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COMMONWEALTH OF PUERTO RICO
PUERTO RICO ENERGY COMMISSION

IN RE: PUERTO RICO ELECTRIC POWER AUTHORITY RATE REVIEW	**CASE NO.:** CEPR-AP-2015-0001 **SUBJECT:** Subjects for discussion by intervenors in their testimonies

RESOLUTION

The evaluation of the Petition for Rate Review ("Petition") filed by the Puerto Rico Electric Power Authority ("PREPA") on May 27, 2016 contemplates a wide range of issues and interests which must be harmonized in order to achieve a rate which is just and reasonable and which enables a modern and efficient operation. As previously stated through the Commission's July 15, 2016 Resolution and Order, the Commission will not limit its analysis to the mathematical evaluation of the rates proposed by PREPA, but it will conduct a thorough analysis of its operation and performance, in light of the public policy forwarded by Act 57-2014.[1]

The adequate participation by intervenors plays a fundamental role in the detailed evaluation of PREPA's Petition. The Commission's final determination must be based on the knowledge, evidence and information made available during the proceeding. Intervenor participation will provide the necessary tools for establishing rates which respond to the public interest and enable the modernization of the electric system.

Given the wide range of subjects and interests which must be analyzed when determining and establishing PREPA's electric service rates, the Commission has determined it convenient to identify specific subjects which, when properly addressed, will allow for greater depth in the Petition's evaluation. The issues identified by the Commission are detailed in Attachment A of this Resolution. However, the list provided here should not be considered as an exhaustive list. In addition to the topics expressly included in Appendix A of this Resolution, intervenors may address those issues which they deem relevant to their positions and pertinent to the proceeding, in their pre-filed written testimony.[2]

Furthermore, when filing their pre-filed written testimony, intervenors shall observe the following guidelines:

1. Testimonies must be filed in a question and answer format.

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[1] The Puerto Rico Energy Transformation and RELIEF Act.

[2] Pursuant to the Procedural Calendar published by the Commission through August 12, 2016 Resolution, **intervenors shall have until October 14, 2016 to file before the Commission their pre-filed written testimony.**

2. Testimonies must be filed in "Cambria" or "Times New Roman" font, size 12, double space and each line and page must be numbered.

3. The person appearing as a witness must be clearly identified and must provide his/her credentials and must specify the issue or subject on which he/she is testifying.

4. All testimonies must be sworn and verified before notary public.

5. Searchable PDF version of such testimonies must be provided to the Commission and to all other parties.

For the benefit of all parties involved, the Commission issues this Resolution in both English and Spanish language. Should any discrepancy between each language arise, the English language shall prevail

Be it notified and published.

Agustín F. Carbó Lugo
Chairman

Ángel R. Rivera de la Cruz
Associate Commissioner

José H. Román Morales
Associate Commissioner

CERTIFICATION

I hereby certify that the Puerto Rico Energy Commission has so agreed on September 27, 2016. I also certify that on this date a copy of this Order was notified by electronic mail to the following: n-ayala@aeepr.com, n-vazquez@aeepr.com, c-aquino@aeepr.com, glenn.rippie@r3law.com, michael.guerra@r3law.com, john.ratnaswamy@r3Law.com, codiot@oipc.pr.gov, jperez@oipc.pr.gov, cfl@mcvpr.com, ivc@mcvpr.com, mmuntanerlaw@gmail.com, jfeliciano@constructorespr.net, abogados@fuerteslaw.com, jose.maeso@aae.pr.gov, edwin.quinones@aae.pr.gov, nydinmarie.watlington@cemex.com, aconer.pr@gmail.com, epenergypr@gmail.com, jorgehernandez@escopr.net, ecandelaria@camarapr.net, pga@caribe.net, manuelgabrielfernandez@gmail.com,

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María del Mar Cintrón Alvarado
Clerk

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, September ___, 2016, I have proceeded with the filing of the Order and I have sent a copy thereof to:

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For the record, I sign this in San Juan, Puerto Rico, today, September ___, 2016.

