

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



**IN RE: THE UNBUNDLING OF THE ASSETS
OF THE PUERTO RICO ELECTRIC POWER
AUTHORITY**

CASE NO.: NEPR-AP-2018-0004

**SUBJECT: PREPA's Compliance Filing of
January 25, 2019**

RESOLUTION AND ORDER

On December 28, 2018, the Puerto Rico Energy Bureau ("Energy Bureau") issued an Order requiring the Puerto Rico Electric Power Authority ("PREPA") to produce documents and information necessary for the establishment of an Unbundling Plan by January 25, 2019. PREPA was also ordered to file such plan by May 31, 2019 ("December 28 Order").¹

As discussed in the December 28 Order, Act 57-2014² mandates that the Bureau should implement wheeling.³ In order to fulfill this mandate, a proceeding for the unbundling of PREPA's rates is required. Given the legislative mandate to support the divestiture of PREPA's assets as established in Act 120-2018,⁴ the Energy Bureau determined in the December 28 Order that it was reasonable to anticipate that PREPA was in the process of ascertaining the value of all of its assets and the appropriate charges associated therewith.

On January 25, 2019, PREPA filed before the Energy Bureau a document titled *PREPA's Compliance Filing for Information Due January 25, 2019* ("Compliance Filing"). In its Compliance Filing, PREPA notes that it has not prepared, since the 2015 rate review:

1. Any studies to support unbundling;
2. A new or updated embedded cost of service study; or,
3. Valuations of assets other than book accounting for the normal course of financial reporting. PREPA is also not aware of any asset valuation studies that have been performed.⁵

¹ See *Order*, December 28, 2018.

² Known as the *Puerto Rico Energy Transformation and RELIEF Act*, as amended. See Act 57-2014, Article 6.30.

³ Act 57-2014 defines the term "Wheeling" as "the transmission of electricity from one system to another through Puerto Rico's electric power grid, according to the wheeling provisions of Act No. 73-2008, as amended, known as the *Economic Incentives Act for the Development of Puerto Rico*." *Id.* at Article 1.3 (tt).

⁴ Known as the *Puerto Rico Electric Power System Transformation Act*.

⁵ PREPA's Compliance Filing, January 25, 2019, pp. 1-2.



The preparation of unbundling studies—including an updated embedded cost of service study, updated marginal cost of service study, updated unbundling study, and Total System Long-Run incremental Cost (“TSLRIC”) study⁶—is crucial to enacting wheeling in accordance with legislative mandates. Act 57-2014 requires that the Energy Bureau “establish the rules and conditions to ensure that wheeling does not affect in any way whatsoever (including technical problems and rate increases) nonsubscribers of wheeling services.”⁷

Having the correct information to allocate costs properly across customer classes is essential to ensure that wheeling does not result in technical problems, rate increases, or any other unfair cross-subsidization between or among customer classes. For example, the proper allocation of costs is critical to ensure equity and that the generation price is correct so that electric service companies can compete to provide generation to industrial customers.

It is imperative that studies be undertaken to inform the proceeding on unbundling for the establishment of wheeling. As recognized by PREPA, despite the ongoing efforts to restructure and transform its operations and the electric sector,⁸ PREPA’s Compliance Filing does not reflect a readiness to undertake the necessary studies and consequently the Unbundling Plan in the time required.

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Given this, in order to ensure that the process for permitting wheeling goes forward, the Energy Bureau will undertake to hire a consultant to perform the necessary studies, the costs of which will be charged to PREPA. PREPA may apply to recover the costs of the study in its next rate case or through an application requesting a different recovery mechanism for the Energy Bureau’s consideration. Further, PREPA is directed to promptly provide to the Bureau all documents that have been provided to the Puerto Rico Public-Private Partnerships Authority (the “P3 Authority”) to date and to continue to simultaneously provide to the Energy Bureau any other documents it provides to the P3 Authority.

The Energy Bureau therefore **RESOLVES** that a consultant shall be hired to perform the aforementioned studies. The Energy Bureau shall identify the appropriate consultant, and the costs of such consultant shall be charged to PREPA. The Energy Bureau **ORDERS** that PREPA provide its full cooperation with the identified consultant and provide, within thirty (30) days of the notification of this Resolution and Order, all requested documents and information. PREPA is also **ORDERED** to provide the Energy Bureau on a continuing basis all documents submitted to the P3 Authority, including those already provided to the P3 Authority.

⁶ See Order, December 28, 2018.


⁷ See Act 57-2014, Article 6.30.

⁸ PREPA’s Compliance Filing, January 25, 2019, p. 1, ¶ 1.

Be it notified and published.





Edison Avilés Deliz
Chairman


Ángel R. Rivera de la Cruz
Associate Commissioner


Lillian Mateo Santos
Associate Commissioner


Ferdinand A. Ramos Soegaard
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 February 8, 2019 and on this date a copy of this Order was notified by electronic mail to the following: n-vazquez@aepr.com, astrid.rodriguez@prepa.com, y a jorge.ruiz@prepa.com. I also certify that today, February 8, 2019, I have proceeded with the filing of the Resolution issued by the Puerto Rico Energy Commission and I have sent a true and exact copy to the following:

Puerto Rico Electric Power Authority

Attn.: Nitza D. Vazquez Rodriguez; Astrid I. Rodríguez Cruz
Jorge R. Ruíz Pabón
P.O. Box 364267
Correo General
San Juan, PR 00936-4267

For the record, I sign this in San Juan, Puerto Rico, today, February 8, 2019.


María del Mar Cintrón Alvarado
Clerk