

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

NEPR

Received:

Sep 16, 2021

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IN RE:

IN RE: PUERTO RICO ELECTRIC POWER
AUTHORITY PERMANENT RATE

CASE NO. NEPR-MI-2020-0001

**SUBJECT: Submission of FCA, PPCA and FOS
Quarterly Reconciliations and Proposed Factors and
Request for Confidential Treatment.**

**MOTION SUBMITTING FCA, PPCA AND FOS QUARTERLY RECONCILIATIONS
AND PROPOSED FACTORS AND REQUEST FOR CONFIDENTIAL TREATMENT**

TO THE HONORABLE PUERTO RICO ENERGY BUREAU:

COME NOW LUMA Energy, LLC (“ManagementCo”), and **LUMA Energy ServCo, LLC** (“ServCo”), (jointly referred to as the “Operator” or “LUMA”), through the undersigned counsel, and respectfully state and request the following:

I. Introduction

This honorable Energy Bureau’s approval and revisions of the factors associated with several riders including, contributions in lieu of taxes cost adjustment (CILTA), help to human subsidies (SUBA-HH), non-help to human subsidies (SUBA-NHH), Fuel Charge Adjustment (FCA), the Purchased Power Charge Adjustment (PPCA), and the Fuel Oil Subsidy (FOS), arise under a Resolution and Order dated April 23, 2019 issued in Case No. CEPR-AP-2015-0001 and NEPR-AP-2018-0003. The reconciliations and FCA, PPCA and FOS proposed factors are filed quarterly with this honorable Energy Bureau.

In a Resolution and Order issued on June 29, 2021, this Energy Bureau set the FCA, PPCA and FOS factors to be applicable from July 1, 2021 until September 30, 2021 (“June 29th Order”).

In the June 29th Order, the Energy Bureau also directed that on or before September 14, 2021, LUMA shall file the FCA, PPC and FOS reconciliations for the months of March, April and May, 2021, and the proposed factors to be applied starting on October 1, 2021.

On August 13, 2021, LUMA filed a submission styled *Submission of FCA and PPCA Reconciliations and Request for Confidential Treatment* of August 13, 2021, involving FCA and PPCA reconciliations for the month of July, 2021 (“August 13th Submission”). The Energy Bureau scheduled a technical conference in this proceeding for August 26, 2021, to discuss said submission and a prior filing made by LUMA on July 24, 2021, styled *Submission of FCA and PPCA Reconciliations and Request for Confidential Treatment*, involving proposed FCA and PPCA reconciliations for the month of June 2021. *See* Resolution and Order of August 20, 2021. On August 26, 2021, LUMA filed a *Revised Submission of FCA and PPCA Reconciliations and Request for Confidential Treatment*. A technical conference was held on August 26, 2021.

In a Resolution and Order of August 31, 2021, the Energy Bureau denied LUMA’s request for monthly reconciliation (the August 13th Submission as amended on August 26th) (“August 31st Order”). The Energy Bureau directed that on or before September 14, 2021, LUMA shall file the FCA, PPC and FOS reconciliations for the months of March, April and May 2021, and the proposed factors to be applied starting on October 1, 2021. Additionally, in the August 31st Order, this Energy Bureau instructed that in the quarterly filing due September 14, 2021, LUMA shall correct certain errors in fuel reports for the months of June and July 2021 that were submitted to the Energy Bureau on August 13, 2021 and August 26, 2021, as part of monthly submissions on reconciliations due to monthly variances.

On September 10, 2021, LUMA filed a motion entitled *Urgent Request for Brief Extension of Time to Submit FCA, PPCA and FOS Quarterly Reconciliations and Proposed Factors*. LUMA requested two additional business days, until September 16, 2021 to submit the quarterly reconciliations and proposed FCA, PPCA and FOS Rider Factors. On September 10, 2021, the Energy Bureau granted LUMA until September 16, 2021 at 5:00 pm, to submit the FCA, PPCA and FOS Quarterly Reconciliations and Proposed Factors. The Energy Bureau directed LUMA to explain the incremental costs of peaking units from June through August 2021.

Exercising its role and duties over system regulatory matters pursuant to Section 5.6 of the Puerto Rico Transmission and Distribution Operation and Maintenance Agreement (“T&D OMA”) as supplemented by the Puerto Rico Transmission and Distribution System Supplemental Terms Agreement, LUMA prepared the quarterly reconciliations for the months of June, July and August, 2021, and the proposed factors for the FCA, PPCA and FOS riders to be applied from October 1, 2021 until December 31, 2021.

This submission of the quarterly reconciliations for the months of June, July and August, 2021, and the proposed FCA, PPCA and FOS rider factors for the next quarter, includes excel spreadsheets that are being filed publicly via email in a file entitled *Values Folder* submitted with this Motion. With this Motion, LUMA is also submitting via email, confidential excel spreadsheets with formulae intact submitted in a file entitled *Confidential Folder*. As explained in Section IX *infra*, it is hereby respectfully requested that the Bureau accept and maintain the files and spreadsheets submitted in the file, *Confidential Folder*, under seal of confidentiality.

Additionally, LUMA hereby submits as Exhibit 1, a Summary of Revisions that LUMA made to the June and July reconciliations as requested in the August 30th Order. As Exhibit 2,

LUMA is submitting an explanation on retail sales forecasts entitled *Retail Sales Forecast*. Finally, in Exhibit 3, LUMA is including variance analysis memorandum and a presentation with its variance analysis. Exhibit 3 includes an explanation on incremental costs of the peaking units as requested by this Energy Bureau in the September 15th Order. *See* Exhibit 3, slides 8, 9 and 14.

II. Energy Bureau Authority

This submission of the quarterly reconciliations and proposed FCA, PPCA, and FOS factors involves the Energy Bureau’s authority under Act 57-2104, as amended by Act 17-2019, to “[r]eview and approve and, if applicable, modify the rates or fees charged by electric power service companies in Puerto Rico or the contractor of the transmission and distribution system of Puerto Rico in connection with any matter directly or indirectly related to the provision of electric power services.” *See* Act 17-2014, Section 6.3 (n), 22 LPRA §1054(n) (Spanish language). Also relevant is the Bureau’s authority to “formulate and implement strategies to achieve the objectives of this Act including, but not limited to, attaining the goal of reducing and stabilizing energy costs” *See Id.*, Section 6.3 (f).

III. Regulatory Formulas for Proposed FCA, PPCA and FOS Factors

A. FCA

The FCA is a reconciling tariff mechanism which recovers the costs of fuel consumed in PREPA’s generating units on a quarterly basis. *See* PREPA Book of Tariffs at page 49. The FCA applies to all the PREPA tariffs, except to the RHR tariff (RFR by its Spanish acronym, applicable to residents of public complexes owned by the Public Housing Administration). The formula to calculate the FCA factor is:

$$\text{FCA} = \frac{\text{Total Cost of Fuel} + \text{Prior Period Reconciliation}}{\text{Total Applicable Net Retail kWh Sales}}$$

Id.

The total cost of fuel is the cost of fuel purchased for all PREPA generating facilities for the three forecasted months in the quarterly time-period. *Id.* The prior period reconciliations is the under- or over recovered funds for the first two months of the current quarter and the last month of the prior quarter. *Id.* LUMA shall provide the estimates of the reconciling balance with each proposed quarterly filing of the FCA. *Id.* Finally, the applicable net retail kWh sales include the sale of energy to all customer classes, including the net metering clients. *Id.*

The quarterly filing of reconciliations and proposed factors is due the second week of the third month of each quarter and the proposed factors go into effect the first month of the following quarter.

B. PPCA

The PPCA is a reconciling tariff mechanism which recovers the costs of purchased power consumed in PREPA's generating units on a quarterly basis. *See* PREPA Book of Tariffs at page 51. The PPCA applies to all the PREPA tariffs, except to the RHR tariff (RFR by its Spanish language acronym) (applicable to residents of public complexes owned by the Public Housing Administration). The formula to calculate the PPCA factor is:

$$\text{PPCA} = \frac{\text{Total Costs Purchased Power} + \text{Prior Period Reconciliation}}{\text{Total Applicable Net Retail kWh Sales}}$$

Id.

The total cost of purchased power is the cost of purchased resources of energy and capacity for the three forecasted months in the quarterly time-period. *Id.* The prior period reconciliations is the under- or over recovered funds for the first two months of the current quarter and the last month of the prior quarter. *Id.* LUMA shall provide the estimates of the reconciling balance with

each proposed quarterly filing of the PPCA. *Id.* Finally, the applicable net retail kWh sales include the sale of energy to all customer classes, include the net metering clients. *Id.*

The quarterly filing of reconciliations and proposed factors is due the second week of the third month of each quarter and the proposed will go into effect the first month of the following quarter.

