

**GOVERNMENT OF PUERTO RICO
PUERTO RICO ENERGY COMMISSION**



IN RE: REVIEW OF THE PUERTO RICO
ELECTRIC POWER AUTHORITY
FY19 RATES

CASE NO.: CEPR-AP-2018-0002

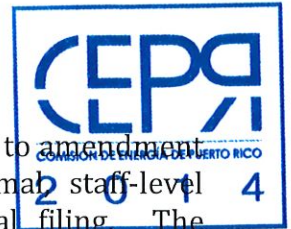
SUBJECT: Proceeding to Determine
PREPA's Rates for FY2019, and to Modify
the January 2017 Rate Order.

RESOLUTION AND ORDER FOLLOWING TECHNICAL CONFERENCE

On May 18, 2018, the Commission held a Technical Conference, using the Agenda attached to this Resolution and Order (See Attachment A). As a result of the discussion during the Technical Conference, the Commission hereby orders:

1. The specific requirements of the Commission's Resolution and Order of May 4, 2018 are stayed, conditioned on PREPA's compliance with the remainder of today's Resolution and Order.
2. Regarding Item I.C on the Technical Conference agenda (availability of information necessary to set rates): No later than May 25, 2018, PREPA shall submit to the Commission an annotated version of Appendix A to the Resolution and Order of May 4, 2018. The annotation should explain (a) whether the information is or can be made available, and in what form; (b) for information that is or can be made available, an estimated time of submission that information to the Commission; and (c) for information that cannot be made available, a brief explanation. For each item, indicate the person responsible for providing the answer.
3. Regarding Item II.A on the Technical Conference agenda (relating to a procedure by which the Commission carries out its Act 57-2014¹ obligation to protect customers from imprudent costs, before PREPA incurs those costs): As explained during the Technical Conference, the Commission cannot lawfully delegate its Act 57-2014 obligations to any other agency, state or federal. No later than May 25, 2018, PREPA shall submit to the Commission a list of the individuals prepared to act on PREPA's behalf in discussions over the creation of such a procedure, one that takes into account the fact of PREPA's submissions to other agencies but ensures the Commission can independently carry out its duties to prevent imprudent costs before they are incurred.

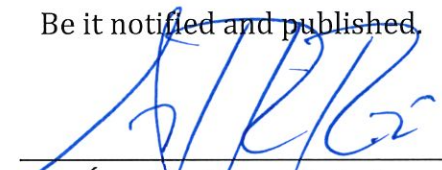
¹ Puerto Rico Energy Transformation and RELIEF Act, as amended.




4. Regarding Item II.B on the Technical Conference agenda (relating to amendment of the fuel clause): The Commission prefers to have informal staff-level discussions on this topic prior to PREPA making any formal filing. The Commission also prefers to solve the issues in both agenda items II.B.1 (reconciliation of unreconciled fuel costs) and II.B.2 (implementation of the riders as required by the January 2017 Rate Order). No later than May 25, 2018, PREPA shall identify the person whom our staff can contact to initiate these discussions.

As stated during the Technical Conference, the Commission is considering keeping this adjudicative docket, CEPR-AP-2018-0002, open for purposes of collecting cost and revenue information and possibly making rate adjustments based on this information. The Commission is also considering creating a non-adjudicative, investigatory proceeding to address at the staff level, informally, agenda items II.A and II.B, with the expectation that solutions emerging from those discussions would then be presented to the Commission formally. Anyone who objects to, or wishes to comment on, these procedural concepts shall do so no later than May 25, 2018.

