

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

**NEER**

**Received:**

**Jan 29, 2021**

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IN RE: THE UNBUNDLING OF THE  
ASSETS OF THE PUERTO RICO  
ELECTRIC POWER AUTHORITY

CASE NO.:  
NEPR-AP-2018-0004

SUBJECT:  
December 23, 2020 Resolution and Order

**INFORMATIVE MOTION IN COMPLIANCE WITH THE  
DECEMBER 23, 2020 RESOLUTION AND ORDER**

TO THE HONORABLE PUERTO RICO ENERGY BUREAU:

COMES NOW, the Puerto Rico Electric Power Authority, through its counsel of record and respectfully sets forth and prays:

1. On December 23, 2020, the Puerto Rico Energy Bureau of the Public Service Regulatory Board (the “Energy Bureau”) issued a *Resolution and Order*<sup>1</sup> directing the Puerto Rico Power Authority (the “Authority”) to, among other things, file on or before February 1, 2021, proposed studies and proposals of a fully unbundled cost of service study (“Cost of Service Study”).<sup>2</sup>
2. Further, the Energy Bureau ordered that if the Authority could not provide the fully unbundled Cost of Service Study by the aforementioned date, the Authority had to explain why it

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<sup>1</sup> *Resolution and Order* issued on December 23, 2020 (the “Order”).

<sup>2</sup> *Id.*, at page. 4, Section IV.

A fully unbundled cost of service study based upon the general techniques used in the Unbundling Report, with updated data as feasible and an explanation of any different methodologies used. This study shall allocate revenues among classes, and within each class, allocate revenues among at least the following three categories:

1. All non-generation costs, not subject to competition from wheeling;
2. Generation costs avoidable by wheeling-related reduction in PREPA generation requirements;
3. All other generation costs that will be stranded by reduction in sales.

was unable to do so, along with a list of the analyses and data collection tasks necessary to complete the Cost of Service Study including a proposed schedule for the completion of those tasks.

3. As previously stated by the Authority in the *Request for Modification of Procedural Calendar Set Forth in the October 14, 2020 Resolution and Order* filed on October 19, 2020, and explained during the October 22, 2020 Technical Conference, the Authority had started a process of a Request for Proposals (RFP) to execute a contract of professional services to retain an advisor that could provide expertise in cases related to rate revision, such as the case of caption.

4. On October 1, 2020, the Authority issued RFP-108915 to request proposals for rate design advisory services via the Power Advocate digital platform. After some procedural steps such as presentations, additional questions, requests for clarifications, and the final score from the Authority's evaluation committee, on November 20, 2020, the notification of selection was awarded to Guidehouse, Inc. ("Guidehouse").

5. After the notification was provided, the Parties<sup>3</sup> held several meetings to clarify and set the contractual terms. Simultaneously, Guidehouse made the arrangements to acquire the insurance policies required in the Contract for its engagement and the Authority sought authorization from its Governing Board. On January 15, 2021, the Parties had finalized all the due diligence required to sign the professional services contract (the "Contract").

6. On January 2, 2021, the Governor of Puerto Rico issued Executive Order OE-2121-003<sup>4</sup>, its Section 18 prohibits contracting professional services or services purchased in agencies in

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<sup>3</sup> The Authority and Guidehouse, known collectively as (the "Parties").

<sup>4</sup> Executive Order No. 2021-003. *Orden Ejecutiva del Gobernador de Puerto Rico, Hon. Pedro R. Pierluisi, para Decretar Medidas de Responsabilidad Fiscal y Control de Gastos y Derogar el Boletín Administrativo Núm. OE-2017-001* (January 2, 2021), <https://www.estado.pr.gov/en/executive-orders/>. (the "Executive Order").

excess of ten thousand dollars (\$ 10,000) in the same fiscal year, without the prior authorization of the Director of the Government's Management and Budget Office (OMB).

7. In observance to the Executive Order and also OMB's Circular Letter CC-01-2021<sup>5</sup> issued on January 11, 2021, while also being mindful of the urgency to execute the Contract and comply with the case of caption, on January 13, 2021, the Authority requested an official waiver of the Executive Order's requirements. On January 26, 2021, the Office of the Governor issued the waiver.

8. Finally, the Contract was executed today, January 29, 2021, and thus, Guidehouse can now begin to provide the services that the Authority requires, including the development of the unbundled rate.

9. Since the Contract was executed today, the Authority will not be able to submit a Cost of Service Study by February 1, 2021. However, in compliance with the Order, the Authority hereby submits an estimate of deliverables and timeline to provide an Unbundled Rate Proposal. Exhibit A.

10. The Authority moves the Energy Bureau to accept the timeline submitted by the Authority and amend the procedural calendar set forth in the case of caption accordingly.

WHEREFORE, the Authority respectfully requests the Energy Bureau to note the Authority's efforts to retain an expert, accept the timeline submitted by the Authority in compliance with the December 23, 2021 Order and amend the procedural calendar of the case of caption accordingly.

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<sup>5</sup> Government Management and Budget Office Circular Letter No. 2121-001 *Medidas de Control de Responsabilidad Fiscal Relacionada con la Contratación y el Procedimiento para la Autorización Previa de Contratos de Servicios Profesionales o Comprados en Exceso de Diez Mil Dólares (\$10,000.00)* (January 11, 2021). [http://ogp.pr.gov/Memorandos\\_CartasCirculares](http://ogp.pr.gov/Memorandos_CartasCirculares).

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 29<sup>th</sup> day of January 2021.

