COMMONWEALTH OF PUERTO RICO
PUERTO RICO ENERGY COMMISSION

IN RE: REVIEW OF RATES OF THE PUERTO RICO ELECTRIC POWER AUTHORITY	**CASE NO.:** CEPR-AP-2015-0001 **Subject:** Determination of Filing Completeness.

RESOLUTION AND ORDER

Section 6A of Act 83 of May 2, 1941 ("Act 83")[1] and Section 6.25 of Act 57-2014[2] establish the mechanism for the review and approval of the Puerto Rico Electric Power Authority's ("PREPA") electric service rates. Sub-section (a) of Section 6A of Act 83 and sub-section (a) of Section 6.25 of Act 57-2014 provide that, when proposing new electric service rates, PREPA must file a petition before the Puerto Rico Energy Commission ("Commission"), which shall evaluate the petition and issue a determination granting, denying or modifying PREPA's request.

Sub-section (c) of Section 6A of Act 83 and sub-section (b) of Section 6.25 of Act 57-2014 establish that the first case for the review of PREPA's electric service rates shall last no more than one hundred eighty (180) days from the date on which the Commission issues a resolution deeming PREPA's petition complete. Sub-section (c) of the aforementioned Article 6A further provides that the Commission shall have fifteen (15) days, from the date of filing of the petition, to determine whether PREPA's petition is complete or, if deemed incomplete, identify the information missing from the application, and grant PREPA an opportunity to submit the missing information.

On March 28, 2016, the Commission filed at the Puerto Rico Department of State Regulation No. 8720, New Regulation on Rate Filing Requirements for the Puerto Rico Electric Power Authority's First Rate Case ("Regulation 8720").[3] Regulation 8720 sets forth the information and documentation to be provided by PREPA in order to ensure the Commission has the necessary information to fully review PREPA's proposed rates.

On May 27, 2016, PREPA filed its Verified Petition for Approval of Permanent Rates and Temporary Rates ("Petition"). After reviewing PREPA's filing, the Commission deems the Petition to be **INCOMPLETE**. Attachment A of this Resolution and Order details the information identified by the Commission as missing from the Petition and the basis for the

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[1] Act No. 83 of May 2nd, 1941, as amended, known as the Puerto Rico Electric Power Authority Enabling Act.
[2] Puerto Rico Energy Transformation and RELIEF Act, as amended.
[3] Regulation 8720 entered into effect immediately upon its filing at the Puerto Rico Department of State pursuant to Section 2.13 of Act No. 170 of August 12, 1988, as amended, known as the Puerto Rico Uniform Administrative Procedure Act and the Emergency Certification issued by the Governor of Puerto Rico, Hon. Alejandro J. García Padilla, on March 19, 2016.

Commission's determination. Therefore, pursuant to Section 6A of Act 83 and Section 6.25 of Act 57-2014, **the one hundred eighty (180) day term for evaluating PREPA's proposed rates will not commence until PREPA provides the information identified in Attachment A and the Commission issues a resolution deeming the Petition complete.**

PREPA is hereby **ORDERED** to provide the information identified in this Resolution and Order. Failure to provide such information may result in the Commission denying the Petition.

This determination of incompleteness shall not affect the Commission's ability to approve a provisional rate, provided the information included in the Petition is sufficient for the Commission to issue an informed determination with regards to the establishment of a provisional rate.

For the benefit of all the parties involved, this Resolution and Order is published in both Spanish and English languages. Should any discrepancy between each version arise, the content and provision of the Spanish version shall apply. Notwithstanding the aforementioned, based on the technical nature of the information contained in Attachment A, it is published in English only.

It is so ordered. Be it published and notified.

Agustín F. Carbó Lugo
Chairman

Ángel R. Rivera de la Cruz
Associate Commissioner

José H. Román Morales
Associate Commissioner

I certify that the Puerto Rico Energy Commission has so agreed on June 13, 2016. I also certify that on this date a copy of this Resolution and Order was notified via email to n-ayala@aeepr.com, c-aquino@aeepr.com, glenn.rippie@r3law.com & michael.guerra@r3law.com.

Brenda Liz Mulero Montes
Interim Clerk

CERTIFICATION

I Certify that the foregoing is a true and exact copy of the Resolution and Order issued by the Puerto Rico Energy Commission. I further certify that on June 13, 2016 I have proceeded with the filing of this Resolution and Order and I have sent a copy thereof to:

Puerto Rico Electric Power Authority
Attn.: Nélida Ayala Jiménez
Carlos M. Aquino Ramos
P.O. Box 363928
Correo General
San Juan, PR 00936-3928

Rooney Rippie & Ratnaswamy LLP
E. Glenn Rippie
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350 W. Hubbard St., Suite 600
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For the record, I sign this in San Juan, Puerto Rico, today, June 13, 2016.

