

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. 13/2015

ORDER

WHEREAS, on August 15, 2014, 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") for the Electric and Water Levelized Energy Adjustment Clause (hereinafter "LEAC") factors for the period of October 1, 2014 to December 31, 2014; and

WHEREAS, on October 29, 2014, WAPA filed a Petition with the PSC seeking reconsideration of PSC Order No. 9/2015; and

WHEREAS, on November 24, 2014, the Commission received a Report and Recommendations from its technical consultant, Georgetown Consulting Group, Inc.; and

WHEREAS, on November 24, 2014, the Commission met in special session in the Commission's offices on both St. Thomas and St. Croix and heard from representatives for the Authority and the Commission's technical consultants; and

WHEREAS, the Commission found that the RFM component of the LEAC rate (i.e., \$0.023/kWh) was adopted when the Commission concluded that it was cost effective and would result in annual benefits to consumers in excess of thirty-five million dollars (\$35,000,000.00), and therefore found it was reasonable and prudent, to impose an additional component to the LEAC rate:

1. If an expenditure of additional funds would result in greater fuel savings from improved efficiency than the cost of the program; and
2. That the emergency generator was a key element of the short-term program to ensure that power was stabilized on St. Thomas and St. John, and that sufficient capacity was available to perform the necessary maintenance on other units; and

3. That the program would permit the restoration of WAPA's generating units to acceptable levels of performance (efficiency) and reliability; and
4. That the Authority would engage an independent advisory contractor (IAC) to provide independent advice and fully transparent reporting to the Commission and to WAPA's Board, as well as advice on the maintenance program.

WHEREAS, the program was extended beyond its original eighteen (18) month period, the leased unit has been extended, the IAC has not been engaged, and after thirty (30) months the program appears to remain substantially incomplete. Moreover, the existing HSRG unit, which is critical to the provision of economic benefits, has been delayed without plausible explanation, despite numerous requests for information; and

WHEREAS, the Commission found that it cannot continue to support a conclusion of reasonableness or prudence in charging the additional \$0.023/kWh LEAC rate component to customers in the absence of evidence that the Authority has met these goals. WAPA has thirty (30) days in which to submit evidence that:

- a. Fuel efficiency of WAPA's existing production facilities on St. Thomas have improved substantially, not including the results of the temporary generator; and
- b. WAPA mobilizes an IAC at the Harley Plant in conformance with the Stipulations in this matter; and
- c. WAPA will, as it has represented to the Commission, develop within the next nine (9) months an Integrated Resource Plan (hereinafter “IRP”) that identifies the long and short-term resources it anticipates implementing to meet its future demand for energy services. Further, pursuant to the mandates of Act 7075, the IRP will provide for WAPA to diversify itself from large units incapable of being responsive to solar and wind resources. Finally, the IRP process must evaluate both supply-side options (e.g. HRSG, new generating technologies) and customer service options which eliminate demand via a least-cost demand side option (e.g., load shifting, peak shaving, interruptible loads, energy efficiency measures).

WHEREAS, the Commission sets the electric LEAC rate for the October - December 2014 quarter at \$0.37763; and

WHEREAS, if WAPA does not provide the required information by October 30, 2014, the electric LEAC rate will be reduced to \$0.36758; and

WHEREAS, the Commission hereby delegates to its Chairman the authority to determine if any submissions by WAPA are sufficient to meet these requirements, until the next Commission meeting; and

WHEREAS, if the Chairman determines that the submissions, if any, by the Authority are inadequate, the Commission will decide at its next meeting if a refund of those RFM funds previously collected for the engagement of an IAC should be refunded to ratepayers; and

WHEREAS, further the Commission voted to **SUSPEND** the portion of the RFM that supports the IAC as of December 1, 2014.

So Ordered.

For the Commission

Dated: January 16, 2015



Johan Clendenin, Chair