

**COMMONWEALTH OF PUERTO RICO  
PUERTO RICO ENERGY COMMISSION**

**No.: CEPR-IN-2015-0002**

**IN RE: INVESTIGATION ON THE RATES OF  
THE PUERTO RICO ELECTRIC POWER  
AUTHORITY**



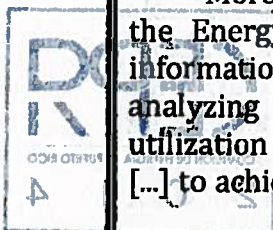
**SUBJECT: INFORMATION REQUIREMENT  
TO THE PUERTO RICO ELECTRIC POWER  
AUTHORITY**

**ORDER**

Act 57-2014, as amended, known as the Energy Transformation and RELIEF Act, declared as a principle of public policy of the Commonwealth of Puerto Rico that the electricity generated, transmitted and distributed in Puerto Rico must be affordable, and its costs must be fair and reasonable. As is known, this Act provided for the creation of the Puerto Rico Energy Commission (Commission or Energy Commission) as an independent entity for the regulation, supervision and monitoring of the electrical industry, with broad powers and duties to ensure compliance with public policy on energy and with the provisions and mandates of law; and to ensure that electricity rates and costs are fair and reasonable by means of the auditing, review and approval of rates for the Puerto Rico Electric Power Authority (PREPA).

Also, Act 57-2014 introduced substantial changes to our legal system in terms of regulation, content and method of evaluating and approving PREPA electricity rates. Among other things, the Act adopted new provisions regarding charges that PREPA may collect from its customers through base rates, adjustment clauses for purchase of fuel and purchase of electricity, and required, for greater transparency and information for consumers, the identification of a new fixed charge to meet PREPA's obligations to bondholders. Specifically, contrary to what has purportedly been PREPA's practice with regard to the adjustment clause for purchasing fuel, Article 6.25 of Act 57-2014 provides that clauses for the purchase of fuel and purchase of electricity may be used only to charge customers that portion of charges related directly to fluctuations due to changes in fuel prices. "No other expense or charge may be denominated nor included as "fuel adjustment" or "energy purchase adjustment."

Moreover, subsections (l), (w) and (y) of Article 6.3 of Act 57-2014, as amended, give the Energy Commission the power to "require and gather all relevant or necessary information for the proper performance of its powers and duties", of "gathering and analyzing all kinds of timely and reliable information on the generation, distribution, utilization and energy consumption", and "perform inspections, investigations and audits [...] to achieve the purposes of [Act 57-2014]." In consideration of the foregoing, this Order



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initiates an investigation to obtain necessary information on the operations and performance of PREPA, from the technical, administrative, financial, accounting and tax perspective, to adequately carry out the Commission's powers and duties, and to evaluate the existing rates of that electric power company. This Order does not initiate a formal rate case, but rather will gather information that assists both the Commission and PREPA in preparing for a rate case.

### **I. Information on Financial Matters**

The information requirements in Subpart IV (1)-(26) of this Order are designed to acquire the data necessary to investigate the financial condition of PREPA. A substantial amount of publicly-available data is available on PREPA's website and those data will be examined. However, the above-mentioned information requirements require PREPA to aggregate some of that publicly-available data for more efficient analysis (e.g., financial statements) as well as to provide the most recent financial data not yet publicly available, and the forward-looking data provided to credit rating agencies. The Commission is also requiring PREPA to provide all information and reports presented, thus far, by its Chief Restructuring Officer in order that the Commission can be apprised of the progress and detail of that restructuring.

In addition, the Commission is inquiring about the internal corporate structure of PREPA as well as any inter-affiliate relationships that may exist between PREPA personnel and entities that do business with PREPA, since such relationships could encourage economically inefficient operations. Finally, these questions seek clarity on the revenue and interest coverage impact of Contributions in Lieu of Taxes (CILT), an important factor for the economic well-being of both Puerto Rico and PREPA.

This is an initial round of questions. As answers to these questions are provided and as the restructuring continues, other questions will arise that will provide even greater detail regarding PREPA's financial position. The Commission's goal is to understand the reasons for PREPA's rapid decline from an investment-grade borrower to one near default, in order that its decline in financial strength can be halted and eventually reversed, while protecting the interests of the PREPA's ratepayers.

These information requirements should be considered on-going in nature. For example, they require PREPA to provide any and all reports previously provided to PREPA by the Chief Restructuring Officer. As the Chief Restructuring Officer provides additional reports to PREPA, subsequent to the issuance of this Order, those later reports should also be provided.

