

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

NEPR

Received:

Dec 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 Quarterly
Reconciliations and FCA, PPCA, PPCA, and
FOS Calculated Factors and Request for
Confidential Treatment**

**MOTION SUBMITTING QUARTERLY RECONCILIATIONS AND FCA, PPCA, AND
FOS CALCULATED 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 Puerto Rico 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 calculated factors are filed quarterly with this honorable Energy Bureau.

LUMA does not own or operate generation facilities, nor does it purchase any fuel for generation. LUMA’s operations costs are not included in the FCA, PPCA, and FOS riders. The tariff book requires the calculation of the FCA, PPCA, and FOS riders to assure the pass-through

of fuel used in generation by the Puerto Rico Electric Power Authority (“PREPA”) and the power purchased from private generators by PREPA, without any markup, profit or additional charges that would benefit PREPA (or LUMA).

In a Resolution and Order issued on September 30th, 2021, this Energy Bureau set the FCA, PPCA, and FOS factors applicable from October 1st, 2021, until December 31st, 2021 (“September 30th Order”). In the September 30th Order, the Energy Bureau also directed that on or before December 15th, 2021, LUMA shall file the FCA, PPCA, and FOS reconciliations for September, October, and November 2021, and the calculated factors to be applied starting on January 1st, 2021.

On December 9th, 2021, LUMA filed a motion entitled *Urgent Request for Brief Extension of Time for Quarterly Reconciliations, and FCA, PPCA, and FOS Proposed Factors* to request an additional business day, until December 16th, 2021, at noon, to submit the quarterly reconciliations and proposed FCA, PPCA, and FOS r factors, because of delays in receiving the necessary data about fuel for the month of November and complete its analysis. On December 10th, 2021, the Energy Bureau granted LUMA until December 16th, 2021, at noon, to submit the quarterly reconciliations and calculated factors.

LUMA’s 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, include preparation of the required quarterly reconciliations and factors for the FCA, PPCA and FOS riders. Accordingly, LUMA has calculated the factors for the FCA, PPCA, and FOS riders for the period from January 1, 2021, until March 31, 2021, consistent with the approved and currently existing PREPA tariff book.

This submission of the quarterly reconciliations for the months of September, October, and November 2021, and the calculated 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* 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*. 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*, under seal of confidentiality.

II. Energy Bureau Authority

This submission of the quarterly reconciliations and proposed FCA, PPCA, and FOS factors involve the Energy Bureau's authority under Act 57-2104, as amended by Act 17-2019, to "review 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 Energy 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 Calculated FCA, PPCA and FOS Factors

A. FCA

The FCA is a reconciling tariff mechanism that recovers the costs of fuel consumed in PREPA's generating units on a quarterly basis. *See* PREPA Book of Tariff on page 49. The FCA applies to all the PREPA tariffs, except 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:

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

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 are 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 that recovers the costs of purchased power consumed in PREPA's generating units on a quarterly basis. *See* PREPA Book of Tariffs on 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:

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

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 are 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 estimated 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, 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 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 October 1st through December 31st, 2021

In the September 30th Resolution and Order, this honorable Energy Bureau set the following factors to apply from October 1st, 2021, through December 31st, 2021:

Adjustment Clause	Factor (\$/kWh)
FCA	0.118065
PPCA	0.028785
FOS	-0.022320

V. Reconciliations for FCA and PPCA Riders

The quarterly reconciliations for the FCA and PPCA riders submitted in the file entitled “Quarter Reconciliation File Sept-Aug-Nov 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 September 2021, the Fuel Costs and the prior period adjustments were \$204,041,216.43, and revenues totaled \$167,143,166.11. There was a revenue insufficiency of \$36,898,050.32, which is to be recovered from customers. On the other hand, the Purchased Power Cost and the prior adjustments were \$46,513,781.64, and revenues totaled \$53,536,117.33. There was an excess revenue of \$7,022,335.69 which will be refunded to customers.

For the month of October 2021, the Fuel Costs and prior period adjustments were \$214,197,432.44, and revenues totaled \$161,885,204.04. There was a revenue insufficiency of \$52,312,228.40, which is to be recovered from customers. The Purchased Power Costs and prior period adjustment were \$42,265,816.23, and revenues totaled \$39,217,988.97. There was a revenue insufficiency of \$3,047,817.26, which is to be recovered from customers.

For the month of November 2021, the Fuel Costs and prior period adjustments were \$213,720,688.63, and revenues totaled \$157,594,124.29. There was a revenue insufficiency of \$56,126,564.35, which is to be recovered from customers. The Purchased Power Costs and the prior period adjustments were \$41,707,459.39, and revenues totaled \$38,438,918.21. There was a revenue insufficiency of \$3,268,541.18, which is to be recovered from customers.

As explained in Exhibit 1 to this Motion, actual fuel expenditure for this reconciliation period was 30% higher than projected and actual fuel consumed for this reconciliation period was 9% higher than forecasted, mainly driven by a significantly larger consumption of diesel and lesser consumption N.G. fuels than projected. *See* Exhibit 1, slides 3 and 5. Greater than expected use of diesel-fueled peaker plants was the largest contributor to variance in resource adequacy during this reconciliation period. *Id.* Slide 6. Furthermore, slide number 8 of Exhibit 1 illustrates the cost variance by fuel type.

In the spreadsheet entitled Alloted Estimation Q3 2022, tab Methodology, LUMA explains how retail sales were estimated. Furthermore, in the spreadsheet entitled Precio Ponderado Análisis 2021.08.31, tab Methodology, LUMA explains an adjustment to the fuel report inventory.

Finally, during September, October, and November, a total of \$7,999,156.84 of the estimated \$8,252,146.71 not-billed FCA revenue was collected and applied to the reconciliation. *See* file entitled, FCA and PPCA Not Billed Reconciliations, tab entitled “Reconciliation.” For the PPCA not-billed revenue from June, July, and August, \$2,552,393.52 was collected of the estimated \$2,638,084.84 and applied to the reconciliation. *Id.* LUMA expects that the remaining estimated not-billed revenue will be billed in December. In the spreadsheet entitled FCA and PPCA Not Billed Reconciliation, tab Methodology, LUMA is submitting an explanation on the not billed customer adjustment process.

