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PSC Approves LEAC Increase to 22.22 Cents as Cost of Oil Goes Up; Commission, WAPA Dissatisfied With Rate Adjustment Process

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Aerial shot showing the Randolph Harley Power Plant in St. Thomas. By. ERNICE GILBERT/ V.I. CONSORTIUM

Members of the V.I. Public Services Commission on Friday approved a motion that will see an increase in the Levelized Energy Adjustment Clause, or LEAC, moving it to 22.22 cents for the period March 1 through June 30.

The adjustment was presented by PSC Chairman David Hughes who expressed dissatisfaction with the suggested increase from PSC consultant Larry Gawlik, as well as the suggested increase proposed by staff at the V.I. Water and Power Authority. WAPA had asserted a rate increase of

25.78 cents while the PSC consultant offered a competing calculation of 23.14 cents. The current LEAC is 17.260 cents.

The LEAC change was a long time coming, as the cost of oil has been steadily increasing. The ongoing war in Ukraine has further roiled markets, with the Brent Crude oil, which is the global benchmark, surging to over \$100 Thursday before settling at around \$91.90 as of Friday.

After listening to arguments from both sides which focused on the continuous cost of oil on the international markets, Mr. Hughes offered a third option. However, before offering this option, he expressed a great deal of discomfort with the current process employed by both parties to arrive at the LEAC increase. "First of all, I am well past tired of hearing at least from our side of the discussion that the applications are not filed in accordance with our minimum filing requirements," Mr. Hughes said.

Mr. Hughes explained that the PSC looks at rates on a factual standpoint using what is called a dispatch. The dispatch, he said, defines how much fuel is going to be necessary to determine the cost of fuel. He added that while the dispatch regarding the latest adjustment request has been provided to PSC accountants, a review of it hasn't been completed.

"I don't have any reason to believe that it's substantially incorrect but as a regulator, I have a hard time voting for a rate when I know that our consultant did not even actually study the fundamental data which underlines it," Mr. Hughes said.

Recently appointed WAPA CEO Andrew Smith also expressed dissatisfaction with a process he deemed non-collaborative between the authority and the PSC consultant regarding projecting new rates.

"I would like to propose to the commission that the appropriate representatives including myself from the Water and Power Authority convene in person sometime here in the next few weeks to address the inefficiencies in this process," Mr. Smith said. "This is my first LEAC that I have gone through and from my perspective, it did not go well...we cannot continue to operate in this way."

Mr. Hughes later offered up a motion. "I move that the LEAC for March 1 to June 30 be set at a rate of 22.22 cents, the intention being a rate neutral increase to offset the [decrease achieved in the base rate](#) for the same period." The commissioners voted in the affirmative.