

COMISIÓN DE ENERGÍA DE PUERTO RICO  
Recibido por: *[Signature]*  
Fecha: 6/28/16 Hora: 2:54

COMMONWEALTH OF PUERTO RICO  
PUERTO RICO ENERGY COMMISSION

IN RE: REVIEW OF RATES OF  
THE PUERTO RICO ELECTRIC  
POWER AUTHORITY

NO. CEPR-AP-2015-0001

SUBJECT: VERIFIED  
EMERGENCY MOTION FOR  
CLARIFICATION AND  
COMPLIANCE PLAN

**PREPA'S VERIFIED EMERGENCY MOTION FOR  
CLARIFICATION OF THE PROVISIONAL RATE ORDER**

TO THE HONORABLE PUERTO RICO ENERGY COMMISSION:

COMES NOW the Puerto Rico Electric Power Authority ("PREPA") and, on an emergency basis, respectfully requests that the honorable Puerto Rico Energy Commission (the "Commission") clarify four aspects of its June 24, 2016 Order Establishing Provisional Rates (the "Provisional Rate Order").<sup>1</sup> This Motion is submitted on an emergency basis because PREPA requires clarification of these questions within the next 24 hours for PREPA to comply with the deadlines for notice established in the order and for PREPA, as a practical matter, to have a high likelihood of being able to reprogram its necessary billing systems to properly reflect the provisional rate in bills beginning by August 1, 2016. A delay in PREPA's ability to bill the provisional rate until September 1, 2016 would hamper PREPA's urgent need for provisional rate revenues to help address its immediate liquidity issues. This Motion is verified. In support thereof, PREPA states:

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1. On May 27, 2016, PREPA filed its Petition seeking Commission approval of new permanent and provisional rates. The Petition and the testimony and other materials attached

<sup>1</sup> Both the terms "provisional" and "temporary" rates have been used to refer to the rates established under Section 6A(e) of Act 83 of May 2, 1941, as amended, Section 6.25(d) of Act 57-2014, and Section 2.02 of Regulation 8720. Because the Order uses the term provisional rate, this Motion will also do so.

thereto demonstrated PREPA's urgent need to establish provisional rates to meet its liquidity needs pending the Commission's decision of PREPA's request for new permanent rates.

2. On June 24, 2016, the Commission issued the Provisional Rate Order. That order approved provisional rates designed to recover the additional \$222,256,790 in annual revenues that PREPA sought on a provisional basis. It adopted an "across the board" rate design for the approved provisional rates. And, it required PREPA to make an announcement to the public on June 29, 2016 (5 days from the date of the Order) concerning specific aspects of the provisional rate and its effectiveness.

3. PREPA must be certain of several details of the Commission's Order for PREPA to be certain that it is acting in faithful compliance with the Order and for PREPA to be able to give the public full and accurate notice of the provisional rates. This need for this clarification is extremely urgent because of the timing of the Order relative to PREPA's billing cycles and the deadlines established in the Order itself. For example, the Order directs PREPA to produce and publish and include with its bills certain public notices. *See* Provisional Rate Order at 8. To produce those notices, PREPA must both resolve questions about the details of the rate design the Commission approved and to be able to produce, publish, and distribute those notices. Because PREPA's next billing cycle begins on Friday, July 1, the practical limitations are significant. Finally, the reprogramming of PREPA's information systems to reflect the new rates, and the testing and verification of those systems, requires substantial lead time and cannot commence until the details are certain.

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4. Accordingly, PREPA seeks clarification of several questions relating to the rates design approved by the Order. For the reasons stated above, PREPA respectfully requests that the Commission clarify these issues today. In addition, PREPA seeks clarification of the Order's discussion of capital investments. While equally important, this question need not be addressed on an emergency basis as it does not affect the notice or the required programming.

**Questions Regarding the Provisional Rate Design**

5. **First**, the Order provides for a uniform (across the board) rate increase in an amount necessary to produce the \$222,756,790 of new provisional rate revenues, but also provides for an increase of 1.299¢ / kilowatt hour ("kWh") to apply to the "existing per kilowatt hour (kWh) base rate for energy consumption for call customer classes," each subject to a special provision relating to customers and Article 3.9(b) of Act 22-2016. Order at 7.

6. Those two approaches -- a uniform (across the board) rate increase versus a uniform increase of 1.299¢ / kWh -- are not identical, because PREPA's base rates include non-volumetric charges that would be increased by a uniform across-the-board percentage increase in all rates (excluding only the exceptions). Although the approaches are similar in their use of a constant increase across classes, they would require significantly different programming in PREPA's information system.

7. PREPA believes that that the preferable answer, in order to complete the programming on time, is to recover the required revenues through the stated per kWh charge, for which the required programming should be simpler. PREPA seeks clarification that this answer is consistent with the Order.