Be it notified and published,


Ángel R. Rivera de la Cruz
Associate Commissioner


José H. Román Morales
Associate Commissioner
Interim Chairman

CERTIFICATION

I hereby certify that the majority of the members of the Puerto Rico Energy Commission has so agreed on May 22, 2018. I also certify that on this date a copy of this Resolution and Order regarding the Case No. CEPR-AP-2018-0002 was notified by electronic mail to the following: n-vazquez@aepr.com, c-aquino@aepr.com, n-ayala@aepr.com, codiot@oipc.pr.gov, jperez@oipc.pr.gov, wilma.lopez@ae.pr.gov, and francisco.rullan@ae.pr.gov. I certify that today, May 22, 2018, I have proceeded with the filing of the Resolution and Order issued by the Puerto Rico Energy Commission and I have sent a true and exact copy to the following:

Autoridad de Energía Eléctrica de Puerto Rico

Attn.: Nitza D. Vázquez Rodríguez
Nélida Ayala Jiménez
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p/c Lcdo. José A. Pérez Vélez
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Oficina Estatal de Política Pública Energética

p/c Ing. Francisco Rullán Caparrós

Lcda. Wilma I. López Mora

P.O. Box 413314

San Juan, Puerto Rico 00940



For the record, I sign this in San Juan, Puerto Rico, today May 22, 2018.

A handwritten signature in blue ink, which appears to read 'M. Cintrón', is written over a horizontal line.

María del Mar Cintrón Alvarado
Clerk



Puerto Rico Energy Commission
Case No. CEPR-AP-2018-0002
Technical Conference May 18, 2018 10am-12pm
Conference No.: 712-451-0200
Access Pin: 272242

Agenda

I. Ideas for addressing rates in FY2019 and FY2020

A. Problem

1. PREPA has asserted that creating a new revenue requirement for FY2019 is probably not feasible due to multiple uncertainties: restoration costs, federal assistance, sales, employee retention and departure, among other factors.
2. If that assertion is true, then whatever revenue requirement the Commission were to establish for FY2019, by July 30, would have to be changed at multiple points during the year, as we gain more information.
3. Still, the Commission is legally obligated to ensure that rates are just and reasonable. The Commission is also legally obligated to prevent PREPA from incurring imprudent costs.

B. Possible solution

1. Use the existing approved FY2017 revenue requirement as a starting point.
2. During FY 2019, PREPA gathers and reports credible information, as that information becomes available, in the categories stated in the Commission's May 4 order:
 - a. Inflation-related adjustments to numbers approved in the FY2017 revenue requirement
 - b. Restoration costs related to the hurricanes
 - c. Federal assistance
 - d. Revenues projected but not collected due to 2017 hurricane under-collections
 - e. Appropriate treatment of debt service costs, as credible information develops
 - f. Adjustments as necessary to reflect overall FOMB expenditure ceilings



- g. New costs arising during FY2019, including costs relating to the transformation efforts
 - 3. As the Commission receives that information, it will determine whether and how to adjust rates to reflect that information. The choices range from adjusting the rates as each new major piece of information arise, adjusting the rates quarterly or semiannually, or performing a reconciliation at the end of FY2019, to be reflected in rates during FY2020.
- C. **Question for PREPA:** What information does PREPA have, in what form, for what period of time, and when will PREPA provide it?
- 1. Cost information
 - 2. Sales information
 - 3. Spending in FY17 and FY18
- D. Participant comments

II. Other essential issues

The above-stated efforts would occur within the adjudicative proceeding created by the May 4 Order. A separate set of discussions, under a procedure the Commission could establish, is necessary to address the following issues:

- A. Creation of a procedure by which the Commission **protects customers from imprudent costs, before PREPA incurs those costs.** To protect consumers during FY2019, such a procedure must begin very soon. The design of the procedure will need to consider four items:
- 1. The size of expenditure that triggers PREPA obligation to obtain Commission approval
 - 2. The type of expenditure that triggers PREPA obligation to obtain Commission approval
 - 3. The type of supporting evidence necessary to justify the expenditure
 - 4. The type and frequency of Commission action.
- B. Amendment of the fuel clause
- 1. Amendment of the three-month reconciliation
 - 2. Implementation of various riders, established by the January 2017 Rate Order vs. modification of the current fuel and purchased power adjustment clause
 - 3. Other changes?



C. Rate design and unbundling issues

III. Next steps

- A. Set date by which PREPA can begin to supply necessary rate data
- B. Commission issuance of order clarifying rate case procedures
- C. Possible creation of procedures to address the issues in Part II