C. FOS

The FOS applies to certain general residential services tariffs (GRS by its English-language acronym), including disabled persons, elderly persons and university students, tariffs for special residential services (LRS by its English-Language acronym) and residential services for public projects (RH3 by its English-Language acronym). *Id.* at page 53. This fuel subsidy applies to monthly consumption that does not exceed 500 kWh. It is calculated on a quarterly basis.

For the first \$30 per barrel of fuel, excluding natural gas, clients will receive a credit equivalent to the subsidy factor multiplied by the customer's monthly consumption up to a consumption of 400 kWh. *Id.* Customers that consume between 401 and 425 kWh will receive a credit equivalent to a consumption of 400 kWh. *Id.* Finally, for customers that consume between 426 and 500 kWh the credit will be progressively reduced to 425 kWh to reach 0 or 500 kWh. *Id.*

IV. Factors Fixed by PREB for July 1 through September 30, 2021

In the June 29th Resolution and Order, this honorable Energy Bureau, set the following factors to apply from July 1, 2021 through September 30, 2021:

Adjustment Clause	Factor(\$/kwh)
FCA	0.106237
PPCA	0.034029
FOS	-0.015474

V. Reconciliations for FCA and PPCA Riders

The quarterly reconciliations for the FCA and PPCA riders that are being submitting in the file entitled “Quarter Reconciliation File June-Jul-Aug 2021” include the calculations for the reconciliations of the FCA and PPCA riders (costs versus revenues) and the amounts to be recovered or returned for each of these riders.

For the month of June 2021, the Fuel Costs and the prior period adjustments were \$153,592,293.96 and revenues totaled \$127,847,129.85. There was a revenue insufficiency of \$25,745,163.41 which is to be recovered from customers. On the other hand, the Purchased Power Costs and the prior period adjustments were \$33,732,225.77 and revenues totaled \$39,633,322.90. There was an excess revenue of \$5,901,097.13 which is to be refunded to customers.

For the month of July 2021, the Fuel Costs and prior period adjustments were \$181,132,511.55 and revenues totaled \$149,666,218.26. There was a revenue insufficiency of \$31,466,293.30 which is to be recovered from customers. The Purchased Power Costs and prior period adjustments were \$48,139,387.67 and revenues totaled \$47,962,549.11. There was a revenue insufficiency of \$176,838.56 which is to be recovered from customers.

Finally, on August 2021 the Fuel Costs and prior period adjustments were \$203,738,024.02 and revenues totaled \$156,181,373.63. There was a revenue insufficiency of \$47,556,650.39 which is to be recovered from customers. The Purchased Power Cost and prior period adjustments were \$47,185,727.21 and revenues totaled \$49,962,081.47. There was a revenue insufficiency of \$2,776,354.26 which is to be refunded from customers.

LUMA faced some issues during the quarter with its billing system, as such there was a higher number of unbilled customers. LUMA expects to resolve the issue in the near-term and

therefore has reduced the reconciliation amount by those customers expected to be billed in the next quarter. LUMA has reduced the FCA by \$8,252,146.71 and PPCA by \$2,638,084.84. (Please refer to File OCTOBER-DECEMBER 2021 Factors,xlsx Attachment 7.).

The total reconciliation for the period between June and August for the FCA is a recovery of \$96,515,960.39 and for PPCA is a refund for \$11,138,697.66. The net amount to be recovered is \$85,377,262.72.

The proposed FCA for October to December is 13.63¢, an increased of 3.01¢ or 28.34% against the factor from July to September 2021 and the PCA is 2.88¢ a decreased of 0.52¢ or 15.23% for a net increase of 2.49¢ or 16.14%.

The following table shows the typical billing (Attachment to excel spreadsheet entitled “October-December 2021 Factors”) :

		July 2021 - September 2021		October 2021 - December 2021		Variance		
Rate and Voltage Level	Energy Consumption (kWh)	\$	\$/kWh	\$	\$/kWh	Bill (\$)	\$/kWh	%
GRS - Residential	400	\$85.53	\$0.2138	\$95.51	\$0.23878	\$9.98	\$0.02495	11.7%
GSS - Secondary Small Commercial, Industrial	1,200	\$291.65	\$0.2430	\$321.57	\$0.26798	\$29.92	\$0.02493	10.3%
GSP - Primary Medium Commercial, Industrial 250 kVA	91,800	\$20,482.83	\$0.2231	\$22,770.76	\$0.24805	\$2,287.93	\$0.02492	11.2%
GST - Transmission Large Commercial,	550,800	\$116,469.76	\$0.2115	\$130,197.35	\$0.23638	\$13,727.59	\$0.02492	11.8%

Industrial 1,500 kVA								
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VI. Proposed Factors

The excel spreadsheet entitled “October-December 2021 Factors” includes the calculations for the proposed FCA, PPCA and FOS factors.

LUMA respectfully requests that the Energy Bureau approve the following factors to apply for the next quarter from October 1, 2021 until December 31, 2021:

FCA- \$0.136342

PPCA- \$0.028847

FOS- \$0.022367

VII. List of Documents Filed in Support of Quarterly Reconciliations and Proposed FCA, PPCA and FOS Factors.

A. Confidential Folder

Comportamiento de Generación
Quarter Reconciliation File Jun – Jul – Aug 2021
OCTOBER-DECEMBER 2021 Factors_v2
Fuel Inventory Folder: <ul style="list-style-type: none"> • Precio Ponderado Análisis • PRECIO PONDERADO DIRECTORADO DE GENERACION @ junio 30, 2021

B. Public Files in Values Folder

Comportamiento de Generación
Quarter Reconciliation File Jun – Jul – Aug 2021
OCTOBER-DECEMBER 2021 Factors_v2
Fuel Inventory Folder: <ul style="list-style-type: none"> • 21-10079 INVENTORY 17MAY21 MULTIGRADE @ PREPA PS SAN JUAN, P.R - REF. PS-END OF MONTH-5-21. • 21-10080 INVENTORY NO. 2 FUEL OIL @ PREPA DAGUAO CEIBA, P.R - REF. DG-END OF MONTH-5-21.

- 21-10081 INVENTORY NO. 2 FUEL OIL @ PREPA JOBOS GUAYAMA, P.R.
- REF. JB-END OF MONTH-5-21.
- CERTIFICADO DE CANTIDAD - DIESEL INVENTORY @ DAGAU
NAGUABO, P.R.
- CERTIFICADO DE CANTIDAD - DIESEL INVENTORY JOBOS
GUAYAMA, P.R.
- Full Report 1310100015974 - PUERTO RICO ELECTRIC (BR) POWER
AUTHORITY, M. Rios
 - October – December 2021 Factors_v2
- Full Report 1310100015975 - PUERTO RICO ELECTRIC (BR) POWER
AUTHORITY, M. Rios
- Full Report 1310100015976 - PUERTO RICO ELECTRIC (BR) POWER
AUTHORITY, M. Rios
- Full Report 1310100015977 - PUERTO RICO ELECTRIC (BR) POWER
AUTHORITY, M. Rios
 - GA021353 PREPA AG End of Month 5-21
 - GA021354 PREPA YB END-MONTH INVENTORY 5.21
 - GA021355 PREPA SJ END-MONTH INVENTORY
 - Precio Ponderado Análisis
- PRECIO PONDERADO DIRECTORADO DE GENERACION @ junio 30,
2021

VIII. Request for Confidential Treatment of Excel Files and Supporting Memorandum of Law.

The confidential excel files mentioned in Section VII A of this Motion *supra*, that are being submitted with this Motion, include excel spreadsheets submitted in native format (.xls) and with formulae intact. *See Confidential Folder*. They include formulae and original calculations made by LUMA personnel that reveal confidential procedures and include sensitive commercial information belonging to LUMA and/or the Puerto Rico Electric Power Authority (“PREPA”), and that are thus protected by law from disclosure and that should not be disclosed in native form.

A. Applicable Laws and Regulation to submit information confidentially before the Bureau.

The bedrock provision on management of confidential information that is filed before this Bureau, is Section 6.15 of Act 57-2014, known as the “Puerto Rico Energy Transformation and Relief Act.” It provides, in pertinent part, that: “[i]f any person who is required to submit information to the Energy Commission believes that the information to be submitted has any confidentiality privilege, such person may request the Commission to treat such information as such” 22 LPRA §1054n. If the Bureau determines, after appropriate evaluation, that the information should be protected, “it shall grant such protection in a manner that least affects the public interest, transparency, and the rights of the parties involved in the administrative procedure in which the allegedly confidential document is submitted.” *Id.*, Section 6.15 (a).