_____
Jessica Fuster Rivera
Clerk of the Puerto Rico
Telecommunications Regulatory Board

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Attachment A – Issue List
In Re: PREPA Rate Review
CEPR-AP-2015-0001

A. Revenue Requirement

1. Is PREPA's proposed $222 million approximate increase in base distribution rates just and reasonable?

2. Should Capex be included in the revenue requirement on a dollar-for-dollar basis?

3. Has PREPA properly determined its cost of debt?

4. What debt service coverage ratio should be used for PREPA?

5. Is PREPA's proposed test year consisting of twelve months of actual results, reasonable?

6. Are PREPA's proposed adjustments to the test year data just and reasonable?

7. Is PREPA's proposed revenue requirement of approximately $3, 426 million and costs rate base, as adjusted, just and reasonable?

8. Are PREPA's proposed operating revenues and operating expenses, as adjusted, just and reasonable?

9. Are PREPA's fuel and purchased power costs just and reasonable?

B. Revenue Requirement Allocation

1. Is PREPA's proposed distribution of its revenue requirement just and reasonable?

2. Is the cost-of-service study reliable? How should the Commission address the question of allocating the revenue requirement among customer classes?

3. Is there a *prima facie* case for believing that the relationship among the 2014 revenues by class, in ¢/kWh, is inappropriate?

Customer Class	Average 2014 Rate
GRS	$0.268
GSS	$0.297
GSP	$0.275
GST	$0.229

LIS	$0.212
Lighting and Umetered, Excluding Equiment Charges	$0.263

4. How should the Commission weight the revenue by class collected by the provisional rates in setting the final revenue allocation in this proceeding?

5. Should the non-volumetric charges in the AES and EcoElectrica costs be distributed across classes in proportion to class total energy use, energy use in particular periods, contributions to PREPA's highest-load hours, or something else?

6. Are PREPA's proposals for Public Lighting reasonable?

C. PREPA's Financial Condition

1. Should PREPA be allowed to recover in rates all costs that are determined by the Commission to be just and reasonable? If not, why not?

2. What would be the impact on PREPA if the rate approved by the Commission is not sufficient to cover costs related to its operation and financing?

3. Should the Commission approve a rate which allows PREPA to generate income sufficient to improve its financial condition, including its credit rating? If not, what mechanism would the Commission be able to implement to allow PREPA to regain access to financial markets?

4. If PREPA continues to be unable to access the capital markets:

   a. Should ratepayers be required to provide the monies necessary to meet PREPA's capital maintenance budget?

   b. If not, what measures may be taken in order for PREPA to receive the funds necessary to continue its operations?

5. What effect would a total or partial shutdown of PREPA have on Puerto Rico?

6. Should PREPA depend solely on its ratepayers for the funds necessary to continue operations or should PREPA seek alternate financing mechanism such as the issuance of bonds to cover CAPEX?

D. Rate Design

1. Within each rate class of concern to your party, are there specific rate components (e.g., customer charge, energy charge, demand charge) that should

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be rebalanced in this proceeding, without waiting for the additional analysis and review in the rate-design proceeding?

2. Within each rate class of concern to your party, if the Commission decided to increase the revenues to be collected from that class, which rate components should be increased?

3. Within each rate class of concern to your party, if the Commission decided to decrease the revenues to be collected from that class, which rate components should be decreased?

4. What should be the recovery mechanism for PREPA's fuel and purchased power costs? Is any modification needed to the existing fuel and purchased power adjustors? How should the existing adjustors be modified?

5. Is there any disadvantage to rolling a base level of fuel and purchased-power costs into base rates, and reflecting the difference between actual costs and the base rate in the FCA and PPCA, as PREPA has proposed?

E. Contribution in Lieu of Taxes (CILT)

1. Is PREPA's proposed quantification of CILT reasonable?

2. Should the CILT be recovered from all classes? If not, which classes should be exempted? Why?

3. Should CILT costs be recovered from net metering customers who are grandfathered under Article 29 of Act 4-2016 (20-year grace period after approval of the Act, *grandfathered*)? Should it be recovered from their gross consumption, inflow, net consumption or some other measure of usage?

4. Should CILT costs be recovered from net metering clients not covered by Article 29 of Act 4-2016 (*non-grandfathered*)? Should it be recovered from their gross consumption, inflow, net consumption or some other measure of usage?

5. Should customers with behind-the-meter generation that does not export power to the PREPA system be treated as net-metering customers for collection of CILT costs?

F. Subsidies

1. Should the costs of subsidies be recovered from all classes? If not, which classes should be exempted?

2. Should subsidy costs be recovered from net-metering customers who are grandfathered under Article 29 of Act 4-2016? Should it be recovered from

their gross consumption, inflow, net consumption or some other measure of usage?

