

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



**IN RE:** PUERTO RICO ELECTRIC POWER  
AUTHORITY PERMANENT RATE

**CASE NO.:** NEPR-MI-2020-0001

**SUBJECT:** Fuel Charge Adjustment Rider  
and Purchased Power Charge Adjustment  
Rider Reconciliation.

**RESOLUTION AND ORDER**

On May 1, 2019, the Puerto Rico Electric Power Authority ("PREPA") implemented its Permanent Rate, as approved by the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau") in Case No. CEPR-AP-2015-0001.<sup>1</sup> PREPA's Permanent Rate contains several Adjustment Riders, including the Fuel Charge Adjustment Rider ("FCA") and the Purchased Power Charge Adjustment Rider ("PPCA"). The purpose of these Riders is to recover, on a quarterly basis, the costs associated with fuel and purchased power, as a passthrough charge to PREPA's customers.

The FCA and the PPCA describe the methodology used to calculate the FCA and PPCA rider factors, that in turn are used by PREPA to compute the corresponding charge to its customers.<sup>2</sup> Each rider factor is calculated on a quarterly basis by first adding the projected or estimated cost associated with fuel and purchased power for the quarter the rider will be in effect, and the reconciliation of the estimated costs and real costs for the prior period. The result is then divided by the expected sales in kWh during the quarter the rider will be in effect. The prior period is defined as the first two months of the current quarter and the last month of the previous quarter.

If during the prior period the real costs were higher than the estimated costs, the prior period reconciliation is recovered from the customers during the next quarter. If the real costs were lower than the estimated costs, the prior period reconciliation is reflected as a credit to the estimated or projected costs of the next quarter.

<sup>1</sup> See Resolution and Order, *In Re: Puerto Rico Electric Power Authority Rate Review*, Case No. CEPR-AP-2015-0001, May 31, 2017.

<sup>2</sup> The fuel and purchased power charges are calculated by multiplying the FCA and PPCA rider factors, by the customer's monthly consumption. As an example, if on a given month a customer consumed 500 kWh and the FCA and PPCA rider factors are \$0.10/kWh and \$0.05/kWh, respectively, then the charges associated with fuel and purchased power for that month are  $500 \text{ kWh} \times \$0.10/\text{kWh} = \$50.00$ , and  $500 \text{ kWh} \times \$0.05/\text{kWh} = \$25.00$ , respectively.

Moreover, the FCA and PPCA have an accelerated adjustment provision. That is, if after the close of a monthly billing cycle it is determined that the fuel and purchased power real costs deviated from the estimated or projected costs by more than \$20 million, the FCA and PPCA rider factors should be recalculated for the remainder of the quarterly period.

On March 27, 2020, the Energy Bureau issued a Resolution and Order ("March 27 Resolution") through which it established the FCA, PPCA and Fuel Oil Subsidy<sup>3</sup> ("FOS") rider factors to be in effect from April 1, 2020 to June 30, 2020. In addition, the Energy Bureau ordered PREPA to submit, on or before June 12, 2020, the proposed FCA, PPCA and FOS rider factors that will be in effect beginning July 1, 2020, including the proposed reconciliations for the months of March, April, and May 2020.

Due to the potential impact on the FCA and PPCA, the Energy Bureau has been monitoring the decline in oil prices during the last several months. This decline has been exacerbated by the impact the Coronavirus (COVID-19) pandemic has had on oil demand. Many jurisdictions, including Puerto Rico<sup>4</sup>, have entered into a lockdown of nonessential operations (both governmental and private sector) in an attempt to reduce the propagation of COVID-19. Such measures have resulted in a significant reduction of energy and oil demand.

Moreover, the International Energy Agency ("IEA") informed that the impact of containment measures in 187 countries and territories has brought the transportation sector almost to a halt.<sup>5</sup> The IEA estimated that the oil demand in April could be 29 million barrels per day lower than a year ago, hitting levels last seen in 1995.<sup>6</sup>

On the other hand, during the past days the price of West Texas Intermediate oil, used as a benchmark in the United States, was negative for the first time in its history. This global supply-demand imbalance has manifested itself in a reduction of oil prices which warrants a close review of its impact on PREPA's operational costs, including the FCA and PPCA Riders.