Relatedly, in connection with the duties of electric power service companies, Section 1.10 (i) of Act 17-2019 provides that electric power service company shall provide information requested by customers, except for confidential information in accordance with the Rules of Evidence of Puerto Rico.”

Access to the confidential information shall be provided “only to the lawyers and external consultants involved in the administrative process after the execution of a confidentiality agreement.” *Id.* Section 6.15(b). Finally, Act 57-2014 provides that this Energy Bureau “shall keep the documents submitted for its consideration out of public reach only in exceptional cases. In these cases, the information shall be duly safeguarded and delivered exclusively to the personnel of the [Bureau] who needs to know such information under nondisclosure agreements. However, the [Bureau] shall direct that a non-confidential copy be furnished for public review”. *Id.* Section 6.15 (c).

The Bureau's Policy on Confidential Information details the procedures that a party should follow to request that a document or portion thereof, be afforded confidential treatment. In essence, the referenced Policy requires identification of the confidential information and the . . . filing of a memorandum of law explaining the legal basis and support for a request to file information confidentially. *See* CEPR-MI-2016-0009, Section A, as amended by the Resolution of September 16, 2016, CEPR-MI-2016-0009. The memorandum should also include a table that identifies the confidential information, a summary of the legal basis for the confidential designation and a summary of the reasons why each claim or designation conforms to the applicable legal basis of confidentiality. *Id.* paragraph 3. The party who seeks confidential treatment of information filed with the Bureau must also file both "redacted" or "public version" and an "unredacted" or "confidential" version of the document that contains confidential information. *Id.* paragraph 6.

The aforementioned Bureau policy on management of confidential information in procedures states the following with regards to access to validated Trade Secret Information:

1. Trade Secret Information
Any document designated by the [Energy Bureau] as Validated Confidential Information because it is a trade secret under Act 80-2011 may only be accessed by the Producing Party and the [Bureau], unless otherwise set forth by the [Bureau] or any competent court.

Id. Section D (on Access to Validated Confidential Information).

Relatedly, Bureau Regulation No. 8543, *Regulation on Adjudicative, Notice of Noncompliance, Rate Review, and Investigation Proceedings*, includes a provision for filing confidential information in adjudicatory proceedings before this honorable Bureau. To wit,

Section 1.15 provides that, “a person has the duty to disclose information to the [Bureau] considered to be privileged pursuant to the Rules of Evidence, said person shall identify the allegedly privileged information, request the [Bureau] the protection of said information, and provide supportive arguments, in writing, for a claim of information of privileged nature. The [Bureau] shall evaluate the petition and, if it understands [that] the material merits protection, proceed accordingly to . . . Article 6.15 of Act No. 57-2015, as amended.” *See also* Bureau Regulation No. 9137 on *Performance Incentive Mechanisms*, Section 1.13 (addressing disclosure before the Bureau of Confidential Information and directing compliance with Resolution CEPR-MI-2016-0009).

B. Grounds for Confidentiality

Under the Industrial and Trade Secret Protection Act of Puerto Rico, Act 80-2011, 10 LPRA §§ 4131-4144, industrial or trade secrets are deemed to be any information:

- (a) That has a present or a potential independent financial value or that provides a business advantage, insofar as such information is not common knowledge or readily accessible through proper means by persons who could make a monetary profit from the use or disclosure of such information, and
- (b) for which reasonable security measures have been taken, as circumstances dictate, to maintain its confidentiality.

Id. §4131, Section 3 Act. 80-2011.¹ Trade secrets include, but are not limited to, processes, methods and mechanisms, manufacturing processes, formulas, projects or patterns to develop machinery and lists of specialized clients that may afford an advantage to a competitor. *See*

¹ Relatedly, Rule 513 of the Rules of Evidence of Puerto Rico provides that the owner of a trade secret may invoke the privilege to refuse to disclose, and to prevent another person, from disclosing trade secrets, provided that these actions do not tend to conceal fraudulent actions or lead to an injustice. 32 P.R. Laws Annot. Ap. VI, R. 513. If a court of law mandates disclosure of a trade secret, precautionary measures should be adopted to protect the interests of the owner of the trade secret. *Id.*

Statement of Motives, Act 80-2011. As explained in the Statement of Motives of Act 80-2011, protected trade secrets include any information bearing commercial or industrial value that the owner reasonably protects from disclosure. *Id. See also* Article 4 of Puerto Rico's Open Data Law, Act 122-2019 (exempting the following from public disclosure: (1) commercial or financial information whose disclosure will cause competitive harm; (2) trade secrets protected by a contract, statute or judicial decision (3) private information of third parties). *See* Act 122-2019, Articles 4 (ix) and (x) and (xi)).

The Puerto Rico Supreme Court has explained that the trade secrets privilege protects free enterprise and extends to commercial information that is confidential in nature. *Ponce Adv. Med. v. Santiago Gonzalez*, 197 DPR 891, 901-02 (2017) (citation omitted).

The excel spreadsheets that have been submitted today in native form and with formulae intact in the file entitled *Confidential Folder* are protected as trade secrets. They have commercial value to LUMA and PREPA as they reveal confidential processes and analysis to produce calculations in support of the public filings of the proposed FCA, PPCA and FOS factors. LUMA and PREPA keep and maintain these native files confidentially and do not disclose them to the public nor to unauthorized third parties.

LUMA appreciates the importance of placing the Energy Bureau in the position of reviewing the reconciliations and fixing the annual factors. However, to avoid future competitive harms that could ensue if original format spreadsheets with formulae and calculations are publicly disclosed, LUMA respectfully requests that the excel files submitted today in the file entitled *Confidential Folder*, be received, kept and maintained confidentially by this Energy Bureau.

The confidential spreadsheets included in the file entitled *Confidential Folder* are: (1) documents with commercial and financial value, and (2) involve data that **is not common knowledge or readily accessible** by third parties who may seek to profit from the data or gain commercial advantages. The spreadsheets are business documents showing processes, methods and mechanisms, that garner protection under Act 80-2011. They are original documents that have not been disclosed to the third parties and whose disclosure would reveal sensitive and private commercial processes employed by LUMA and PREPA. The disclosure of this sensitive commercial information would place LUMA and PREPA in vulnerable and disadvantageous commercial positions that could affect LUMA customers and impact rates. Reasonable measures have been taken to protect the files from disclosure and avoid unauthorized access by third parties that could seek to gain commercial advantages. It is respectfully submitted that the spreadsheets included in the filed entitled *Confidential Folder* are trade secrets protected from public disclosure by Act 80-2011.

WHEREFORE, LUMA respectfully requests that the Energy Bureau **take notice** of the aforementioned; **accept** the filing of the FCA, PPCA, and FOS reconciliations for the months of June, July, and August and the proposed factors to be applied from October 1, 2021 until December 31, 2021; and **grant** the request to keep confidentially the spreadsheets that have been filed in excel format and with formulae in the file entitled *Confidential Folder* that is submitted with this Motion.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 16th day of September 2021.



DLA Piper (Puerto Rico) LLC

500 Calle de la Tanca, Suite 401

San Juan, PR 00901-1969

Tel. 787-945-9107

Fax 939-697-6147

/s/ Margarita Mercado Echegaray

Margarita Mercado Echegaray

RUA NÚM. 16,266

margarita.mercado@us.dlapiper.com

Exhibit 1

EXHIBIT 1

Summary of Revisions

Following requirements of the Accelerate Clause, LUMA filed monthly reconciliations on July 23 and August 25, 2021. On August 26, 2021, during the Technical Conference several errors were noted by Commissioners. The following provides a summary of revisions performed to the June, July, and August monthly reconciliations.

FUEL REPORT

Within the Fuel Report the following revisions have been made:

BEGINNING BALANCES

In rows 7 through 13 of the FUEL-JUN21-Busqueda Tab of the *QUARTER RECONCILIATION FILE JUN-JUL-AUG 2021.xls*, the beginning balance for June 2021 was corrected using the ending balance for May 2021.

These changes also flowed through the July monthly reconciliations in Tabs FUEL-JUL-21-Busqueda, FUEL-JUL-21-REPORTE and FUEL-JUL-21Consumo y Generacion within the *QUARTER RECONCILIATION FILE JUN-JUL-AUG 2021.xls* file as the beginning balances were updated to reflect the change made in June.