3. Should subsidy costs be recovered from net-metering customers who are non-grandfathered under Article 29 of Act 4-2016? Should it be recovered from their gross consumption, inflow, net consumption or some other measure of usage?

4. Should customers with behind-the-meter generation that does not export power to the PREPA system be treated as net-metering customers for collection of subsidy costs?

5. Which of the subsidies identified by PREPA in Schedule E-8 and L-2 Supplemental should be treated as subsidies to be collected from across classes? For example, should the following rates be considered subsidies, and why?

   a. the Analogous rate for churches and public well-being facilities

   b. the Agricultural rate (GAS)

   c. the rate for common areas in residential condominiums

   d. the Puerto Rico Aqueduct and Sewer Authority (PRASA) rate

6. Which subsidies identified by REPA in Schedules E-8 and L-2 are subject to Commission discretion? Why?

7. Should all of the subsidies claimed by PREPA in Schedule E-8 and L-2 Supplemental be included in an adjustment charge?

8. Should the Commission determine to include such subsides in an adjustment clause, how frequently should the subsidy adjustment (if any) be reset?

G. Time of Use (TOU) Tariffs and Related Issues

1. Should the Commission keep the existing TOU rates open to new customers, pending the outcome of an in-depth rate design proceeding?

2. How should the Commission approach the determination of TOU pricing periods and price differentials?

3. Is there reason to believe that seasonal rates would be appropriate in Puerto Rico? If so, which months would you expect to be in the high-price period?

H. Low-Income Consumers

1. Are the residential low-income discounts in Rates LRS and RH3, and for some categories of customers in Rate GRS, appropriate?

    a. Is the aggregate amount of the discounts (in millions of dollars) appropriate considering the financial condition of other residential customers, businesses, and public authorities?

    b. Is each of the rate discounts appropriately structured?

        i. Are the eligibility conditions reasonable?

        ii. Should the discounts be spread over more or fewer kWh?

    c. Are the discounts appropriately distributed among the three rate categories? If not, how should discounts be redistributed among the three rates?

I. Distributed Generation and Renewables

1. What portion of the retail rates, if any, should be non-by-passable through behind-the-meter generation?

    a. Should this vary with the type of generation (e.g., renewable versus non-renewable)?

    b. Should this vary, depending on whether the customer opts to provide power to PREPA (e.g., use net metering) or only reduce consumption?

2. How should the Commission approach decisions regarding bypassing of costs due to behind-the-meter generation?

3. Are there particular rate design features (e.g., fixed monthly charges, demand charges) that you consider unduly burdensome for behind-the-meter generation?

    a. Is there a difference between renewable and non-renewable generation?

4. If you are arguing in favor of developers of behind-the-meter generation:

    a. What retail rate is needed to make your technology commercially viable, for various sizes or types of installation?

J. Formula Rate Mechanism

1. If formula rates are employed, what should be the appropriate length of time between each review and why?

2. Is a formula rate mechanism appropriate for Puerto Rico, taking into consideration current conditions? Why?

3. Does a formula rate mechanism provide PREPA with sufficient inducements to improve performance and control costs?

4. What benefits or disadvantages to consumers result from the implementation of a formula rate mechanism?

5. Does a formula rate mechanism provide sufficient opportunity for the Commission to monitor and guide PREPA's investment decisions?

6. What modifications, if any, would improve the formula rate mechanism proposed by PREPA?

K. Operational Costs and Capital Investments

1. Are PREPA's efforts to improve billing collections and reduce non-technical losses, including energy theft, reasonable? Why?

2. Are PREPA's efforts to reduce operational inefficiencies, improve customer service and achieve operational savings reasonable? Why?

3. Has PREPA satisfactorily demonstrated that its anticipated FY 2017 to FY2019 capital projects are consistent with the approved IRP?

4. What elements, if any, of PREPA's capital and operating expenses are inconsistent with the Commission's findings regarding the approved IRP?

5. Do PREPA's current power purchase agreements reflect reasonable resource planning and a competitive bid structure?

6. Are PREPA's delivered fuel prices consistent with the state of the current markets?

7. How should the Commission treat capital or operating expenses deemed to have been imprudently incurred?

8. Should the Commission have greater control over short-term capital investments? If so, how can he Commission do so?