COMMONEALTH OF PUERTO RICO
PUERTO RICO ENERGY COMMISSION

IN RE: PUERTO RICO ELECTRIC POWER AUTHORITY RATE REVIEW	**CASE NO.:** CEPR-AP-2015-0001 Subject: Completeness Determination of the PREPA Petition for Rate Review, Public Notice and Intervention Instructions.

ORDER AND RESOLUTION

I. Introduction and Completeness Determination

On June 13, 2016, the Puerto Rico Energy Commission ("Commission") issued an Order and Resolution, in which it determined that the Petition for Rate Review ("Petition") filed on May 27, 2016 by the Puerto Rico Electric Power Authority ("PREPA") was incomplete since it omitted certain information and documents required by Regulation 8720.[1] On such occasion, the Commission detailed the sections of Regulation 8720 which the Petition failed to comply with, and provided PREPA with the opportunity to supplement its Petition and file the omitted information and documents.

Between June 24, 2016 and July 5, 2016, PREPA filed three (3) motions containing the information and documents required to correct the deficiencies identified by the Commission in the June 13, 2016 Order and Resolution. After examining the information and documents provided by PREPA, the Commission determines that the Petition, as supplemented, is **COMPLETE** for purposes of Regulation 8720. According to sub-section (c) of Section 6A of Act 83[2] and sub-section (b) of Article 6.25 of Act 57-2014[3], the term of one hundred and eighty (180) days for the Commission to review and issue its final ruling with relation to PREPA's Petition will begin on the date of notification of this Resolution and Order, as certified by the Secretary of the Puerto Rico Telecommunications Board.[4]

II. Nature and Purpose of this Proceeding

In this proceeding, the Commission will determine the appropriate revenue requirement for PREPA, as well as the rates customers will pay for their energy consumption.

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[1] Regulation No. 8720, New Regulation on Rate Filing Requirements or the Puerto Rico Electric Authority's First Rate Case.

[2] Act No. 83 of May 2, 1941, as amended, known as the Puerto Rico Electric Power Authority Act.

[3] Puerto Rico Energy Transformation and RELIEF Act, as amended.

[4] The Commission Secretary's services are being temporarily provided by the Puerto Rico Telecommunications Board Secretary pursuant to an inter-agency agreement.

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The Commission will also evaluate PREPA's performance to ensure the costs recovered through the rates respond to sound operational and administrative practices and promote PREPA's transformation into a modern and efficient utility. PREPA's revenue requirement and the rates paid by electric service consumers are closely related to its performance and the quality of its service and operations.

Therefore, the Commission will not limit this proceeding to the mathematical evaluation of PREPA's proposed rates. The Commission will conduct a thorough analysis of PREPA's operations and will ensure its performance result in a high quality service at the lowest possible cost. Act 57-2014 requires PREPA's rates to be just and reasonable. Compliance with this requirement means the Commission must ensure that PREPA's performance results in an effective and efficient operation.

Accordingly, the Commission's analysis will include the following:

1. Is the proposed revenue requirement supported by accurate numbers and transparent assumptions?

2. Are the costs underlying the proposed revenue requirement consistent with efficient and satisfactory performance, as defined by the Commission?

3. Will the proposed rates provide for the full and timely payment of PREPA's financial obligations?

4. Are the allocation of PREPA's costs among customer classes and design of rates for individual customers just and reasonable and not unduly discriminatory?

5. Will the bills PREPA send its customers be accurate and transparent and contain the necessary information in order to make them simple to understand?

III. Public Notice

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As part of PREPA's Petition, and pursuant to Section 2.18 of Regulation 8720, PREPA filed a draft of the public notice notifying the filing of the Petition and the opportunity for any party with a legitimate interest in the proceeding to file a petition for intervention.