The following table shows the billing results of the revised Factors; *see* Attachment 8 to excel spreadsheet entitled “January-March 2022 Factors”.

		October 2021 - December 2021		January 2022 - March 2022		Variance		
Rate and Voltage Level	Energy Consumption (kWh)	\$	\$/kWh	\$	\$/kWh	Bill (\$)	\$/kWh	%

GRS - Residential	400	\$88.17	\$0.2204	\$104.38	\$0.26095	\$16.21	\$0.04053	18.4%
GSS - Secondary Small Commercial, Industrial	1,200	\$299.56	\$0.2496	\$348.20	\$0.29017	\$48.64	\$0.04053	16.2%
GSP - Primary Medium Commercial, Industrial 250 kVA	91,800	\$21,087.24	\$0.2297	\$24,808.17	\$0.27024	\$3,720.93	\$0.04053	17.6%
GST - Transmission Large Commercial, Industrial 1,500 kVA	550,800	\$120,096.23	\$0.2180	\$142,421.80	\$0.25857	\$22,325.57	\$0.04053	18.6%

VI. Calculated Factors

The excel spreadsheet entitled: “January-March 2022 Factors” includes the calculations for the FCA, PPCA, and FOS factors for the subject period.

LUMA respectfully requests that the Energy Bureau review the following factors, applicable for the next quarter from January 1st, 2022, until March 31st, 2022:

FCA - \$0.151181

PPCA - \$0.036202

FOS - \$0.021291

LUMA is deeply concerned with the impact that rising fuel costs and the factors noted above will have on customer rates and respectfully urges the Energy Bureau to consider any and all options that would help mitigate the large increase in customers’ energy bills.

VII. Availability for Technical Conference

In prior quarters, this Energy Bureau has held a technical conference to discuss quarterly reconciliations and the proposed factors. It is informed that the LUMA personnel who would be answering questions in a technical conference on the current submission will not be available after December 20, 2021. LUMA respectfully suggests that the technical conference be scheduled between December 17, 2021, and December 20, 2021, within the discretion of this Energy Bureau.

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

A. Confidential Folder

Comportamiento de Generación
Load Estimation Q3 FY2022
Quarter Reconciliation File Sep – Oct – Nov 2021
JANUARY-MARCH 2022 Factors_v2
<p>Fuel Inventory Folder:</p> <ul style="list-style-type: none"> • Precio Ponderado Analisis 2021.08.31 • PRECIO PONDERADO DIRECTORADO DE GENERACION @ junio 30, 2021

B. Public Files in Values Folder

Comportamiento de Generación
Load Estimation Q3 FY2022
Quarter Reconciliation File Sep – Oct – Nov 2021
JANUARY-MARCH 2022 Factors_v2
<p>Fuel Inventory Folder:</p> <ul style="list-style-type: none"> ○ Precio Ponderado Analisis 2021.08.31 ○ PRECIO PONDERADO DIRECTORADO DE GENERACION @ junio 30, 2021 ○ 21-10079 INVENTORY 17MAY21 MULTIGRADE @ PREPA PS SAN JUAN, P.R - REF. PS-END OF MONTH-5-21. ○ 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 ○ Full Report 1310100015975 - PUERTO RICO ELECTRIC (BR) POWER

<p>AUTHORITY, M. Rios</p> <ul style="list-style-type: none"> ○ Full Report 1310100015976 - PUERTO RICO ELECTRIC (BR) POWER <p>AUTHORITY, M. Rios</p> <ul style="list-style-type: none"> ○ Full Report 1310100015977 - PUERTO RICO ELECTRIC (BR) POWER <p>AUTHORITY, M. Rios</p> <ul style="list-style-type: none"> ○ GA021353 PREPA AG End of Month 5-21 ○ GA021354 PREPA YB END-MONTH INVENTORY 5.21 ○ GA021355 PREPA SJ END-MONTH INVENTORY

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

The confidential excel files mentioned in Section VIIIA of this Motion *supra* that is being submitted with this Motion, include excel spreadsheets submitted in native format (.xls) and with formulae intact. They include formulae and original calculations made by LUMA personnel that reveal confidential procedures and include sensitive commercial information belonging to LUMA and/or 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 the management of confidential information 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: “if any person who is required to submit information to the Energy [Bureau] 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 Energy 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 companies shall provide the 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 Energy Bureau’s Policy on Confidential Information details the procedures a party should follow to request that a document or portion thereof be afforded confidential treatment. In essence, the referenced Policy requires identifying 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.*, paragraphs 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 Energy Bureau policy on the 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 information, request the [Bureau] the protection of said information, and provide supportive arguments, in writing, for a claim of information of privileged nature. The [Energy 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 Mechanism*, 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* 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* are protected as trade secrets. They have commercial value to LUMA and PREPA as they reveal confidential processes and analysis to produce calculations supporting the public filings of the proposed FCA, PPCA, and FOS factors. LUMA and PREPA

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, provide 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.*

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* to be received, kept, and maintained confidentially by this Energy Bureau.

The confidential spreadsheets included in the file entitled *Confidential* 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 file entitled *Confidential* 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 September, October, and November, and the proposed factors to be applied from January 1st, 2022

until March 31st, 2021; **grant** the request to keep confidentially the spreadsheets that have been filed in excel format and with formulae in the file entitled *Confidential* that is submitted with this Motion; and **grant** the request that the technical conference is scheduled between December 17, 2021, to December 20, 2021.

RESPECTFULLY SUBMITTED.

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

I hereby certify that I filed this motion using the electronic filing system of this Energy Bureau and that I will send an electronic copy of this motion to counsel for PREPA Katiuska Bolaños-Lugo, kbolanos@diazvaz.law and to the Independent Consumer Protection Office, [through Director Hannia Rivera, hrivera@oipc.pr.com](mailto:hrivera@oipc.pr.com).



