

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: Request for Clarification of
Fuel Cost Differential Analysis
Information.

RESOLUTION AND ORDER

On May 15, 2020, the Puerto Rico Electric Power Authority ("PREPA") filed before the Energy Bureau of the Public Service Regulatory Board ("Energy Bureau") a document titled *Motion to Submit Reconciliations for the Months of March and April 2020 and Recalculation of Proposed Rider Factors* ("Motion") in response to the Energy Bureau's April 23, 2020 Resolution and Order.¹ As part of its Motion, PREPA submitted the reconciliation for the months of March and April 2020.² Additionally PREPA submitted the recalculated proposed factors for the Fuel Charge Adjustment ("FCA") rider, the Purchased Power Charge Adjustment ("PPCA") rider and the Fuel Oil Subsidy ("FOS") rider to be implemented in the remaining billing cycles of the current quarter.³ PREPA also submitted a calculation of the additional expenses incurred by PREPA in the operation of the peaking units to substitute the generation at the Costa Sur Power Plant. PREPA requested that such costs be deferred at this time based on their expected reimbursement by the Federal Emergency Management Agency ("FEMA") or its insurance carrier.⁴

On May 18, 2020, the Energy Bureau issued a Resolution and Order ("May 18 Resolution and Order") through which it required PREPA to provide additional information related to (i) the average cost per barrel as of May 18, 2020, (ii) updates of the communications between PREPA and/or the Central Office for Recovery, Reconstruction and Resiliency ("COR3") and FEMA related to the deferral of the recovery of the incremental cost

¹ Resolution and Order, In Re: Puerto Rico Electric Power Authority Permanent Rate, Case No. NEPR-MI-2020-0001, April 23, 2020.

² See Motion, Exhibit A, RECONCILIATION FILE MARCH-APRIL 2020 (VALUES ONLY).xlsx.

³ *Id.*, Exhibit B, March and April 2020 Reconciliation by PREB Order April 23 2020Rev 05152020 with FEMA defer Values.xlsm.

⁴ PREPA included as Exhibit C of the Motion correspondence related to the reimbursement of the deferment requested. Additionally, PREPA included as Exhibit D the calculation for the deferment, for which PREPA requested confidential designation and treatment. See Request for Confidential Designation of Attachments to Motion to Submit Reconciliations for the Months of March and April 2020 and Recalculation of Proposed Rider Factors, May 15, 2020.

of fuel, and (iii) Exhibit D of the Motion in Excel format with formulae intact.⁵ PREPA's submission was due on or before 12:00 p.m. on May 20, 2020.

On May 20, 2020, PREPA filed before the Energy Bureau a document titled *Motion in Compliance with Order entered on May 18, 2020* ("May 20 Compliance Filing"). Through the May 20 Compliance Filing, PREPA submitted "the monthly Fuel Office report, the Fuel Office detailed transactions report, the monthly tally of the fuel barrels consumption, the fuel consumption report, a report of price per barrels received (not paid) by PREPA from March to May 18."⁶ Additionally, PREPA provided a detailed description of the internal processes related to the preparation of the itinerary from fuel deliveries to the payment of the suppliers' invoices.⁷ PREPA also submitted communications between PREPA, FEMA and COR3 relevant to the deferral of the recovery of the fuel costs associated with the operation of the peaking units used to substitute the generation from the Costa Sur Facility.⁸ Lastly, PREPA submitted Exhibit D of the Motion in Excel format, with original formulae and back-up data.⁹

On May 21, 2020, the Energy Bureau issued a Resolution and Order requesting PREPA to attend a Technical Conference on May 22, 2020 at 2:00 p.m. and ordered PREPA representatives shall have all pertinent documents (*i.e.*, printed and digital) readily available and shall be prepared to address the questions included as Annex A of this Resolution and Order, and any additional questions from the Energy Bureau related to the Motion and the May 20 Compliance Filing.

On May 22, 2020, the Energy Bureau held the Technical Conference. During the Technical Conference, the Energy Bureau ordered PREPA to submit, on or before May 26, 2020, 12:00 p.m., (i) a revised PROMOD run for the months of March, April and May; and (ii) updated information reflecting the status of PREPA's cash flow. On May 26, 2020, PREPA timely filed the foregoing information.

On May 27, 2020, PREPA filed a document titled *Motion to Submit April 2020 Revised Cost Differential Analysis* ("May 27 filing"). Upon review of the previous filings and the May 27 filing it became clear that the methodology used by PREPA for the calculation of the Fuel Cost Differential Estimate is not sound or reasonable.

⁵ May 18 Resolution and Order, p. 2.

⁶ May 20 Compliance Filing, p. 2. PREPA included the aforementioned documents as Exhibit A.

⁷ *Id.*, pp. 2-6.


⁸ Exhibit B, May 20 Compliance Filing.

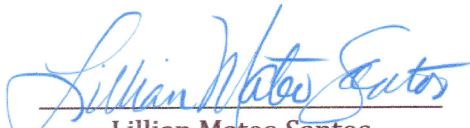
⁹ Exhibit C, May 20 Compliance Filing. PREPA filed Exhibit C under seal and requested confidential designation and treatment. *See* Request for Confidential Designation of Attachments to Motion in Compliance with Order Entered on May 18, 2020, May 20, 2020.

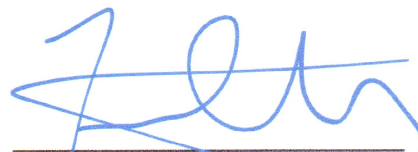


In light of the foregoing, the Energy Bureau **ORDERS** PREPA to file, **on or before May 28 at 9:00 a.m.** the actual fuel differential costs corresponding to the months of March and April and a revised forecast for the differential costs corresponding to May and June, using as a basis the new PROMOD run submitted on May 26, 2020. PREPA shall include its submittal the documentation supporting these revised differential costs (e.g., purchase orders, receipts, etc.). The Energy Bureau needs this revised information to be able to address and evaluate, at this moment, PREPA's request for a deferment of these costs at this time.

Be it notified and published.


Edison Avilés Deliz
Chairman


Lillian Mateo Santos
Associate Commissioner


Ferdinand A. Ramos Soegaard
Associate Commissioner

CERTIFICATION

I hereby certify that the majority of the members of the Puerto Rico Energy Bureau has so agreed on May 27, 2020. Associate Commissioner Ángel R. Rivera de la Cruz did not intervene. I also certify that on May 27, 2020 a copy of this Resolution and Order was notified by electronic mail to: astrid.rodriguez@prepa.com, jorge.ruiz@prepa.com, n-vazquez@aeepr.com, c-aquino@prepa.com, kbolanos@diazvaz.law. I also certify that today, May 27, 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 May 27, 2020.


Wanda I. Cordero Morales
Clerk

