

COMMONWEALTH OF PUERTO RICO
PUERTO RICO ENERGY BUREAU

SECRETARIA
COMISION DE ENERGIA DE
PUERTO RICO

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IN RE: THE PUERTO RICO ELECTRIC
POWER AUTHORITY

INITIAL RATE REVIEW

NO. CEPR-AP-2015-0001

SUBJECT: PREPA's (1) Draft Customer
Notice in Compliance with the Energy
Bureau's Order of September 28th and
(2) Reservation of Rights

**THE PUERTO RICO ELECTRIC POWER AUTHORITY'S (1) DRAFT
CUSTOMER NOTICE IN COMPLIANCE WITH THE ENERGY BUREAU'S
ORDER OF SEPTEMBER 28th AND (2) RESERVATION OF RIGHTS**

The Puerto Rico Electric Power Authority ("PREPA") hereby respectfully submits to the Puerto Rico Energy Bureau (the "Energy Bureau")¹ (1) PREPA's draft customer notice in compliance with the Energy Bureau's Resolution and Order of September 28, 2018; and (2) PREPA's reservation of rights.

I. BACKGROUND

1. PREPA sets forth the following background discussion for context and for the convenience of the members of the Energy Bureau who were not members of the Bureau at the time of various events.

2. On May 27, 2016, PREPA filed its Petition for approval of new "permanent" rates,² and for a provisional rate increase, to the Energy Bureau, pursuant to Section 6A (e) of Act 83-1941 as amended by Act 4-2016, Section 6.25 (d) of Act 57-2014 as amended by Act 4-2016, and Section 2.02 of the New Regulation on Rate Filing Requirement for the Puerto Rico Power Authority's First Rate Case,

¹ References herein to the Energy Bureau include the prior Puerto Rico Energy Commission, when applicable.

² In this context, "permanent" simply means rates to stay in effect until changed by a lawful process.

Regulation No. 8720. PREPA's proposal for a provisional rate increase was subject to a later reconciliation against the to-be-established permanent rate, as provided by statute.

3. On June 24, 2016, the Energy Bureau granted PREPA's request for a provisional rate increase. The Energy Bureau authorized a uniform rate increase of 1.299 cents per kilowatt-hour to be added to the existing base rates for energy consumption of all customer classes, subject to the later reconciliation.

4. On August 1, 2016, the provisional rates went into effect. The provisional rates remain in effect.

5. On January 10, 2017, the Energy Bureau issued a Final Resolution and Order in the Rate Case (the "January 10th Order"), establishing PREPA's revenue requirement for Fiscal Year 2017 (July 1, 2016, to June 30, 2017), setting PREPA's new permanent rates, and requiring compliance filings by PREPA to reflect the Bureau's determinations and to provide for the implementation of the new rates.

6. On January 20, 2017, PREPA filed its Verified Emergency Motion for Clarification and for a Technical Conference seeking to clarify several issues in the January 10th Order in order to allow PREPA to understand and implement the order, and to submit a complete and accurate compliance filing as required by the order.

7. On January 30, 2017, PREPA filed its timely Verified Motion for Reconsideration of Provisions of the January 10th Order. Among the concerns raised by PREPA were concerns that the January 10th Order departed from the path to the transformation of PREPA and concerns about the rate design imposed by the order. PREPA noted that its concerns about the rate design could be resolved in a


then-expected upcoming rate design proceeding, but, ultimately, no such proceeding was conducted.

8. On March 8, 2017, the Energy Bureau issued a Final Resolution that addressed many of PREPA's requests for clarification and ruled on PREPA's requests for reconsideration.³

9. On March 27, 2017, PREPA filed its Motion for Extension of Time to Comply with Final Resolution. That motion sought both an extension of the date by which PREPA was to submit its compliance filing to April 7, 2017, and an additional technical conference to address remaining issues. The requested technical conference was held on April 6, 2017.

