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. 25/2015

ORDER

WHEREAS, on November 22, 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 Levelized Energy Adjustment Clause (hereinafter "LEAC") factors for the period of January 1, 2015 to June 30, 2015; and

WHEREAS, on December 10, 2014, the Commission received a Report and Recommendations from its technical consultants; and

WHEREAS, on December 15, 2014, the Commission received WAPA's Rebuttal to the Georgetown Report; and

WHEREAS, on December 16, 2014 , the Commission met in regular session in the Commission's offices on both St. Thomas and St. Croix and heard from the Authority and the Commission's technical consultants; and

WHEREAS, the Commission has reviewed the Authority's Petition for new Electric LEAC rates for the period of January 1, 2015 to December 31, 2015, the supporting information, and the report, the rebuttal and testimony of the witnesses; and

WHEREAS, upon review and deliberation the Commission voted to **APPROVE** WAPA's request for a six month LEAC; and

NOW THEREFORE, the Commission **ORDERS** that:

1. The Commission **APPROVES** WAPA's request for a six (6) month Electric LEAC.
2. WAPA will bear the uncertainty regarding the LPG conversion and future fuel costs.

3. The LEAC should be based on the amount of fuel forecast by WAPA as updated with the most recent pricing forecast in the GCG report, resulting in an Electric LEAC in the amount of $0.279991/kWh.

4. The Commission adopts a phase out of the RFM, with a target date of January 1, 2016.

5. The Commission further adopts the findings and recommendation contained in Paragraphs 4-8 of the GCG Report, which are set forth below:

   4. Without a petition for approval for the proposed lease extension of Unit 25 (temporary emergency generator) and without prior PSC approval before the lease was executed, we recommend that the lease amounts be funded for the three months of the proposed LEAC period.[1] With an April 2015 LEAC rate filing, consistent with the Commission approving a three-month LEAC rate, WAPA should be fully prepared to justify its position on the emergency generator lease extension in advance of its next petition. WAPA should be ordered to file with the Commission, by January 31, 2015, all analyses and rationale that it employed to conclude that the lease extension for the temporary emergency generator should have been for 24 months.

   5. Based on information and supporting data provided by WAPA in this proceeding for the period January 2015 through December 2015, the RFM rate should be set at 1.80 cents per kWh. This amount should specifically be used only for the lease payments for the temporary emergency unit through December 2015, and the remaining contracted payments for the retrofitting of the St. Thomas HRSG (Unit 21). The RFM funding allowance beyond December 2015, if any, should be determined after the PSC has reviewed and made a decision on WAPA's petition for the lease extension.

   6. We recommend that the infrastructure recovery charge included by VITOL in the price that WAPA pays for LPG not be based on $150 million of proposed infrastructure costs but rather on $87 million of infrastructure charges, and that the increase of $63 million in infrastructure recovery charges to $150 million not be approved in the current LEAC rate proceeding for recovery through LPG charges.

   7. The commission should require that WAPA provide an analysis of the LPG infrastructure recovery cost – both the original $87 million estimate and the current $150 million estimate – with full supporting documentation as has been requested

[1] With WAPA dependent on PSC approval of the RFM funding for the emergency unit it is difficult to understand how the contract could not have acknowledged that WAPA entered into the contract contingent on obtaining PSC approval for funding.

both by the Technical Consultant and individual Commissioners and which has not been provided at the date of this Report. The original contract with VITOL had a formula for increases in the project budget that could be passed onto WAPA. WAPA has not explained how an increase in level of infrastructure recovery payments was arrived at and should be required to do so before the Commission considers its inclusion in the LEAC rate. WAPA's analysis should also be provided by January 31, 2015.

8. The PSC set WAPA's fuel recovery through the LEAC rate mechanism to recover the fuel costs based on prudent actions of WAPA. We estimate, based on data provided, that it took WAPA up to three years to negotiate the contract with Hamon Deltak for the rehabilitation of the HRSG (Unit 21). While the rehabilitation contract had a cost of approximately $5 million, the potential savings from the greater efficiency that the HRSG would have allowed due to full combined-cycle operations and the resulting lower fuel cost over that period of time could have produced savings to ratepayers of tens of millions of dollars annually. Although a detailed narrative of the reasons for the required time line for WAPA's rehabilitation of the St. Thomas HRSG was promised by WAPA, none has been provided at the time of this Report. We recommend that the Commission require that this be provided to support the Commission's determination concerning the recovery of prudent fuel costs, by January 31, 2015.

So Ordered.

For the Commission

Dated: January 16, 2015

Johann Clendenin, Chairperson