

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

IN RE: INTERPRETATIVE RESOLUTION:
AMENDMENTS TO THE REGULATION ON
CERTIFICATIONS, ANNUAL FEES, AND
OPERATIONAL PLANS OF ELECTRIC
SERVICE COMPANIES (REG. 8701)

CASE No: NEPR-IR-2025-0001

SUBJECT: Interpretation of "CPA
Certification" Requirement Under Section
3.03(A)(3) of Regulation 8701, and
Rescission of Prior Flexibility Granted in
the Resolution and Order of April 14, 2016

INTERPRETATIVE RESOLUTION

I. Introduction

On February 5, 2016, the Puerto Rico Energy Commission ("Commission") (now the Puerto Rico Energy Bureau of the Public Service Regulatory Board ["Energy Bureau"]) approved the *Amendment to Regulation 8618 on Certifications, Annual Fees, and Operational Plans of Electric Service Companies in Puerto Rico*¹. The amendment incorporated in Regulation 8701 established the requirements that all electric service companies must meet to provide electric service in Puerto Rico, including the submission of a personal report, an operational report, the payment of an annual fee, and the certification from the Energy Bureau. Compliance with each of the requirements necessitates that the applicant company provides certain information and supporting documents to demonstrate its capacity to provide a reliable electric service, in line with the highest quality standards prevailing in the industry. Among these requirements is the one in sub-section (A)(3) of Section 3.03 of Regulation 8701, which stipulates that, as part of the Certification Application, every applicant company must submit:

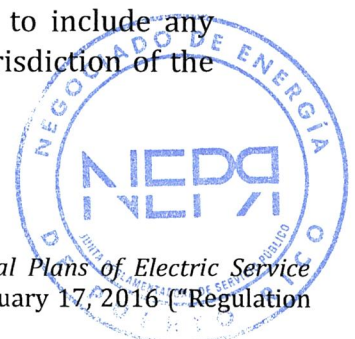
"A statement certified by a Certified Public Accountant (CPA) authorized to practice in Puerto Rico, attesting that the electric service company has sufficient financial resources to operate and provide the services it intends to offer, to replace any existing assets, and to make any investments it plans to carry out during the period of one (1) year from the date of issuance of the Certification."

Additionally, sub-sections (D) and (E) of Section 4.02 establish the requirement that compiled or audited financial statements to be submitted by electric service companies, must be compiled or audited by a Certified Public Accountant (CPA) authorized to practice this profession in Puerto Rico.

On April 14, 2016, after several electric service companies complained about the requirements and about their ability to comply with sub-section (A)(3) of Section 3.03, the Energy Bureau issued a Resolution making the following clarifications ("April 14, 2016 Order"):

1. The certified statement required by sub-section (A)(3) of Section 3.03 of Regulation 8701 may be provided either by a Certified Public Accountant (CPA) or by the Chief Executive Officer of the applicant company.
2. Any reference in Regulation 8701 to a "Certified Public Accountant (CPA) authorized to practice in Puerto Rico" shall be understood to include any Certified Public Accountant authorized to practice in any jurisdiction of the United States of America.

¹ *Amendment to Regulation 8618 on Certifications, Annual Fees, and Operational Plans of Electric Service Companies in Puerto Rico*, Regulation No. 8701, Puerto Rico Energy Bureau, February 17, 2016 ("Regulation 8701").



3. Under the previous clarification, the Energy Bureau will accept audited or compiled financial statements prepared by a Certified Public Accountant (CPA) authorized to practice in Puerto Rico and/or in any jurisdiction of the United States of America.²

These clarifications have been applied to the Electric Service Company certification process under Regulation 8701.

