

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



IN RE: INVESTIGATION AND AUDIT ON
THE PUERTO RICO ELECTRIC POWER
AUTHORITY'S FUEL PROCUREMENT
PROCESS

CASE NO.: NEPR-IN-2020-0003

SUBJECT: Resolution initiating the
Investigation.

RESOLUTION AND ORDER

I. Introduction and Investigation Scope

On September 29, 2020, the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau") issued a Resolution and Orden in Case No. NEPR-MI-2020-0001¹ ("September 29 Resolution"), through which, among other things, it approved the quarterly factors of the Purchased Power Adjustment Clause and the Fuel Oil Subsidy, as part of the Puerto Rico Electric Power Authority's ("PREPA") Permanent Rate. In the September 29 Resolution the Energy Bureau determined that, after a thorough review of the information submitted by PREPA regarding the fuel costs for the reconciliation period, there were certain inconsistencies between the costs PREPA allegedly incurred and the fuel prices reported over the last several months.² The Energy Bureau could not determine the quarterly factor of the Fuel Charge Adjustment since it could not validate the information related to the fuel costs for the months of June, July and August, 2020.³

To evaluate the fuel cost reconciliation for the months of June, July and August, the Energy Bureau ordered PREPA to submit certain information within a specific timeframe.⁴ The Energy Bureau also stated that, based on the discrepancies found in the documents submitted by PREPA, it was necessary to conduct an audit⁵ of PREPA's fuel purchase, acquisition, transportation, storage and consumption accountability process.⁶ The Energy Bureau stated that it would initiate such audit at a later date.

¹ Resolución y Orden, In Re: Tarifa Permanente de la Autoridad de Energía Eléctrica de Puerto Rico, Case No. NEPR-MI-2020-0001, September 29, 2020.

² September 29 Resolution, p. 8.

³ *Id.*, pp. 9 - 10.

⁴ *Id.*, p. 10.

⁵ Note that when the term "audit" is used hereby it refers to an inspection, evaluation and/or review of certain information or records conducted by a third party (*i.e.*, the Energy Bureau and/or its consultants), not as the review process ordinarily conducted by a certified public accountant to issue.

⁶ *Id.*, p. 11.

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Paragraph (c) of Article 6.3 of Act 57-2014,⁷ establishes that the Energy Bureau has the duty and responsibility to take all necessary regulatory actions to guarantee, among other things, reasonable electric service rates. Paragraph (z) of the referenced Article 6.3 establishes that the Energy Bureau will have the power to collect and analyze all kinds of reliable and opportune information relating to the generation, usage and consumption of energy, may it be through oil, natural gas or any other fuel or renewable energy source. Paragraph (bb) of the referenced Article 6.3 establishes that the Energy Bureau can conduct inspections, investigations and **audits**, as necessary, to achieve the purposes of Act 57-2014. The Energy Bureau may delegate this power through resolution.⁸

To that effect, Section 15.01 of Regulation 8543,⁹ establishes that the Energy Bureau, on its own or through a designated person, may investigate to make certain the energy public policy is being met efficiently, and to ensure compliance with the laws and regulations it administers. The referenced Section 15.01 further states that the Energy Bureau may investigate any matter related to the electric power industry, and any matter within its jurisdiction.

Through this Resolution and Order, the Energy Bureau **INITATES** the above captioned investigation under Article 6.3 of Act 57-2014 and Section 15.01 of Regulation 8543. The purpose of this investigation is to conduct an audit of PREPA's fuel purchase, acquisition, transportation, storage and consumption accountability process. Such audit will cover a period of at least three years.

The Energy Bureau **INFORMS** that it has acquired the services of Larkin and Associates, PLLC ("Larkin") to conduct the abovementioned audit. As such, the Energy Bureau **DESIGNATES** Larkin as the principal person in charge of this investigation. Larkin will have the power to investigate and audit, as described in Article XV of Regulation 8543, including, but not limited to, the mechanisms established in Section 15.03 of Regulation 8543. Larkin will also have all incidental powers needed to investigate and audit.

II. Conclusion

The Energy Bureau **INITATES** the above captioned investigation and **DESIGNATES** Larkin as the principal person in charge of this investigation. The Energy Bureau **ORDERS** PREPA to fully cooperate with Larkin in all matters pertaining to this investigation.

The Energy Bureau **WARNS** PREPA that, noncompliance with any provision of this Resolution and Order, may result in the imposition fines under Act 57-2014 and the

⁷ Known as *The Puerto Rico Energy Transformation and RELIEF Act*, as amended.

⁸ Article 6.3(bb), Act 57-2014.

⁹ *Regulation on Adjudicative, Notice of Noncompliance, Rate Review and Investigation Proceedings*, Regulation No. 8543, December 18, 2014.



applicable Energy Bureau's regulations and/or any other appropriate administrative sanctions, as deemed appropriate by the Energy Bureau.

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





Sylvia B. Ugarte Araujo
Associate Commissioner

CERTIFICATION

I hereby certify that the majority of the members of the Puerto Rico Energy Bureau has so agreed on November 20, 2020. I also certify that on November 20, 2020 a copy of this Resolution and Order was notified by electronic mail to the following: astrid.rodriguez@prepa.com, jorge.ruiz@prepa.com, n-vazquez@aeep.com and c-aquino@prepa.com. I also certify that today, November 20, 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 November 20, 2020.

Wanda I. Cordero Morales
Clerk