

**COMMONWEALTH OF PUERTO RICO  
PUERTO RICO ENERGY COMMISSION**



**IN RE: PUERTO RICO ELECTRIC POWER  
AUTHORITY RATE REVIEW**

**CASE NO.: CEPR-AP-2015-0001**

**SUBJECT:** Order requiring additional  
supplemental testimony from Witness  
Hemphill.

**ORDER**

On September 30, 2016, the Puerto Rico Energy Commission (“Commission”) issued a Resolution and Order requiring the Puerto Rico Electric Power Authority (“PREPA”) to supplement and update its Petition for Rate Review (“Petition”), in light of several occurrences which transpired after May 27, 2016, date in which PREPA filed its Petition. Such occurrences include the Commission issuing its Final Resolution and Order in relation to PREPA’s Integrated Resource Plan,<sup>1</sup> the approval of the Transition Charge and Adjustment Mechanism,<sup>2</sup> and Sonia Miranda’s departure from her post as Director of PREPA’s Planning and Environmental Compliance Directorate.

Pursuant to the Commission’s September 30, 2016 Resolution and Order, on October 14, 2016, PREPA filed several revised testimonies, among them one of witness Ross Hemphill. Mr. Hemphill’s testimony is related to the Formula Rate Mechanism (“FRM”) proposed by PREPA as a tool for reconciling, on a yearly basis, PREPA’s electric service rates with the operational and financial costs incurred by PREPA in providing such services.

Specifically, Mr. Hemphill states that the proposed FRM will provide the Commission with the tools necessary for overseeing PREPA’s costs and preventing it from incurring in costs which are unreasonable. However, Mr. Hemphill’s testimony does not provide insight with regards to the FRM’s effectiveness as a cost-control measure, nor does it provide concrete examples as to how such mechanism, when implemented, will ensure adequate oversight of the costs incurred by PREPA in providing electric service. For example, Mr. Hemphill’s testimony omits any discussion with regards to whether the Commission should, or has the power to, impose limits on the costs which may be incurred by PREPA, the alternatives available to the Commission for ensuring compliance with such limits and the consequences for failing to comply with such limits, amongst others.

The ambiguity of the information provided by Mr. Hemphill with regards to the assurances provided by the FRM does not support his statement that such a mechanism is an adequate oversight tool for the Commission to monitor PREPA’s costs and prevent practices which, in the past, have resulted in excessive or unreasonable expenses. The implementation of oversight measures which provide adequate supervision gain more

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<sup>1</sup> Final Resolution and Order of September 23, 2016, Docket No. CEPR-AP-2015-0002.

<sup>2</sup> Restructuring Order of June 21, 2016, Docket No. CEPR-AP-2016-0001.

relevance when considering that Mr. Hemphill's proposal allows PREPA to adjust its rates to recover all costs incurred during the previous year, regardless of whether such costs are not prudent or are unreasonable.

The establishment of administrative practices and policies which promote the prudent use of PREPA's funds will result in greater certainty and confidence in that the electric service rate paid by the consumer represents PREPA's actual costs of providing such services. As such, the Commission **ORDERS** Mr. Hemphill to file, **on or before November 7, 2016**, additional supplemental testimony which shall include specific information and concrete examples of how the proposed FRM provides the Commission with the ability to prevent PREPA from incurring in unreasonable or imprudent costs. **Any intervenor who wishes to file written testimony in response to Mr. Hemphill's additional supplemental testimony may do so on or before November 14, 2016.** Any testimony filed by an intervenor pursuant to the aforementioned shall be limited to discussing the content of Mr. Hemphill's additional supplemental testimony. Any discussion unrelated to Mr. Hemphill's additional supplemental testimony will be stricken from the record.

For the benefit of all parties involved, the Commission issues this Order 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

## CERTIFICATION

I hereby certify that the majority of the members of the Puerto Rico Energy Commission has so agreed on October 27, 2016. Associate Commissioner José H. Román Morales did not intervene on this matter. On this date a copy of this Order was notified by electronic mail to the following: n-ayala@aeepr.com, c-aquino@aeepr.com, glenn.rippinge@r3law.com, michael.guerra@r3law.com, john.ratnaswamy@r3Law.com, codiot@opic.pr.gov, jperez@oipc.pr.gov, 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, mreyes@midapr.com, agraitfe@agraitlawpr.com, mgrpcorp@gmail.com, attystgo@yahoo.com, maribel.cruz@acueductospr.com, eirizarry@ccdlawpr.com and pnieves@vnblegal.com.



María del Mar Cintrón Alvarado  
Clerk

I also certify that today, October \_\_, 2016, I have proceeded with the filing of the Order issued by the Puerto Rico Energy Commission and I have sent a true and exact copy to the following:

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For the record, I sign this in San Juan, Puerto Rico, today, October \_\_\_, 2016.

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María del Mar Cintrón Alvarado  
Clerk