MISCELLANEOUS EXPENSES

In rows 34 through 37 from tabs FUEL-JUN21-Busqueda, FUEL-JUL21-Busqueda and FUEL-AUG21-Busqueda within the *QUARTER RECONCILIATION FILE JUN-JUL-AUG 2021.xls*, the inspections and laboratories expenses were reclassified by fuel type and plant for the months of June, July, and August 2021, as indicated by the monthly report (Informe Mensual - Compras Combustibles)

INVENTORY ADJUSTMENTS

The inventory adjustments calculations in rows 26 through 28 from tab FUEL-JUL21-Busqueda were modified within the *QUARTER RECONCILIATION FILE JUN-JUL-AUG 2021.xls*. The total cost of the inventory adjustments were calculated by multiplying the difference between the ending balance of barrels in June from Fuel Report and barrels informed by PREPA Fuel Office on June 30, by the weighted average price per barrel on June 30, both according to the file PRECIO PONDERADO DIRECTORADO DE GENERACION @ junio 30, 2021. All associated calculations are in the file Precio Ponderado Analisis column I.

TAXES

The taxes were reviewed, and the correct amount was entered, as reported by PREPA Fuel Office in the Monthly Report - Fuel Purchase, rows 57 and 58 from tabs FUEL-JUN21-Busqueda, FUEL-JUL21-Busqueda and FUEL-AUG21-Busqueda within the *QUARTER RECONCILIATION FILE JUN-JUL-AUG 2021.xls*.

PURCHASE POWER

The preliminary data used for power purchase costs for June and July was updated with final invoices. In June AES, EcoEléctrica and Humacao Solar Project were revised, refer to the file *QUARTER RECONCILIATION FILE JUN-JUL-AUG 2021.xls*, tab RECONCILIATION GRAND SUMMARY Columns J



Summary of Revisions

to O rows 39,40 and 43. In the same file, July was updated Windmar (Coto Laurel), refer tab RECONCILIATION GRAND SUMMARY Columns J to O row 80.

Exhibit 2

Retail Sales Forecast

EXCEL FILE: COMPORTAMIENTO GENERACIÓN

The retail sales were estimated base on the generation using the following assumptions:

GENERATION

- September 2021 was estimated using the daily Generation up to September 8th, 2021. The first step was determining an average generation by day from actuals between August and the available for September. Second, this estimate average by day is multiply by the amount of days left after September 8th.
 - Example. Monday: The average generation was determined using Monday August 23 and 30 and September 6 to estimate the three Mondays left from September. (see file Comportamiento generación, tab sep21). This average was multiply by 3 Mondays left to finish the month.
- October to December were estimated according the variance between June, July and September 2021 with the same months from 2020 (See file Comportamiento generación, tab Estimado factores Q2 2022, column C, rows 8 to 10). The Generation in July 2021 compared with same month 2020 increased 1.52%, 2.84% in August and 5.85% the estimation from September. The accumulated variance used for the estimation was 3.38%. (See file Comportamiento generación, tab Estimado factores Q2 2022, column E, row 7).

CONSUMPTION

- The monthly estimate generation is multiplied by the efficiencies (consumption/generation) to get the estimate consumption for October, November and December (See file Comportamiento generación, tab Estimado factores Q2 2022, column H, rows 8 to 10). The efficiencies were smoothing using 4 months rolling average from Fiscal years 2020 and 2021. (See File Comportamiento generarión, tab Eficiencia row 32).

Exhibit 3

EXHIBIT 3

Fuel Variance

September 16, 2021

August 2021 Fuel Variance Analysis

The reconciliation for August 2021 reflects an actual fuel cost expenditure of \$203.74M and an actual billing (per sales report) of \$156.18M. Between the two, there is an under-collected amount of \$47.56M. During August, total fuel purchase costs for PREPA units plus EcoElectrica were equal to \$186.7M, which was \$30.7M less than projected. This variance, plus the \$16.9M from prior period accounting adjustments explain the under-collected amount.

The projected electric demand for the month of August which was used to perform the June PROMOD simulation was 1,756.1 GWh and the actual generation for August 2021 was 1,829.7 GWh. This represents an increase of 73.6 GWh (4%) versus forecasted demand for August.

A significant contributor to the variance between the forecasted and actual values is the re-dispatch of the generation units different from what was previously assumed in the June PROMOD analysis. PROMOD calculates an optimum economic dispatch of the available units that uses the least expensive plants first. Due to issues with unit availability, the actual dispatch for the month was different from what was forecast.

Actual fuel unit costs were not significantly different than forecast for the period.

The attached PowerPoint slide presentation summarizes the relative contribution from each of the fuel “cost-drivers” for the entire quarter which also itemizes monthly variances.





FCA – PPCA Variance Discussion

September 17, 2021

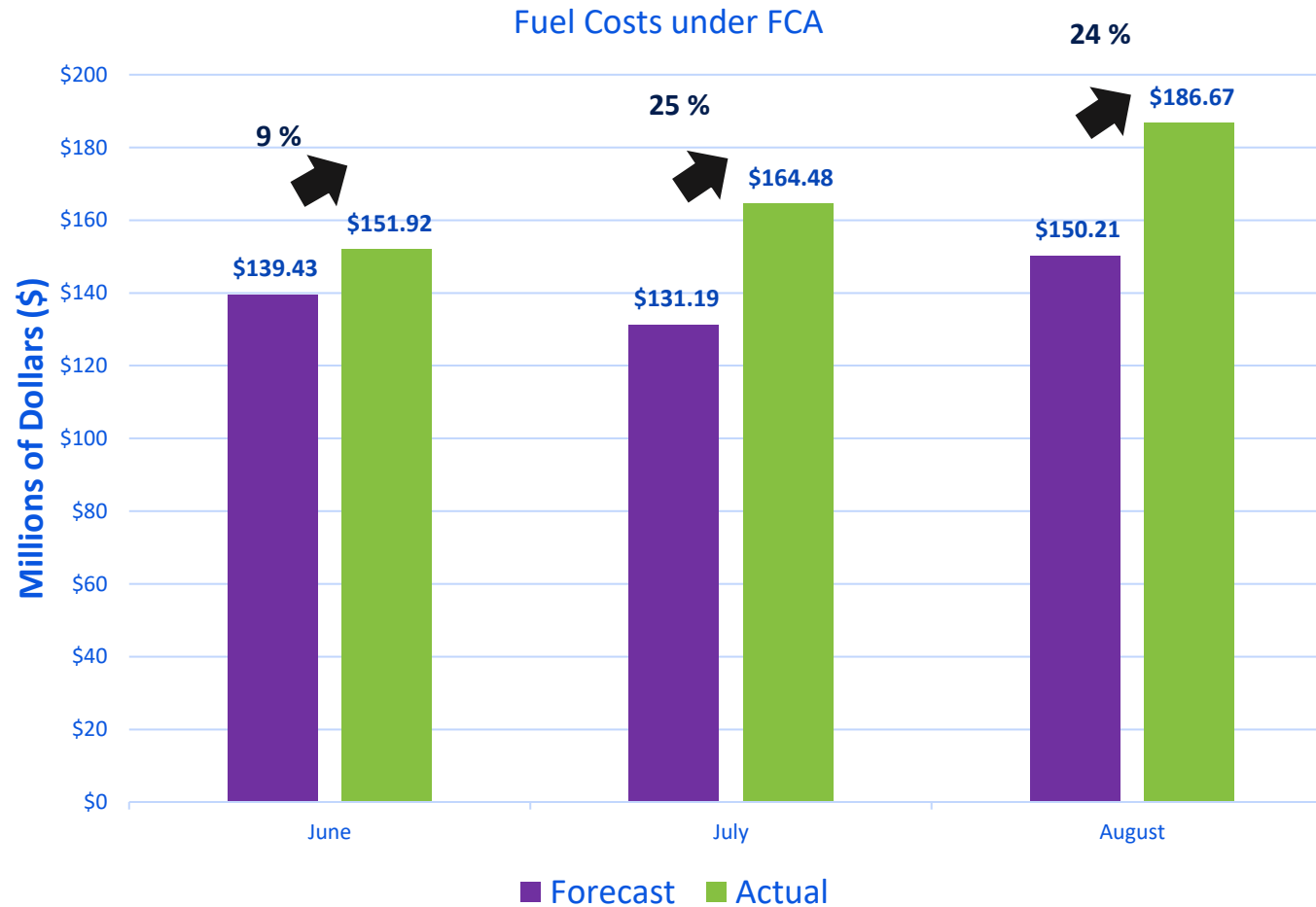


Agenda

- I. Fuel Charge Adjustment Variance Analysis
- II. Purchased Power Charge Adjustment Variance Analysis
- III. Summary

