GOVERNMENT OF THE UNITED STATES VIRGIN ISLANDS

PUBLIC SERVICES COMMISSION

In Re The Virgin Islands Water and Power Authority's Levelized Fuel Adjustment Charge	Order No. 6/2012 PSC Docket No. 289

ORDER

WHEREAS, this matter is before the Virgin Islands Public Services Commission ("Commission" or "PSC") on remand from the Superior Court of the Virgin Islands, addressing the Court's concern that the Commission's requirements and criteria for the inclusion of costs within the LEAC are not sufficiently detailed and specific for future judicial review and

WHEREAS, the Commission first created the LEAC to address volatility in fuel prices in the late 1980s; and

WHEREAS, the Commission at meetings in November and December 2010 the Commission received testimony on the refinancing of the Note; and

WHEREAS, the Commission has previously considered the imposition of Minimum Filing Requirements over the course of the past several years; and

WHEREAS, the Commission ordered the Authority to work with the Commission staff in preparing a final set of Minimum Filing Requirements in its final order in Docket 576; and

WHEREAS, the Commission has encouraged a policy of transparency in the calculation of the LEAC, through the public availability of the petitions and consultant reports; and

WHEREAS, the Commission recognizes that it must maintain flexibility in setting the LEAC to reflect changing conditions, such as the conversion of water production facilities to reverse osmosis, and the change in electrical generation from the current plants to new arrangement that may include waste-to-energy, solar, wind, interconnection with Puerto Rico, leased facilities, or as yet unidentified options; and

WHEREAS, the Commission has every expectation that numerous changes will occur in the Authority's electrical generation and water production activities over the next several years, including increased fuel diversity and use of renewable energy;

NOW, THEREFORE, THE COMMISSION FINDS:

1. There are several purposes for these MFRs, which include:
    1.1. Providing clear statement of the information to be considered in setting the LEAC;
    1.2. Conveying information on the regulatory priorities to the regulated utility and the ratepayers;
    1.3. Reducing the time and expense necessary to conduct quarterly reviews;
    1.4. Providing consistent information which permits the Commission to track performance over time; and
    1.5. Providing as seamless a presentation to the Commission regarding rate requests that have an enormous impact on both WAPA and the general populace.
2. That it is essential that the Commission have information timely and fully submitted to provide opportunity for review and identification of areas available for savings and improvements; and
3. That the Commission must maintain sufficient flexibility to modify the criteria to reflect changing conditions, which are key to restoring a healthy economy to the Virgin Islands;

NOW, THEREFORE, IT IS HEREBY ORDERED, that all future LEAC filings by the Authority shall include, at a minimum:

1. **Cover Letter to the Commission**

    WAPA to continue to provide a cover letter to the PSC instead of formal testimony to accompany the detailed exhibits described below. In addition to narrative describing the recommended factors for each department and the impact on sample ratepayers' bills ($$ and %), WAPA must also describe its position on the amortization period it seeks to recover any deferred fuel balance that may exist (or projected to exist) for each department. WAPA must provide a narrative of major changes in operations that impact the requested change, e.g. outages, boiler failures, reduced oil prices, higher than expected losses, improved efficiencies, hedging contracts, etc.

2. **LEAC workbooks**

WAPA to continue to file the two workbooks for LEAC results for two fiscal years. The first workbook is called the historic workbook and the second workbook is called the projected workbook. The projected workbook is used to calculate the proposed LEAC factors and will over the year become partially projected and partially projected. The historic workbook is to be filed for every LEAC filing until it is consistent with the financial audit (usually six or more months after the end of the fiscal year).

Annual "LEAC" audits be an automatic requirement of the MFR and be filed with the PSC for its review every year. The format would be identical to the LEAC workbooks described below with explanation and reconciliation of that workbook to the amounts in the financial reports for both departments, e.g. deferred fuel costs, fuel revenues and fuel expense.

Schedule 1a: Electric Summary

Existing schedules to continue in use. The opening balance of deferred fuel expense in the projected workbook must be the same as the closing balance in the historic workbook, or any difference explained in detail. If for some reason WAPA believes that it may need additional time to reconcile the balances, it should discuss this in the cover letter. All cost items to be included in this schedule are clearly listed and any "new" item should be fully justified in the cover letter.

Schedule 1b: Water Summary

This summary schedule is acceptable as currently filed. However, WAPA must identify and quantify the cost for the RO contract (or future contracts) if it wants recovery of this and future contract costs in the WLEAC. (See MFR #3)

WAPA should add an additional worksheet showing the assumptions being used for these costs in the projected workbook and provide detail payment calculations in the historic workbook. All cost items to be included in this schedule are clearly listed and any "new" item should be fully justified in the cover letter.

Schedules 2 and 3: Unit Dispatch, Efficiency, Oil Consumed, Price of Delivery, Inventory Pricing, Water Department Allocation and Electric Department Costs (STT – Schedule 2 and STX Schedule 3).

These two-page schedules are to substantially remain the same, although support for assumptions used in the projected workbook is necessary. (See MFR#4)

WAPA is to provide the basis for the unit-by-unit efficiencies, by including a separate schedule or providing a separate workbook of production summaries showing the efficiencies of the units over a period of time.

WAPA is to provide the latest unit availability sheet to accompany the LEAC.

WAPA is to provide support and data for the assumptions used for allocating fuel costs to the water department (currently an input).

The efficiencies and allocation of costs must be based upon historic data and should be supported by the historic workbook.

Schedule 4a: Electric Department Sales and Losses

For the historic workbook these should be the same as the monthly financial reports.

WAPA is to continue to provide the monthly financial reports as support for the actual results. (See MFR#1.)

For the projected workbook WAPA needs to provide support for these projections.
WAPA is to provide the latest sales forecasts that were used for the LEAC projections, including workpapers or subsidiary schedules showing the assumptions WAPA used.

WAPA is to provide historic data used to estimate the losses and plant use with some explanation of how this data "translates" to the estimates.

Schedule 4b: Department Sales and Losses

If the historic workbook includes inventory changes, the gross and net amounts must be consistent with the financial statements. However, the "Available for Sale Gross" must be divided between water produced through RO and water produced from IDE. (See MFR#1.)

WAPA is to segregate the supply available for consumption by method of production.

Schedule 5.1: Price Forecast

Continue as filed, but with the imminent closure of the HOVENSA refinery this schedule will likely require modification in the near future. WAPA has been on the HOVENSA inventory pricing method. At some point, it may very well go to the NY Harbor (less 25 cents) price. (See MFR#2)

WAPA to provide with each LEAC a copy of the most recent consultant or Bloomberg report showing WAPA's calculations to determine the pricing method.

Schedule 5.2: Hedging Costs

Should be eliminated with the closure of the two credit lines.

Schedule 6: GO Note Amortization Schedule

Continue as filed.

Date: 27 January, 2012

Donald G. Cole
Chairman