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Exhibit 1

Variance Analysis and Presentation

Memo

December 16, 2021

September 2021 Fuel Variation Analysis

The reconciliation for September 2021 reflects an actual fuel cost expenditure of \$204.0M and an actual collection (per sales report) of \$167.1M, leading to an under-collected amount of \$36.9M. The total fuel cost includes \$188M for fuel for PREPA units and EcoElectrica, plus \$16M from prior period accounting adjustments. The under-collected amount of \$36.9M is thus comprised of a \$20.9M variance from expected fuel consumption as per billed sales, plus a \$16.0M amount from prior-period accounting adjustments.

The projected electric demand for the month of September which was used to perform the June FCA/PPCA submittal was 1,708.0 GWh and the actual generation for September 2021 was 1718.2 GWh. This represents an increase of 10.2 GWh (0.6%) versus forecasted demand for September.

A significant contributor to the variance between the forecasted and actual values is the re-dispatch of the generation units different from what was 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 generating plant availability, especially with the Costa Sur units that were considered available in the PROMOD analysis but were not actually available during most of the September 2021 period, actual dispatch for the month was different from what was forecasted. Diesel units were dispatched considerably more than projected as a result of the situation.

Another major contributor is the increase in fuel prices when comparing the actual values against forecasted values used in the June PROMOD analysis. Fuel prices caused an increase of \$10.2M in September over what was forecast.

Annexes



Memo

December 16, 2021

October 2021 Fuel Variation Analysis

The reconciliation of the fuel adjustment clause (FCA) for October 2021 reflects an actual fuel cost expenditure of \$214.2M and an actual collection of \$161.9M (per sales report), leading to an under-collected amount of \$52.3M. The total cost for fuel includes \$204.0M consumed on PREPA units and EcoEléctrica, plus \$10.2M from prior period accounting adjustments. The under-collected amount of \$52.3M is thus comprised of a \$42.1M variance from expected fuel consumption as per billed sales, plus a \$10.2M amount from prior-period accounting adjustments.

The actual increase in fuel prices was a major contributor to October's variance and resulted in \$26.6 million of the total variance for the month.

Another significant contributor to the October fuel expenditure variance was the re-dispatch of the generation units in a different mode from what was modeled in the September PROMOD analysis. PROMOD calculates an optimum economic dispatch of the available units that uses the least expensive plants first. Due to issues with generating plant availability, diesel units were dispatched considerably more than had been projected. In addition, San Juan combined cycle had to utilize diesel for much of the month due to operating issues that prevented the deliverability of natural gas.

The purchased power adjustment clause (PPCA) for October 2021 reflects an actual purchased power cost for the month of \$45.3M against an actual collection (per sales report) of \$39.2M. The purchased power cost to be recovered totals \$42.3M, including the \$45.3M in purchased power costs plus a (\$3.0M) from prior period adjustments. The total amount to be recovered is \$3.0M for the PPCA.

Annexes



Variation Discussion

December 16, 2021

November 2021 Fuel and Purchase Power Variation Analysis

The reconciliation of the fuel charge adjustment (FCA) for November 2021 reflects an actual fuel cost expenditure of \$213.7 million and an actual collection of \$157.6 million (per sales report), leading to an under-collected amount of \$56.1 million. The total cost for fuel includes \$204.4 million consumed on PREPA units and EcoEléctrica, plus \$9.3 million from prior period accounting adjustments. The under-collected amount of \$52.3 million is thus comprised of a \$42.1 million variance from expected fuel consumption as per billed sales, plus a \$10.2 million amount from prior-period accounting adjustments.

The projected generation for the month of November was 1,566 GWh and the actual generation was 1,604 GWh. This represents an increase of 38 GWh (2.4%) versus forecasted demand for November.

The actual increase in fuel prices was a major contributor and when comparing the actual values against forecasted values used for the PROMOD analysis.

Another significant contributor to the variance between the forecast and actual values is the re-dispatch of the generation units in a different mode from what was modeled in the PROMOD analysis. PROMOD calculates an optimum economic dispatch of the available units that uses the least expensive plants first. Due to issues with generating plant availability, in particular related to the cheaper, natural gas generating plants, diesel units were dispatched considerably more than projected. San Juan Combined Cycle switched from burning natural gas (forecasted) to burn diesel fuel during this period. Costa Sur burned a mix of natural gas and residual oil during November 2021 and was forecasted to burn natural gas.

The purchased power charge adjustment (PPCA) for November 2021 reflects an actual purchased power cost for the month of \$44.4 million and an actual collection (per sales report) of \$38.4 million. The purchased power cost to be recovered totals \$41.7 million, including the \$44.4 million in purchased power costs plus a (\$2.7 million) from prior period adjustments. The total amount to be recovered is \$3.3 million for the PPCA.