10. On April 25, 2017, PREPA submitted a compliance filing to the Energy Bureau, which included: (a) a calculation of the revenue requirement pursuant to the Bureau's orders; (b) a calculation of PREPA's costs of service; (c) revised tariff sheets; (d) a calculation of the bill impact and rate increase for each customer class; (e) a description of the reconciliation mechanisms for transitioning to certain new riders; and (f) a reconciliation of the permanent rates with the provisional rates.

11. On May 10, 2017, the Energy Bureau issued a Resolution and Order approving PREPA's permanent rates as calculated in PREPA's April 25th compliance filing, but requiring PREPA to make additional compliance filings to amend the language of certain tariffs and riders before the permanent rates become effective.


³ PREPA later timely filed a request for judicial review on certain issues, which remains pending, but that subject need not be discussed here.

12. On May 24, 2017, PREPA made the further compliance filings required by the May 10th order.

13. On May 31, 2017, the Energy Bureau issued a Resolution and Order accepting the May 24th compliance filing. The May 31st order stated in part that "PREPA shall implement its new permanent rate, and begin crediting customers' accounts pursuant to the approved mechanism for reconciling the permanent rate with the provisional rate, no later than July 1, 2017." The May 31st order also stated in part that "PREPA shall also provide the draft language containing an explanation of the permanent rate increase to be included in each customer's bill no later than June 15, 2017."

14. On June 16, 2017, PREPA filed its Verified Motion to Extend Rate Implementation Deadline. PREPA's motion included a detailed discussion of information technology ("IT") issues and constraints, and a detailed discussion of events in May and June 2017 that were beyond PREPA's control that would prevent PREPA from being able to implement the new rates by July 1, 2017. PREPA, among other things, requested an extension of time for implementation of the new rates to October 1, 2017; requested a coordinated extension of time for the draft customer notices; and requested continuation of the provisional rates until the new rates were implemented, subject to reconciliation.

15. On June 23, 2017, the Energy Bureau issued a Resolution and Order that granted PREPA's June 16th Motion, subject to certain additional provisions.

16. In September 2017, Puerto Rico was devastated by Hurricanes Irma and Maria. Among the many effects of the Hurricanes were lengthy electricity outages as well as delays in meter reading, billing, and collections. Thus, as a practical matter, no rates were in effect, in the sense of actually being billed, for a substantial period, for reasons

beyond PREPA's control. Much of the foregone collection of revenues will never be recovered.

17. Meanwhile, on September 29, 2017, PREPA filed its Urgent Motion for Extensions of Provisional Rates and Schedules for Implementing New "Permanent" Rates and Related Processes. PREPA, referencing the emergency circumstances, asked that that the Bureau extend the provisional rates, and that the Bureau extend the deadline for implementation of the new rates until July 1, 2018. On October 2, 2017, filed a correction to the motion.

18. The Energy Bureau also was deeply affected by the Hurricanes, of course.

19. On October 5, 2017, the Energy Bureau, on its own motion, across all dockets, issued a Resolution staying all administrative proceedings, subject to specified future events.

20. On November 1, 2017, the Energy Bureau issued a Resolution that granted in part and denied in part PREPA's September 29th Motion. The Bureau extended the provisional rates, but, instead of setting a new deadline for implementation of the new rates, reserved to the Bureau the issuance of a later order at an unspecified date that would set a new implementation date.

21. On September 17, 2018, PREPA filed its Petition for a Temporary Modification of the Adjustment Clause Related to Hurricanes Irma and Maria. The Petition involved the backlog of fuel and purchased power adjustments for September 2017 through May 2018. The Petition proposed a mechanism to give customers a credit for fuel costs and a charge for purchased power costs, and to provide for giving customers the benefit of applicable reimbursements of fuel costs by the Federal Emergency

Management Administration, subject to later reconciliation. The Energy Bureau opened a separate docket, No. NEPR-AP-2018-0003, to address the Petition.


