

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

PUBLIC SERVICES COMMISSION

IN THE MATTER OF THE LEVELIZED)
ENERGY ADJUSTMENT CLAUSE OF) PSC DOCKET 289
THE VIRGIN ISLANDS WATER AND) ORDER NO.: 17/2004
POWER AUTHORITY)
_____)

ORDER

WHEREAS, the Virgin Islands Public Services Commission (“Commission”) has established a mechanism by which the necessary and prudent costs of fuel necessary to generate electricity and water can be recovered by the utility and can be levelized so as to avoid rate shock to consumers, which mechanism is entitled the Levelized Energy Adjustment Clause; and

WHEREAS, it has been the established practice of the Commission to adjust the Levelized Energy Adjustment Clause (“LEAC”) twice per year, based on actual experiences and the forecast of future expenses; and

WHEREAS, on December 24, 2003 the Virgin Islands Public Services Commission issued Order No. 2/2004, which established a new Levelized Energy Adjustment Clause (“LEAC”), which became effective on January 1, 2004, and increased the Electric System LEAC to 0.090284 kWh and the Water System LEAC to 0.59 per k/Gal; and

WHEREAS, no petition for reconsideration was filed, and Order No. 2/2004 has become final;

WHEREAS, on February 11, 2004, the Water and Power Authority filed a new Petition for Creation of New LEAC Factors, in which the Authority seeks LEAC rates of \$0.106486 kWh for the Electric System and \$1.55/kGal for the Water System; and

WHEREAS, the requested rates are very similar to those rejected by the Commission in its Order No. 2/2004, with the new electric rate just slightly lower than the Authority's previous request and its new water rate slightly higher; and

WHEREAS, the Commission regards this requested rate increase as significant to the Authority and to the ratepayers; and

WHEREAS, the existing base rates, in addition to the previously requested increase in the LEAC, would have resulted in rates that the Commission determined to be unreasonably high for the ratepayers, particularly when it appears that the Authority has not adequately addressed important components of its costs of doing business; particularly the line losses suffered by the Authority and the inefficiencies in its generation and water-making operations; and

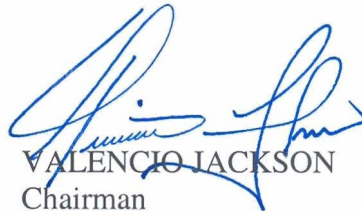
WHEREAS, the Authority has been directed in this Docket and Docket 533 (Rate investigation) to address these issues and report to the Commission on its progress in addressing line losses and inefficiencies; and

WHEREAS, the Commission wishes to have the opportunity for its staff and consultants to reasonably investigate and advise the Commission prior to the consideration of the Authority's Petition for Creation of New LEAC Factors;

Now therefore it is ORDERED that:

1. The Authority's Petition for Creation of New LEAC Factors shall be suspended for the maximum period permitted by law, unless acted upon by the Commission prior to that time; and
2. This matter is to be scheduled for the Commission's consideration at a meeting in April 2004, or the first meeting thereafter at which a quorum may be obtained; and
3. The Authority shall produce to the Commission the report prepared by AEGIS for the Authority, entitled Predictive Maintenance Assessment no later than March 5, 2004; and
4. The Authority shall produce to the Commission, no later than March 5, 2004, the final, executed contract for the purchase of a new GE Frame 6 generator, which the Authority has represented as having been executed in or about August 2003.

Dated: FEB. 20, 2004



VALENCIO JACKSON
Chairman

cc: Keithley Joseph, Executive Director
Frederick G. Watts, Esq.