I. Fuel Charge Adjustment

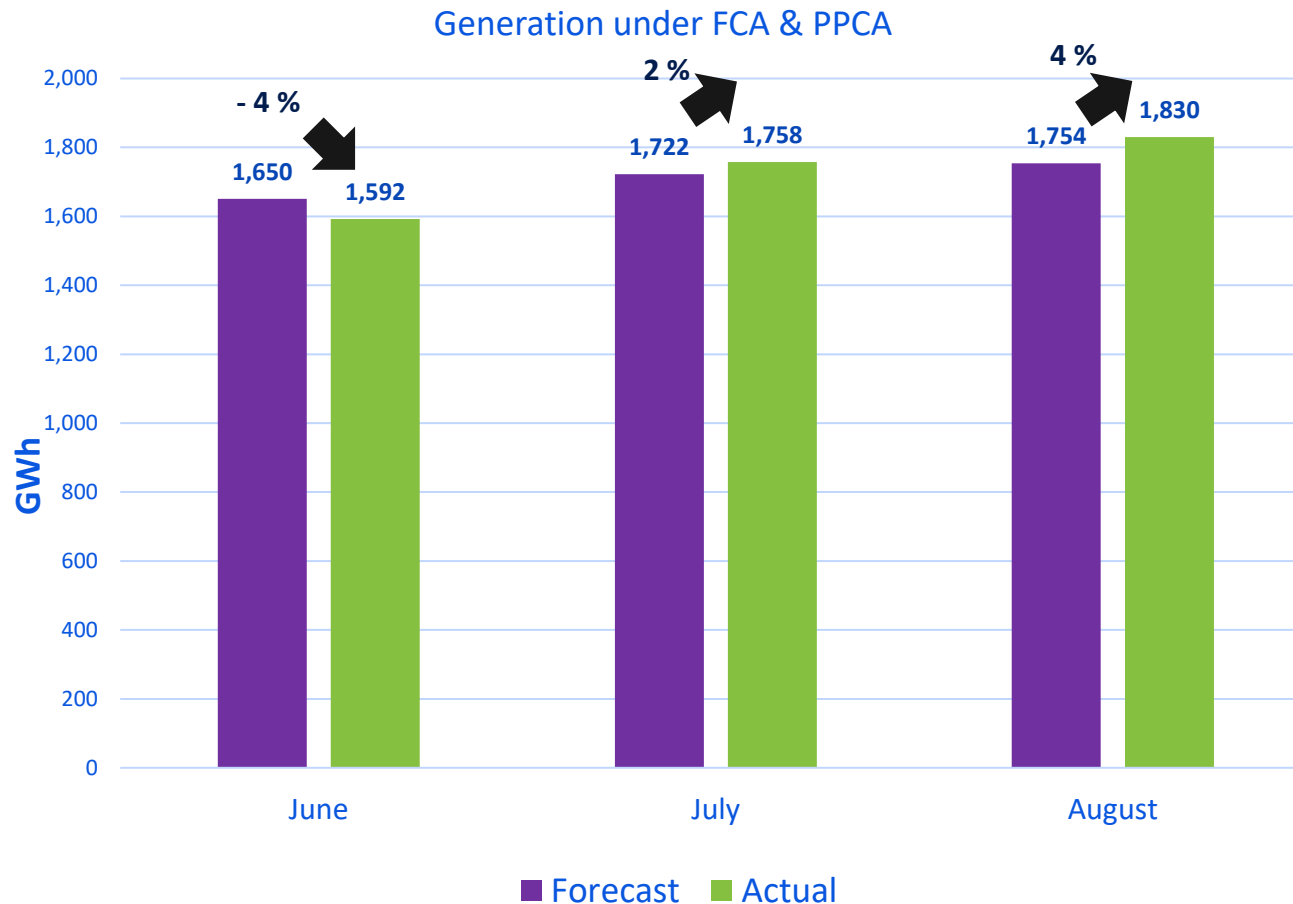
Actual fuel expenditures in Q1 FY22 were almost 20% higher than projected



3-month Total Fuel Cost Comparison:

- Forecasted: \$ 420.83 Million
- Actual: \$ 503.06 Million
- Variance: \$82.23 Million (19.6%)

Actual electric generation provided to all customers in Q1 FY22 was 1% higher than projected

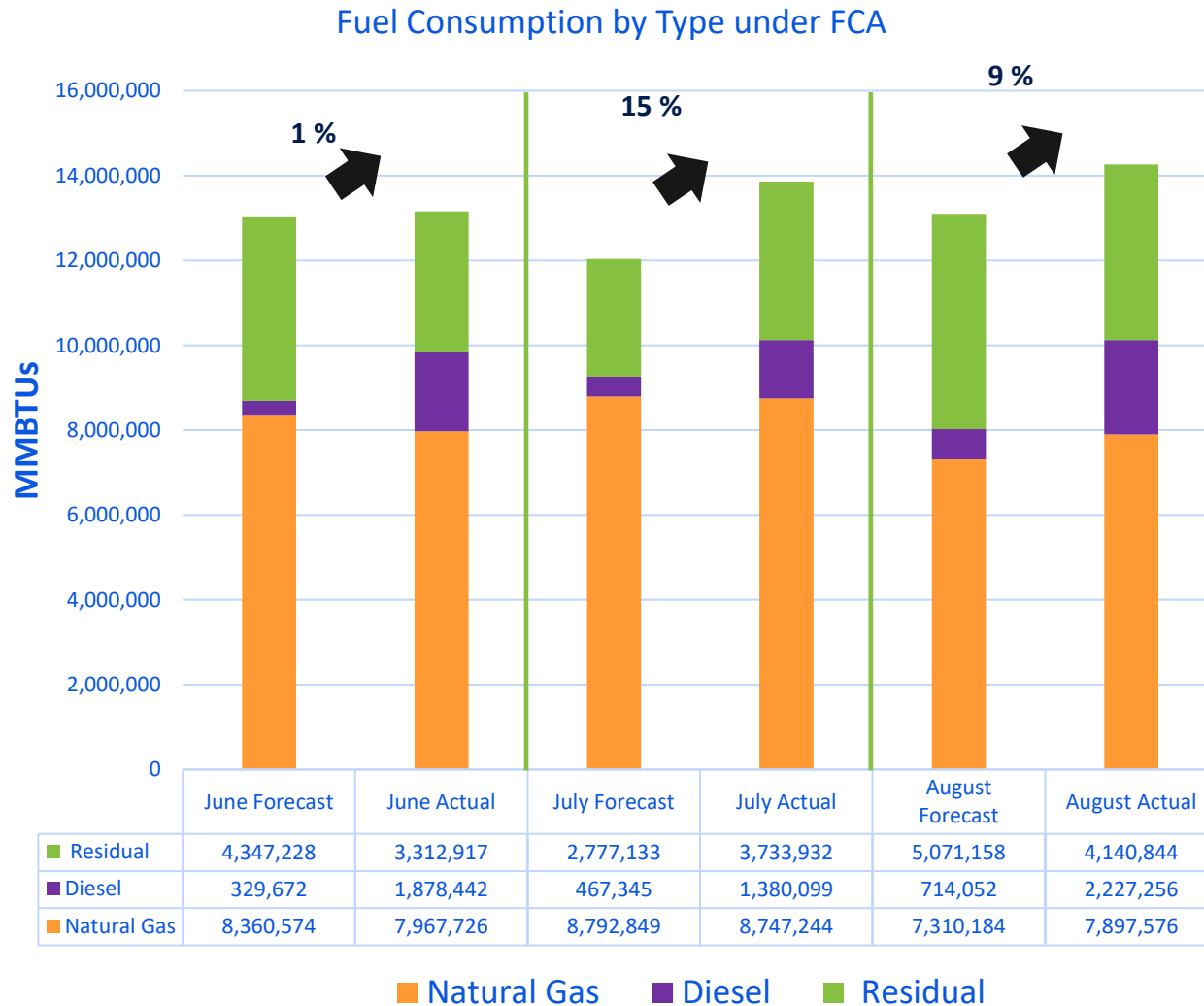


3-month Total Generation Comparison:

