

BEFORE THE VIRGIN ISLANDS PUBLIC SERVICES COMMISSION
RE: THE VIRGIN ISLANDS WATER AND POWER AUTHORITY
APPLICATION FOR INCREASED RATES FOR THE ELECTRIC DEPARTMENT
VIPSC DOCKET 612

ERRATA TO REPORT OF THE TECHNICAL CONSULTANTS
JAMSHED K. MADAN, LARRY R. GAWLIK, AND MICHAEL D. DIRMEIER

July 12, 2013

Errata

Summary of correction:

The testimony dated July 3, 2013 recommends the creation / continuation of four surcharges, identified on Exhibit GCG-10 lines 6 - 9 as (1) line loss surcharge, (2) OPEB surcharge, (3) self-insurance surcharge and, (4) maintenance surcharge. The amount identified as being included in the maintenance surcharge as originally filed consists of two components: (a) the existing Rate Financing Mechanism (“RFM) amount of \$16.65 million, already being recovered through the LEAC, and an additional \$16.92 million of maintenance expense, presently being included in base rates. As such, the total amount of the maintenance surcharge is overstated in the prefiled testimony, and the amount of revenue to be collected is understated, both by the amount of \$16.65 million.

This correction does not affect the overall recommendation that rates be increased by \$12.25 million. It does, however, affect the rate design, contained in the testimony of Mr. Bruce Oliver.

Specific changes to testimony:

<u>Page</u>	<u>Line</u>	<u>Pre-filed Testimony</u>	<u>Corrected Testimony</u>
35	12	\$41.9 million	\$25.2 million
38	9	\$43.195 million	\$59.845 million
38	10	\$41.892 million	\$25.242 million
71	9	\$43.195 million	\$59.845 million
71	9	\$41.892 million	\$25.242 million
71	10	inclusive	exclusive

Corrected copies of these pages are attached. In addition, an errata copy of Exhibit GCG-10 has been prepared and is attached. The changes are in lines 9 and 10, and a line 10a has been added to identify the total surcharge amounts.

1 financed, summary of discussions with financial advisors and underwriters,
2 estimated financing rates and pro-forma financial projections, terms and
3 conditions, and draft Preliminary Official Statements (POS), if available. The
4 filing should detail what specific rate actions, if any, are or will be requested
5 of the PSC.

6 8. The PSC should state explicitly that rate applications should be made when
7 necessary, and not wait for an arbitrary three or five year term.

8 9. We are recommending a total base rate increase in this proceeding of \$12.25
9 million, as compared to the requested increase of \$26.6 million. This is a
10 17.4% increase over existing base rates (measured excluding the interim rate
11 increase). Including the rate increase, we are recommending non-fuel
12 revenues of \$85.1 million, of which we recommend that a substantial \$41.9 25.2
13 million be collected subject to surcharges [see Exhibit GCG-10]. We believe
14 that this significant level of surcharged revenue will motivate WAPA
15 management to undertaking the actions that are necessary to begin to move
16 toward achieving the appropriate utility standard of safe and adequate service
17 at reasonable rates, and to provide the Commission with the information
18 necessary to perform its duties in moving toward that status, as well.

19 10. The coverages produced by our recommendations exceed WAPA bond
20 indenture requirements and exceed the standards set by the PSC. The PSC
21 should explicitly state its commitment to support the surcharge policy until
22 such time as normal efficient operations of the generating equipment is
23 achieved by WAPA. The coverages are as follows:

1 increase that is greater than the budget assumed. Accordingly, we believe our position, if
2 accepted by the Commission, will produce positive net income.

3
4 Q. AFTER ACCEPTING, REJECTING OR MODIFYING THE TEST YEAR AND
5 ADJUSTMENTS AS YOU DISCUSS IN THIS TESTIMONY, WHAT IS YOUR
6 CONCLUSION?

7 A. We conclude that WAPA should be provided a rate increase that achieves total base
8 revenues of \$85.087 million. [See Exhibit GCG-2 lines 1 and 2a. through 5, and Exhibit
9 GCG-10 line 5]. Of this amount, we recommend that ~~\$43.195~~ 59.845 million be collected as
10 permanent base rates and ~~\$41.892~~ 25.242 million be collected as surcharges, subject to
11 adjustment (higher or lower) in future annual proceedings in which WAPA justifies its
12 actions and expenses with respect to the surcharge areas:

- 13 • Line Loss
- 14 • OPEB
- 15 • Self-insurance
- 16 • Maintenance and RFM

17
18 Q. WHAT LEVEL OF RATE INCREASE RESULTS FROM YOUR
19 RECOMMENDATION?

