

COMMONWEALTH OF PUERTO RICO
PUERTO RICO ENERGY COMMISSION

SECRETARIA
COMISION DE ENERGIA DE
PUERTO RICO

'17 MAY 19 P2:39

IN RE: THE PUERTO RICO ELECTRIC
POWER AUTHORITY

NO. CEPR-AP-2015-0001

INITIAL RATE REVIEW

SUBJECT: PREPA'S NOTICE OF
COMPLIANCE FILING IN RESPONSE TO
THE COMMISSION'S MAY 10 ORDER

**PREPA'S NOTICE OF COMPLIANCE FILING
IN RESPONSE TO THE COMMISSION'S MAY 10 ORDER**

TO THE HONORABLE PUERTO RICO ENERGY COMMISSION:

COMES NOW the Puerto Rico Electric Power Authority ("PREPA") and respectfully submits to the honorable Puerto Rico Energy Commission (the "Commission") PREPA's filing in response to the Commission's *Resolution and Order on PREPA's Compliance Filing* ("May 10th Order") issued in the above-entitled matter on May 10, 2017. This Compliance Filing consists of information provided in the body of this document below plus the attachments hereto.

1. Attachment A to the Commission's May 10th Order ("Attachment A") seeks additional information and workpapers related to the Public Lighting General ("PLG"), Payments to Qualifying Facilities Rider ("QF"), and the Cable TV Power Supplies ("CATV") tariffs. In particular, with respect to these tariffs, the Commission identified "certain discrepancies or inconsistencies between the information contained in the Tariff Book (Exhibit C of PREPA's April 27 Compliance Filing), the workpapers filed in support of its Compliance Filing and the Commission's directives, as set forth in the Final Order." May 10th at 2.

2. A Technical Conference was held on May 12, 2017, pursuant to the May 10th Order, where these tariffs were discussed. At that Technical Conference, PREPA

agreed to provide further explanation and workpapers addressing the Commission's questions on May 17, 2017. Following is PREPA's response to the Commission's inquiries.

I. Public Lighting General (PLG)

With respect to the PLG tariff, it is not clear to the Commission how PREPA calculated the energy charge increases. Following is an explanation of this calculation. After accounting for specific treatment for Power Producers Connected at PREPA Bus Bar (PPBB) tariff, the total increase per revenue allocation was \$0.00993/kWh (Exhibit D, Tab "Rate Design," row 134). However, due to the Commission's revisions to subsidy treatment (specifically, that RH3/RFR/LRS/GAS tariff discounts would be treated as an explicit subsidy, as was determined by the resolution), a credit of \$0.00214/kWh was necessary to avoid any double-counting (Exhibit D, Tab "Rate Design," row 301). The result of adding \$0.00993/kWh and subtracting \$0.00214/kWh to the appropriate energy charges results in an overall increase of \$0.00779/kWh. In hindsight, PREPA should have highlighted this difference which also occurs in many other tariff calculations including the General Agricultural Service And Aqueduct Pumps Operated by Rural Communities (GAS) tariff, whose energy charge increased from \$0.054/kWh to \$0.06179/kWh.

There also is confusion as to the intent of the Commission's rate increase. As the May 10th Order references, the January order stated 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." Attachment A, p. 1. However, the Commission also

asked PREPA to maintain the current fixed charges. See Final Order, issued January 10, 2017, at p. 120. This created a conflict between increasing all charges by a particular percentage (including fixed charges) with the Commission's intent not to raise fixed charges because these tariffs contained bundled fixed and variable energy charges. Additionally, during the earlier Technical Conference on April 6, 2017, PREPA interpreted that all tariffs, including public lighting and unmetered services, must receive the same energy charge increase as the other tariffs. If this is an incorrect interpretation, PREPA can update the calculations to take this into account.

Finally, for many reasons¹, PLG has been estimated with a bundled charge for the entirety of this rate case. Therefore, as was highlighted during the May 12th Technical Conference, the Commission was concerned that Exhibit D tab Rate Design cells V322 through V327 did not match the tariff book. Unlike other tariffs, the values in these cells represent all-in \$/kWh equivalents rather than individual tariff charges. As a result, the aforementioned cells are a representative and not the final answer, as they include fixed monthly charges.

For all of the reasons above, public lighting tariffs received an increase of \$0.00779/kWh, depending on the amount of kWh used. For example, a High Pressure Sodium Lamp with a 50W capacity lists 19.7 kWh of monthly use. Applying \$0.00779/kWh to the 19.7 kWh, results in a \$0.15 increase to the monthly basic charge. As a result, the charge is increased from \$5.75 to \$5.90. Exhibit G² attached to this

¹ PREPA has approximately 70 public lighting codes, of which approximately 30 have actual customers. Furthermore, the public lighting codes included fixed monthly customer charges that do not represent an actual human customer but rather an installation. As a result, not only would this be unnecessarily burdensome to lay out, the proof-of-revenues alone would have been a nearly insurmountable effort.