- Forecasted: 5,126.9 GWh
- Actual: 5,179.3 GWh
- Variance: 52.4 GWh (1%)



Actual fuel procured in Q1 FY22 was 8% higher than forecasted, driven by a larger consumption of diesel fuel than projected



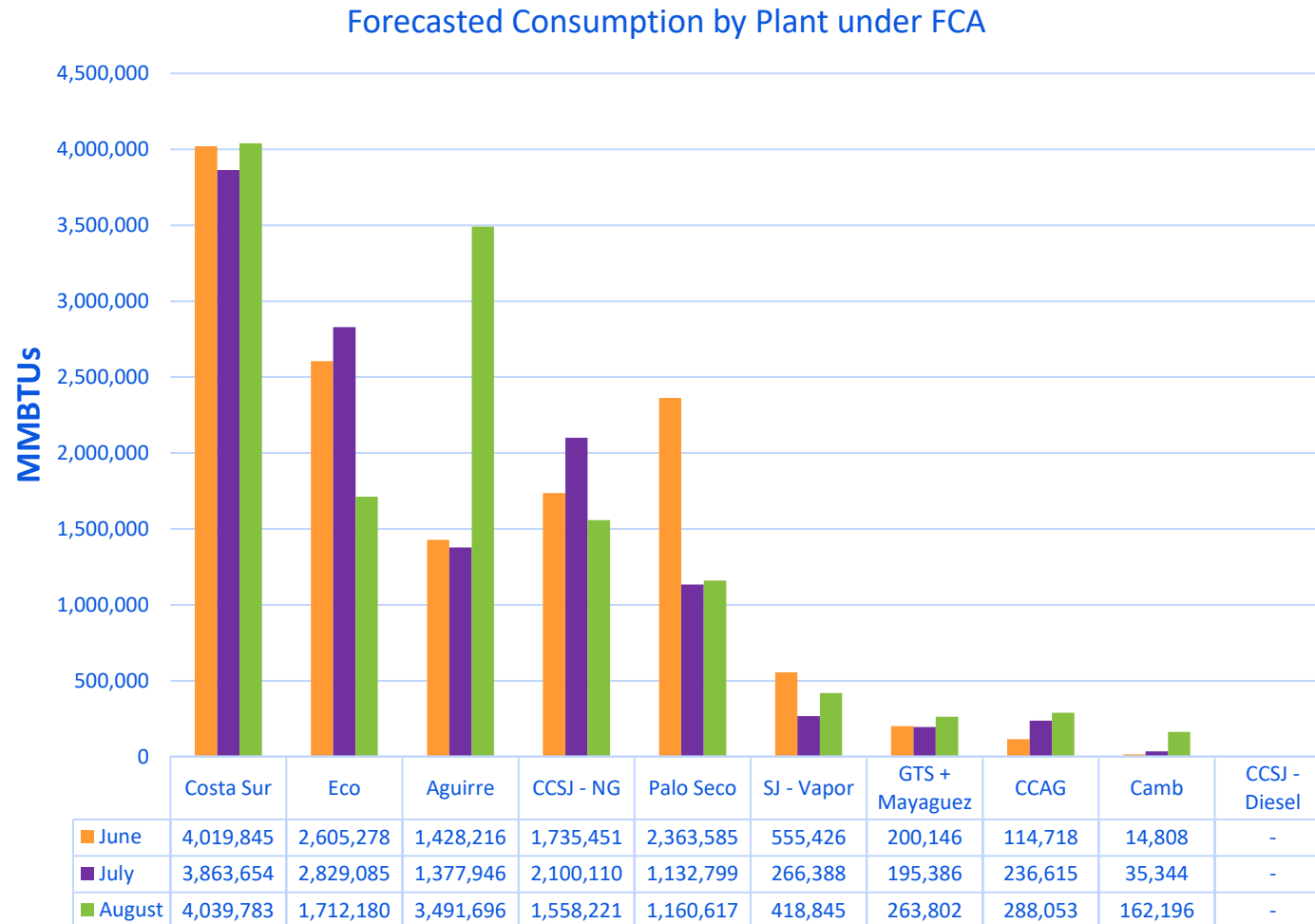
3-month Total Consumption Comparison:

- Forecasted: 38,170,192 MMBtu
- Actual: 41,286,035 MMBtu
- Variance: 3,115,842 MMBtu (8%)

Fuel Type	Forecast	Actual	% Variance
Residual	12,195,518	11,187,692	-8%
Diesel	1,511,068	5,485,797	263%
Natural Gas	24,463,605	24,612,546	1%
Total	38,170,192	41,286,035	8%



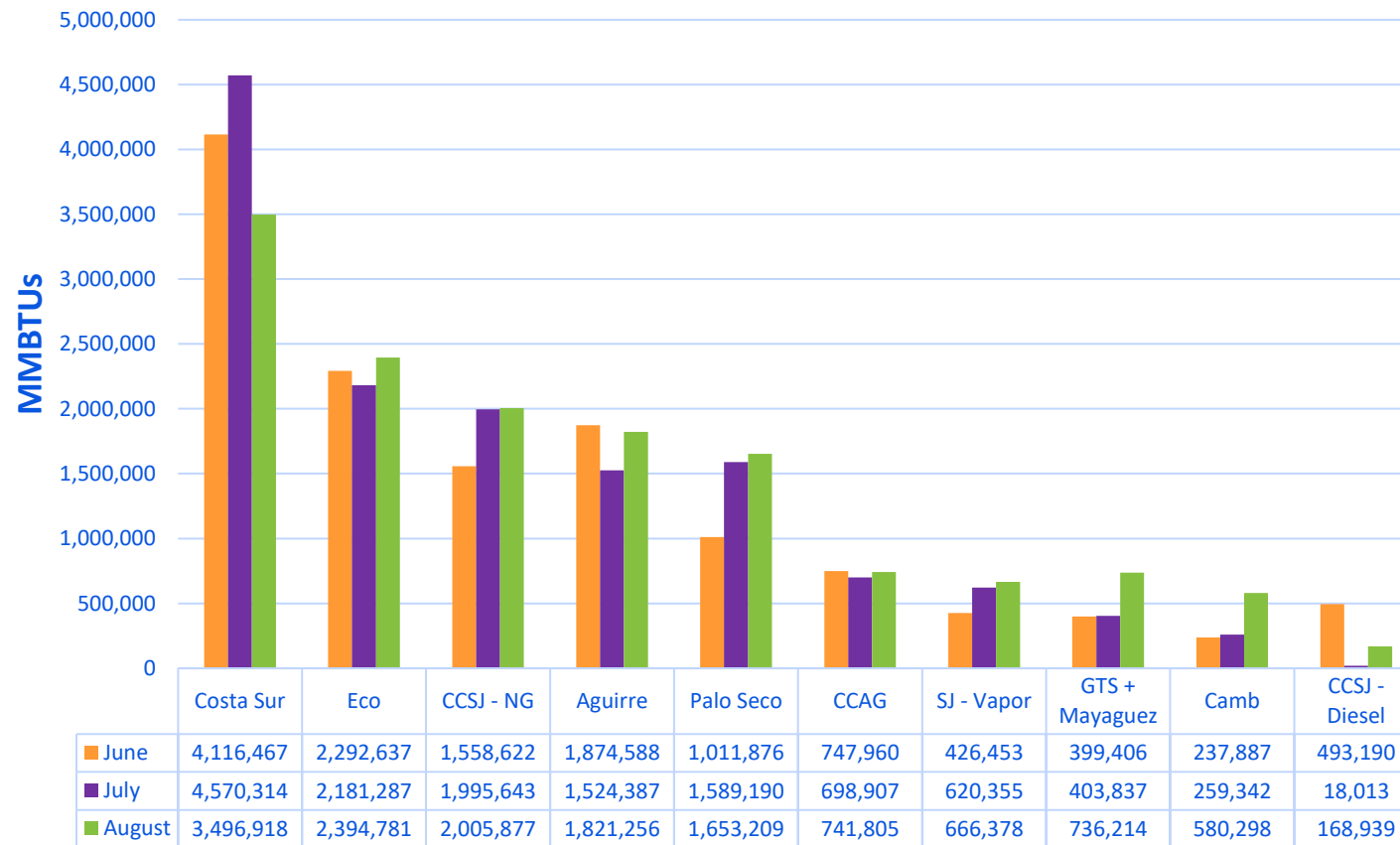
Fuel procurement forecast assumed high utilization of more efficient, base load generation sites



