



GOVERNMENT OF PUERTO RICO
PUBLIC SERVICE REGULATORY BOARD
PUERTO RICO ENERGY BUREAU

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

CASE NO.: CEPR-AP-2018-0002

SUBJECT: Resolution and Orden on the
Puerto Rico Economic Competitiveness and
Sustainability Institute's Motion Requesting
Order

RESOLUTION AND ORDER

On October 30, 2018, the Puerto Rico Energy Bureau ("Energy Bureau") issued an *Order* ("October 30 Order"), instructing the Puerto Rico Electric Power Authority's ("PREPA") to state its position regarding a Motion filed by the Puerto Rico Economic Competitiveness and Sustainability Institute ("ICSE-PR", by its Spanish acronym) on October 24, 2018. In compliance with the October 30 Order, on November 21, 2018, PREPA filed a document titled *PREPA's Informative Motion Responding to ICSE's Motion*, ("Informative Motion").¹ In its Informative Motion, PREPA certified that, it notified a copy of the Informative Motion to ICSE-PR's counsel via email.²

On November 30, 2018, ICSE-PR filed a document titled *Motion Requesting Action by the Puerto Rico Energy Bureau Concerning PREPA's Non Compliance with PREB Orders*, ("November 30 Motion").³ Through the November 30 Motion, ICSE-PR requested the Energy Bureau to order PREPA to comply with the October 30 Order.

Based on ICSE-PR's argument, PREPA is **ORDERED** to, within five (5) days from the notification date of this Order, file with the Energy Bureau proof of the notification sent to ICSE-PR.

Finally, it is important to note that ICSE-PR filed the November 30 Motion under two different dockets, Case No. CEPR-AP-2018-0001 and Case No. CEPR-AP-2018-0002. Pursuant to Section 2.02(a) of Regulation 8543,⁴ each motion filed before the Energy Bureau

¹ See Attachment 1.

² Informative Motion, p. 5.

³ ICSE filed its motion under two dockets, case CEPR-AP-2018-0001 and case CEPR-AP-2018-0002. Pursuant to Section 2.02(a) of the Energy Bureau's *Regulation on Adjudicative, Notice of Noncompliance, Rate Review and Investigation Procedures*, Regulation No. 8543, each motion filed before the Energy Bureau must have only one heading.

⁴ *Regulation on Adjudicative, Notice of Noncompliance, Rate Review and Investigation Procedures*.




must have only one heading. Therefore, ICSE-PR is **ORDERED** to, prospectively, file separate motions for each intended docket. Failure to file separate motions under each docket may result in the immediate dismissal of the motion.

Be it notified and published.


Edison Avilés Deliz
Chair


Ferdinand A. Ramos Soegaard
Associate Commissioner


Ángel R. Rivera de la Cruz
Associate Commissioner


José J. Palou Morales
Associate Commissioner

CERTIFICATION

I hereby certify that the majority of the members of the Puerto Rico Energy Bureau has so agreed on December 6, 2018. The Associate Commissioner Lillian Mateo Santos did not intervene. 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, hdiaz@oipc.pr.gov, wilma.lopez@aae.pr.gov, francisco.rullan@aae.pr.gov and agraitfe@agraitlawpr.com. I certify that today, December 6, 2018, I have proceeded with the filing of the Resolution and Order issued by the Puerto Rico Energy Bureau and I have sent a true and exact copy to the following:

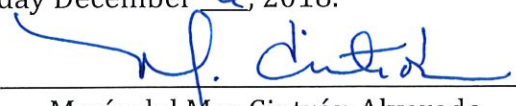
Puerto Rico Electric Power Authority
Lcda. Nitza D. Vázquez Rodríguez
PO Box 364267
Correo General
San Juan, PR 00936-4267

Consumer Protection Independent Office
Lcda. Hannia Rivera Díaz
268 Hato Rey Center, Suite 524
San Juan, Puerto Rico 00918

State Office of Public Energy Policy
p/c Mr. Francisco Rullán Caparrós
Lcda. Wilma I. López Mora
P.O. Box 41314
San Juan, Puerto Rico 00940

Puerto Rico Economic Competitiveness and Sustainability Institute
Attn. Fernando E. Agrait
701 Ave. Ponce de León
Edif. Centro de Seguros, Suite 414
San Juan, Puerto Rico 00907

For the record, I sign this in San Juan, Puerto Rico, today December 6, 2018.


