

Draft Public Notice

**PREPA SUBMITS FORMAL APPLICATION FOR REVIEW OF RATES**

On May 27, 2016, the Puerto Rico Electric Power Authority (“PREPA”), a public power electric utility and an instrumentality of the Government of the Commonwealth of Puerto Rico, submitted a formal application (Petition) to the Puerto Rico Energy Commission (the “Commission”) proposing new rates for electric service.

The base rates currently changed by PREPA were last revised in 1989. As established by the testimony and other materials submitted with the Petition, the approval and establishment of new rates for PREPA is essential in order for PREPA to meet its obligations to its Customers; make investments essential to improving service, reliability, and efficiency; comply with environmental and other legal mandates such as integrating and increasing the use of renewable energy; implement and capture the benefits of PREPA’s proposed financial restructuring; and to increase the transparency and stability of its rates. PREPA’s purpose is to reduce the all-in costs of electricity to Customers over time and, ultimately, to transform itself into a modern self-sustaining utility that can meet Puerto Rico’s needs now and in the future. Because of time-critical liquidity needs, PREPA also requests that the Commission approve provisional (temporary) rates for PREPA. These provisional rates are also supported by materials attached to the Petition. PREPA believes that the rates it proposes are just and reasonable, consistent with sound fiscal and operational practices, and allow PREPA to provide an adequate service at the lowest reasonable cost to guarantee the security and reliability of Puerto Rico’s electric utility system. Pursuant to its authority under the Energy Transformation and RELIEF Act (Act 57-2014), the PREPA Revitalization Act (Act 4-2016), and Section 13.03 of the Commission’s Regulation No. 8543, known as the Regulation on Adjudicative, Notice of Noncompliance, Rate Review and Investigation Proceedings, the Commission has initiated an adjudicative proceeding to review PREPA’s proposed rates and ensure that these rates are just and reasonable. The Commission also has adopted its Regulation No. 8720, New Regulation on Rate Filing Requirements for the Puerto Rico Electric Power Authority’s First Rate Case.

PREPA proposes to update its rates, improve their design, limit the increase for residential customers, add a formula rate mechanism to improve the accuracy of cost recovery, and improve the stability and transparency of rates. PREPA’s proposed changes in base rates will result in an increase of an estimated approximately \$222 million in revenues (not including revenues collected by PREPA through Transition Charges for the PREPA Revitalization Corporation in relation to debt restructuring). The average increase for Residential Customers will be 9.5%. The average increase for Commercial Customers will be 4.5%. The average increase for Industrial Customers will be 4.5%.

Any person desiring to intervene in this proceeding must submit to the Puerto Rico Energy Commission a petition to intervene, in accordance with Section 5.05 of Regulation No. 8543, the provisions of Act No. 170 of August 12, 1988, as amended, known as the Uniform Administrative Procedure Act, and the interpretive case law. A petition to intervene shall be filed no later than [date to be inserted by the Commission], and must be served in accordance with the provisions in Regulation No. 8543.

Upon receiving the formal application and the requests for intervention, the Commission will issue an order granting or denying the petitions to intervene, and determining who may intervene. Such order will also establish a schedule for (1) public technical hearings at which expert witnesses shall testify before the Commission and (2) public citizen hearings at which members of the public may state their views to the Commission.

More detailed information about PREPA may be found at [www.prepa.com](http://www.prepa.com) and more detail about the Commission may be found at [www.energia.pr.gov](http://www.energia.pr.gov).