- PROMOD forecast optimizes expected plant utilization to determine least cost dispatch
- PROMOD maximizes production from lowest cost units first, then relies on less efficient units as needed to meet demand
- Forecasted production determined primarily by plant availability due to outage schedules
- Peaker units forecast to be used only on occasional hours as needed (high heat rate, high cost)

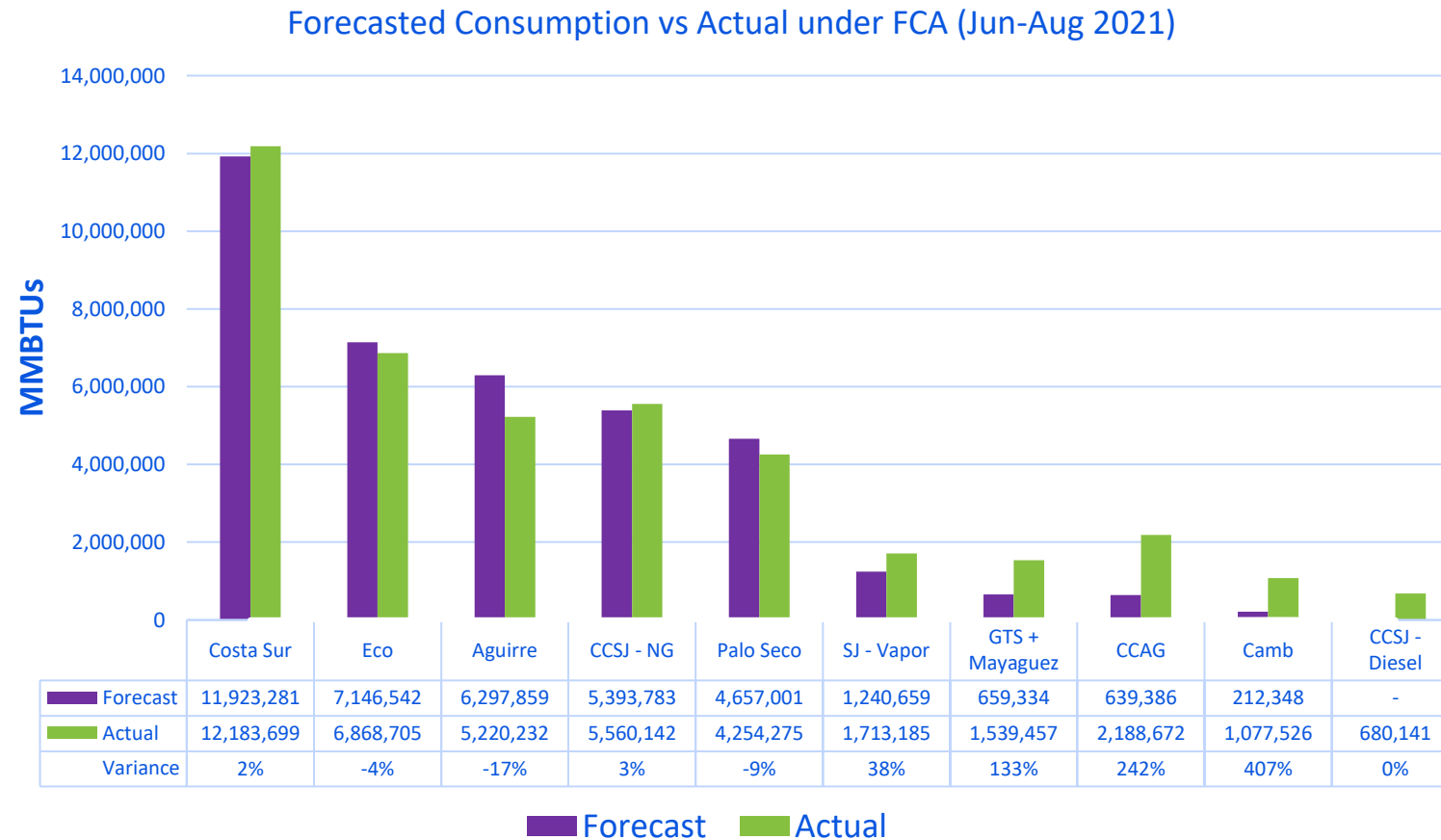
Diesel fueled-peaker plants were utilized to meet customer demand and to minimize load shedding

Actual Consumption by Plant under FCA



- Increased reliance on peaker plants in August

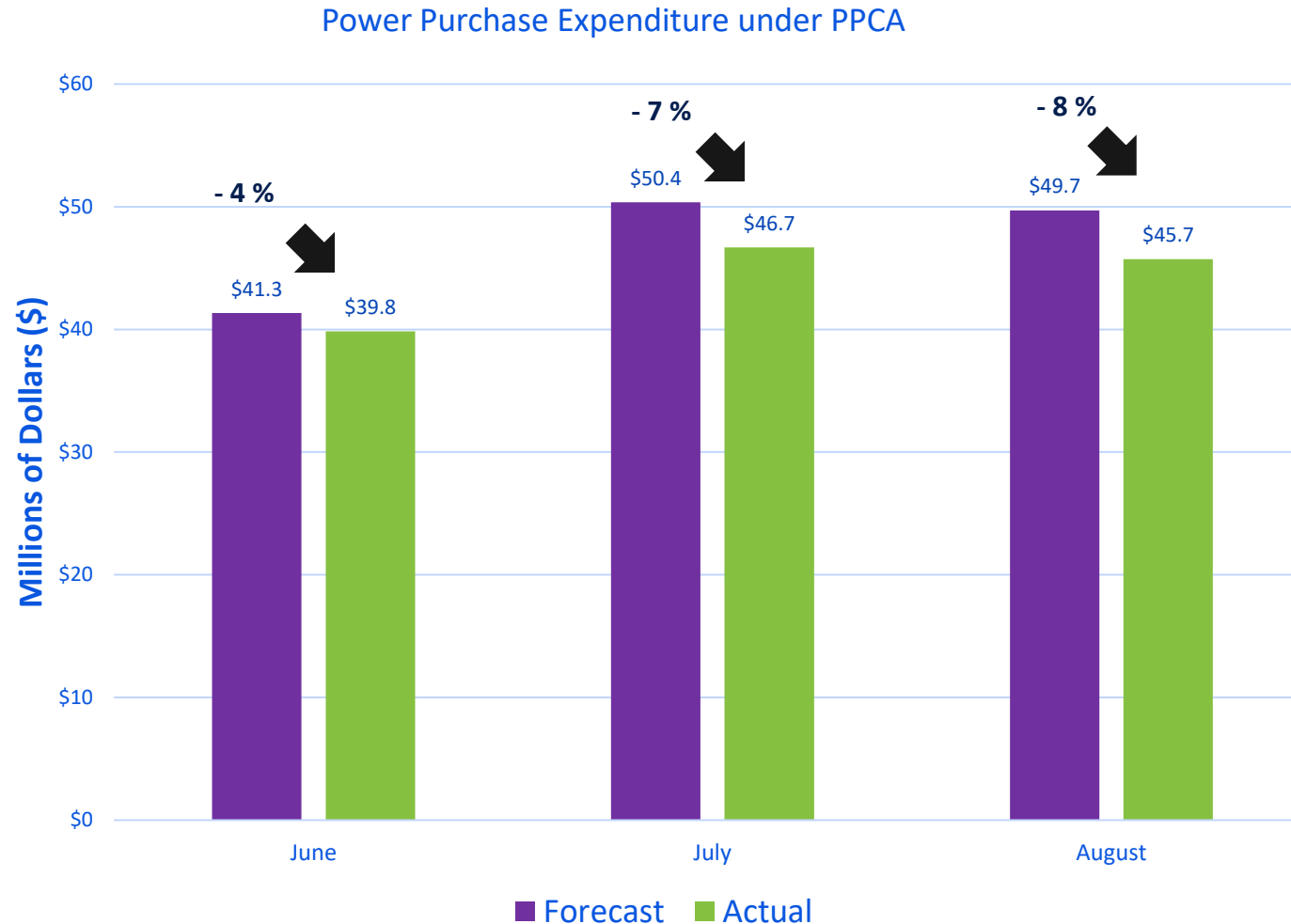
Greater than expected use of diesel-fueled peaker plants was the largest variance driver in the quarter



- Moderately higher utilization than forecast at Costa Sur, Ecoelectrica, and CCSJ
- Considerably less utilization than forecast at Aguirre and Palo Seco
- Significantly greater utilization than forecast at peaker plants

