logo Image not found or type unknown

PSC Holds Firm on LEAC Rates Amid WAPA's Deferred Fuel Cost Claims

Commission awaits audited statements before addressing $18 million fuel disparity

WAPA / **Published On March 15, 2024 06:05 AM /**

Nelcia Charlemagne March 15, 2024

Image not found or type unknown

As the Public Services Commission considered the Water & Power Authority’s request to extend the current Levelized Energy Adjustment Clause rate for electricity, commissioners were confronted with a growing disparity between what WAPA pays for fuel, and what it recoups from ratepayers.

Despite what WAPA claims is a growing balance in deferred fuel costs, the lack of audited financial statements for the last few years precludes any conversation about the utility’s ability to pass those costs onto consumers, the PSC maintained.

A staff report presented by consultant Jim Madden noted that WAPA's latest filing requested that the current LEAC of 22.22 cents per kilowatt hour be maintained until at least June 30. Nevertheless, "the Authority believes it should be noted in consideration of extending the current LEAC rates [that] the most recent audited financial statements for fiscal year 2020 show a deferred fuel balance for the electric system of $18 million three and a half years ago," Mr. Madden remarked.

PSC Commissioner David Hughes immediately chimed in with a point of order, reminding those listening that the PSC had established a standing order that there would be no discussion of deferred fuel balances until WAPA provides audited financial statements. Following a short debate, it was decided to listen to the balance of the report, with the caveat that no decisions would be made regarding how to deal with the growing balance of deferred fuel costs that WAPA claims is accumulating.

Mr. Madden said, however, that the audits the PSC is waiting for "depends on Commission guidance as to what the appropriate treatment is for these balances," urging commissioners to take up the question of how best to deal with the growing disparity between what WAPA pays for fuel and what it collects from ratepayers.

Mr. Hughes, however, argued that this perceived disparity may not even exist. "I would assert that if the math were done correctly, that the deferred fuel balance doesn't exist and should be removed from the balance sheet of the authority." He contended that the only way to know for sure is to have the outstanding audits conducted. "I don't know why we're discussing deferred fuel when we haven't had an opportunity to examine the assertion," he continued.

With WAPA CEO Andrew Smith clarifying that the utility is not requesting deferred fuel recovery at this time, Hughes moved that the PSC vote to extend the current LEAC rate into the second quarter of the year, a proposal to which all five voting members agreed.

Nevertheless, Mr. Madden noted that the accumulating difference is recorded somewhere, implying it will eventually need to be addressed.