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Annex A-1 and A-2 of this Resolution and Order include the public notice, in Spanish and English, as reviewed by the Commission. The Commission **ORDERS** PREPA to publish such notice in their webpage and two (2) newspapers of general circulation, **no later than July 20, 2016.** In addition, PREPA shall place a copy of the notice in a visible and accessible place in all offices ordinarily visited by PREPA's customers. The public notice shall remain visible and accessible in PREPA's website and offices until August 5, 2016. PREPA shall certify compliance with all the aforementioned notifications within three (3) days of publication of the public notice.

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IV. Intervenors

At their discretion, the Commonwealth Energy Public Policy Office ("CEPPO") and the Independent Consumer Protection Office ("ICPO") may participate as intervenors. If they decide to participate, such entities will be considered as *de facto* intervenors by the Commission and will not need to comply with the requirements outlined below related to justifying the petitioner's intervention in the proceeding. **Nevertheless, they shall notify their intention to participate as an intervenor and file a brief of their legal position in relation to the Petition, within the established term to request intervention.** If the Commission does not receive such notification and the brief of their legal position within the term established to file intervention requests, the Commission will consider that the entity has waived its right to intervene and the Commission will have entire discretion to accept any intervention request out of the established term.

Any person or entity that has a legitimate interest in this proceeding may request intervention pursuant to the dispositions of Regulation 8543.[5] Every request for intervention shall be filed in writing and shall be accompanied by a duly completed form attached as Annex B of this Resolution and Order.[6] **Every intervention request shall be filed at the Commission's Secretary, temporarily located at the Puerto Rico Telecommunications Regulatory Board, and a copy shall be sent to the following emails: afigueroa@energia.pr.gov, tnegron@energia.pr.gov and legal@energia.pr.gov.** The filling date of the request will be the date in which the request was filed at the Commission's Secretary.

The period for filing intervention requests, including the notifications by the CEPPO and ICPO, will begin on August 1st, 2016 and will end at 4:30 p.m. on August 5th, 2016. Any application filed before August 1st, 2016 will be considered premature and will not be evaluated by the Commission. Intervention requests filed after August 5th, 2016 may be evaluated by the Commission, at its discretion, only if the Commission concludes that there are extraordinary circumstances for the late filing, which shall be properly grounded in the petition.

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Every person interested in filing an intervention request shall familiarize themselves with the Petition filed by PREPA, as well as with any other document that is part of the case docket.[7] When completing the form issued by the Commission, the

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[5] Regulation No. 8543, Regulation of Adjudicative, Notice of Noncompliance, Rate Review and Investigation Procedures.

[6] The form in Attachment B is available in Word format in the forms section of the Commission's website.

[7] The record of the proceeding is available in electronic format in the Commission's website by accessing the "Rate Case" link. The physical record is available in the Commission's office located at 268 Ponce de Leon Ave., 7th Floor. Any person who wishes to review the physical record shall previously contact the Commission at the number (787)523-6231 to coordinate an appointment.

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petitioner shall establish that it has sufficient resources and the technical, professional, academical or practical knowledge needed to guarantee an informed and active intervention, that results in the enrichment of the proceeding before the Commission. **Any request which includes general answers or that fails to provide detailed information applicable to the petitioner's specific circumstances will be deemed incomplete.**

The Commission shall have complete discretion to approve or deny any intervention request taking into consideration any of the following factors:

(1) Whether the petitioner has a legitimate and specific interest in the proceeding that could be adversely affected by this proceeding;

(2) Whether there are no other legal means for the petitioner to adequately protect his interests;

(3) Whether the petitioner's interests are already or will be adequately represented by PREPA, CEPPO, ICPO or other intervenors in the procedure;

(4) Whether the petitioner's participation, in light of his or her professional and/or academic credentials, may reasonably help to prepare a more complete docket of the proceeding;

(5) Whether the petitioner's participation may result in repetitive testimony or may extend or delay the proceeding excessively;

(6) Whether the petitioner represents or is the spokesperson of other groups or entities in the community;

(7) Whether the petitioner can contribute information, expertise, specialized knowledge or technical advice which is otherwise not available in the procedure.