22. On September 28, 2018, the Energy Bureau issued a Resolution and Order that; (1) consolidated the Adjustment Clause temporary modification Petition docket with the instant docket; (2) ordered PREPA to implement the permanent rates by December 1, 2018; (3) ordered PREPA to file a draft customer notice by October 15, 2018; and (4) denied the Petition as such but added the fuel and purchased power backlogs for September 2017 through May 2018 to the upcoming reconciliation of the provisional rate and the permanent rate.

II. COMPLIANCE – CUSTOMER NOTICE

23. PREPA has attached hereto, as Attachments 1 and 2, draft customer notices in Spanish and English, respectively.

III. RESERVATION OF RIGHTS

24. PREPA reserves all rights it may have with respect to seeking stay, modification, reconsideration, withdrawal, judicial review, or any other relief with respect to the Energy Bureau's September 28th order and/or all other issues and subjects related to the subject matter of this docket.



WHEREFORE, the Puerto Rico Electric Power Authority respectfully requests that the honorable Energy Bureau accept this compliance filing, subject to PREPA's reservation of rights.

RESPECTFULLY SUBMITTED,

IN SAN JUAN, PUERTO RICO, THIS 15th DAY OF OCTOBER, 2018

PUERTO RICO ELECTRIC POWER AUTHORITY



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FILING AND SERVICE

I HEREBY CERTIFY that the foregoing compliance filing, including its Attachments, was, on October 15, 2018, sent via email to the Puerto Rico Energy Bureau through its Clerk via secretaria@energia.pr.gov and mcintron@energia.pr.gov; to the office of the Bureau's General Counsel via legal@energia.pr.gov; and to parties of record at the following email addresses: jperez@oipc.pr.gov; cfl@mcvpr.com; ivc@mcvpr.com; pnieves@vnblegal.com; mmuntanerlaw@gmail.com; maribel.cruz@acueductospr.com; jfeliciano@constructorespr.net; abogados@fuerteslaw.com; eirizarry@ccdlawpr.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; [manualgabrielfernandez@gmail.com](mailto>manualgabrielfernandez@gmail.com); mreyes@midapr.com; agraitefe@agraitlawpr.com; mgrpcorp@gmail.com; attystgo@yahoo.com.



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**THE PUERTO RICO ELECTRIC POWER AUTHORITY NOTIFIES THE IMPLEMENTATION
OF THE NEW RATE STRUCTURE
(New "Permanent" Rate)**

On May 27, 2016, the Puerto Rico Electric Power Authority (PREPA) submitted to the Puerto Rico Energy Bureau (PREB) (then known as the Puerto Rico Energy Commission) a petition for the approval of a new rate structure ("Permanent" Rate) ("permanent" meaning that, after it was implemented, it would remain in effect until changed by a lawful process) in addition to a provisional rate as a transitional measure (Provisional Rate), in compliance with the dispositions of Act 83 of May 2, 1941, Puerto Rico Electric Power Authority Act; Act 57-2014, Puerto Rico Energy Transformation and RELIEF Act; and Act 4-2016, Puerto Rico Electric Power Authority Revitalization Act, as amended. The proposed new rate structure was intended to update the charges associated with the electricity service and to implement a transparent bill, also approved by the PREB, under law.

On June 24, 2016, the PREB approved a provisional uniform rate of 1.299 ¢/kWh, which was added to the existing base rate for all of PREPA's customer classes. The Provisional Rate came into effect in the first billing cycle of August 2016 and will be effective until the implementation of the Permanent Rate. PREPA shall reconcile the difference between the Provisional Rate and the Permanent Rate in accordance with the provisions of applicable laws and the applicable PREB resolutions and orders.

As part of the rate revision process or evaluation of the new rate structure, the PREB issued a resolution establishing the procedural calendar, which included, among others, the itineraries for the discovery of evidence, hearings of public comments, testimony of intervenors, and technical hearings. On January 10, 2017, the PREB issued a Final Resolution and Order, subject to certain later orders, including a March 8, 2017, Final Resolution. The PREB in its final orders issued several directives to PREPA, which were addressed through compliance filings. During this process, on May 31, 2017, the PREB ordered PREPA to implement the PREB's approved Permanent Rate by July 1, 2017, in addition to begin following the approved mechanism for reconciling the Permanent Rate with the Provisional Rate with such implementation. Due to certain additional events and information, by means of the Resolution and Order of June 23, 2017, the PREB granted PREPA until October 1, 2017, to implement the Permanent Rate set by the PREB.

