COMMONWEALTH OF PUERTO RICO
PUERTO RICO ENERGY COMMISSION

IN RE: PUERTO RICO ELECTRIC POWER AUTHORITY RATE REVIEW	**CASE NO.:** CEPR-AP-2015-0001 **Subject**: Witness Miranda's responses to the Commission's 3rd Information Request.

RESOLUTION AND ORDER

On July 7, 2016, the Puerto Rico Energy Commission ("Commission") sent the Puerto Rico Electric Power Authority ("PREPA") its Third Requirement of Information from he Staff of the Commission ("3rd Information Request") requiring witness Sonia Miranda ("Ms. Miranda"), among other witnesses, to provide answers to several questions issued by the Commission[1]. On July 15, 2016, PREPA submitted its answers to some of the questions included in the 3rd Information Request and presented its objections to certain questions included therein[2].

PREPA objected to most of the questions addressed to Ms. Miranda based on lack of direct knowledge from Mrs. Miranda and provided responses from the other witnesses[3]. The Commission accepts PREPA's objections and responses to such questions.[4]

With respect to question number SH-001-016(a) and (b), PREPA failed to provide a reasonable objection. Specifically, PREPA does not state that Ms. Miranda lacks direct knowledge with regards to the subject matter of the questions, but instead claims that the matter was not covered by her testimony or that she was not always involved in management and therefore could not answer the questions being asked. PREPA cites no legal basis for its objection. This omission by itself is sufficient to overrule the objection. For the reasons stated below, the objection is **OVERRULED**.

JHRM

The purpose of this proceeding is to determine just and reasonable rates. To do so the Commission needs to determine if the costs underlying those rates are reasonable, which in turn depend on whether they reflect sufficient improvements on PREPA's past practices. Therefore, the Commission needs to understand whether PREPA is aware of those past practices and their deficiencies. The questions in the 3rd Information Request have the intent of informing the Commission whether PREPA is aware of the causes of those deficiencies and subsequently proceed to assess the credibility of PREPA's claims that it has made the necessary improvements. Thus, PREPA has no legal right to object to questions posed by the Commission that relate to the purpose of this proceeding.

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[1] Section D of the 3rd Information Request included four questions address to Ms. Miranda.
[2] *See* PREPA's July 15, 2016 answer to the 3rd Information Request where PREPA objected the following questions: CEPR-SH-001-016, CEPR-SH-001-017, CEPR-SH-001-018, and CEPR-SH-001-019.
[3] *See* PREPA's Response to the 3rd Information Request, page 21-22: "Several of the questions posed as relating to the testimony of Ms. Miranda do not relate to the subject matter of her testimony, and, generally, those questions relate to the testimony of Mr. Perez and/or Mr. Sosa."
[4] *See* questions CEPR-SH-001-017, CEPR-SH-001-018 and CEPR-SH-001-019.

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Also, PREPA's statements in their petition cannot and will not be considered by the Commission without basis. Through the discovery process, the Commission has proceeded to ask those questions which will help to understand and support the testimony presented by PREPA in its petition for permanent rates. The questions addressed to Ms. Miranda are based on the statements made in the testimonies of Dr. Quintana, Ms. Donahue and the Miranda panel.[5] The testimonies of all of the aforementioned witnesses claim that operational and administrative improvements have been achieved and mention ongoing efforts to continue or further such improvements. In Ms. Donahue testimony she objected to producing information about the past on the grounds that to do so would be expensive[6]. Nevertheless, this is not the case with the questions being asked to Ms. Miranda. Considering the long tenure Ms. Miranda has at PREPA and the nature of the questions being asked in the 3rd Information Request, it should not constitute a large expense for Ms. Miranda or PREPA to provide an answer. During her tenure, Ms. Miranda must have been a witness to the deficiencies which PREPA, through its witnesses, claims are being addressed, and should be able to provide a comprehensive answer in support of such statements regarding operational and administrative improvements. This information is necessary for the Commission to asses PREPA's leadership team ability to improve PREPA's performance and asses if they are aware of the problems and willing and able to discuss them. Rates which serve to subsidize inefficient operational practices cannot be considered just and reasonable.

Furthermore, PREPA asserts that the subject matter of the question is not addressed by Ms. Miranda's testimony. In the event a question is addressed to a witness who is not the appropriate witness, such question should be deemed to be referred to the PREPA employee or representative most knowledgeable and better equipped to provide the required answer. PREPA cannot avoid a question merely by saying it is not within a particular witness's testimony or within the scope of this procedure. It is not PREPA's prerogative to choose which facts are presented to the Commission. The Commission is responsible for making a comprehensive analysis of the information presented by PREPA and, in order to do so, it needs all the information that will allow it to determine if the requested rates are just and reasonable. The credibility of PREPA's claims as to the extent it has corrected past deficiencies is relevant to determining just and reasonable rates.

JHRM

We expect PREPA to fully cooperate through this proceeding by being responsive and comprehensive in its answers to the Commission's questions and requests for information. The Commission is committed to making an exhaustive review of the proposed rates and will exercise all its powers in requesting and getting the information needed to examine the requested revenue requirement within the rate case.

Ms. Miranda is hereby ORDERED to answer questions <u>SH-001-016(a) and (b)</u>, no later than five (5) days from the date this Order is notified. Should PREPA fail to comply with this Order, the Commission may issue any order, within its powers, it deems necessary to ensure proper compliance. Failure by PREPA to provide responsive answers may condition this Commission's final determination in the instant procedure.

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[5] The Miranda panel is composed by Sonia Miranda Vega, Director of PREPA's Planning and Environmental Directorate, Antonio Perez Sales and Virgilio Sosa, both Directors at AlixPartners, LLP.

[6] *See* Exhibit 3.0 of PREPA's Verified Petition for Approval of "Permanent" Rates and Temporary Rates at p.6.

Be it published and notified.

Agustín F. Carbó Lugo
President

José H. Román Morales
Associate Commissioner

I hereby certify that the Puerto Rico Energy Commission has so agreed on August 2, 2016. Associate Commissioner Angel R. Rivera de la Cruz did not intervene. I also certify that on this date a copy of the 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

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, August ___, 2016, I have proceeded with the filling of this Order and I have sent a copy thereof to:

Puerto Rico Electric Power Authority
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For the record, I sign this in San Juan, Puerto Rico, today, August ____, 2016.

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