(8) Any other factor that the Commission deems relevant when reviewing an intervention request.

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The Commission may, at its discretion, request additional information or documents to determine if it approves an intervention request. The Commission shall issue an order accepting or denying any intervention request. If the Commission determines to deny an intervention request, the resolution shall include the basis for such determination and a notice of the petitioner's right to request reconsideration and/or judicial review of the determination. The denial of an intervention request **will not** prevent the petitioner from expressing its opinion through participation at the public hearing held by the Commission, or to file written comments.

The approval of an intervention request grants the intervening party the right to: (i) issue requests for discovery of evidence, provided the questions posed by the intervening

party are not repetitive questions previously made by the Commission or by any other party and that the requested information has not been previously provided; (ii) pre-file written expert testimony; (iii) file an argument after the technical hearing presenting their position in relation to the Petition; and (iv) participate in the questions session during the technical hearing, among others.

All intervenors in this proceeding shall strictly adhere themselves to the rules that from time to time the Commission establishes. The Commission will make all reasonable efforts to guarantee that all intervening parties have an adequate participation in the proceeding, through the issuing of procedural and behavioral rules that guarantee an orderly and agile management of the case. Any intervenor whose behavior is constantly in conflict with the rules and procedures established by the Commission will be subject to sanctions or administrative penalties in accordance with Regulation 8543.

The aforementioned requirements are aimed at all persons that wish to participate as intervenors in this proceeding. The Commission will publish instructions for filing written comments by the general public, and the schedule for the process of technical and public hearings at a later date.

For the benefit of all parties involved, the Commission issues this Resolution and Order in both English and Spanish language. Should any discrepancy between each language arise, the Spanish language version shall prevail. Also, should any discrepancy between what is said in this Resolution and Order and any other Resolution and Order previously issued by the Commission arise, the provisions included in this Resolution and Order shall prevail.

Be it published and notified.

Agustín F. Carbó Lugo
President

Ángel R. Rivera de la Cruz
Associate Commissioner

José H. Román Morales
Associate Commissioner

I hereby certify that the Puerto Rico Energy Commission has so agreed on July 15, 2016. I also certify that on this date a copy of the Resolution and Order was notified by electronic mail sent to: n-ayala@aeepr.com, c-aquino@aeepr.com, glenn.rippie@r3law.com, michael.guerra@r3law.com and john.ratnaswamy@r3Law.com.

Brenda Liz Mulero Montes
Interim Secretary

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CERTIFICATION

I certify that this is a true and exact copy of the Order issued by the Puerto Rico Energy Commission. I further certify that today, July ___, 2016, I have proceeded with the filling of this 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 00936-4267

Rooney Rippie & Ratnaswamy LLP
E. Glenn Rippie
John P. Ratnaswamy
Michael Guerra
350 W. Hubbard St., Suite 600
Chicago Illinois 60654

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For the record, I sign this in San Juan, Puerto Rico, today, July ____, 2016.

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

ANNEX A – 1 Public Notice - English
CEPR-AP-2015-0001

PREPA SUBMITS FORMAL APPLICATION FOR REVIEW OF RATES

On May 27, 2016, the Puerto Rico Electric Power Authority (PREPA), a public corporation and instrumentality of the Government of the Commonwealth of Puerto Rico, submitted a formal application (Petition) to the Puerto Rico Energy Commission (Commission) proposing new rates for electric service. On July [ ], 2016, the Commission issued a Resolution and Order deeming the Petition complete.

PREPA's Petition proposes to update its electric service rates, amend their design, implement a formula rate mechanism to annually adjust its rates and avoid under or over recovery, and improve the stability and transparency of its rates. PREPA's Petition seeks a rate increase to cover an estimated $222 million in additional revenues required to continue its operation. PREPA's Petition proposes an average increase of 9.5% for Residential Customers and 4.5% for Commercial and Industrial Customers, when compared to current rates.