### **II. Information on Accounting and Fiscal Affairs**

The information requirements in Subpart IV (27)-(87) of this Order are designed to (a) acquire the information and data necessary to investigate the financial condition of PREPA; (b) understand PREPA's accounting records; and (c) along with the data available on PREPA's website, provide preliminary information to help the Commission evaluate PREPA's revenue requirement for PREPA's anticipated 2015 rate case. In particular, these information requirements seek: (i) financial statements and supporting accounting documents, such as general ledgers, trial balances, etc., and management documents, such as operating and capital budgets; (ii) information on the organizational structure of PREPA



as well as any inter-affiliate relationships that may exist between PREPA personnel and entities that do business with PREPA; (iii) clarity on PREPA's plans to address collection of Accounts Receivable, and related concerns associated with the CILT; (iv) current information and plans regarding the conversion of PREPA's power plants from oil to natural gas; and (v) information on the cost and funding obligations associated with the defined benefit pension plan in which PREPA employees participate.

As with the questions described in Part I above, this is an initial round of questions. As answers to these questions are provided and as the restructuring continues, other questions will arise which will provide even greater detail regarding PREPA's financial position. The goal here is to understand PREPA's cost structure, the basis for PREPA's current rates, the status of PREPA's conversion of generating units from oil to natural gas, PREPA's service reliability and maintenance programs, and PREPA's accounting records and other available documentation that will be used to develop a revenue requirement and new rates for PREPA in its anticipated rate case.



### III. Instructions

#### A. In General

1. Unless the context requires otherwise, all words used in the singular in this Order shall be deemed to also include the plural.
2. Responses must be made in writing, separately and under oath. Questions should be answered by supplying any information which PREPA has knowledge of or information obtained by their legal representatives, employees, contractors, agents or representatives, or as a result of any investigation conducted. Each response shall state the person responsible for that response.
3. When production of a document is required, the response should identify the document produced, the format or formats in which the document was produced, and the method and date it was delivered to the Commission. The identification of the document shall include: the name or title of the document, the document date, and the name of its author.
4. If information, data or documents required for any requirement do not exist, the person to whom this request for information is directed shall so specify it in his or her reply to that request.
5. Except where the context indicates otherwise, the term "any" includes "all," and vice versa.
6. The person to whom this request for information is directed shall have a continuing duty to update, correct or amend his or her answers and

notify the Commission of any additional information obtained after said request and which is the subject of this Order.

7. For purposes of this Order, the term "document" means any material, no matter the form, type, nature or description, whether electronic, handwritten or typed, printed, engraved, photographed or copied, and no matter by whom it was originated, prepared, produced, reproduced, published or disseminated. The term "document" includes all types of publications, reports, magazines, books, pamphlets, brochures, folders, record, volume set of attached or unattached papers.
8. For purposes of this Order, the term "information" includes data and documents.
9. **Digital Format:** All documents must be submitted in the word processor or text editor format in which they originally developed. Under no circumstances may a printed document, scanned and converted to an image in *Personal Document Format* (PDF), be presented if there is already a version in digital text. In view of this, the presentation of PDF images of documents that were originally produced in digital text will not be allowed. The presentation of PDF images will only be allowed for those documents that do not exist in a digital version, or of which PREPA does not have a digital version, will be allowed.
10. **Delivery to the Commission in digital format:** All information and documents must be provided through the *CEPR File Sharing* web application. During the course of the investigation, the information and documents submitted will be maintained and protected in said application. The Commission shall assign a user account to each person who is an employee, consultant, agent or representative of the Commission, or of PREPA, that the Commission authorizes to access *CEPR File Sharing*. The web application consists of different folders identified by subject, in which the appropriate documents to each of these subjects must be filed. Each user account will be assigned the access rights appropriate to the role and functions of the user. To this end, each user's access to various folders will depend on the rights that the Commission assigns to his or her account. The Commission will assign all user accounts in *CEPR File Sharing*, with their respective passwords.
11. In case of any discrepancy between the English and Spanish versions of this Order, the English version shall prevail.



