

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



IN RE: PUERTO RICO ELECTRIC POWER
AUTHORITY RATE REVIEW

CASE NO.: CEPR-AP-2015-0001

SUBJECT: Ruling on PREPA's Notice of Compliance Filing Pursuant to Rate Case Final Orders.

RESOLUTION AND ORDER ON PREPA'S COMPLIANCE FILING

I. Introduction and Summary of Relevant Procedural Background

On May 27, 2016, the Puerto Rico Electric Power Authority ("PREPA") filed before the Commission its Petition for Approval of Permanent Rates and Temporary Rates ("Petition"), which the Commission determined to be complete through Resolution and Order of June 13, 2016. On January 10, 2017, the Commission issued its Final Resolution and Order ("Final Order"), through which it, among others, approved PREPA's revenue requirement for Fiscal Year 2017 ("FY2017") and the procedure for updating said revenue requirement for subsequent years. Among the requirements set forth in the Final Order, the Commission ordered PREPA to submit a compliance filing in order to update its revenue requirement model and the rates for collecting such revenue requirement, in accordance with the directives established by the Commission in the Final Order.

On January 20, 2017, PREPA filed an Emergency Motion for Clarification and for Technical Conference requesting clarification of several directives included in the Final Order. On March 8, 2017, the Commission issued a Final Resolution addressing PREPA's Motion seeking clarification, as well as PREPA's Motion for Reconsideration filed on January 30, 2017 ("Final Resolution"). The Commission's Final Resolution required PREPA to submit its compliance filing no later than March 28, 2017.

On March 27, 2017, PREPA requested the Commission to extend the deadline for submitting the compliance filing. PREPA also requested the Commission to hold an additional technical conference.¹ On April 12, 2017, PREPA requested a second extension to submit its compliance filing. PREPA filed its Notice of Compliance Filing Pursuant to Rate Case Final Orders ("Compliance Filing") on April 25, 2017.

On March 27, 2017, PREPA requested the Commission to extend the deadline for submitting the compliance filing. PREPA also requested the Commission to hold an additional technical conference.² On April 12, 2017, PREPA requested a second extension to

¹ The clarification technical conference was held on April 6, 2017.

² The clarification technical conference was held on April 6, 2017.

submit its compliance filing. PREPA filed its Notice of Compliance Filing Pursuant to Rate Case Final Orders (“Compliance Filing”) on April 25, 2017.

II. PREPA’s Compliance Filing

PREPA’s Compliance Filing includes the following information: (i) a new calculation of the revenue requirement pursuant to the Commission’s directives and determinations;³ (ii) a new calculation of PREPA’s proposed cost of service study to, according to PREPA, “reflect changes in the new revenue requirement;”⁴ (iii) a revised tariff sheet with updated charges, riders and tariff information and descriptions;⁵ (iv) a calculation of bill impact and rate increase for each customer tariff;⁶ (v) a description of the reconciliation mechanism for transitioning to new fuel, purchased power, Contribution In Lieu of Taxes (“CILT”) and Subsidies riders;⁷ and (vi) a calculation of the reconciliation of the permanent rate with the provisional (temporary) rate and corresponding customer credits.⁸

PREPA also notified the Commission of pending issues which PREPA would address through separate filings. These include: (i) proposed language to be included in each customer’s bill providing an explanation of the approved rate increase; (ii) the effective date in which PREPA’s new rate will enter into effect; (iii) the implementation of the yearly budget review and rate adjustment procedure.

III. Determinations Regarding PREPA’s Compliance Filing

After reviewing the information included in its filing, the Commission **ACCEPTS** PREPA’s Compliance Filing and **AUTHORIZES** PREPA to implement the Commission approved permanent rate, subject to the following conditions, requirements and notices:

1. PREPA is **NOT AUTHORIZED** to implement the Public Lighting General (“PLG”) tariff, the Payments to Qualifying Facilities Rider (“QF”) and the Cable TV Power Supplies (“CATV”) tariff at this time. During its evaluation of PREPA’s Compliance Filing, the Commission identified certain discrepancies or inconsistencies between the information contained in the Tariff Book (Exhibit C of the Compliance Filing), the workpapers filed in support of its Compliance Filing and the Commission’s directives, as set forth in the Final Order. Accordingly, the

³ Compliance Filing Exhibit A.

⁴ Compliance Filing at 2; Compliance Filing Exhibit B.

⁵ Compliance Filing Exhibit C.

⁶ Compliance Filing Exhibit D.

⁷ Compliance Filing Exhibit E.

⁸ Compliance Filing Exhibit F.

