB costs for both departments;
- G. Providing a temporary increase in Water Department's revenues of \$1.5M per year will alleviate the debt service coverage shortfall and cover the OPEB costs; and
- H. Providing a temporary increase in the Electric Department's revenues of \$8.6M per year will cover the OPEB costs and provide the Authority with the opportunity to earn a positive net income.

NOW THEREFORE, the Commission orders:

- 1. The Electric Department is authorized to collect a temporary rate increase, effective August 1, 2012 which will provide annual revenue of \$8.6M.
- 2. The Water Department is authorized to collect a temporary rate increase, effective August 1, 2012, which will provide annual revenue of \$1.5M.
- 3. The Authority shall prepare and submit the tariff sheets which allocate the rate increase proportionately between the existing rate classes, on a kWh basis no later than July 15, 2012.
- 4. The Commission's technical consultants will prepare and serve information requests no later than July 19, 2012 which will permit the Commission to verify the financial information presented in these petitions.
- 5. The Authority shall fully respond to the information requests no later than August 27, 2012.
- 6. The Commission's Executive Director shall certify the Authority's compliance with these information requests by August 31, 2012. If the Commission's Executive Director does not so certify, the collection of the temporary increase shall cease as of September 1, 2012.
- 7. The Authority shall file full base rate cases for both the Electric and Water Departments no later than November 16, 2012.
- 8. The Authority's base rate cases shall address the propriety of continuing with the current depreciation schedules used by the Authority.
- 9. The Authority shall continue to collect the temporary increase during the pendency of the full rate cases so long as it complies with the terms of this order, unless and until this order is superseded.

So Ordered.

Dated: July 6, 2012


DONALD G. COLE
Chair