However, the passage of hurricanes Irma and María affected the administrative, operational, and service processes offered by PREPA, including meter reading, customer billing, and the plans for implementation of the Permanent Rate and the reconciliation. Therefore, after considering additional information, through the Resolution and Order of November 1, 2017, the PREB approved the extension of the effectiveness of the Provisional Rate and established that as the restoration of the electric service and its operations progressed, it would determine the appropriate timeline for the implementation of the Permanent Rate. Finally, through the Resolution and Order of September 28, 2018, the PREB ordered PREPA to implement the Permanent Rate by December 1, 2018.

The charges of the new Permanent Rate are part of the new transparent bill, in which the charges will appear broken down, in a detailed way, and will be, as applicable, the following: Customer Charge (and/or Fixed or Basic), Energy Charge, Demand Charge (in primary distribution and transmission voltage rates), Minimum Bill, and Reconciliation Clauses and Riders¹. The latter clauses shall include, as applicable, the following: Fuel Charge Adjustment; Purchased Power Charge Adjustment; Fuel Oil Subsidy; Contributions in Lieu of Taxes (CILT) – Municipalities; Subsidies, Public Lighting (Municipal) and other Subventions; Energy Efficiency Charge; Net Metering Credit; Purchases from (Payments to) Qualifying Facilities (Parallel Generation); Life Preserving Discount Rider; Direct Debit Rider; Church and Social Welfare

¹ In brief, a Rider is a pass-through charge or credit.

Discount Rider; Credit for Incentives to Tourism Rider; Credit for Rural Aqueducts Rider; Common Areas for Condominiums Rider; Downtown Commerce Subsidy Rider; Load Retention Rider; and True-up of Provisional Rate.

Therefore, in compliance with the PREB's resolutions and orders and applicable laws, PREPA notifies all its clients that, subject to any potential further developments, the Permanent Rate will be implemented beginning with the first billing cycle of December 2018.

**LA AUTORIDAD DE ENERGÍA ELÉCTRICA ANUNCIA LA IMPLEMENTACIÓN DE LA
NUEVA ESTRUCTURA TARIFARIA
(Nueva Tarifa “Permanente”)**

El 27 de mayo de 2016, la Autoridad de Energía Eléctrica de Puerto Rico (Autoridad), sometió ante el Negociado de Energía de Puerto Rico (Negociado) (antes conocida como la Comisión de Energía de Puerto Rico) una petición para la aprobación de una nueva estructura tarifaria (Tarifa “Permanente”) (“permanente” significando que, una vez implementada, permanecerá vigente hasta que se modifique mediante un proceso legal) además de una tarifa provisional como medida transicional (Tarifa Provisional), en conformidad con las disposiciones de la Ley 83 de 2 de mayo de 1941, Ley de la Autoridad de Energía Eléctrica de Puerto Rico; la Ley 57-2014, Ley de Transformación y ALIVIO Energético de Puerto Rico; y la Ley 4-2016, Ley para la Revitalización de la Autoridad de Energía Eléctrica, según enmendadas. La nueva estructura tarifaria propuesta tiene el propósito de actualizar los cargos asociados con el servicio de electricidad y de implementar una factura transparente, aprobada también por el Negociado en virtud de ley.

El 24 de junio de 2016, el Negociado aprobó una tarifa provisional uniforme de 1.299 ¢/kWh, la cual se añadió a la tarifa básica vigente de todas las clases de clientes de la Autoridad. La Tarifa Provisional entró en vigor a partir del primer ciclo de facturación de agosto de 2016 y es efectiva hasta la implementación de la tarifa permanente. La Autoridad deberá reconciliar la diferencia entre la Tarifa Provisional y la Tarifa Permanente de acuerdo con las disposiciones de las leyes aplicables y de las resoluciones y órdenes aplicables del Negociado.

