

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

*Public Services Commission*

*In re*

<b>The Virgin Islands Water &amp; Power Authority</b>	)	Docket No. 651
<b>Petition for Permanent Electric System</b>	)	Order No. <u>57/2017</u>
<b>Base Rate Relief (<i>Docket 651</i>)</b>	)	
	)	
	)	
	)	

**ORDER**

**WHEREAS**, in 2013, the Public Services Commission (“Commission” or “PSC”) concluded Dockets 611 and 612, which provided new base rates for the Water and Power Authority’s (hereinafter “Authority” or “WAPA”) electric and water systems, respectively; and

**WHEREAS**, no later than 2014, the Commission began expressing its concern with the accuracy and propriety of WAPA’s base rates and its Levelized Energy Adjustment Charge (hereinafter “LEAC”) rate; and

**WHEREAS**, the LEAC, which had been created on or about 1988 to fund changing costs of fuel above or below the fuel amounts included in base rates; and

**WHEREAS**, in 2003 the LEAC was changed to include all fuel and energy charges; and

**WHEREAS**, over the prior several years, an increasing number of other charges were included in the LEAC in an effort to reduce fuel charges, which included the Rate Financing Mechanism (hereinafter “RFM”; which itself funded a number of activities including previously deferred generator maintenance, spare parts procurement and lease expenses for a “temporary” emergency generator now known as Unit 25), and initial expenses for the infrastructure charges associated with the VITOL project to convert generators to propane/LPG; and

**WHEREAS**, the Commission had approved those other items in the LEAC in an effort to make generation more efficient and to reduce the overall fuel expense, these expense were not intended to be a permanent part of the LEAC; and

**WHEREAS**, the Commission desired to properly allocate expenses to base rates and return the LEAC to a fuel only basis; and

**WHEREAS**, at its meeting in December 2014, PSC Chair Clendenin requested that WAPA file a new base rate case promptly; and

**WHEREAS**, at the Commission’s March 2015 meeting WAPA stated that a new base rate proceeding will be filed by June 2015; and

**WHEREAS**, at the Commission's June 2015 meeting WAPA stated that it had not yet prepared a new filing and that a new base rate case would be filed by September 2015; and

**WHEREAS**, at the Commission's September 2015 meeting, with no filing made by WAPA, the Commission ordered that a base rate case be filed by December 1, 2015 or the Commission would proceed with an investigation without a rate application; and

**WHEREAS**, on December 1, 2015, WAPA made a base rate filing; and

**WHEREAS**, in its December 2015 filing WAPA requested a permanent base rate increase of \$18.24 million per year, which represented a base rate increase of 25.5%; and

**WHEREAS**, in February 2016 PSC Staff met with WAPA management to review the December 2012 filing and WAPA concluded it should refile to address infirmities and concerns that PSC Staff had identified; and

**WHEREAS**, on April 18, 2016, Commission Order No. 26/2016 transferred the costs of the Rate Financing Mechanism (hereinafter "RFM"), including funds for the repair of Unit 23 and lease costs associated with Unit 25, from the LEAC to base rates; and

**WHEREAS**, on May 15, 2016, WAPA filed a petition for emergency rate relief for a cash reserve surcharge of \$0.026783 per kWh that would generate approximately \$15 million per year; and

**WHEREAS**, on June 6, 2016, WAPA filed supplemental testimony indicating that its new basis for requesting base rate relief was now a requested increase of \$40.8 million annually, on a comparable basis to the original request, a 58.4% increase in base rates. This requested increase was 124% above the initial filing in December 2015, just six months earlier.

**WHEREAS**, at the Commission meeting on August 23, 2016, the Commission referred the Emergency Cash Petition to Hearing Examiner Chan, along with the base rate filings in Docket 651; and

**WHEREAS**, the Emergency Cash Reserve Petition (Docket 654) was subsequently withdrawn; and

**WHEREAS**, on September 12, 2016, after conferences with Staff reviewing the June 6, 2017 filing, WAPA filed yet another revised permanent base rate increase request, that was projected to increase annualized electric system revenues by approximately \$41.7 million. (the interim rates being referred to are the extension of the RFM, etc.); and

**WHEREAS**, all delays and timeline impacts from the prior implementation of rates in January 2014 rate increase to the September 2016 filing were in WAPA's control; and

**WHEREAS**, on May 31, 2017, the Commission met on a duly noticed meeting, including a formal hearing on Docket 651; and

**WHEREAS**, at the hearing on May 31, 2017, Commission heard from the utility and staff witnesses, and after reviewing the documents and hearing from the utility;

**NOW THEREFORE**, the Commission finds and **ORDERS** that

1. The Water and Power Authority's Filing dated on or about June 6, 2016 seeking an approximately \$40.8M Annual Rate Increase be denied as incomplete and superseded by the September 12, 2016 Testimony asking for an approximately \$41.7M of additional rates.

*So Ordered.*

For the Commission

A handwritten signature in blue ink, appearing to read 'ARutnik', is written over a horizontal line. The signature is stylized and extends to the right of the line.

Date: **June 15, 2017**

Andrew Rutnik, Chair