

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

'19 JUN -5 P1:00

IN RE: THE PUERTO RICO ELECTRIC
POWER AUTHORITY

NO. CEPR-AP-2015-0001

INITIAL RATE REVIEW

SUBJECT: PREPA's Compliance Filing
for Information Due June 5, 2019

**PREPA'S COMPLIANCE FILING FOR
INFORMATION DUE JUNE 5, 2019**

The Puerto Rico Electric Power Authority ("PREPA") hereby respectfully submits to the Puerto Rico Energy Bureau (the "Energy Bureau")¹ this Compliance Filing for Information Due June 5, 2019, by 12:00 p.m. AT. This Compliance Filing is submitted in compliance with the Energy Bureau's Resolutions and Orders dated May 9, and May 31, 2019.

I. Introduction

This Compliance Filing involves the following five overall (but inter-related) subjects:

1. The establishment of the factors to be incorporated in PREPA customer bills, to be applied beginning as of July 1, 2019, as applicable, based on the reconciliation of PREPA's provisional rates for the period of July 1, 2016, through and including April 30, 2019 (note that the provisional rates went into effect on August 1, 2016), with the "permanent" rates approved in this docket that went into effect on May 1, 2019;
2. The establishment of the factors to be incorporated in PREPA customer bills, to be applied beginning as of July 1, 2019, as applicable, for the

¹ References to the Energy Bureau include the former Puerto Rico Energy Commission when applicable.

Contribution in Lieu of Taxes ("CILT") rider, based on the reconciliation of CILT for the period of July 1, 2016, through and including April 30, 2019;

3. The establishment of the factors to be incorporated in PREPA customer bills, to be applied beginning as of July 1, 2019, as applicable, for the Subsidies rider, based on the reconciliation of Subsidies for the period of July 1, 2016, through and including April 30, 2019;
4. The reconciliation of PREPA's fuel and purchase power adjustments backlog for September 2017 through and including May 2018, taking into account any applicable reimbursements by the Federal Emergency Management Agency ("FEMA"), and subject to any later FEMA reconciliations of such reimbursements;² and
5. The establishment of the reconciliation values for the factors to be incorporated in PREPA customer bills, to be applied beginning as of July 1, 2019, as applicable, based on the fuel and purchased power reconciliations for March and April 2019.³

In brief, PREPA encountered a major "calculation" difficulty that was the main driver of the need for additional time in finalizing this Compliance Filing. On April 25, 2019, the Energy Bureau directed certain changes relating to PREPA's public lighting rates.⁴ As PREPA worked on this Compliance Filing, the public lighting rate changes

² The Energy Bureau's Resolution and Order of September 28, 2018, essentially postponed the fuel and purchased power adjustments backlog reconciliation until the consideration of the provisional and permanent rates reconciliation.

³ The Energy Bureau's Resolution and Order of April 25, 2019, determined that the application of these adjustments should not begin on May 1, 2019, as would be provided for under the tariffs that went into effect on May 1, 2019, and instead should begin on July 1, 2019.

⁴ See the Energy Bureau's Resolution and Order of April 25, 2019, Section VI. The order followed up on PREPA's compliance filing of April 17, 2019, as well as discussion and an Energy Bureau decision announced at the compliance implementation hearing on April 23, 2019.

turned out to have complex effects on all of the reconciliations. Addressing this subject required extensive and time-consuming analysis.

In addition, as PREPA worked on finalizing this Compliance Filing, PREPA identified potential concerns relating using a methodology based on revenues defined by billings (sales, i.e., kWhs), as has been contemplated in past filings and discussions, as opposed to collections. PREPA performed significant and time-consuming analysis of this subject, but PREPA ultimately did not modify the calculations based on this concern. Instead, PREPA concluded that it should discuss this subject with the Energy Bureau at the June 10, 2019, Technical Conference Call.

II. Discussion

A. Provisional and Permanent Rates Reconciliation

The provisional and permanent rates reconciliation is provided for by Act 83-1941, § 6A(f), as amended; Act 57-2014, § 6.25(f), as amended; Energy Bureau Regulation No. 8720, § 2.02; and, various Energy Bureau orders issued in this docket.⁵

On April 25, 2017, PREPA filed its Notice of Compliance Filing Pursuant to Rate Case Final Orders.⁶ Exhibit F to the April 25, 2017, filing showed an approach to the subject of the provisional rate reconciliation, although, at that time, no one could anticipate the significant changes in public lighting rates that were ordered by the Energy Bureau in April 2019.

Exhibit F to the April 25, 2017, filing, speaks for itself. In brief, Exhibit F's approach (1) used actual data for revenues (based on billings) for July 2016 through

⁵ There are differences in wording among these items. PREPA is not directly addressing those differences in this Compliance Filing.

⁶ The April 25, 2017, filing is available on the Energy Bureau's web site. The page for this docket on the Energy Bureau's web site appears not to show the posts and orders as of the preparation of this filing, but the April 25, 2017, filing may be found through the search function on the web site.

February 2017 (taking into account the fact that the provisional rates did not go into effect until August 1, 2016) and estimated data for March through and including June 2017, so as to cover all 12 months of FY 2017; (2) determined the total incremental revenue impact of the provisional rates versus the prior base rates for FY 2017; (3) subtracted the total approved annual base rate revenue increase of \$171,786,000; and (4) set forth the difference as the amount to be reflected in the provisional rates reconciliation. Exhibit F also showed the resulting factors.