**B. Allegedly Confidential or Privileged Information and Documents**

The Commission recognizes that PREPA may assert that some of the documents responsive to these questions warrant confidential treatment. This Order initiates an

investigation pursuant to the provisions of Act 57-2014, as amended, and Chapter V of Regulation No. 8543, *Reglamento de Procedimientos Adjudicativos, Avisos de Incumplimiento, Revisión de Tarifas e Investigaciones de la Comisión de Energía de Puerto Rico*. Section 15.10 of the cited Regulation No. 8543 provides that "[t]he Commission file will be confidential in nature while the investigation is in process",<sup>1</sup> and once the investigation report is issued and notified, the investigation report will be available to the public with the exception of "any information that during the course of the investigation has been classified as privileged, as well as any information that might infringe fundamental rights of third parties or the privacy of the person under investigation".<sup>2</sup> Section 1.15 of Regulation No. 8543, together with the provisions of Articles 1.4 and 6.15 of Act 57-2014, as amended, govern the information that may be unavailable for public access because it is privileged or confidential, as well as the method for the Commission to determine what information is privileged and confidential and the treatment to be given to protect such information. Specifically, the aforementioned Section 1.15 provides that when a person has the duty to submit to the Commission information that, in his or her view is privileged or confidential, that person will identify the information which he or she considers to be privileged or confidential, and shall request the Commission to protect this information, and shall state in writing the arguments in support of his or her request for protection. Once the matter is submitted to the Commission, it shall proceed as provided in Article 6.15 of Act 57-2014 if the Commission determines that the information produced and identified deserves protection.

In keeping with the above, if PREPA believes that one or more of the requirements made in this Order will require the production of information which, in PREPA's opinion, is privileged or confidential, PREPA shall: (i) produce the information or document requested and mark it as "confidential" or "privileged"; (ii) identify the reason why the document or information is "confidential" or "privileged"; and (iii) state in writing the legal bases and sources to support its argument that such information or document is "confidential" or "privileged". Prior to the issuance and notification of the report on the investigation initiated by this Order, the Commission will examine PREPA's bases for confidentiality and will attend to them under the case law interpreting the Constitution of the Commonwealth of Puerto Rico, the provisions of Act 57- 2014, as amended, and the applicable rules of administrative law. Except for communications covered by attorney-client privilege, **PREPA cannot fail to give any information or document to the Commission on the grounds that it believes it is a confidential or privileged document or information.** The Commission requires confidentiality agreements of its outside consultants who will have access to information or documents produced during the course of the investigation, to ensure that such consultants refrain from disclosing any information or documents that are confidential or privileged for the duration of the confidentiality or privilege.

#### IV. Request for Information

<sup>1</sup> Translation provided.

<sup>2</sup> Translation provided.



As set forth in this Order and pursuant to the powers conferred by Articles 6.3 and 6.24 of Act 57-2014 and to the provisions of Chapter V of the Regulation No. 8543, *Reglamento de Procedimientos Adjudicativos, Avisos de Incumplimiento, Revisión de Tarifas e Investigaciones de la Comisión de Energía de Puerto Rico*, **this Commission ORDERS PREPA to submit, within thirty (30) days from the date of notification of this Order**, the following information, data or documents, as appropriate, in digital format, in accordance with the instructions set forth in this Order:



1. Provide the most recent full credit ratings reports for PREPA published by Standard & Poor's, Moody's and Fitch, as well as any subsequent updates issued since the full report. The reports provided should be the most recent multi-page detailed analysis of PREPA's credit rating, outlining the PREPA's business and financial risks.
2. Provide a complete copy of the most recent credit rating agency presentation submitted by PREPA to the credit rating agencies for their review, as well as a list of the documents and data provided by PREPA to the credit rating agencies. Copy of the listed documents and data shall also be provided herein.
3. Provide PREPA's annual financial statements (income statement, balance sheet, and cash flow statement) for the period 2006 through 2013.
4. Provide PREPA's 2014 financial statements, even if they are preliminary. Include the date and the names and titles of the personnel responsible for their preparation.
5. Provide PREPA's credit rating each year from 2006 forward from each of the investor services that rate the Authority's bonds.
6. Provide a complete copy of any and all reports made by PREPA's Chief Restructuring Officer (Ms. Lisa Donahue) to the Authority and/or the Governing Board regarding its pending restructuring.
7. Provide a complete copy of the most recently applicable Forbearance Agreement.
8. Provide a list of the bondholders that comprise the Ad Hoc Group of bondholders that are participating in the Forbearance Agreement.
9. Provide a list of the bondholders that are not participating in the Forbearance Agreement.
10. Provide a complete copy of the most recent five-year or ten-year financial forecast for PREPA. In addition, provide:



a) A detailed description of the assumptions included in that forecast.

b) An electronic copy of the financial projections model used to make the financial forecast with cells unlocked, formulas and original data available.

