

**GOVERNMENT OF THE VIRGIN ISLANDS  
OF THE UNITED STATES**

**PUBLIC SERVICES COMMISSION**

IN THE MATTER OF THE LEVELIZED )  
ENERGY ADJUSTMENT CLAUSE OF THE )  
VIRGIN ISLANDS WATER AND ) PSC DOCKET 289  
POWER AUTHORITY ) ORDER NO. 16/2007

ORDER SETTING LEVELIZED ENERGY ADJUSTMENT CHARGES

WHEREAS, the Virgin Islands Public Services Commission (“Commission” or “PSC”) has a long established mechanism, the Levelized Energy Adjustment Charge (“LEAC”), through which the Virgin Islands Water and Power Authority (“WAPA” or “Authority”) may recover the necessary and prudent costs of fuel consumed to generate electricity and desalinate water; and

WHEREAS, the Commission previously having ordered the discontinuance of the “automatic” LEAC adjustment procedure; and

WHEREAS, the Commission has resumed the practice of the more than 15 years it had adjusted the LEAC twice per year, unless specifically requested by WAPA to do so more frequently, based on actual fuel costs and a forecast of fuel expenses for the upcoming six month period; and

WHEREAS, in November 2006, WAPA submitted its report on recent consumption and its forecast for pricing and consumption going forward, and requested that the Commission set the LEAC rates for the period of January 1, 2007 through June 30, 2007 at a downward adjustment in the LEAC rate for electric customers from the current \$0.218299 per kWh to \$0.192759 per kWh and an increase in the LEAC rate from the current level of \$6.76 per kGal to \$7.58 per kGal; and

WHEREAS, the Commission's Technical Consultants contacted WAPA as to the assumptions and underlying data used in WAPA's calculations and submitted a separate report and recommendations on December 8, 2006, which report recommended lower rates than those sought by WAPA; and

WHEREAS, the Commission's consultants, identified a number of important and outstanding issues which either directly or indirectly affect the costs of service to the ratepayers, as set forth in the Consultant's report at Paragraph 7:

"We recommend that the PSC make clear in its Order in this proceeding that WAPA's continued allowance of the LEAC Rate is directly dependent on WAPA complying with all of the requirements of current and prior PSC Orders:

- a. Continuing LEAC rate increases will be dependent on WAPA meeting all of the milestones to which it has committed.
- b. WAPA must implement no later than March 1, 2007 the use of the manual economic dispatching algorithms developed by HGI and begin reporting to the PSC on the effectiveness of this program.
- c. WAPA must collaboratively work with the Commission's Technical Consultant to develop efficiency standard (heat rate) and availability standards that will be used in future LEAC Rate proceedings. Alternatively, WAPA can hire a Performance Management Contractor (PMC) to operate and maintain WAPA's plants at the proposed standards. The PMC's compensation would be directly tied to meeting the required efficiency and availability standards.
- d. WAPA must present the PSC an implementation plan for the MAXIMO maintenance management system (CMMS) no later than March 30, 2007 with a target in-service date of not later than July 1, 2008.
- e. In response to aged accounts receivable benchmarks developed by the Technical Consultant, WAPA no later than March 30, 2007 should provide the PSC its comments on the proposed benchmarks as well as the program of the actions it will undertake to meet the benchmarks if approved by the PSC.
- f. WAPA must provide evidence that WAPA is making every effort to secure sources of generation that will lower rates consistent with the updated Condition Assessment Study after it is complete and approved by the PSC. The PSC should receive updates on this issue any time there is a request to the PSC for a change in the LEAC Rate.
- g. Provide evidence that all of WAPA's actions are consistent with prudent actions for lowering overall LEAC and base rates.
- h. Provide monthly data on the comparison of fuel costs included in the LEAC forecast with actual fuel prices for all components with appropriate source documents.
- i. Provide complete and timely semi-annual LEAC filings consistent with Minimum filing Requirements that should be approved by the PSC no later than April 1, 2007.

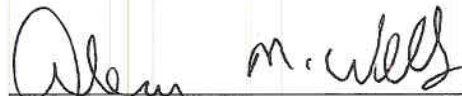
WHEREAS, on December 14, 2006, the Commission held its scheduling meeting and public hearing, and considering the submissions of WAPA and the Commission's consultants, and the testimony presented at the meeting.

NOW THEREFORE, IT IS ORDERED:

1. The LEAC rates for January 1, 2007 through June 30, 2007 are set at:
  - a. \$0.192759 per kWh for the Electric System, and
  - b. \$7.58 per kGal for the Water System.
2. The Authority and the Commission's consultant are to report back to the Commission at its next meeting on each of the items contained in Paragraph 7 of the Consultant's report, as set forth above.

DATED: March ~~20~~<sup>20<sup>th</sup></sup>, 2007

FOR THE COMMISSION



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ALECIA M. WELLS,  
Chair