PREPA also requested the Commission approve provisional (temporary) rates for PREPA. On June 27, 2016 the Commission approved a provisional (temporary) uniform base rate increase of 1.299¢/kWh across all customer classes. The rates ultimately authorized by the Commission may differ from the provisional (temporary) rates.

Pursuant to its authority under the Energy Transformation and RELIEF Act, as amended, (Act 57-2014), Regulation No. 8543, known as the Regulation on Adjudicative, Notice of Noncompliance, Rate Review and Investigation Proceedings, and Regulation No. 8720, New Regulation on Rate Filing Requirements for the Puerto Rico Electric Power Authority's First Rate Case, the Commission has initiated an adjudicative proceeding to review PREPA's Petition. The purpose of this proceeding is for the Commission to review PREPA's rates to ensure they are just and reasonable, evaluate PREPA's performance and promote sound fiscal and operational practices which result in an adequate service at the lowest reasonable cost.

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, the provisions of Act No. 170 of August 12, 1988, as amended, known as the Uniform Administrative Procedure Act, and the interpretive case law. The term during which petitions to intervene may be filed begins on August 1st, 2016 and ends on August 5th, 2016, at 4:30p.m. Parties seeking intervention are urged to review the Commission's Resolution and Order of July [ ], 2016 and familiarize themselves with PREPA's Petition. All documents are accessible through the Commission website (www.energia.pr.gov). Should you require any assistance, you may contact the Commission via email (legal@energia.pr.gov) or by calling the following number 787-523-6231.

Upon receiving the requests for intervention, the Commission will evaluate them and issue an order granting or denying the petitions to intervene. Such order will also establish a

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schedule for (1) public technical hearings at which expert witnesses shall testify before the Commission and (2) public citizen hearings at which members of the public may state their views to the Commission.

More detailed information about PREPA may be found at www.prepa.com and more detail about the Commission may be found at www. energia.pr.gov.

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ANNEX A – 2 Public Notice - Spanish
CEPR-AP-2015-0001

LA AUTORIDAD DE ENERGÍA ELÉCTRICA PRESENTA SU PETICIÓN DE REVISIÓN DE TARIFAS

El 27 de mayo de 2016, la Autoridad de Energía Eléctrica de Puerto Rico (AEE), una corporación pública e instrumentalidad del Estado Libre Asociado de Puerto Rico, presentó formalmente una Petición a la Comisión de Energía de Puerto Rico (Comisión) solicitando que se establezcan nuevas tarifas para el consumo de energía eléctrico. El [ ] de julio de 2016, la Comisión emitió una Resolución y Orden determinando que la AEE había presentado todos los documentos requeridos para que la Petición estuviera completa.

La Petición de la AEE propone actualizar sus tarifas por consumo de energía eléctrica, enmendar el diseño y estructura de sus tarifas, implementar un mecanismo anual que permita actualizar las tarifas para asegurar que la AEE no reciba ni más ni menos de lo autorizado, e implementar una tarifa estable y transparente. La AEE propone un aumento en la tarifa con el propósito de generar aproximadamente $222 millones en ingresos adicionales necesarios para continuar sus operaciones. Para ello, la Petición de la AEE propone un aumento promedio de 9.5% para Clientes Residenciales y 4.5% para Clientes Comerciales y Clientes Industriales, en comparación con las tarifas actuales.

Además, la AEE solicitó a la Comisión que aprobara el establecimiento de una tarifa provisional. El 27 de junio de 2016, la Comisión aprobó un aumento provisional uniforme de 1.299¢/kWh en la tarifa básica de todas las categorías de clientes de la AEE. Las tarifas de la AEE finalmente aprobadas por la Comisión podrán ser distintas a la tarifa provisional autorizada por la Comisión.