Como parte del proceso de revisión tarifaria o evaluación de la nueva estructura tarifaria, el Negociado emitió una resolución en la que estableció el calendario procesal, que incluía, entre otros, los itinerarios para realizar el descubrimiento de prueba, vistas de comentarios públicos, testimonio de interventores y vistas técnicas. El 10 de enero de 2017, el Negociado emitió una Resolución Final y Orden, sujeto a ciertas órdenes posteriores, incluida una Resolución Final del 8 de marzo de 2017. El Negociado en sus órdenes finales emitió varias directrices a la Autoridad, las cuales se atendieron mediante informes de cumplimiento (*compliance filings*). Durante este proceso, el 31 de mayo de 2017, el Negociado ordenó a la Autoridad el implementar la Tarifa Permanente aprobada por el Negociado para el 1 de julio de 2017, además de comenzar a ejecutar el mecanismo para reconciliar la diferencia entre la Tarifa Provisional y la Tarifa Permanente con dicha implementación. Debido a ciertos eventos e información adicionales, mediante la Resolución y Orden del 23 de junio de 2017, el Negociado otorgó a la Autoridad hasta el 1 de octubre de 2017 para implementar la Tarifa Permanente establecida por el Negociado.

Sin embargo, el paso de los huracanes Irma y María afectó los procesos administrativos, operacionales y servicios ofrecidos por la Autoridad, incluidas la lectura de los medidores (contadores), la facturación de los clientes y los planes para la implementación de la Tarifa Permanente y la reconciliación. Es por esto que, luego de considerar información adicional, a través de la Resolución y Orden del 1 de noviembre de 2017, el Negociado aprobó la extensión de la efectividad de la Tarifa Provisional y estableció que según progresara la restauración del servicio eléctrico y sus operaciones, éste determinaría el *timeline* o programa apropiado para la implementación de la Tarifa Permanente. Finalmente, mediante la Resolución y Orden del 28 de septiembre de 2018, el Negociado ordenó a la Autoridad la implementación de la Tarifa Permanente para el 1 de diciembre de 2018.

Los cargos de la nueva Tarifa Permanente forman parte de la nueva factura transparente, en la que los cargos aparecerán desglosados, de manera detallada, y serán, según aplique, los siguientes: Cargo por Cliente (y/o Fijos o Básicos), Cargo por Energía, Cargo por Demanda (en tarifas a voltaje de distribución

primaria y transmisión), Facturación Mínima y Cláusulas de Reconciliación y *Riders*¹. Estas últimas cláusulas incluirán, según aplique, lo siguiente: Ajuste por Cargo Compra de Combustible; Ajuste por Cargo Compra de Energía; Subsidio de Combustible; Contribución en Lugar de Impuestos (CELI) – Municipios; Subsidios, Alumbrado Público (Municipal) y otras Subvenciones; Cargo por Eficiencia Energética, Crédito Medición Neta, Compra a (Pagos a) Facilidades Cualificadas (Generación en Paralelo); *Rider* Descuento Preservar Vida, *Rider* Débito Directo, *Rider* Descuento Iglesias y Organizaciones de Bienestar Social, *Rider* Crédito para Incentivos al Sector Turístico, *Rider* Crédito para Acueductos Rurales, *Rider* Áreas Comunes Condominios, *Rider* Subsidio Cascos Urbanos, *Rider* Retención de Carga, y Reconciliación de Tarifa Provisional.

Por tanto, en cumplimiento con las resoluciones y órdenes del Negociado y las leyes aplicables, la Autoridad notifica a todos sus clientes que, sujeto a cualquier posible desarrollo adicional, la Tarifa Permanente se implementará a partir del primer ciclo de facturación de diciembre de 2018.

¹ Un *Rider* es un cargo transferido o *pass-through charge*.