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8. **Second**, PREPA requests clarification of whether the Commission wishes charges under the provisional rate to appear on customer bills as a stated uniform percentage increase in each of the prior base rates, fixed and kWh (*i.e.*, each charge under the existing base rate times the required 20.7% uniform percentage increase) or as a separate calculation of the provisional rate stated as a per kWh charge times the customer's billed kWh use (*i.e.*, kWh use times 1.299¢ / kWh).

9. PREPA believes that that preferable answer, in order to complete the programming on time, is the latter, provided that the Commission intended to recover the provisional revenue increase only through kWh-based charges. PREPA seeks clarification that this answer is consistent with the Order.

10. **Third**, the Order and Section 2.02 of Regulation 8720 refer to notice to be given within five days of the Commission's ruling. Because PREPA cannot finalize the notice until it is certain of the answers to the prior questions and because of the practical limitations on the schedules for newspaper publication (notices would have to be submitted early today), PREPA requests clarification that it will comply with the Commission's Order and Regulations if such notices are published and added to its website within 5 business days of the Commission's Order. In addition, PREPA's next billing cycle begins on July 1, 2016. Because PREPA cannot be certain whether it can implement the provisional rates on August 1 (or whether they will be delayed until September 1) until it reviews the Commission's order in response to this Motion, PREPA cannot include a single date certain in notices being distributed as early as Friday, July 1. PREPA, therefore, requests that the Commission clarify that such notices may identify more than

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one possible effective date and can refer customers to other sources (websites, press releases) where further information can be found, including information that can be updated as implementation continues.

**Questions Regarding the Capital Investment**

11. **Fourth**, while not necessary to complete the required notice or the programming for issuing bills, PREPA seeks clarification of the provision of the Order regarding ongoing capital spending. PREPA understands that provision is intended to prohibit the expenditure of provisional rate funds on additional capital investment programs or initiatives until and unless those programs or initiatives are approved by the Commission in the contest of a decision on PREPA's proposed Integrated Resource Plan ("IRP"), this rate case, or some other lawful process. PREPA does not, however, understand the Provisional Rate Order to require it to curtail or cease its existing capital expenditure programs, including the ongoing investment in the reconstruction, maintenance, and replacement, as applicable, of generation, transmission, and distribution system facilities or intangible assets such as its computer systems. To the contrary, as the Commission's Order (at 7) states, the provisional rate is intended to "allocate[e] revenue resources to PREPA in order to improve its current financial situation and allow its continued operation."

12. This clarification is especially important because the revenue requirement proposed by PREPA includes known and measurable adjustments through Fiscal Year 2017, so a complete halt in all the investment projects included in that request would bring essential operating and reliability functions to a halt. PREPA believes that its understanding of the

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Provisional Rate Order's determinations regarding capital investment, which it asks the Commission to confirm, is faithful to this intention and allows PREPA to continue to operate efficiently and reliably and to move forward with the efficiency and service goals of Act 57-2014 and Act 4-2016, while at the same time ensuring that provisional rate revenues are not used for to commence other investment projects.


WHEREFORE, the Puerto Rico Electric Power Authority respectfully requests that the Commission provide clarification and conformation as requested above, and asks that the Commission address the first three requests for clarification most urgently.

**WE HEREBY CERTIFY** that the foregoing Motion and attachments were sent via served on the Commission's legal counsel on June 28, 2016 at legal@energia.pr.gov.

RESPECTFULLY SUBMITTED,

IN SAN JUAN, PUERTO RICO, THIS 28<sup>th</sup> DAY OF JUNE, 2016

**PUERTO RICO ELECTRIC POWER AUTHORITY**

  
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**VERIFICATION**

I, Sonia Miranda Vega, engineer, married and resident of Vega Alta, Puerto Rico, in my capacity of Director of Planning and Environmental Protection of the Puerto Rico Electric Power Authority ("PREPA"), under oath declare as follows:

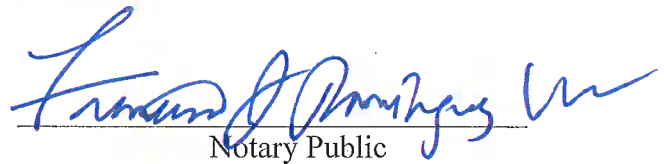
1. My name and personal circumstances are those stated above. If called as a witness, I could testify competently as to the subject matter of this Verification.
2. I have reviewed PREPA's foregoing Motion.
3. The information in the Motion is true on the basis of my personal knowledge or on the basis of the information supplied to me by employees of PREPA and other advisors to PREPA.

In San Juan, this 28 day of June, 2016.

  
Sonia Miranda Vega

Affidavit No. 1936

Sworn and subscribed before me by Sonia Miranda Vega, of the personal circumstances above mentioned, whom I personally know, in San Juan, P.R., this 28 day of June, 2016.

  
Notary Public

EXENTO PAGO ARANCEL  
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