On May 10, 2017, the Energy Bureau issued its Resolution and Order on PREPA's April 25, 2017, Compliance Filing. The May 10, 2017, order (1) accepted PREPA's April 25, 2017, filing; (2) authorized PREPA to implement the permanent rates, subject to specified conditions, requirements, and notices; and (3) made various determinations regarding specific tariff Riders. None of the order's specified conditions, requirements, notices, or determinations involved the provisional rates reconciliation or Exhibit F to the April 25, 2017, filing.

PREPA has attached to today's Compliance Filing, as Exhibit 1, "RecCompFiling-Prov-CELI-Subs-Fuel-PP(HurrPeriod)-20190605", a pdf version of a spreadsheet that contains, as Tab 1 (within the spreadsheet, the Tabs are referred to as Attachments), an updated version of the subject matter of Exhibit F to the April 25, 2017, filing. PREPA also will provide the Energy Bureau's Clerk's Office with a working Excel version of Exhibit 1.

Please note that Exhibit 1, Tab 1, similar to Exhibit F: (1), uses actual data for revenues (based on billings) for July 2016 through and including April 2019 (taking into account the fact that the provisional rates did not go into effect until August 1, 2016), so

as to cover the applicable period under the Energy Bureau's May 9, 2019, order; (2) determines the total incremental revenue impact of the provisional rates versus the prior base rates for the applicable period; (3) subtracts the total approved annual base rate revenue increase of \$171,786,000 for each of FY 2017 and FY 2018 and an adjusted base rate revenue increase (prorated) amount of \$142,640,000 for the 10 months of FY 2019; and (4) sets forth the difference as the amount to be reflected in the provisional rates reconciliation.

The approach of Exhibit 1, Tab 1, like Exhibit F before it, takes into account the incremental impact of the provisional rates versus prior base rates, and implementation of the permanent rates, by comparing the incremental billings under the provisional rates with the approved annual (or prorated) base rate revenues increase. That approach identifies in a simple way the "delta" between the billed revenues under the provisional rates and the revenue increase the permanent rates were designed to recover.

Please note that Exhibit 1, Tab 1, differs from Exhibit F by updating Exhibit F to take into account the significant effects of the changes in public lighting rates that the Energy Bureau ordered in 2019.

The calculations in Exhibit 1, Tab 1, result in a net reconciliation adjustment of \$39,128,650. Exhibit 1, Tab 1, also shows the resulting factors. The factors are based on an application period of six months.

B. CILT and Subsidies Riders

Exhibit 1, Tab 2, provides the reconciliations and the proposed factors for the CILT and Subsidies Riders and the underlying data. The net amount is \$ \$37,768,852 owed to customers. The net amount for the CILT Rider is \$ 17,841,497 owed by customers. The net amount for the Help to Humans Subsidies Rider is \$ \$59,112,926 owed to customers. The net amount for the Non-Help to Humans Subsidies Rider is \$ 3,503,577 owed by customers. The factors are based on an application period of 12 months. Please note that the total and HTH Subsidies reconciliations are significantly affected by the changes in public lighting rates.

PREPA recognizes that the Energy Bureau's May 9, 2019, order identified these subjects -- the CILT and Subsidies Riders -- as three separate reconciliations. The details in Exhibit 1, Tab 2, disaggregate CILT and Subsidies data.

C. Storm Recovery - Fuel and Purchased Power Backlog

Exhibit 1, Tab 3, provides the proposed factors for the fuel and purchased power backlog reconciliation and references to the underlying data. Exhibit 1, Tab 3, shows the underlying reconciliations. The net adjustment for fuel is \$3,637,404 owed to customers. The net adjustment for purchased power is \$72,524,854 owed by customers. The application period used is 10 months. Please note that the reconciliations are affected significantly by the changes in public lighting rates. Please also note that the fuel reconciliation takes into account the applicable funds provided by FEMA to reimburse PREPA for certain fuel costs. Please keep in mind that, as PREPA has noted in its prior filings on this subject, FEMA also conducts

reconciliation processes, so it is possible that this reconciliation would need to be adjusted in the future if FEMA were to make an adjustment.

D. Fuel and Purchased Power March and April 2019

Exhibit 1, Tab 4 and 5 provide the proposed factors for the Fuel and Purchased Power March and April 2019 reconciliations and the underlying data. Tab 4 is Fuel and Purchased Power. Tab 5 includes certain supporting documentation. The fuel net amount owed by customers is \$38,748,739. The purchased power net amount owed by customers is \$ 6,672,782. The factors have an application period of three months. Please note that the reconciliations are affected significantly by the changes in public lighting rates.

WHEREFORE, the Puerto Rico Electric Power Authority respectfully requests that the Energy Bureau approve PREPA's reconciliations, and the proposed factors, subject to further discussion at the June 10, 2019, Technical Conference Call and possibly other appropriate processes, and order such other relief as may be warranted.

RESPECTFULLY SUBMITTED,

IN SAN JUAN, PUERTO RICO, THIS 5th DAY OF JUNE, 2019

PUERTO RICO ELECTRIC POWER AUTHORITY

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FILING AND SERVICE

I HEREBY CERTIFY that the foregoing Compliance Filing was, on June 5, 2019, at approximately __: __.m., filed in person in hard copy format at the office of the Clerk of the Puerto Rico Energy Bureau; and, further, that the Motion at approximately the same time was sent via email to the Puerto Rico Energy Bureau through email to secretaria@energia.pr.gov and mcintron@energia.pr.gov; to the office of the Energy Bureau's internal legal counsel via email to legal@energia.pr.gov and sugarte@energia.pr.gov; and to parties of record at the following email addresses: codiot@oipc.pr.gov; 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; mreyes@midapr.com; agraitefe@agraitlawpr.com; mgrpcorp@gmail.com; attystgo@yahoo.com.

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