For all these reasons, the Energy Bureau **DETERMINES** that it is prudent to closely monitor PREPA's fuel costs and consumption in order to evaluate if it is necessary to activate and implement the \$20 million deviation provision contained in the Fuel Charge Adjustment

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<sup>3</sup> The Fuel Oil Subsidy Rider applies to qualifying residential customers with monthly consumption of up to 500 kWh. It is designed to provide a credit for the first \$30 per barrel of fuel oil, excluding natural gas.

<sup>4</sup> On March 12, 2020, Governor Wanda Vázquez Garced issued Executive Order No. OE-2020-020 declaring a state of emergency in Puerto Rico due to the Coronavirus (COVID-19) pandemic. Note that OE-2020-0020 has been amended by OE-2020-29 and OE-2020-32. Among other measures, the Governor ordered a cease of operations of the government offices and most of the private sector until May 3, 2020 in an attempt to reduce the propagation of COVID-19.

<sup>5</sup> Oil Market Report – April 2020, available at <https://www.iea.org/reports/oil-market-report-april-2020> (last visit April 23, 2020).

<sup>6</sup> *Id.*




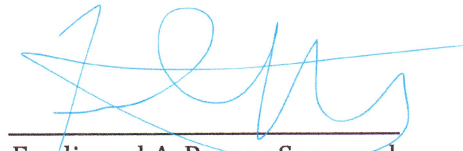


Rider and the Purchased Power Charge Adjustment Rider. This, with the purpose of ensuring that a reduction on fuel prices can be transferred to PREPA customers as soon as practicable.

Therefore, the Energy Bureau **ORDERS** PREPA to submit monthly reconciliations of fuel and purchased power costs, starting with the month of April 2020. PREPA **must** submit the information in the same format used for the quarterly reconciliations. Additionally, PREPA **must** submit such information no later than the end of the second week of the month following the billing cycle for which information is being submitted. For example, for the month of April 2020, PREPA must submit the reconciliation **on or before 12:00 p.m. May 15, 2020**.

If any given month PREPA calculates that the difference between the actual and estimated fuel and purchased power was more than \$20 million, PREPA must also include, for Energy Bureau review and approval, the proposed FCA, PPCA and FOS rider factors to be implemented in the remaining billing cycles of the quarter. If the submission of information for a given month or billing cycle coincides with the submission of the quarterly reconciliation, the quarterly reconciliation submission shall prevail.<sup>7</sup> All other provisions of the March 27, 2020 Resolution remain unaltered.

Be it notified and published.

  
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Edison Avilés Deliz  
Chairman  
\_\_\_\_\_  
Ángel R. Rivera de la Cruz  
Associate Commissioner  
\_\_\_\_\_  
Lillian Mateo Santos  
Associate Commissioner  
\_\_\_\_\_  
Ferdinand A. Ramos Soegaard  
Associate Commissioner

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<sup>7</sup> For example, submission for the month of May 2020 will be on or before June 12, 2020. However, this coincides with the submission of the quarterly reconciliation and the proposed factors for the period of July 1, 2020 to September 30, 2020. Therefore, PREPA is required to submit the quarterly reconciliation, since it includes the reconciliation for the month of May 2020.

## CERTIFICATION

I hereby certify that the majority of the members of the Puerto Rico Energy Bureau has so agreed on April 23, 2020. I also certify that on April 23, 2020 a copy of this Resolution and Order was notified by electronic mail to: astrid.rodriguez@prepa.com, jorge.ruiz@prepa.com, n-vazquez@aeep.com, c-aquino@prepa.com, kbolanos@diazvaz.law. I also certify that today, April 23, 2020, I have proceeded with the filing of the Resolution and Order issued by the Puerto Rico Energy Bureau.

For the record, I sign this in San Juan, Puerto Rico, today April 23, 2020.

  
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Wanda I. Cordero Morales  
Clerk