11. Provide a detailed description of any agreements made between PREPA or its officers/Governing Board members and any of the bondholders in addition to the Forbearance Agreement.

12. Provide a narrative description of the liquidity facilities utilized to purchase fuel oil. Please also explain whether and how the current arrangement is different from oil purchase procedures in the past due to the PREPA's current financial position.

13. Explain how Puerto Rico Irrigation Systems and PREPA Holdings are aggregated within PREPA.

a) Are those operations stand-alone companies with their own income statements and balance sheets or are they operating divisions within PREPA?

b) If they are stand-alone operations, provide their financial statements for the most recent five years.

c) If they are operating divisions, please provide a narrative description of the manner in which their operating expenses are identified and the manner in which joint and common costs are allocated to those operations.

d) Have any other subsidiaries been created, as allowed in Section 1 of the PREPA By-Laws? If so, answer the above questions regarding any such additional subsidiaries. If not, so state.

14. Provide a narrative description of the function of the companies operating within PREPA Holdings (PREPA Networks, LLC, also known as PREPA.Net, InterAmerican Energy Sources, LLC, and Consolidated Telecom of Puerto Rico, LLC). Identify the officers and directors/board members of each of these companies if different from the officers or board members of PREPA.

15. Identify each of the members of PREPA Governing Board. For each person identified, indicate their responsibilities and length of time in their current position. Also please indicate if any of those board members have other responsibilities or relationships with any other companies



that engage in business operations with PREPA, identifying any such relationships.

16. Identify the members of the PREPA Governing Board that comprise the Executive Committee.
17. Provide a copy of the minutes of each of the PREPA Governing Board meetings in 2014.
18. Identify PREPA's Executive Director, Vice Executive Director, General Counsel, Secretary and Assistant Secretary. For each person identified, indicate their responsibilities and length of time in their current position. Indicate if any of those officers have other responsibilities or relationships with any other companies that engage in business operations with PREPA, identifying any such relationships.
19. Identify PREPA's primary and secondary sources of liquidity.
20. Provide the Authority's short-term debt balance for each month for the past three years, showing the debt supplier, the average amount of short-term debt and the cost rate of that debt.
21. Describe the business/operating relationship between PREPA and the Government Development Bank for Puerto Rico (GDB), specifically with regard to how GDB assists in financing PREPA's day-to-day operations.
22. Provide a narrative explanation of the significance of the "1974 Agreement" and the 1999 Amendment to that agreement as regards the Authority's debt covenants.
23. Provide a narrative description of the origin, intent, amendments to and current operation of Subsidies and Contributions in Lieu of Taxes (CILT). Provide any supporting documentation available.
24. With regard to the information shown under the heading "Subsidies and Contributions in Lieu of Taxes" at p. 49 of the bond indenture to PREPA Revenue Bonds Series 2013A, respond to the following questions:
  - a) Are 11% of the gross revenues from electric sales set aside to fund certain government subsidy programs? If not, explain why not.
  - b) Does the Authority set rates taking that 11% requirement into account? If not, explain why not.





- c) In order to "ensure that fuel and purchased power costs are fully recovered" are the fuel and purchased-power costs collected from non-subsidized customers adjusted to recover the required 11% set-aside? If not, explain why not; and, if so, provide a narrative description of the process.
- d) Are there other costs of the subsidized municipalities, residentials and hotels that are not covered by the 11% set-aside? If not, so state; if so, provide a list of those additional (un-recovered costs) and provide, each year from 2006 forward, the annual amount of the 11% gross revenue set-aside, the amount recovered from the non-subsidized customers and the total cost of service incurred for the subsidized customers.

25. With regard to the information shown under the heading "Operating Results" at p. 5 of the bond indenture to PREPA Revenue Bonds Series 2013A, respond to the following questions:

- a) Explain why the Ratio of adjusted net revenues to Principal and Interest, net of municipalities' consumption and subsidies is reported as a separate line item in the Operating Results.
- b) If, as noted in the immediately preceding question, the Authority increases its charges to the non-subsidized customers to recover the fuel and purchased power cost attributable to the subsidized customers, why it is still necessary to show the interest coverage absent recovery of those charges?

26. Provide a narrative description of the five primary reasons, in PREPA's view, that PREPA has changed from a BBB-rated entity in 2013 to a CCC-rated entity in 2014.