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En el ejercicio de sus facultades de conformidad con la Ley de Transformación y ALIVIO Energético, según enmendada (Ley 57-2014), el Reglamento No. 8543 conocido como el Reglamento de Procedimientos Adjudicativos de la Comisión y el Reglamento 8720, conocido como el Nuevo Reglamento de Requisitos de Información para el Primer Caso de Revisión de Tarifas de la AEE, aprobado por la Comisión, la Comisión ha iniciado un procedimiento adjudicativo dirigido a revisar y evaluar la Petición de la AEE. El propósito de dicho procedimiento es evaluar las tarifas de la AEE para asegurar que sean justas y razonables, evaluar el desempeño de la AEE y promover prácticas fiscales y operacionales acertadas que resulten en un servicio eléctrico seguro y adecuado al menor costo razonable.

Cualquier persona que desee intervenir en este procedimiento deberá presentar una solicitud ante la Comisión de Energía de Puerto Rico, de conformidad con la Sección 5.05 del Reglamento 8543 y las disposiciones de la Ley Núm. 170 de 12 de agosto de 1988, según emendada, conocida como la Ley de Procedimiento Administrativo Uniforme, y su jurisprudencia interpretativa. El término para solicitar intervención comenzará el 1 de agosto de 2016 y culminará el 5 de agosto de 2016, a las 4:30 p.m. Toda parte interesada en intervenir deberá revisar la Resolución y Orden del [ ] de julio de 2016 emitida por la

Comisión y deberá familiarizarse con el Petición de la AEE. Todos los documentos relacionados a la Petición son accesibles a través de la página de internet de la Comisión (energía.pr.gov). De necesitar asistencia, podrá comunicarse con la Comisión escribiendo a legal@energia.pr.gov o llamando al 787-523-6231.

Una vez presentada una solicitud de intervención, la Comisión evaluará la misma y emitirá una orden concediendo o denegando la solicitud. Dicha orden establecerá, además, el calendario de vistas técnicas, en las cuales participarán los expertos y testigos de las partes e interventores, y el calendario de vistas de comentarios públicos, en las cuales el público en general tendrá la oportunidad de expresar su opinión ante la Comisión.

Para mayor información puede acceder la página de internet de la AEE (www.aeepr.com) y/o a la página de internet de la Comisión (www.energía.pr.gov).

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ANNEX B – Intervenor Request Form
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COMMONEALTH OF PUERTO RICO
PUERTO RICO ENERGY COMMISSION

IN RE: PUERTO RICO ELECTRIC POWER AUTHORITY RATE REVIEW	**CASE NO.:** CEPR-AP-2015-0001 Subject: Intervention Request (NAME OF PETITIONER)

INTERVENTION REQUEST

The following form shall be completed and filed with the intervention request. The petitioner shall provide all the information requested in this form using specific examples when required. In the form section of the Commission's website you shall find a Word format version of this form. The term to file intervention requests will begin on August 1st, 2016 and will end on August 5, 2016.

(1) Provide a narrative with specific examples that show the nature and extent f the petitioner's interest in this proceeding and how such interest is relevant to the specific purposes of this case.

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(2) In view of a preliminary analysis of the Petition, provide a summary of the position to be promoted by the applicant and its relation to the merits of the case and the content of the request of the Authority.

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(3) To the extent it is applicable, detail the petitioner's experience, industry and professional and/or academic qualifications, or of its principal officers.

(4) Provide an explanation as to how the intervention of the petitioner, in light of its technical, processional, academical or practical knowledge will contribute information, expertise, specialized knowledge or technical advice that will not be available otherwise in the proceeding.

(5) Detail the extent of your participation in the proceeding, including, but not limited to, if the petitioner anticipates performing discovery of evidence, present expert testimony in writing, actively participate in the technical hearing and/or file a legal claim.

(6) Provide an explanation of the reasons why intervention in this proceeding is the only appropriate mechanism to protect the applicant's interest.

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(7) Provide an explanation of the reasons why the intervention of the applicant will not result in repetitive testimony or have the effect of delaying or unreasonably delay the process of the case.