



NEPR-AP-2018-0004

1 message

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Fri, Oct 9, 2020 at 2:16 PM



In re: The Unbundling of the Assets of the Puerto Rico Electric Power Authority

Case Number: NEPR-AP-2018-0004

October 9, 2020

VIA E-MAIL to comentarios@energia.pr.gov

Attention: Edison Avilés-Deliz, Chairman, Puerto Rico Energy Bureau

Dear Mr. Avilés-Deliz,

On September 24, 2020, National submitted initial comments regarding the COSS¹ prepared by Resource Insights in connection with this proceeding.² National's comments concerned the acknowledged deficiencies in the data on which the COSS is based, which may undermine its reliability and usefulness.³ National observed that it would not be appropriate to proceed with unbundling until these deficiencies are addressed.

Our supplemental comments are attached hereto.

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 **National's Reply Comments on Cost of Service Study.pdf**
61K

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Attention: Edison Avilés-Deliz, Chairman, Puerto Rico Energy Bureau

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On September 24, 2020, National submitted initial comments regarding the COSS¹ prepared by Resource Insights in connection with this proceeding.² National's comments concerned the acknowledged deficiencies in the data on which the COSS is based, which may undermine its reliability and usefulness.³ National observed that it would not be appropriate to proceed with unbundling until these deficiencies are addressed.

Several other parties also submitted comments on the COSS. Similar to National, the Local Environmental Organizations noted, "The most important conclusion of the [COSS] is that PREPA must collect much more data . . ." ⁴ PREPA submitted its own responses, contained in a filing as well as separately shared documents.⁵ Among other things, PREPA indicated that, in response to the Bureau's requests for data, it had "designated a multidisciplinary team to respond the [*sic*] requirements. The team includes officials from PREPA's Finance, Customer Service, Planning, Generation, and Transmission & Distribution divisions."⁶ But in a subsequent filing, PREPA clarified that this team is experiencing difficulties due to "employee attrition" and the need to "simultaneously work[] with producing information to respond to other requests made by the Energy Bureau in parallel dockets, as well as requests made by other entities, such as LUMA, and last but not less important, complying with their duties and regular work tasks."⁷

National appreciates that PREPA has assembled a multidisciplinary team to gather data that can be used to improve the COSS. This is an important start toward addressing the data gaps noted in National's initial comments as well as the COSS itself. Yet unbundling will require experienced specialists that can focus their attention on this process while bearing in mind the desired future market structure. Such personnel will, of course, need access to validated, current data. It bears emphasizing that this process is quite complex, requiring a high level of expertise;

¹ All capitalized terms used but not defined herein shall have the same meaning as in National's initial comments.

² See *Comments – National Public Finance Guarantee Corporation*, Case No. NEPR-AP-2018-0004 (Sept. 24, 2020).

³ See *id.* at pp.2-3. National also noted that the COSS incorrectly referred to the "sale" of PREPA's generation assets and/or sites. See *id.* at p.4.

⁴ *Local Environmental Organizations' Comments on the April 27, 2020 Unbundling Report*, Case No. NEPR-AP-2018-0004, at p.1 (Sept. 25, 2020).

⁵ See *Motion in Compliance with Request for Information and Production of Documents*, Case No. NEPR-AP-2018-0004 (Sept. 25, 2020).

⁶ *Id.* at pp.1-2.

⁷ *Motion in Compliance; Requirements for Information and Production of Documents*, Case No. NEPR-AP-2018-0004, at p.3 (Oct. 2, 2020).

cost of service studies involve multiple assessments and iterations before customer rate classes can ultimately be established.

PREPA's filings appear to suggest that its team does not have the bandwidth or the experience/knowledge base to manage this process at this time. For example, PREPA recently noted that these employees are stretched thin across a number of other proceedings and endeavors, rather than being able to focus on this complicated, iterative process. And PREPA also noted that it "has not recently (since the 2015 rate review) prepared any studies to support unbundling,"⁸ which suggests that these employees may not have the relevant experience. After all, PREPA has never created or deployed retail wheeling programs.

The success of this process is critical to PREPA's future. For the reasons discussed above, it may be advisable to have a qualified third-party specialist manage the unbundling process, with PREPA's multidisciplinary team acting in a support capacity by providing all appropriate data. In any case, this proceeding should not go forward without an adequate-quality COSS, completed to the satisfaction of the Bureau and stakeholders.

Submitted by:

/s/ John Jordan

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⁸ PREPA's Compliance Filing for Information Due January 25, 2019, Case No. NEPR-AP-2018-0004, at App'x A p.1 (Jan. 25, 2019).