Commission will hold a Technical Conference on May 12, 2017 at 10:00 a.m. to address the aforementioned inconsistencies.⁹ The inconsistencies and discrepancies identified by the Commission are described in detail in Attachment A of this Resolution and Order.

2. As established in the Final Resolution, until PREPA proposes an alternate schedule and procedure for the yearly budget and rate review process, and such alternate process, as it may be modified, is approved by the Commission, the schedule and procedure for the yearly budget and rate review process established in the Final Order and the Final Resolution remains in effect.¹⁰
3. The Commission **ORDERS** PREPA to amend the description of the grandfathering cut-off date for the Transition Charge provided in the description of the net metering credit rider (Exhibit C of its Compliance Filing) so it reads as follows:

“A separate Grandfathering cut-off date will be established for purposes of the Transition Charge. Pursuant to the Puerto Rico Energy Commission’s Restructuring Order in Case No. CEPR-AP-2016-0001, the grandfathering cut-off date for purposes of the Transition Charge shall be the date in which the Restructuring Bonds are issued.”

4. The Commission **ORDERS** PREPA to amend the description and definition of non-grandfathered net metering customers in net metering credit rider description (Exhibit C of its Compliance Filing) to read as follows:

“Non-Grandfathered net metering customer, defined as, pursuant to Section 29 of Act 4-2016, any customer who applies for interconnection after May 10, 2017 or who applied for interconnection between February 16, 2017 and May 10, 2017 but fails to comply with the requirements set forth in Section 4 of Act 114-2007, as amended by Section 29 of Act 4-2016 (regarding payment of deposit) or increases the capacity of their renewable energy systems in excess of 20% of its original capacity, shall be treated as non-grandfathered net metering customer for purposes of the application of the approved charges. The non-grandfathered customers will receive a credit for the energy exported (outflow) as explained below.”

⁹ Dial-in and other relevant information shall be provided by the Commission at a later date.

¹⁰ Final Resolution at pp. 10-13.

5. While the Commission is hereby accepting PREPA's Compliance Filing and authorizing PREPA to implement the rates as calculated therein, such acceptance of the Compliance Filing **SHALL NOT** be construed as an acceptance of the adequacy or correctness of the Cost of Service Study ("COSS") filed as Exhibit B of the Compliance Filing. The Commission's Final Order details the findings and determinations made with regards to the COSS filed by PREPA. The Commission has since initiated a proceeding aimed at addressing many of the findings and deficiencies identified by the Commission with regards to PREPA's COSS.¹¹
6. The Commission may require PREPA to make additional amendments when deemed necessary or convenient to ensure full compliance with its directives.
7. PREPA shall file a revised Exhibit C incorporating the amendments established herein, and shall also provide a redlined version of such Exhibit C showing all changes made by PREPA.
8. PREPA shall make any other amendments not specifically detailed herein necessary to comply, and ensure consistency with, the determinations and directives established in this Resolution and Order.

IV. Determinations Related to Specific Riders

In Exhibit C of its Compliance Filing, PREPA includes a description for several Commission approved cost adjustment riders, specifically the Fuel Charge Adjustment Rider ("FCA"), the Purchased Power Charge Adjustment Riders ("PPCA"), the Contribution in Lieu of Taxes Cost Adjustment Rider ("CILTA"), the Subsidies, Public Lighting (Municipal) and Other Subventions Rider ("SUBA") and the Energy Efficiency Rider ("EE").

For the FCA and PPCA riders, PREPA identified the denominator in the formulas for calculating both riders as "Total Net Retail kWh Sales" and defined such term as "Energy sales from all classes of customers, excluding Net Metering Energy." For the CILTA, SUBA and EE riders, PREPA identified the denominator in the formulas for calculating such riders as "Total Gross Retail kWh Sales" and defined such term as "Energy sales to all classes including Net Metering Energy."

The Commission finds that the denominator, as described in Exhibit C, of the formulas for calculating each of the riders identified above is inconsistent with the determinations and directives established by the Commission in its Final Order. In addition, the Commission finds that, given the requirement that the subsidies included in the SUBA rider be classified as either "Help-to-Humans" or "Non-Help-to-Humans", a single formula

¹¹ See In Re: Cost Allocation, Rate Design, and Related Issues For The Puerto Rico Electric Power Authority, Case No. CEPR-IN-2017-0001.

for calculating the SUBA charge is inconsistent with such requirement, since the costs associated with the subsidies is not equally applied to all net metering customers.¹²

All net metering customers, regardless of their classification as grandfathered or non-grandfathered, are able to offset through their outflow the costs associated to the FCA, PPCA and the Non-Help-to-Human (“NHH”) subsidies. Because the FCA, PPCA and NHH subsidies can be offset by outflow from net metering customers, it can only be applied to their net inflow (when net inflow is positive). Therefore, the applicable retail sales for determining the FCA, PPCA and the portion of the SUBA rider associated to NHH subsidies are the sum of the inflow of non-net metering customers (other than the RFR first block) and the net inflow of net metering customers.