Rafael O. García Santiago
Clerk of the Puerto Rico
Telecommunications Regulatory Board

Attachment A
Review of Rates of the Puerto Rico Electric Power Authority
CEPR-AP-2015-0001

Specific Findings of Incomplete Filing Requirements

1. Section 2.03 - Content of Schedules A-1 through A-6; Summary Information

A) Schedule A-1 shall present a computation of the change in the Base Rates gross revenue requirement being requested by PREPA. It shall include information on the test year Embedded Cost of Service and pro forma adjusted rate year Embedded Cost of Service as well as the debt service and interest costs. It will also include the proposed coverage on debt service and interest, as well as a comparison of revenues at proposed and current rates.

- Schedule A-1 does not show rate year revenues at proposed and current rates.

D) Schedule A-4 shall present a summary of Plant in Service and Accumulated Depreciation for the test year, the previous two (2) years, and estimated for the next (3) three years, as well as projected construction expenditures for the (3) three years following the end of the test year.

- Schedule A-4 contains information for "Gross Fixed Assets." It is uncertain whether this includes non-utility property or property not in service.

E) Schedule A-5 shall present PREPA's financial position, and changes in the financial position through the end of the test year, and as projected for the three (3) years subsequent to the test year.

- Schedule A-5 did not include the changes in financial position (cash flow statement) through the end of the test year. Schedule A-6, page 2, is a cash flow statement, but it is not categorized by operating, investing, and financing activities.

F) Schedule A-6 shall present all charges and costs included under "Fuel Adjustment" and "Energy Purchase Adjustment" as of the effective date of Act 57-2014 and shall detail PREPA's proposed method of recovering fuel and purchased power costs. PREPA's proposed method for recovery of fuel and purchased energy costs must conform with the following requirements from Act 4-2016: The Commission shall approve under the "fuel adjustment" and "energy purchase adjustment" items only those costs directly related to the purchase of fuel and the purchase of energy, respectively, or such variable portion in the fuel and energy price that is not included in the basic rate, as the case may be. No other expense or charge may be denominated not included as "fuel adjustment" or "energy purchase adjustment."

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- Schedule A-6 only contains a list of the components of the Fuel Adjustment and the Energy Purchase Adjustment. This schedule should contain the actual amounts and calculations of the Fuel Adjustment and the Energy Purchase Adjustment.

2. Section 2.04 - Content of Schedules B-1 through B-3; Rate Base and Plant Investment

B) Schedule B-2 shall present each pro forma adjustment to rate base (one column for each adjustment). PREPA shall discuss and explain each adjustment in pre-filed direct testimony and shall provide supporting workpapers showing the derivation of each adjustment.

- Ex 5.0, revenue requirement testimony submitted by PREPA witnesses Pampush, Porter, and Stathos focuses on PREPA Revenue Requirement Schedules (Exhibits 5.04 – 5.35, rather than B Schedules). PREPA did not include workpapers for each B Schedule adjustment.

3. Section 2.05 - Content of Schedules C-1 through C-3; Test Year Income Statements

B) Schedule C-2 shall present the income statement pro forma adjustments (one adjustment per column). PREPA shall discuss and explain each adjustment in pre-filed direct testimony and shall provide supporting workpapers showing the derivation of each adjustment.

- Ex 5.0 focuses on PREPA Revenue Requirement Schedules (Exhibits 5.04 – 5.35, rather than C Schedules). Workpapers supporting each C Schedule adjustment were not included.

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C) Schedule C-3 shall present the calculation of the Gross Revenue Conversion Factor. An explanation and support must be provided for each item that is incorporated into the Gross Revenue Conversion Factor.

- PREPA did not include this calculation on the basis it is not subject to income tax. The gross revenue conversion factor would typically include items other than income taxes, such as uncollectibles and revenue based taxes that are collected through utility base rates or that vary with revenues.

4. Section 2.06 - Content of Schedules D-1 through D-6 Capitalization and Debt Service Requirements

A) Schedule D-1 shall include a summary of capitalization, including long term debt, short term debt, owners' equity, and any other components of capitalization that are being used to develop the revenue requirement.

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- Schedule D-1 lists annual projected balances of PREPA debt from 6/30/16 through 6/30/47. This should be presented in a summary format with the test year information, including cost rates.

Schedules D-2 (and, if applicable, D-3) shall also show the estimated effect on the test year revenue requirement of the utility of any proposed issuance of Restructuring Bonds for which a request for a Restructuring Order is pending before, or has been granted by, the Commission under Article 6.25A of Act 57-2014, as amended by Act 4-2016, at the time of the filing. Such showing shall include an itemized listing of the bonds expected to be refunded or defeased with Restructuring Bonds. The utility will submit an update to its estimate of the effect on the test year revenue requirement for the actual issuance of Restructuring Bonds within ten (10) days after the issuance of such Bonds, provided that the rate case remains pending at the time of such issuance.