20 A. At this time, as identified in Mr. Oliver's testimony, there is a very significant issue
21 relating to the calculation of revenues, based on multiplication of existing rates by billing

1 **V. SUMMARY OF ORDERING RECOMMENDATIONS**

2 Q. COULD YOU SUMMARIZE FOR THE PSC YOUR PROPOSED ORDERING
3 RECOMMENDATIONS?

4 A. As a result of this proceeding we recommend the PSC find and include in its final order
5 in this docket the following:

6 1. An approved revenue requirement for the test year for non-fuel revenues of
7 \$85.087 million, which represents a \$12.25 million increase.

8 2. The awarded increase should be collected on the basis of test year non-fuel
9 revenue requirements for base rates of ~~\$43.195~~ 59.845 million, and ~~\$41.892~~ 25.242 million for
10 the surcharge components consisting of: (i.) maintenance, ~~inclusive~~ exclusive of the RFM,
11 (ii.) OPEB, (iii.) self-insurance, and (iv.) line loss, subject to approved protocols
12 for each of the surcharges.

13 3. Maintenance surcharge revenue requirement, inclusive of the RFM, for the test
14 year of \$33.57 million,

15 4. OPEB surcharge revenue requirement for the test year of \$5.269 million.

16 5. Self-insurance surcharge revenue requirement for the test year of \$1.31 million.

17 6. Line-loss surcharge revenue requirement for the test year of \$1.74 million.

18 7. WAPA should provide quarterly reports in formats approved by the PSC
19 concurrent with each of its LEAC filings on revenue collection and expenses for
20 the: (i.) maintenance surcharge, (ii.) OPEB surcharge, (iii.) self-insurance
21 surcharge, and (iv.) line loss surcharge.

22 8. Eliminate in this proceeding from revenue requirements all debt service costs for
23 future financings. WAPA should file by April 1, 2014 a capital plan for the

VIRGIN ISLANDS WATER AND POWER AUTHORITY

Electric Rate Case - PSC Docket No. 612

PSC Docket No. 612

Exhibit No. GCG-10

Errata July 12, 2013

Surcharges and Base Rates

	<u>Original Filing</u>	<u>Corrected Position</u>	
1. Adjusted base revenues	\$ 70,589,621	\$ 70,589,621	GCG-2 L.1
2. Line loss surcharge	1,742,668	1,742,668	GCG-2 L.2a.
3. Interim Rate Increase 8/1/2012	8,600,000	8,600,000	GCG-2 L.3
3. Recommended base rate increase	3,654,109	3,654,109	GCG-2 L.4
4. Payment in lieu of taxes	<u>500,827</u>	<u>500,827</u>	GCG-2 L.5
5. Total non-fuel revenues	\$ 85,087,225	\$ 85,087,225	Sum
<u>Surcharges</u>			
6. Line loss surcharge	(1,742,668)	(1,742,668)	- L.2
7. OPEB surcharge	(5,269,280)	(5,269,280)	GCG-4 L.1
8. Self-insurance surcharge	(1,310,200)	(1,310,200)	GCG-2 L.40
9. Maintenance surcharge	<u>(33,569,959)</u>	<u>(16,919,959)</u>	- L.17
10. Non-surcharged base rates	<u>\$ 43,195,118</u>	<u>\$ 59,845,118</u>	
10a. Surcharge	<u>\$ 41,892,107</u>	<u>\$ 25,242,107</u>	
<u>Maintenance in the test year</u>			
	<u>Other Production GCG-3</u>	<u>Distribution GCG-3</u>	
11. FY11	<u>\$ 19,567,332</u>	<u>\$ 10,728,556</u>	
<u>6/30/12 monthly for FY11</u>			
12. Operating	\$ 6,512,022	\$ 6,763,604	
13. Maintenance	<u>13,146,598</u>	<u>3,773,361</u>	
14.	\$ 19,658,620	\$ 10,536,965	
15. Maintenance in filing		\$ 16,919,959	Sum of items on L.13
16. RFM adjustment		<u>16,650,000</u>	
17. Total maintenance		<u>\$ 33,569,959</u>	