Annexes





FCA – PPCA Variance Discussion

Reconciliation period from September to November 2021

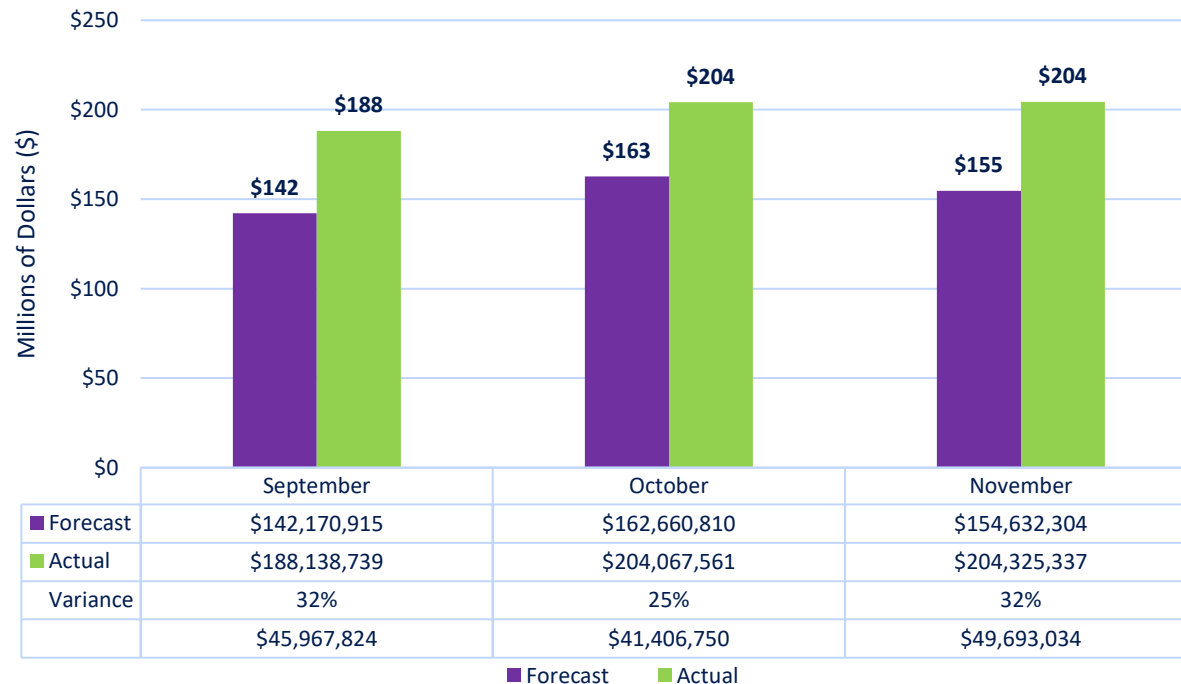


Fuel Cost Variance

September-November 2021

Actual fuel expenditure for this reconciliation period was 30% higher than projected

Fuel Costs under FCA



3-month Total Fuel Cost Comparison:

- Forecasted: \$ 459.5 Million
- Actual: \$ 596.5 Million
- Variance: \$137 Million (30%)

3-month System Average Cost

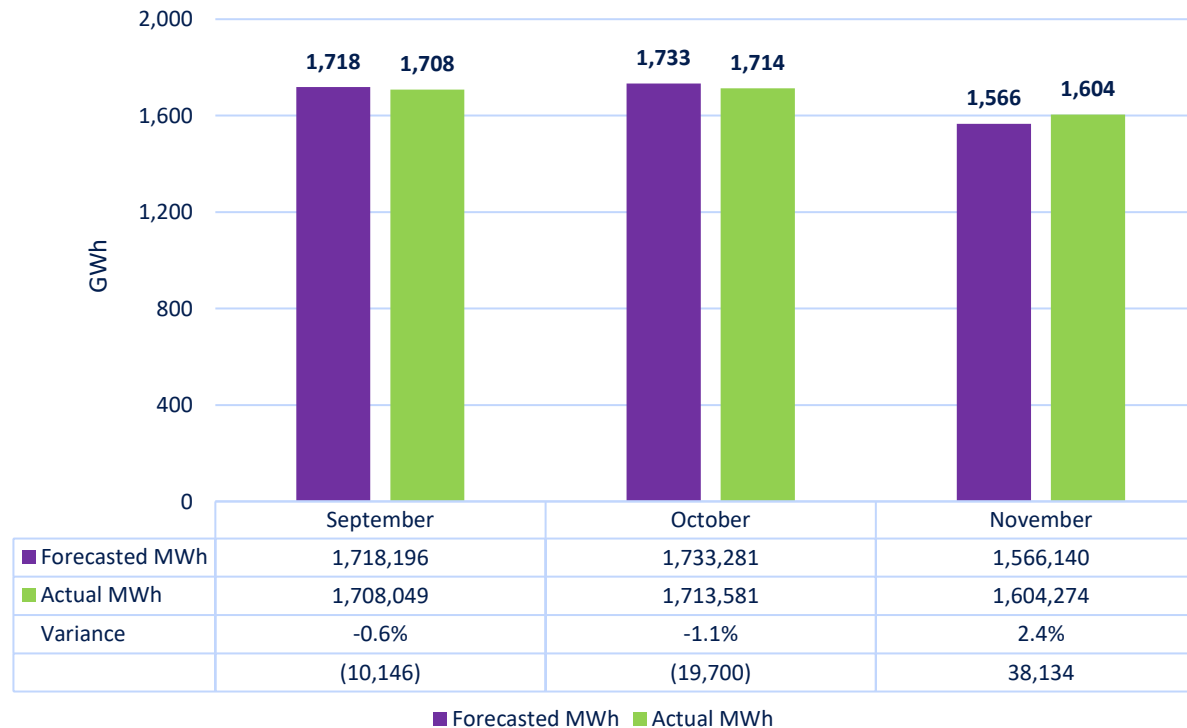
- Forecasted: \$0.11 \$/KWh
- Actual: \$ 0.14 \$/KWh
- Variance: \$0.03 \$/KWH (27%)

Does not include AES in fuel costs.



Actual electric generation provided to all customers for this reconciliation period was 0.2% higher than projected

