

**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. 21/2008

AMENDED 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 LEAC is addressed through Docket 289, an investigation which has been open since the 1980s, with semi-annual reporting, investigations, and adjustments made to the rates collected pursuant to the LEAC throughout this period, with a period from August 2004 though January 2007 in which the Commission permitted the Authority to make interim adjustments due to the sharp changes in the world oil market which occurred in 2003 and succeeding years; and

WHEREAS, the Commission has resumed the long-standing practice in which the LEAC is adjusted twice per year, unless specifically requested by WAPA to do so more frequently, based on the correction for actual (to the extent then available) fuel consumption and costs for the past six months and a forecast of WAPA’s fuel consumption and costs for the upcoming six month period; and

WHEREAS, on November 13 2007, WAPA submitted an emergency request for an increase in the LEAC, effective as of December 1, 2007, along with 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 December 1, 2007 through June 30, 2008; and

WHEREAS, WAPA requested that the electric system LEAC be increased from the current rate of \$0.192759 per kWh to \$0.278505 per kWh and for its water customers a decrease in the LEAC rate from the current level of \$7.58 per kGal to \$8.82 per kGal; and

WHEREAS, the Commission's Technical Consultants contacted WAPA as to the assumptions and underlying data used in WAPA's calculations and prepared a presentation and testimony in which the Technical Consultants recommended either of two rate increases for the electric system, each at a lower level than that recommended by WAPA (\$0.258808/kWh and \$0.254733/kWh), and specified the reasons therefore; and

WHEREAS, the Commission's Technical Consultants identified the new rate requested by WAPA for the water system and, based on discovery and review of the data recommended that the current rate be lowered; and

WHEREAS, on November 29, 2007, the Commission held its scheduling meeting public hearing, and considering the submissions of WAPA and the Commission's consultants, and the testimony presented at the meeting; and

WHEREAS, the Commission issued Order No. 21/2008 with an effective date of December 1, 2007 for all energy consumed or delivered on or after that date; and

WHEREAS, the Authority filed a petition for reconsideration of the effective date of the new LEAC rate, in which the Authority asserted: (i) that billing a new rate only on energy consumed on or after the effective date was a change from prior Commission practice; (ii) that the Authority could not accurately bill for energy consumed as ordered; (iii) that the Authority

had already collected bills based on prior practice; and (iv) that the total amount paid by consumers would not change; and

WHEREAS, the Commission has considered all of the evidence presented at this and previous hearings:

NOW THEREFORE, IT IS ORDERED:

1. The Electric System LEAC rate is raised to \$0.254733 /kWh for all bills rendered on or after December 1, 2007; and
2. The Water System LEAC shall remain at present the present rate of \$7.58 per kGal; and
3. The Authority shall undertake immediate steps to modify its billing systems to permit it to accurately bill customers for future rate changes on an energy consumed or delivered basis; and
4. The Authority is advised that henceforth the Commission will require strict adherence to the statutory requirement for 30-days advance filing of any proposed rate increases, and will not shorten such periods in the future absent high levels of proof on an actual emergency; and
5. The Commission directs its staff to ensure that at the semi-annual LEAC review in May-June 2008, the early collection of this increase is properly reflected and adjustments made.

DATED: March 25, 2008

FOR THE COMMISSION



JOSEPH B. BOSCHULTE,
Chair

**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)
POWER AUTHORITY)

PSC DOCKET 289
ORDER NO. 21/2008

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 LEAC is addressed through Docket 289, an investigation which has been open since the 1980s, with semi-annual reporting, investigations, and adjustments made to the rates collected pursuant to the LEAC throughout this period, with a period from August 2004 though January 2007 in which the Commission permitted the Authority to make interim adjustments due to the sharp changes in the world oil market which occurred in 2003 and succeeding years; and

WHEREAS, the Commission has resumed the long-standing practice in which the LEAC is adjusted twice per year, unless specifically requested by WAPA to do so more frequently, based on the correction for actual (to the extent then available) fuel consumption and costs for the past six months and a forecast of WAPA’s fuel consumption and costs for the upcoming six month period; and

WHEREAS, on November 13 2007, WAPA submitted an emergency request for an increase in the LEAC, effective as of December 1, 2007, along with 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 December 1, 2007 through June 30, 2008; and

WHEREAS, WAPA requested that the electric system LEAC be increased from the current rate of \$0.192759 per kWh to \$0.278505 per kWh and for its water customers a decrease in the LEAC rate from the current level of \$7.58 per kGal to \$8.82 per kGal; and

WHEREAS, the Commission's Technical Consultants contacted WAPA as to the assumptions and underlying data used in WAPA's calculations and prepared a presentation and testimony in which the Technical Consultants recommended either of two rate increases for the electric system, each at a lower level than that recommended by WAPA (\$0.258808/kWh and \$0.254733/kWh), and specified the reasons therefore; and

WHEREAS, the Commission's Technical Consultants identified the new rate requested by WAPA for the water system and, based on discovery and review of the data recommended that the current rate be lowered; and

WHEREAS, on November 29, 2007, the Commission held its scheduling meeting public hearing, and considering the submissions of WAPA and the Commission's consultants, and the testimony presented at the meeting; and

WHEREAS, the Commission has considered all of the evidence presented at this and previous hearings:

NOW THEREFORE, IT IS ORDERED:

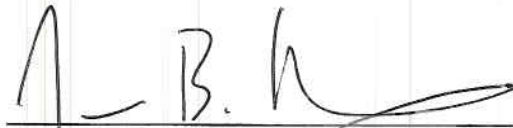
1. The Electric System LEAC rate is raised to \$0.254733 /kWh for all energy consumed or delivered on or after December 1, 2007; and
2. The Water System LEAC shall remain at present the present rate of \$7.58 per kGal.

FOR THE COMMISSION

DATED: January 10, 2008

Public Services Commission
Docket No. 289
Order No. 21/2008

In The Matter Of The Levelized Energy
Adjustment Clause Of The Virgin Islands
Water And Power Authority



JOSEPH B. BOSCHULTE,
Chair