*s/ Katuska Bolaños Lugo*  
Katuska Bolaños Lugo  
[kbolanos@diazvaz.law](mailto:kbolanos@diazvaz.law)  
TSPR 18,888

*/s Joannely Marrero Cruz*  
Joannely Marrero Cruz  
[jmarrero@diazvaz.law](mailto:jmarrero@diazvaz.law)  
TSPR 20,014

DÍAZ & VÁZQUEZ LAW FIRM, P.S.C.  
290 Jesús T. Piñero Ave.  
Oriental Tower, Suite 1105  
San Juan, PR 00918  
Tel. (787) 395-7133  
Fax. (787) 497-9664

Exhibit A

## **Estimate of Deliverables and Timing of Meeting Regulatory Commitment for an Unbundled Rate Proposal.**

Per the order from the Energy Bureau, PREPA must provide the following information:

- An unbundled rate proposal or proposals, including default unbundled tariff and structure;
- Determination of whether a capacity credit is appropriate and the level of which it should be set;
- Determination of whether the rate is fair and reasonable for all customers and avoids subsidies of wheeling customers by non-wheeling customers;
- A uniform wheeling services agreement for PREPA's service to EPSC who wish to participate in wheeling;
- The charges by PREPA to the EPSC for wheeling services rendered;
- Demonstration of non-discriminatory access and fair and reasonable interconnection protocols for ESPCs;
- Presentation of any proposals offered in testimony by intervenors;
- Demonstration of compliance with Act 57-2014, Act 17-2019, and Regulation 9138; and
- Address any other issues that the Energy Bureau determines should be addressed in the proceeding.

In short, PREPA must prepare a wheeling rate with support that it is cost reflective and appropriately and fairly structured as well as the tariff documents and related uniform wheeling services agreements. To accomplish this, Guidehouse will need to perform the following task:

1. Gather all relevant cost, planning and load forecast data (for at least 5 years forward and preferably also three years of historic) from PREPA, to include anticipated transmission flows and interconnections. (**two weeks** – highly dependent upon data availability and ability for PREPA to provide these data within two weeks).
2. Review data for quality and design proxies where data are insufficient or poor in quality. (**1 week** after data received in Task 1).
3. Conduct marginal cost of service study, which includes reviewing all planned projects and identification of which projects are designed to meet load growth versus infrastructure improvements, lifecycle replacement and grid hardening. This task requires access to PREPA planning experts who can help Guidehouse staff to review each planning project to appropriately classify the cost. (**four weeks, two weeks** in parallel with Task 2).
4. Design of wheeling rate. This requires working with PREPA management to understand the company's goals and desired outcomes from the wheeling rate, and thus at least one, half day, workshop to gain insights and understanding. (**five weeks, two weeks** in parallel with Tasks 2 and 3 above)
5. Implementation capabilities assessment. This requires interviewing key PREPA personnel responsible for billing, contract management, metering, accounting and other organizations as needed to determine what PREPA's capabilities are to implement and maintain the proposed wheeling rate, to include the timing needed to implement. (**3 weeks, done in parallel with Tasks 1,2 and 3 above**)
6. Test wheeling rate against different ESPC demands. (**2 weeks in parallel with Tasks 4, allowing for iteration of rates from findings on testing**).
7. Develop a uniform wheeling services agreement and vet with PREPA's legal teams. (**4 weeks, done in parallel with Tasks 4 and 5**).

8. Prepare regulatory filing, including professional testimony and supporting workpapers. (**4 weeks**, 2 weeks done in parallel with Tasks 6 and 7).
9. Review and QC final workpapers and testimony (assumes access to PREPA's leadership and regulatory teams to be able to work together to vet). (**2 weeks**, 1 week in parallel with Task 8)

Task	Duration	Project Timeline
1. Data collection	2	2 weeks
2. Data Review	1	1 weeks
3. Marginal COS	4	3 weeks
4. Design Rate	5	3 weeks
5. Implementation Assessment	3	0 weeks
6. Test Rate	2	0 weeks
7. Uniform Wheeling Agreement	4	0 weeks
8. Prepare Filing	4	2 weeks
9. Review and QC Filing	2	1 week
Contingency	2	2 weeks
<b>Total</b>	<b>29 weeks work</b>	<b>14 weeks duration</b>

**Key assumptions include:**

1. Rate design exclusively relies on Marginal Cost of Service study. Although Guidehouse can perform, and plans to perform, an embedded cost of services study, such studies are more involved and take more time and not as useful as a marginal cost study to design rates (versus allocate costs), particularly new rate designs that are cost reflective. If an embedded cost of service study is needed, this potentially adds an additional 4 weeks of work, some of which can be done in parallel with other tasks, but overall increases duration by two weeks.
2. PREPA can provide the level of revenues that are approved for collection under the wheeling tariff.
3. PREPA can offer all other cost data as needed within the two-week timeframe noted above for marginal costs, revenue forecasts and load. However, if embedded costs study is needed, the data needs will increase, and thus PREPA would need to be able to respond to greater data needs within the same timeframe or we extend accordingly.
4. PREPA staff will be available to meet with Guidehouse team, virtually initially and if travel restrictions are lifted, in person, for the above-mentioned strategy sessions and implementation interviews such that schedule is maintained. Upon kick-off, Guidehouse will proactively schedule these meetings as far in advance as possible to enable full participation.

Presuming a February 1, 2021 start date, filing can be targeted for week of May 10. Further delays in start date move the end date in kind.