On January 27, 2025, the Energy Bureau received a letter from the College of Certified Public Accountants of Puerto Rico ("College of CPAs"), clarifying the CPAs professional standards and requirements and its relationship to the certification required under Regulation 8701 ("January 27 Letter"). The January 27 Letter highlights that an interpretation requiring a CPA effectively to *guarantee* future solvency conflicts with Generally Accepted Auditing Standards ("GAAS") and the professional responsibilities of CPAs. The January 27 Letter explains that CPA professional standards do not permit absolute assurances regarding future financial viability and that any attestation should remain consistent with what GAAS allows in evaluating an entity's *going concern*.

Having reviewed these arguments, the Energy Bureau takes this opportunity to (1) clarify how electric service companies ("Companies") may satisfy the "CPA certification" requirement under Regulation 8701, and (2) revisit and *rescind* the portion of the April 14, 2016 Order that granted principal executive officers the flexibility to certify the same information in lieu of a CPA.

II. Discussion

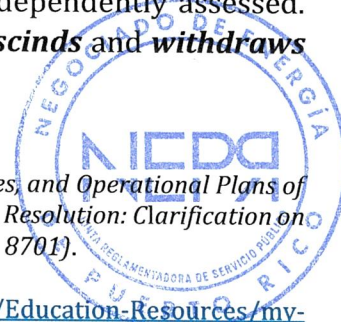
After reviewing the position of the College of CPAs, the Energy Bureau has concluded that the College of CPAs' stance is well founded. Under the Association of International Certified Professional Accountants ("AICPA") and the Puerto Rico Board of Accountancy standards, CPAs may not provide absolute assurances regarding the future financial viability of an entity.³ Instead, their professional role is to audit, review, and compile financial information, and when appropriate, to provide an opinion or report on that information. *Going concern* considerations permit an auditor to conclude whether there is substantial doubt about a Company's ability to continue as a going concern for a reasonable period (traditionally one year from the audited financial statements). This *does not* amount to guaranteeing future solvency, which falls outside the permissible scope of professional CPA services.

The Energy Bureau clarifies that, to satisfy the "CPA certification" requirement in Section 3.03(A)(3) of Regulation 8701, a Company **must submit** audited financial statements—performed under GAAS—that include the CPA's professional conclusion as to whether, in the auditor's judgment, there exist conditions or events, considered in the aggregate, that raise *substantial doubt about the Company's ability to continue as a going concern* for a reasonable period. This approach ensures alignment between the Energy Bureau's need for assurance about the Company's financial health and the CPA profession's established standards.

The Energy Bureau notes that allowing a principal executive officer to provide the requisite "certification" in lieu of a CPA's audited financial statements could compromise the independence and reliability of the financial representations made to the Energy Bureau and the public. The Energy Bureau has an obligation to protect the public interest by ensuring that the financial condition of a regulated Company is fairly and independently assessed. Therefore, consistent with the public interest, the Energy Bureau **rescinds** and **withdraws**

² Clarifying Resolution, *In re: Amendment to Regulation on Certifications, Annual Fees, and Operational Plans of Electric Service Companies*, Case No. CEPR-MI-2015-0006, April 14, 2016 (*Clarifying Resolution: Clarification on the Requirements of Section 3.03(A)(3) and Section 4.02(D) and (E) of Regulation No. 8701*).

³ AICPA, *Third-Party Verification Letters*, May 2021 update, <https://www.cpai.com/Education-Resources/my-firm/Tax-Services/Third-Party-Verification-Letters>, (last visited, March 5, 2025).



the flexibility awarded in the April 14, 2016 Order that allowed the principal executive officer of a Company to certify said requirement in lieu of a CPA’s involvement.

III. Clarifications and Requirements

Considering the findings and determinations, the Energy Bureau **CLARIFIES** and **REQUIRES**:

1. CPA Certification by Audited Financial Statements


Companies seeking certification under Regulation 8701 **shall provide** audited financial statements in accordance with GAAS, that conclude whether, in the judgement of the CPA, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for a reasonable period, without guaranteeing future solvency.