Generation under FCA & PPCA

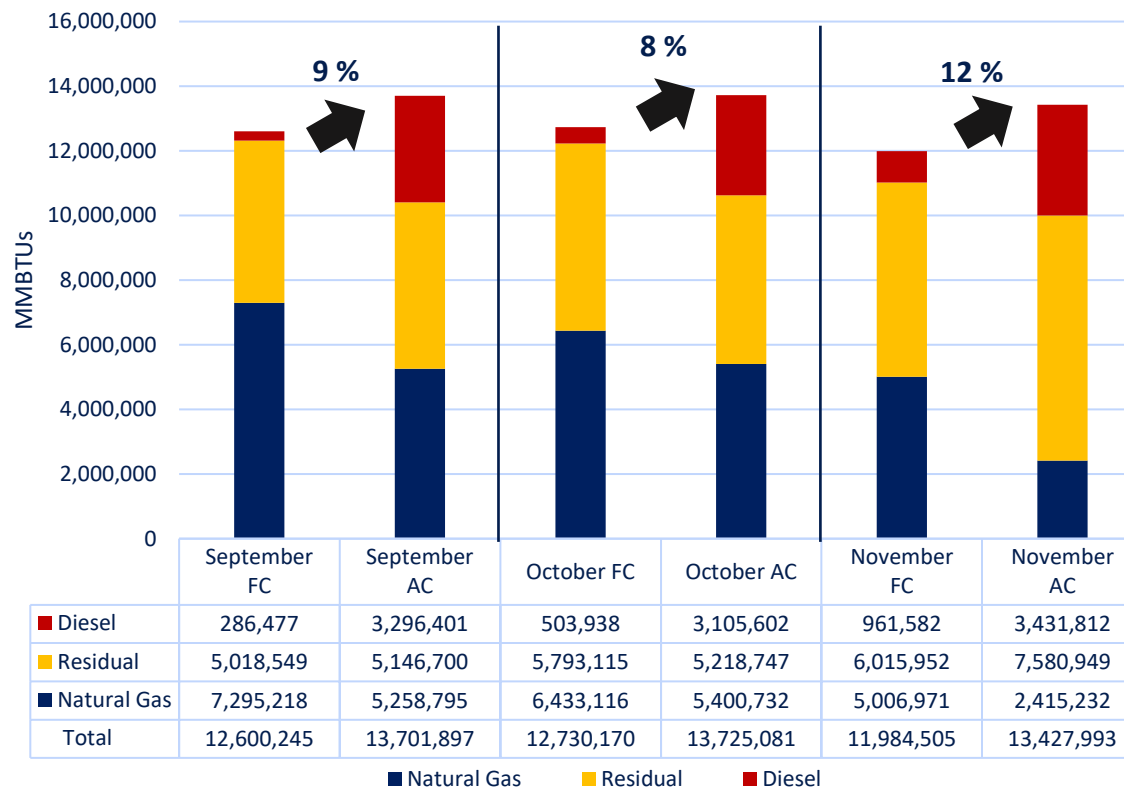


3-month Total Generation Comparison:

- Forecasted: 5,017,616 MWh
- Actual: 5,025,904 MWh
- Variance: 8,288 MWh (0.2%)

MMBTUs consumed was 9% higher than forecasted, driven by a higher consumption of diesel and less consumption of natural gas than projected

Fuel Consumption by Type under FCA



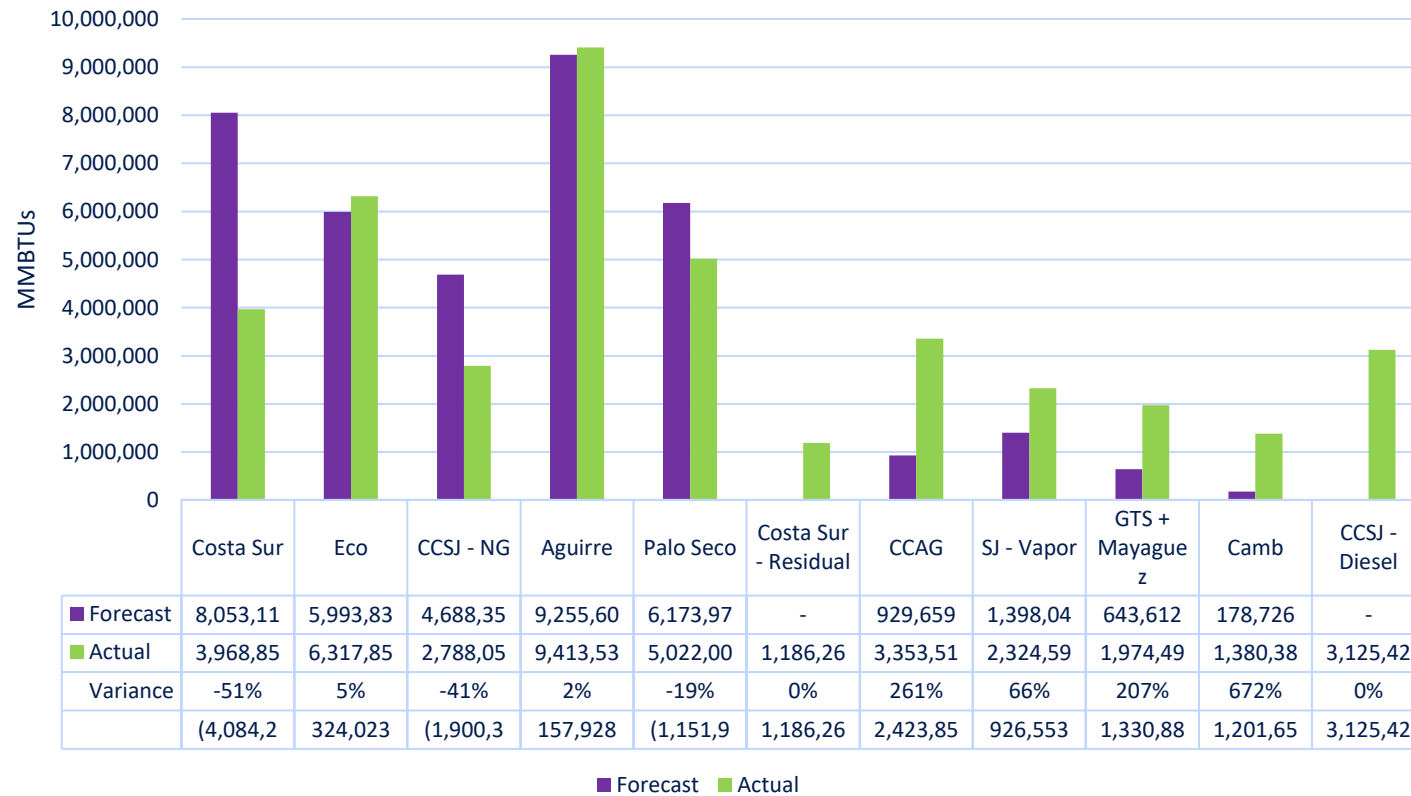
3-month Total Consumption Comparison:

- Forecasted: 37,314,920 MMBtu
- Actual: 40,854,971 MMBtu
- VARIANCE: 9% (3,540,051 MMBtu)

Fuel Type	Forecast	Actual	% Variance
Residual	16,827,617	17,946,396	7%
Diesel	1,751,997	9,833,815	461%
Natural Gas	18,735,306	13,074,759	-30%
Total	37,314,920	40,854,971	9%

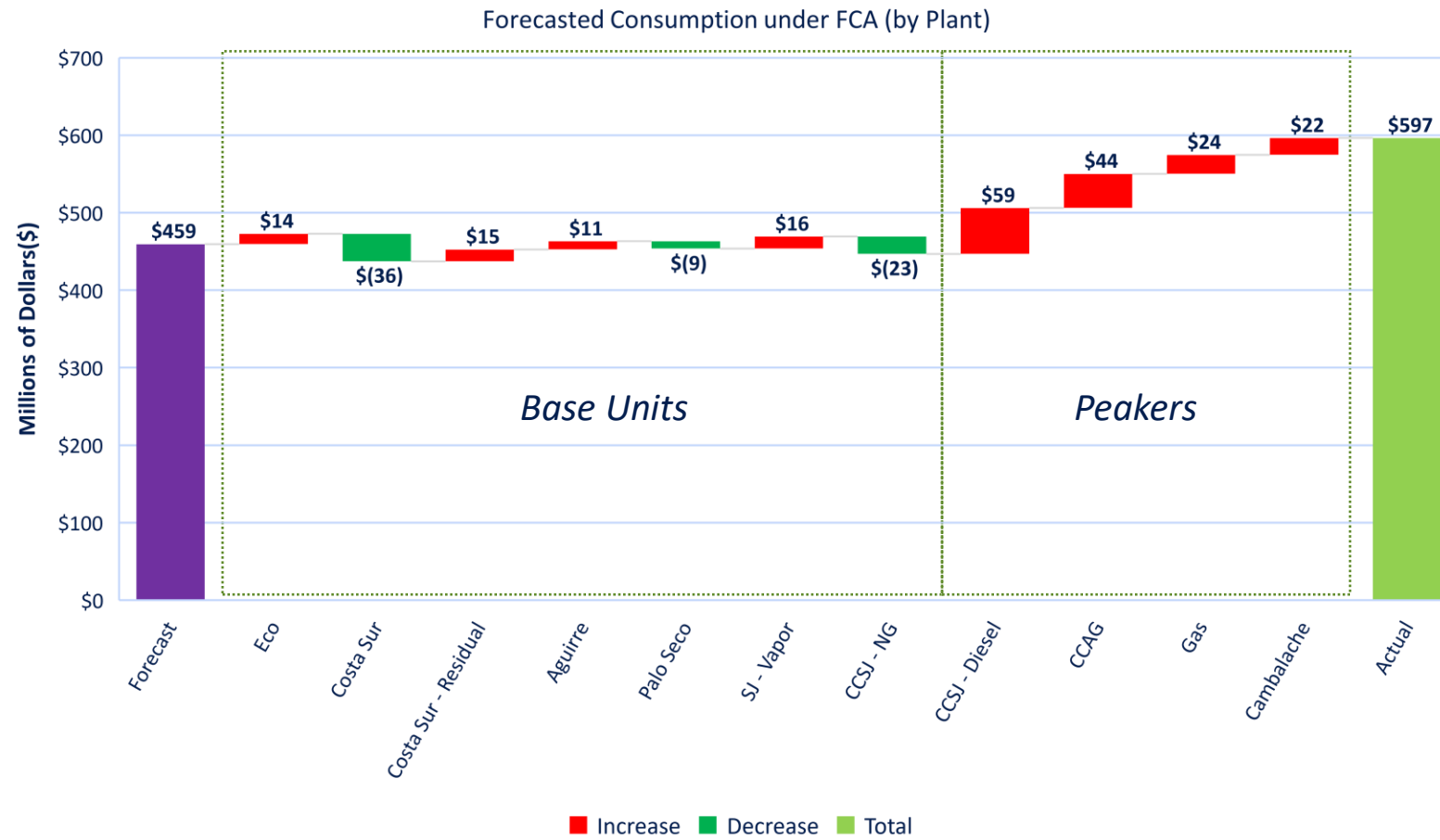
Greater than expected use of diesel-fueled peaker plants was the largest contributor to variance during this reconciliation period