² To avoid confusion, the sequence of exhibits continues from PREPA's Compliance Filing filed on April 21, 2017.

filing is provided as a workpaper to demonstrate how each of the lighting charges was revised.

For PLG 421, PLG 422, PLG 423, and PLG 424, the \$0.00779/kWh was added to the energy charge, and the monthly customer charges were unchanged. Specifically, PLG 421's energy charge increased from \$0.07/kWh to \$0.07779/kWh; PLG 422's energy charge increased from \$0.0375/kWh to \$0.04529/kWh; PLG 423's energy charge increased from \$0.0515/kWh to \$0.05929/kWh; and, PLG 424's energy charge increased from \$0.0375/kWh to \$0.04529/kWh.

In aggregate, this approach ensured that fixed costs were kept consistent with historical embedded costs, and no rate re-design was done. PREPA can change the tariff to a percent-based increase if the Commission so requests.

II. Payments to Qualifying Facilities Rider (QF)

The May 12th Order states that the Commission could not identify the basis for the Billing Period Credits contained in the QF Rider, as presented in Exhibit C of the Compliance Filing. The credits can be found in "WP 1 (Marginal Cost Worksheet) REV 2016-10-11" on tab "Exhibit 9.04a" whose formulas are intact. Specifically, see the Annual column or cells K24 and K25 for Transmission, K36 and K37 for Primary, and K48 and K49 for Secondary. The "Marginal Energy Cost - \$/kWh" is used for non-firm QFs, and the "Total Average Marginal Cost at an 80% Capacity Factor - \$/kWh" is used for firm QF.

PREPA further clarifies that the credit provided to Qualifying Facilities is differentiated between "Firm" and "Non-Firm" resources. Firm resources are provided a capacity credit as well as an energy credit. In contrast, non-firm resources are only

provided an energy credit. The reduced credit for non-firm resources reflects the lower avoided cost which PREPA experiences since it cannot rely upon using these resources to avoid future capacity resources.

PREPA further adds that the credit is provided by voltage level as opposed to on a tariff basis. Supply from Qualifying Facilities are valued based upon voltage level. The tariff under which the customer receives service is irrelevant to the calculation of the avoided cost payment.

Finally, PREPA intends to update the avoided energy cost value with every quarterly filing of the Fuel Cost Adjustment in order to capture fluctuations in fuel cost which are driven by normal volatility in the fuels market.

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 responds that it applied the aforementioned \$0.00779/kWh to monthly kWh values of 656 kWh and 494 kWh, respectively. Specifically, the 60V increased \$5.11³, from \$50.32 to \$55.43; and the 90V increased \$3.85⁴, from \$37.89 to \$41.74.

IV. Changes to Tariff Book

The May 12th Order required that PREPSA update its tariff book to amend certain language contained in Net Metering Credit Rider (NM) relating to Grandfathering. These specific changes are made, along with other minor corrections, in the attached

³ \$0.00779/kWh * 656 kWh = \$5.11

⁴ \$0.00779/kWh * 494 kWh = \$3.85

amended Exhibit C. PREPA is providing Exhibit C (Amended) in both redline and clean versions for the Commission's convenience.

WHEREFORE, the Puerto Rico Electric Power Authority respectfully requests that the Honorable Puerto Rico Energy Commission accept this Compliance Filing, including its Attachments.

RESPECTFULLY SUBMITTED,

IN SAN JUAN, PUERTO RICO, THIS 17th DAY OF MAY, 2017

PUERTO RICO ELECTRIC POWER AUTHORITY



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CERTIFICATION OF FILING AND SERVICE

I hereby certify that on May 17, 2017, I have sent the above filing, including its Attachments, to the Puerto Rico Energy Commission through its Clerk via secretaria@energia.pr.gov, and to the office of its General Counsel via tnegron@energia.pr.gov and afigueroa@energia.pr.gov, and to: acasellas@amgprlaw.com; agraitfe@agraitlawpr.com; agraitfe@gmail.com; agraitfe@caribe.net; ana.rodriguez@oneillborges.com; carlos.reyes@ecoelectrica.com; carlos.valldejuly@oneillborges.com; ccf@tcmrslaw.com; cfl@mcvpr.com; codiot@oipc.pr.gov; dortiz@elpuente.us; dperez@cabprlaw.com; edwin.quinones@aae.pr.gov; energiaverdepr@gmail.com; epo@amgprlaw.com; felipelozada1949@gmail.com; fermin.fontanes@oneillborges.com; fviejo@amgprlaw.com; hburgos@cabprlaw.com; icv@mcvpr.com; jose.maeso@aae.pr.gov; jperez@oipc.pr.gov; lga@elpuente.us; lionel.orama@upr.edu; lmateo@ferraiuoli.com; mgrpcorp@gmail.com; mrhernandez@fgrlaw.com; mgrpcorp@gmail.com; pnieves@fgrlaw.com; rstgo2@gmail.com; valvarados@gmail.com; victorluisgonzalez@yahoo.com.



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