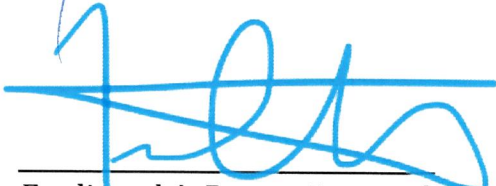
2. Rescission of Executive Officer Flexibility

The portion of the April 14, 2016 Order that permitted a principal executive officer to certify sufficient financial resources in lieu of a CPA is hereby **rescinded** in its entirety. Companies shall **no longer** rely on such flexibility. In all cases, a CPA who may duly practice in Puerto Rico—or in any other jurisdiction of the United States, as clarified in the April 14, 2016 Order—shall be responsible for the “certification”, now clarified as audited financial statements consistent with Paragraph 1 above.

Be it notified and published.


Edison Avilés Deliz
Chairman


Lillian Mateo Santos
Associate Commissioner


Ferdinand A. Ramos Soegaard
Associate Commissioner


Sylvia B. Ugarte Araujo
Associate Commissioner


Antonio Torres-Miranda
Associate Commissioner




CERTIFICATION

I certify that the majority of the members of the Puerto Rico Energy Bureau has so agreed on March 13, 2025. I also certify that on March 14, 2025 I have proceeded with the filing of the Resolution and Order issued by the Puerto Rico Energy Bureau, and a copy of this Resolution and Order was notified by electronic mail to the Certified Companies' representatives:

obed.santos@aes.com; karen.ortiz@aes.com; elias.sostre@aes.com; arivera@gmlex.net; mvalle@gmlex.net; lionel.santa@prepa.pr.gov; cfl@mcvpr.com; natalie@sixty-west.com; assetmanagement@rea-investments.com; tbrown@circonenergy.com; mario.tomasini@ciroenergygroup.com; piruchocoop@gmail.com; apoyo@cooperativahidroelectrica.org; cpsmith@cooperativahidroelectrica.org; attorney.reyes@reyesfirm.com; administracion@abeynocoop.com; victorluisgonzalez@yahoo.com; cotolaurelsolarfarm@windmareenergy.com; carlos.reyes@ecoelectrica.com; rgonzalez@empigaspr.com; manuelgabrielfernandez@gmail.com; amanda.newell@enel.com; rem@tcm.law; jcmendez@reichardescalera.com; jtorres@reichardescalera.com; vcurrais@reichardescalera.com; nicholas.pentreath@x-elio.com; legal@genera-pr.com; ricardo.pallens@genera-pr.com; regulatory@genra-pr.com; josh@vfhturbine.com; willie.feliciano@hpe.com; arrivera@nuenergypr.com; mfernandez@pmalaw.com; leslie.hufstetler@infinigenrenewables.com; notices@infinigenrenewables.com; he@infinigenrenewables.com; h.bobea@fonrochepr.com; r.martinez@fonroche.fr; jczayas@conwastepr.com; cotero@conwastepr.com; omar.Amin@palmetto.com; Derek.Heckendorn@palmetto.com; legal@lumapr.com; mario.hurtado@lumapr.com; neol_chp@mpc-capital.com; tax@newfortressenergy.com; jfr@sbgblaw.com; oe@infinigenrenewables.com; regulatory@patternenergy.com; nandrade@santander.us; pvproperties@windmareenergy.com; jeffrey@pashglobal.com; antonio.collazo@oneillborges.com; rbullock@camstex.com; legalnotice@edpr.com; ajimenez@pmalaw.com; mtrelles@pmalaw.com; DGovert@ecofininvest.com; tax@sunnova.com; policyfilings@sunrun.com; apc@mcvpr.com; puertorico@urielrenewables.com; windmarre@windmareenergy.com; fernandomolini@tycroesgroup.com; croman@colegiocpa.com.

I sign this in San Juan, Puerto Rico, today March 14, 2025.




Sonia M. Seda Gaztambide
Clerk