- D-2 contains a list of debt maturing in fiscal year 2017, the amount of debt maturing in 2017, and related interest. D-2 also contains a schedule showing quarterly Debt Service Projections. The data provided is not clear as to:
    - the estimated effect on the test year revenue requirement of the utility of any proposed issuance of Restructuring Bonds for which a request for a Restructuring Order is pending before, or has been granted by, the Commission under Article 6.25A of Act 57-2014, as amended by Act 4-2016, at the time of the filing. Such showing shall include an itemized listing of the bonds expected to be refunded or defeased with Restructuring Bonds

5. Section 2.07 - Content of Schedules E-1 through E-9; Financial Statements and Statistical Schedules

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E) Schedule E-5 shall show a listing of Utility Plant in Service and Accumulated Depreciation by account for the beginning and end of test year, for the previous two (2) years, and estimated for the three (3) years following the test year.

- Schedule E-5 did not contain account numbers.

G) Schedule E-7 shall show operating statistics, including debt service coverage, interest coverage, funds from operations, number of employees (in full time equivalents) and other operating statistics used to manage the business, for the test year, the previous two (2) years, and estimated for the three (3) years following the test year.

- Schedule E-7 contains EBITA, DSCR, Payment (Blended P&I), and headcount. This should contain more data such as MWH sales, average number of customers, average usage per customer, and other operating statistics, etc.

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H) Schedule E-8 shall show details of Contributions in Lieu of Taxes (CILT), including the test year amounts of CILT associated with each PREPA government client to which CILT applies. This schedule shall also show details of accounts receivable from each PREPA government client to which CILT applies as of the beginning and end of test year, including an aging of such accounts receivable. A schedule of accounts receivable aging for other PREPA government clients to which CILT does not apply will also be provided.

- PREPA did not include the details of accounts receivable from each PREPA government client to which CILT applies as to the beginning and end of the test year, including an aging of such accounts receivable for other PREPA government clients to which CILT does not apply.

6. Section 2.08 - Content of Schedules F-l through F-4; Projections and Forecasts

C) Schedule F-3 shall list projected construction and capital expenditure requirements for each of the three (3) years following the test year. This Schedule shall include an explanation of how the projected capital expenditures correspond with PREPA's Integrated Resource Plan.

- Schedule F-3: Proposed construction and capital expenditures are listed, but any reference to which years are covered by this list is not shown and the required correspondence with the IRP is lacking.

7. Section 2.10 - Content of Schedules H-l through H-6; Effect of Proposed Tariff Schedules

E) Schedule H-5 shall present a bill count and bill frequency analysis.

- Schedule H-5 did not present bill count and bill frequency analysis.

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8. Section 2.12 - Content of Schedules J-1 through J-5; Tariffs

C) Schedule J-3 shall contain a draft Plan of Rider Surcharge Administration for each proposed surcharge or rider.

- Schedule J-3: Instead of providing the Plan of Administration required for each proposed Rider, PREPA's filing includes line number references for the Riders. Moreover, the reference provided for the Subsidies Rider appears to be incorrect. Nor does the chart indicate Exhibit number of the testimony that is being referenced.

D) Schedule J-4 shall contain a draft Energy Efficiency Tariff Rider designed to fund any energy efficiency programs ordered or authorized by the Commission (such as those anticipated by Article IV of the Commission's Regulations for Integrated Resource Planning for the Puerto Rico Electric Power Authority approved on May 22, 2015). Such

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Rider shall be a blank form with spaces identified for categories of costs to be recovered, the frequency and timing of updates to those costs, the allocation of those costs among and within customer classes, and the formula used to compute the rate. If PREPA believes that certain components of the Rider should be determined following the determination of the scope and composition of the energy-efficiency portfolio, PREPA may designate those components as "to be determined" and provide an explanation of the factors that would affect its ultimate recommendation.

- Schedule J-4: The Energy Efficiency Tariff Rider displayed in Schedule J-1 does not identify the timing or frequency of updates, or allocations of the costs among and within customer classes (and is vague concerning the categories of costs to be recovered).

E) Schedule J-5 shall contain a draft tariff for a decoupling mechanism. Such draft tariff shall include (i) a provision for a Commission-determined base revenue requirement; (ii) an annual reconciliation mechanism that makes positive or negative adjustments to rates as necessary to cause actual revenues to equal authorized revenues; (iii) a proposed allocation of costs among and within customer classes; and (iv) a maximum percentage rate adjustment (for example, 3%) to be allowed in any year's reconciliation, along with a mechanism for recovering or crediting in a future year amounts varying from such maximum.