Forecasted Consumption vs Actual under FCA

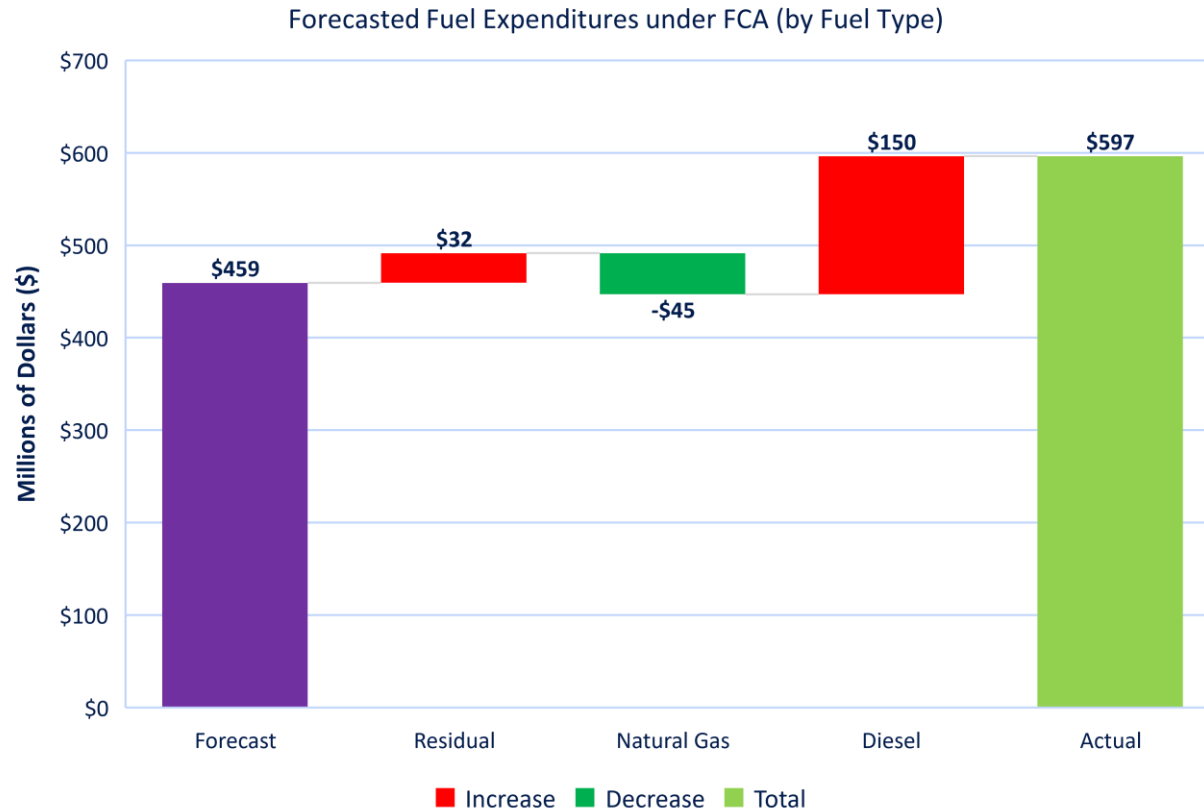


- San Juan CC utilized more diesel than expected due to N.G. deliverability issues from New Fortress since October
- Reduced availability at Costa Sur in September and natural gas supply issues in November caused a significant amount of generation to be dispatched from natural gas to residual fuel.

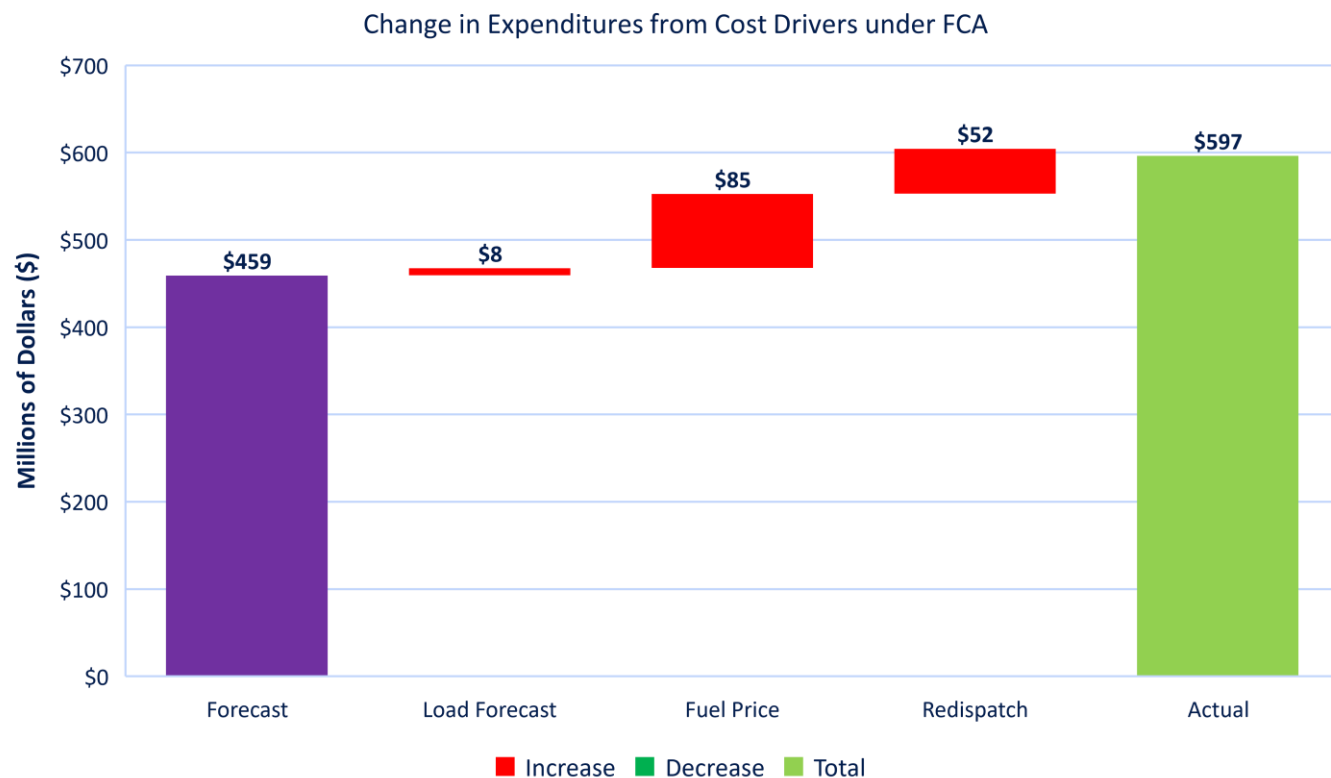
Less efficient peaker plants were dispatched to replace generation from base load units



Cost variance by fuel type



Increased fuel prices and redispatch drove the variance for this quarterly reconciliation period



- Some reasons for variance could be attributed to either fuel price or redispatch and judgement was applied in these cases.