II. Purchased Power Charge Adjustment

Actual purchased power costs in Q1 FY22 were just ~7% lower than projected

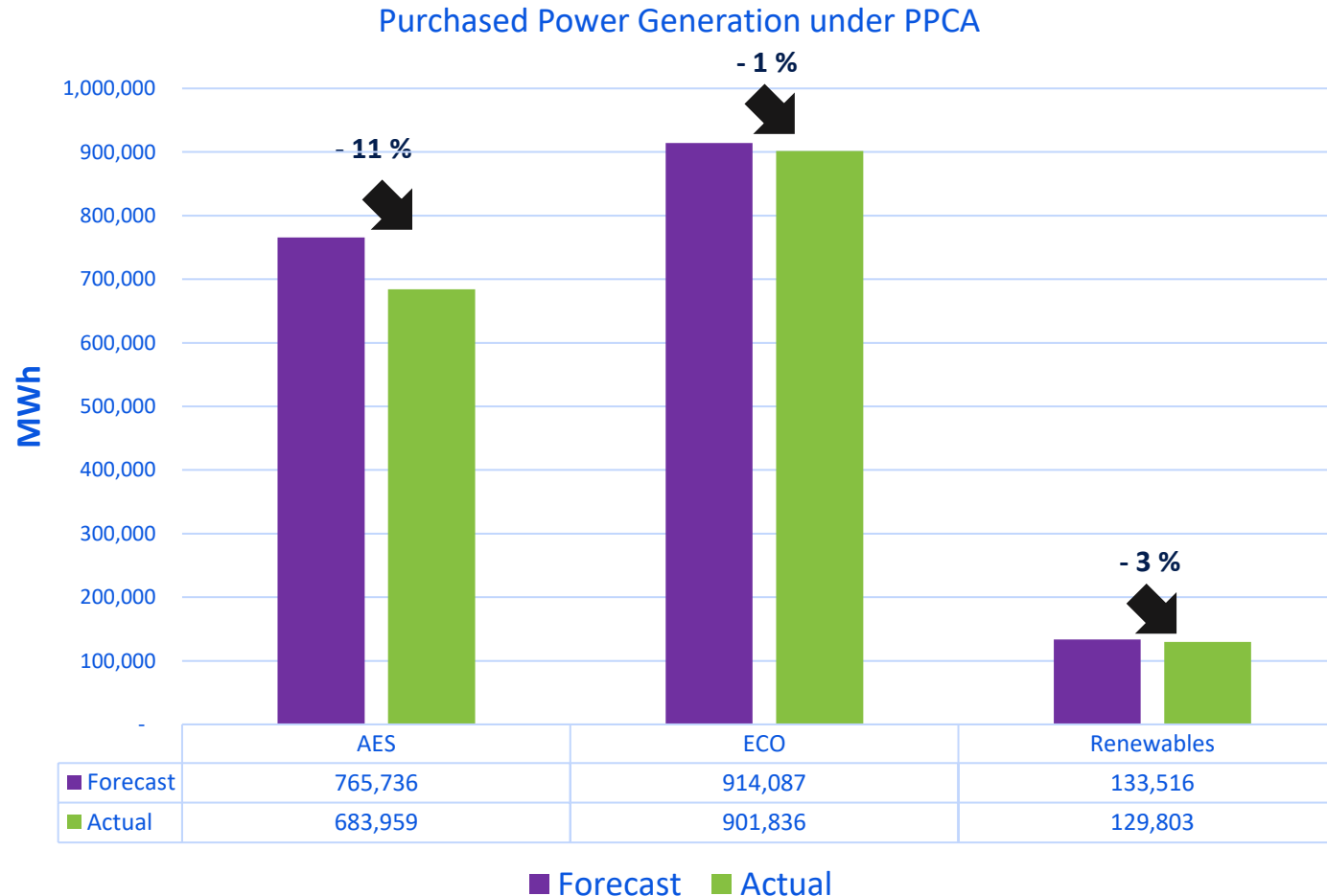


3-month Power Purchase Cost Comparison:

- Forecasted: \$ 141.4 Million
- Actual: \$ 132.2 Million
- Variance: -\$9.2 Million (-6.5%)



Actual purchased power production in Q1 FY22 was just over 5% lower than projected



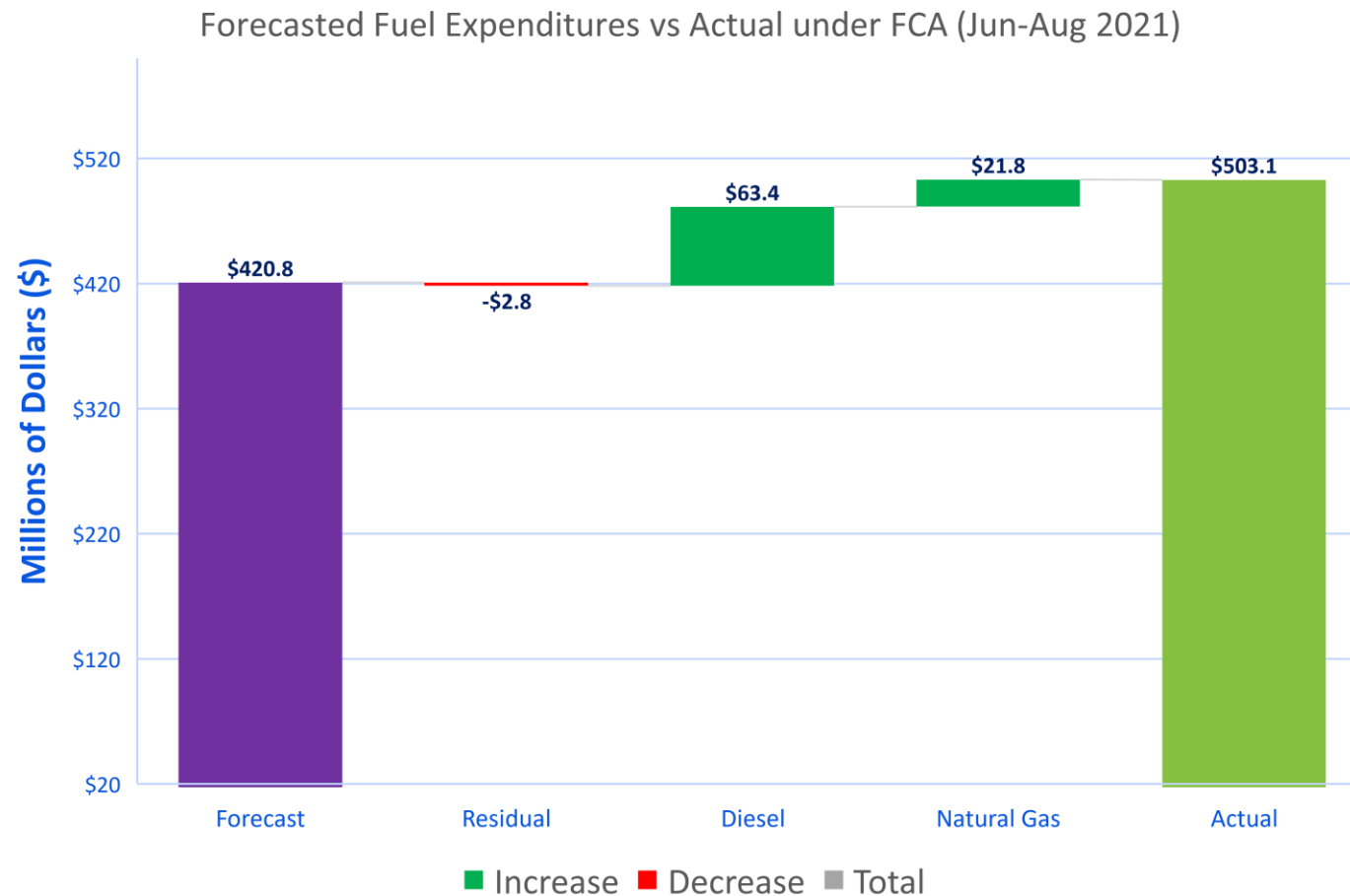
3-month Total Generation Comparison:

- Forecasted: 1,813,338 MWh
- Actual: 1,715,598 MWh
- Variance: -97,740 MWh (-5.4%)



III. Summary

The greatest source of variance was a reduction in lower cost residual fuel plants, which were replaced by diesel and some natural gas fuel plants



- Due to lack of resource adequacy, higher cost diesel-fueled peaker plants were relied upon to reduce load shed events
- Even with reliance on peakers, there was not enough capacity to meet customer demand for several periods and load shedding did occur