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- Schedule J-5: PREPA witness Hemphill's testimony (Ex. 7.0) discusses a Formula Rate Mechanism. This does not appear to describe a decoupling mechanism, but instead only references the Formula Rate Plan proposed by PREPA.

9. Section 2.14 - Content of Schedules L-1 and L-2; Information on Fixed Charge to Pay Bondholders, Subsidies and Incentives

A) Schedule L-1 shall present calculations for a proposed fixed charge showing the amount customers shall pay on account of PREPA's obligations to bondholders, which would guarantee the annual payment of PREPA's obligations to bondholders, taking into consideration any reduction in PREPA's debt as a result of the issuance of Restructuring Bonds pursuant to the PREPA Revitalization Act. The pre-filed testimony shall explain the derivation of the proposed fixed charge.

- Schedule L-1: PREPA's testimony did not explain the derivation of the proposed fixed charge.

B) Schedule L-2 shall present a detailed listing of all subsidies that are reflected in the proposed rates. The pre-filed testimony shall describe their legal basis, purposes and beneficiaries; and evaluate them in terms of their cost (both the magnitude of the cost and who bears the cost) and their benefits.

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- Schedule L-2: PREPA's pre-filed testimony did not describe the subsidies' legal basis, purposes and beneficiaries, nor were the subsidies evaluated in terms of their cost and their benefits.

10. Section 2.15 - Content of Schedules M-1 through M-3; Base Rate Design

B) Schedule M-2 shall present, for each rate design presented in Schedule M-l, the associated costs unbundled among the following four functions: customer costs (e.g. metering, billing and customer service), physical distribution, transmission and generation. For each of these four categories, Schedule M-2 shall also identify that portion of PREPA's book cost that, in the event of customer bypass (either economic or uneconomic), would need to be recovered from the bypassing customer to avoid the shifting of such cost to other customers.

- Schedule M-2: For each of the four listed functions, PREPA did not identify the portion of PREPA's book cost that, in the event of customer bypass, would need to be recovered from the bypassing customer to avoid the shifting of such cost to other customers.

11. Section 2.16 - Content of Schedule N-1; Optional Proposal and Required Information if PREPA's Filing Includes such Proposal

A) If PREPA proposes a formula rate structure, it shall be presented on Schedule N-1. However, the formal application shall also include an alternative rate structure that is more typical of utility rate filings; specifically, one that does not envision either annual rate increases occurring outside of a base rate case, or "true-ups" for cost elements other than fuel and purchased power. The pre-filed testimony shall describe the advantages and disadvantages of both approaches.

- Schedule N-1: PREPA's testimony did not describe the advantages and disadvantages of both approaches.

12. Section 2.18 - Public Notice

PREPA shall include in its formal application a draft public notice. The purpose of this public notice is to (i) inform the public that PREPA has filed a formal application proposing new rates and (ii) describe how the public may participate in the rate review proceeding. The draft public notice shall contain, at minimum, the following information: C) A statement indicating how a person may intervene, in the following form: "Any person desiring to intervene in this proceeding must submit to the Puerto Rico Energy Commission a petition to intervene, in accordance with Section 5.05 of Regulation No. 8543, known as the Regulation on Adjudicative, Notice of Noncompliance, Rate Review and Investigation Proceedings, the provisions of Act No. 170 of August 12, 1988, as amended, known as the Uniform Administrative Procedure Act, and the interpretive case law. A petition to intervene shall be filed no later than [date to be inserted by the

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Commission], and must be served in accordance with the provisions in Regulation No. 8543."

- Attachment E does not specify how the public may participate in the rate review proceeding.

13. Section 3.01 - Instructions on form and substance

A) All schedules shall be mathematically correct and properly cross referenced. The applicant shall ascertain that adequate detail has been provided to explain and support all significant items and amounts.

- Schedule D-2 contains Schedules A-F, which were provided in Excel; however, the majority of the amounts in the Excel files are values and not calculations. Excel files should be provided with formulas intact.

C) All schedules shall be numbered as provided in the Appendix. Schedules shall contain the preparation date, the date filed with the Commission, and if amended or revised during the course of the proceeding, the date of each amendment or revision.

- Schedules do not contain dates of preparation/filing.

14. Section 3.02 - Submission of information prior to the filing of the formal application

B) Any and all agreements made between PREPA or its Governing Board members and any of the bondholders in addition to the Forbearance Agreement.

- PREPA stated in a letter dated May 23, 2016, that it would submit this information in advance of the filing. The letter stated that the documents were not redacted, however, redacted pages were included.