On the other hand, the CILTA, EE and Help-to-Human (“HH”) subsidy charges can only be offset by outflow from grandfathered net metering customers; non-grandfathered net-metering are unable to offset CILTA, EE and HH subsidy charges through their outflow, as established by the Commission in its Final Order. Therefore, the applicable retail sales for determining the CILTA, EE and the portion of the SUBA rider associated to HH subsidies are the sum of the inflow of non-net metering customers (other than the RFR block), the net inflow of grandfathered net metering customers and the total inflow of non-grandfathered net metering customers.

Accordingly, the Commission **ORDERS** PREPA to make the following amendments to Exhibit C of its Compliance Filing:

1. With regards to the description of the FCA and PPCA riders, PREPA shall:
 - Substitute the terms “Total Net Retail kWh Sales” and “Total Net Retail Sales (kWh)” for “Applicable Retail kWh Sales.”
 - Define the term “Applicable Retail kWh Sales” as “Energy sales to all classes of customers (except for the first block of RFR Tariff), including the net inflow (i.e. inflow – outflow) to all net metering customers.”
2. With regards to the description of the SUBA rider, PREPA shall follow the requirements set forth below:
 - Identify all subsidies included in the SUBA Rider and classify each subsidy between “Help-to-Humans” and “Non-Help-to-Humans”, in accordance with the Final Order .
 - Develop two separate riders, one for recovering the costs associated with the Help-to-Human (HH) subsidies and the second for recovering the Non-Help-to-Human (NHH) subsidies.

¹² See Commission Final Order at ¶¶ 397-398.

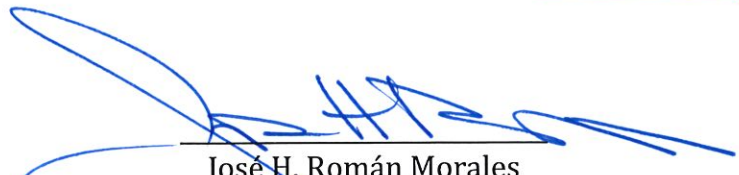
- The rider for recovering the costs associated to HH subsidies shall be designated as SUBA-HH.
 - The rider recovering the costs associated to NHH subsidies shall be designated as SUBA-NHH.
 - The description of the SUBA-HH and SUBA-NHH riders shall identify the specific subsidies to be recovered through each rider.
 - For both SUBA-HH and SUBA-NHH riders, PREPA shall substitute the terms “Total Gross Retail kWh Sales” and “Total Gross Retail Sales” for “Applicable Retail kWh Sales.”
 - For the SUBA-HH Rider, PREPA shall define the term “Applicable Retail kWh Sales” as “Energy sales from all classes of customers (except for the first block of RFR Tariff), including the net inflow (inflow – outflow) to grandfathered net metering customers and the total inflow to non-grandfathered net metering customers.”
 - For the SUBA-NHH Rider, PREPA shall define the term “Applicable Retail kWh Sales” as “Energy sales to all classes of customers (except for the first block of RFR Tariff), including the net inflow (inflow – outflow) to all net metering customers.”
 - PREPA may keep all other portions of the SUBA Rider as included in Exhibit C of the Compliance Filing, unless an amendment is required to ensure consistency with the directives established in this Resolution and Order.
3. With regards to the description of the CILTA and EE riders included in Exhibit C of its Compliance Filing, PREPA shall:
- Substitute the terms “Total Gross Retail kWh Sales” and “Total Gross Retail Sales (kWh)” to “Applicable Retail kWh Sales.”
 - Define the term “Applicable Retail kWh Sales” as “Energy sales from all classes of customers (except for the first block of RFR Tariff), including the net inflow (inflow – outflow) to grandfathered net metering customers and the total inflow to non-grandfathered net metering customers.”

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

Be it notified and published.