María del Mar Cintrón Alvarado
Clerk

COMMONWEALTH OF PUERTO RICO

PUERTO RICO ENERGY BUREAU

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

NO. CEPR-AP-2018-0002

SUBJECT: PREPA'S INFORMATIVE
MOTION RESPONDING TO ICSE'S
MOTION

**PREPA'S INFORMATIVE MOTION
RESPONDING TO ICSE'S MOTION**

TO THE HONORABLE PUERTO RICO ENERGY BUREAU:

COMES NOW the Puerto Rico Electric Power Authority ("PREPA") and respectfully submits to the honorable Puerto Rico Energy Bureau (the "Energy Bureau"), in compliance with the Energy Bureau's Order of October 30, 2018, PREPA's response to the Puerto Rico Economic Competitiveness and Sustainability Institute's ("ICSE") Motion of October 24, 2018. ICSE's Motion is based entirely on a mistake of fact. The Energy Bureau should deny the Motion. In support of its response, PREPA states as follows:

1. This response timely complies with the Energy Bureau's October 30th Order.

2. ICSE's Motion, referencing it (mis)understanding of certain public statements by PREPA regarding certain bill adjustments in October 2018, alleges in paragraph 7 that the "actions on rate reduction by the [PREPA] are done outside of, and alter, the regulatory proceeding that PREB is currently executing".

3. ICSE's Motion goes on to request that the Energy Bureau order PREPA to cease and desist on any announcement or action related to rate modification outside of the regulatory proceedings with the Energy Bureau.

4. In response thereto, PREPA declares as follows:

- a. ICSE prematurely and erroneously concluded that PREPA's actions were done outside of any relevant regulatory proceeding.
- b. Regarding the public news and statements pertaining to the October 2018 rate adjustments, PREPA again clarifies and confirms the basis for the public discussions that transpired on October 4, 2018, which were misunderstood.
- c. PREPA has been working diligently to implement cost reduction and performance improvement initiatives outlined in the Financial Oversight and Management Board ("FOMB") certified PREPA Fiscal Plan (e.g., economic dispatch improvements and burning more natural gas instead of other high cost fuels), and has ongoing processes in place in several critical areas as per the Fiscal Plan.
- d. Regarding the mentioned October 2018 discussions, there was no change in rate structure or billing processes. The rate update that was discussed was part of the normal monthly fuel cost adjustment ("FCA") and purchased power cost adjustment ("PPCA") factor update under PREPA's existing Adjustment Clause tariff. The FCA and PPCA are reconciling rates that adjust based on monthly expected and actual cost, and monthly expected and actual billed revenue.
- e. The FCA and PPCA formula currently used has been in effect for years.

- f. More specifically, and based on the mentioned process, for October 2018 there was a favorable reconciliation of prior monthly costs due to a combination of factors, including lower than expected overall costs and higher than expected billed sales. Compared with September 2018, which had an unfavorable reconciliation due to lower billed revenue than cost in July 2018, the rates to be billed to customers in October would be lower than rates billed in September by approximately 4 cents per kWh. After October, rates will continue to fluctuate based on fuel prices and available economic dispatch – both of which are outside PREPA's control in the near term. The Adjustment Clause also will correct for any errors in prior calculations or data on a two month "look back" rolling monthly basis.
- g. PREPA is financially and legally obligated to administer the FCA and PPCA cost pass through the tariff based on the established calculation methodology.
- h. The base rates and revenues from the base rates are not changed by the Adjustment Clause and such revenues are used to fund PREPA's operations. Revenues from fuel and purchased power adjustments are strictly pass-through expenses.

5. In summary, and based on the foregoing, ICSE's Motion's allegations are incorrect because they infer that PREPA made a change in base rates when PREPA was simply following the Adjustment Clause tariff.

6. The October 2018 actions are not action regarding rate modification outside of any applicable regulatory proceeding under the Energy Bureau. The described reconciliation process is not a rate reduction subject to regulatory approval by the Energy Bureau, and thus no cease and desist is needed, as no action by PREPA was outside the applicable regulatory processes.

7. Regardless of ICSE's Motion's allegations, PREPA continues its work under the FOMB certified Fiscal Plan and is pursuing initiatives to attain projected efficiencies and sector transformation objectives in compliance with the fiscal plan and the FOMB certified budget and post-certification reporting process.

WHEREFORE, PREPA respectfully submits that the Energy Bureau issue an order that PREPA has complied with the Bureau's Order dated October 30, 2018, and therewith dispose of ICSE's premature and inaccurate arguments by denying ICSE's Motion.

RESPECTFULLY SUBMITTED,

IN SAN JUAN, PUERTO RICO, THIS 20 DAY OF NOVEMBER, 2018

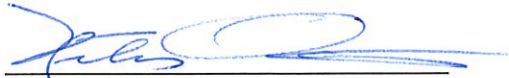
PUERTO RICO ELECTRIC POWER AUTHORITY



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CERTIFICATION OF FILING AND SERVICE

I hereby certify that on November 20, 2018, I have sent the above Informative Motion (Response) to the Puerto Rico Energy Bureau through (1) its Clerk via emails to secretaria@energia.pr.gov and mcintron@energia.pr.gov; (2) to the office of the Bureau's internal legal counsel via email to legal@energia.pr.gov and sugarte@energia.pr.gov; and (3) to OIPC, the State Office of Public Energy Policy, and ICSE via hdiaz@oipc.pr.gov, wilma.lopez@aee.pr.gov, francisco.rullan@aee.pr.gov, and agraitfe@agraitlawpr.com, respectively.



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