27. Provide any documents showing in detail how PREPA's current rates were developed. In addition, respond to the following questions:

- a) What revenue requirement are PREPA's current rates designed to recover?
- b) How and when was that revenue requirement determined?
- c) Provide documents and calculations related to your answers to (a) and (b).

28. Provide a copy of PREPA's general ledger for 2014 showing beginning and ending balances and 2014 transactions. Provide a legend to explain



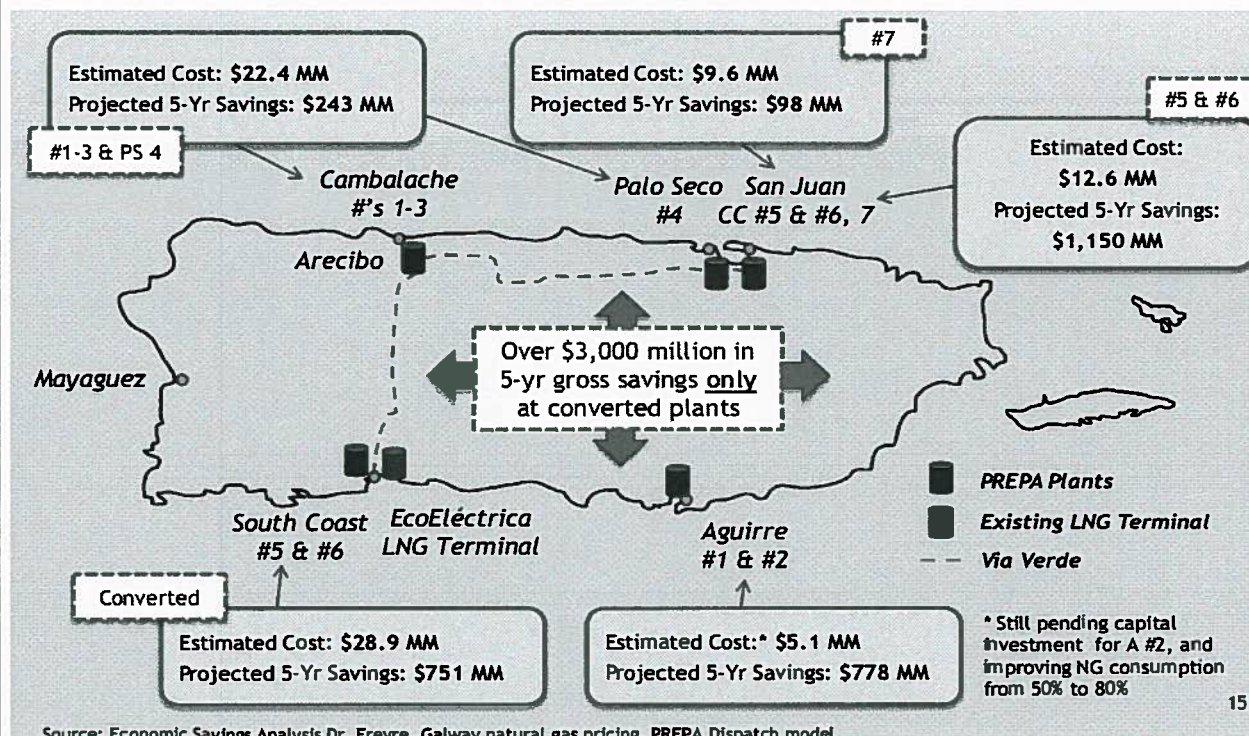
symbols, abbreviations, codes, and other markings that would be helpful in interpreting the general ledger.

29. Provide the trial balances as of January 1, 2014 and December 31, 2014 showing the amounts in each account.
30. Provide PREPA's operating budgets for 2014 and 2015.
31. Provide PREPA's capital budgets for 2014 and for the five years, 2015-2019.
32. Provide PREPA's financing plans for the five years, 2015-2019.
33. Provide PPREPA's chart of accounts.
34. Provide an illustrative PREPA electric service bill for one customer in each rate class - the specific customer identifying information can be redacted.
35. Provide copies of all loan agreements. As part of your response, please identify the section of each agreement that contains the financial ratio requirements.
36. Provide the most current version of PREPA's integrated resource plan and/or any documents describing PREPA's resource planning.
37. Identify the quantity and cost for each fuel inventory maintained by PREPA for each month of 2014. For each month of 2014, also identify the quantity and cost of fuel consumed at each of PREPA's generating facilities.
38. Identify and provide PREPA's policies for determining fuel inventory targets and/or for managing fuel inventories.
39. Indicate what is the current status of PREPA's natural gas conversion. In addition, indicate which plants and units have been converted to burn natural gas, and PREPA's current plans and timetable for converting the remaining units:
  - a) Costa Sur #5 and #6
  - b) San Juan CC #5 and #6
  - c) Aguirre #1 and #2
  - d) Cambalache #1, #2 and #3