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 May 10, 2017. I also certify that on May 10, 2017 a copy of this Resolution and Order was notified by electronic mail to the following: acasellas@amgprlaw.com, agraitfe@agraitlawpr.com, ana.rodriguez@oneillborges.com, ccf@tcmrslaw.com, carlos.reyes@EcoElectrica.com, carlos.valldejuly@oneillborges.com, cfl@mcvpr.com, pnieves@fgrlaw.com, codiot@oipc.pr.gov, dortiz@elpuente.us, dperez@cabprlaw.com, epo@amgprlaw.com, rstgo2@gmail.com, energiaverdepr@gmail.com, hburgos@cabprlaw.com, fermin.fontanes@oneillborges.com, felipelozada1949@gmail.com, fviejo@amgprlaw.com, jperez@oipc.pr.gov, ivc@mcvpr.com, lga@elpuente.us, lionel.orama@upr.edu, mgrpcorp@gmail.com, lmateo@ferraiuoli.com, n-ayala@aeep.com, n-vazquez@aeep.com, valvarados@gmail.com, victorluisgonzalez@yahoo.com, wilma.lopez@aae.pr.gov, francisco.rullan@aae.pr.gov y mehernandez@fgrlaw.com. I certify that this is a true and exact copy of the Resolution and Order issued by the Puerto Rico Energy Commission. I further certify that today, May 10, 2017, I have proceeded with the filing of the Resolution and 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, May 10, 2017.

María del Mar Cintrón Alvarado
Clerk

Attachment A – Description of Commission Findings Regarding Public Lighting General (PLG) tariff, the Payments to Qualifying Facilities Rider (QF) and the Cable TV Power Supplies (CATV) tariff.

I. Public Lighting General (PLG)

The Commission established in its Final Order that “PREPA shall increase each component of the public lighting and unmetered tariffs by an equal percentage, computed to recover the revenue increase allocated to this class consistent with the Commission’s determination”.¹³

The following tariff codes do not follow the aforementioned directive. In addition, the Commission could not identify the basis for the increase, as presented in Exhibit C of the Compliance Filing. PREPA must reconcile this discrepancy and provide all workpapers related to this computation, in native form with formulas intact.

- a. Public Lighting Rate for Streets and Roadways Systems Owned by PREPA (Codification 420)
 - i. High Pressure Sodium Lamps (both categories)
 - ii. Mercury Vapor Lamps
- b. Public Lighting Rate for Streets and Roadways Systems without Operation, Maintenance and Materials Renewal Costs
 - i. Unmetered service (as presented on the table on Original Sheet No. 39)
- c. Dusk to Dawn Luminaries

The Commission could not identify the basis for the Monthly Energy Charge corresponding to the Public Lighting Rate for Streets and Roadways Systems without Operation, Maintenance and Materials Renewal Costs (\$0.07779 per kWh), as presented in Exhibit C of the Compliance Filing. PREPA shall provide all workpapers related to this computation, in native form with formulas intact.

For the following tariff codes, the Monthly Energy Charge, as presented in Exhibit C of the Compliance Filing, does not match the corresponding calculation, as presented on Exhibit D of the Compliance Filing. PREPA must reconcile these differences.

- a. Public Plazas (Codification 422)
- b. Ball Parks and Other Free Admission Parks (Codification 424)

¹³ Final Order at ¶369.

For the following tariff codes, the Commission could not identify the basis for the Monthly Basic Charge, as presented in Exhibit C of the Compliance Filing. PREPA shall provide all workpapers related to their computation, in native form with formulas intact.

- a. Telephone Booths
- b. Bus Shelter
- c. Police Strobe Lights

II. Payments to Qualifying Facilities Rider (QF)

The Commission established in its Final Resolution that for non-renewable distributed generation systems, PREPA is authorized to compensate the annual avoided cost listed in the revised Marginal Cost Worksheet (REV 2016-10-11, filed on October 13, 2016), using the sum of the “Average Capacity Cost - \$/kWh” and “Marginal Cost - \$/kWh” lines for the delivery voltage.¹⁴

The Commission could not identify the basis for the Billing Period Credits contained in the Payment to Qualifying Facilities Rider, as presented in Exhibit C of the Compliance Filing. In addition, the Commission could not reproduce PREPA’s calculation based on the information contained in the revised Marginal Cost Worksheet (REV 2016-10-11, filed on October 13, 2016). PREPA shall provide all workpapers related to this computation, in native form with formulas intact. PREPA shall also provide the reference it used for the computation.

III. Cable TV Power Supplies (CATV)

The Commission could not identify the basis for the Monthly Energy Charge increase corresponding to the 60 volts and 90 volts power supplies. PREPA shall provide all workpapers related to this computation, in native form with formulas intact.

¹⁴ Final Resolution, at p. 9.