Forecasted MWh	4,057,293
Actual MWh	4,131,112
Forecasted \$/MWh	\$ 113.24
Actual \$/MWh	\$ 144.40
Forecasted MMBtu Consumption	37,314,920
Actual MMBtu Consumption	40,854,917
Forecasted \$/MMBtu	\$ 12.31
Actual \$/MMBtu	\$ 14.60

Methodology

- Load Forecast variance = Forecasted \$/MWh x (Actual MWh – Forecasted MWh)
- Fuel Price variance = Forecasted MMBtu consumption x (Actual \$/MMBtu – Forecasted \$/MMBtu)
- Redispatch variance= Actual \$/MMBtu x (Actual MMBtu consumption – Forecasted MMBtu consumption)

Fuel cost and MWh do not include AES nor Renewables



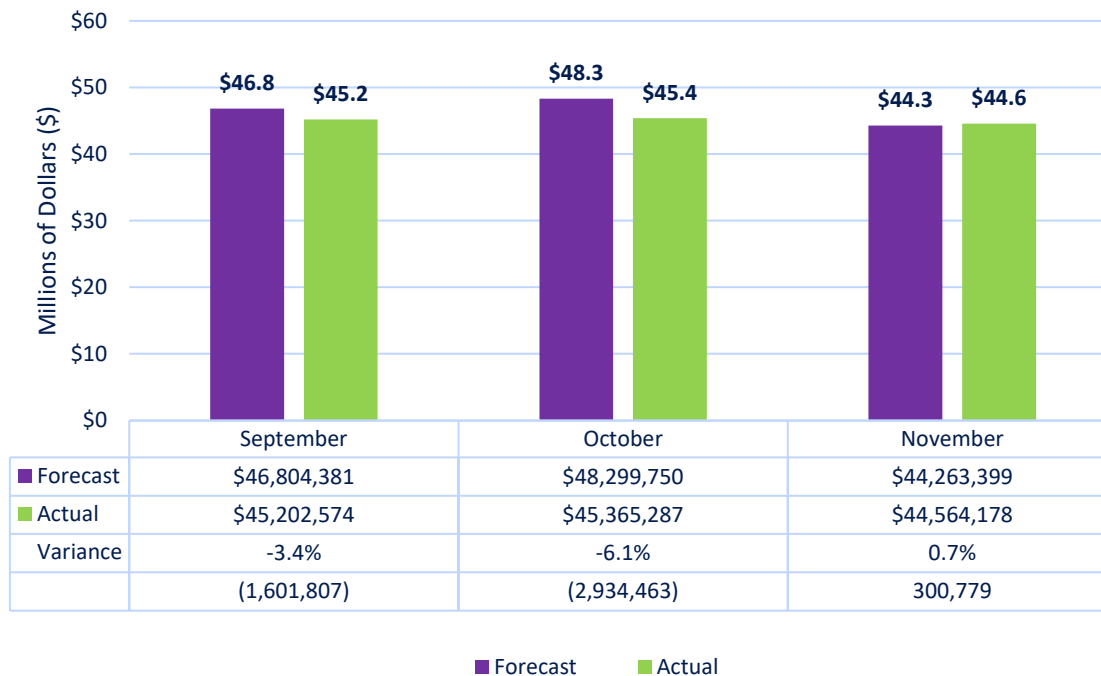
Power Purchase Variance

September-November 2021



Actual purchased power costs for this reconciliation period were 3% less than projected

Purchase Power Costs under PPCA

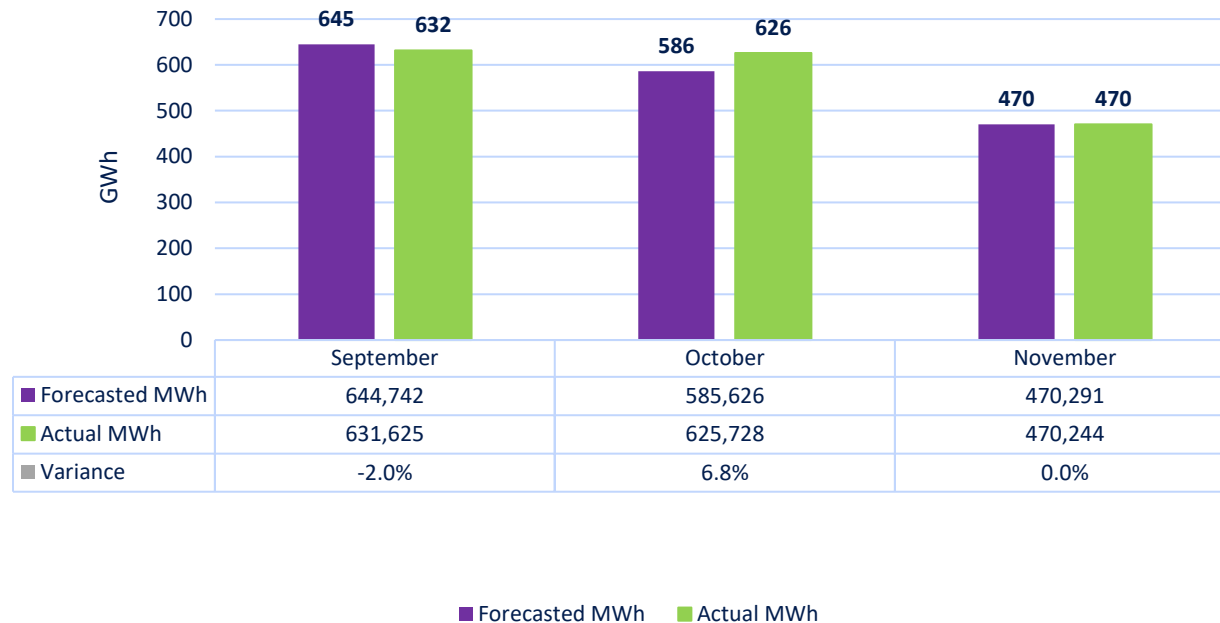


3-month Power Purchase Cost Comparison:

- Forecasted: \$ 139.4 Million
- Actual: \$ 135.1 Million
- VARIANCE: -3% (\$4.2 Million)

Actual purchased power production for this reconciliation period was 2% higher than projected

Purchased Power Generation under PPCA



3-month Power Purchase Generation Comparison:

- Forecasted: 1,700,659 MWh
- Actual: 1,727,597 MWh
- VARIANCE: 2% (26,938 MWh)

Ecoeléctrica cost do not include the costs of fuel purchase, which is considered in the FCA process.