- e) San Juan #7, #8, #9 and #10
- f) Palo Seco #3 and #4
- g) Any other units (please identify and explain)

40. Page 15 of the PREPA Natural Gas Plant Conversion plan document entitled "Natural Gas Diversification Strategy for PREPA" has the following cost and savings estimates:



Respond to the following questions:

- a) Does PREPA have more current cost and savings estimates for any of these units? If so, provide them.
- b) What is the status of the LNG terminal? Is there a working LNG terminal? What is its location and capacity? If there is not yet a working LNG terminal, what is the anticipated timeline?
- c) What are the current and future plans and timetable for natural gas pipelines?

41. Page 19 of "The Commonwealth of Puerto Rico Update on Fiscal and Economic Progress, FY2015 Q1 Investor Webcast – October 2014" states



that by December 15, 2014, "PREPA must deliver a five-year business plan (excluding capital structure). Will be guided by a generation study currently being prepared by Leidos Engineering."

a) Provide a copy of the five-year business plan.

b) Provide a copy of the generation study.

42. Page 20 of "The Commonwealth of Puerto Rico Update on Fiscal and Economic Progress, FY2015 Q1 Investor Webcast – October 2014" states that: "PREPA will continue to work to reach a consensual agreement with its stakeholders so it can: [(i)] address recurring operating and budgetary shortfalls; [(ii)] modernize its system and provide efficient reliable power for the long-term; and [(iii)] diversify its fuel supply."

a) Identify and explain the "recurring operating and budgetary shortfalls" that PREPA has been experiencing.

b) To the extent not already being provided in response to other requests, identify and provide PREPA's current plans to modernize its system and provide efficient reliable power for the long-term.

c) To the extent not already being provided in response to other requests, identify and provide PREPA's current plans to diversify its fuel supply.

43. Identify and describe each of PREPA's Energy Efficiency/Demand Response (EE/DR) programs. If the current EE/DR programs are described in documents, please identify and provide the documents.

44. State all major service objectives and indicate any areas where service levels or quality were not met in 2014 or within the two prior years. If service or quality levels were not met, provide an explanation.

45. List and explain all nonrecurring or extraordinary expenses incurred in 2014 of which PREPA is aware. Also identify and describe expenses in 2014 which do not occur yearly but are of a nature such that they do occur periodically over an extended period of years.

46. Provide a copy of the monthly financial statements and management reports for 2014.

47. Provide a copy of the Allowance for Funds Used During Construction (AFUDC) procedures used. Show how AFUDC was calculated during 2014.



48. State the dollar threshold for costs that are expensed versus capitalized.
49. List PREPA's current depreciation rates by plant account, and provide a copy of the most recent depreciation study that was used to develop such rates.
50. Provide a copy of the pension plans in which PREPA employees and retirees participate. For each plan, provide a copy of the most recent actuarial report. Identify the 2014 funding status, 2014 funding contributions and plans/budgets for funding in the five years, 2015-2019.
51. Identify 2014 amounts for CILT and show in detail how they are calculated or assessed.
52. Respond to the following questions regarding the "Accounts Receivable and CILT Report" prepared by FTI Capital Advisors that was presented to PREPA on or about November 15, 2014.



- a) Has PREPA implemented any of the recommendations in the Report to improve collections? If so, explain which recommendations have been implemented.
- b) Identify recommendations that PREPA plans to implement and the implementation timeline.

53. Page 19 of the "Accounts Receivable and CILT Report" presents a CILT overview and notes the following: "Although the amount that PREPA owes to municipalities is based on electricity usage, the amount that PREPA pays to the municipalities (the "CILT Payment") is governed by the net revenues available to make such payments (after debt service, reserve account funding, and funding of the CIP): [...] For the past several years, the amount of funds available to make CILT Payments has been significantly below the actual usage of the municipalities [...] A liability (the "CILT Liability") is recorded for the difference between the CILT expense that is incurred and the CILT Payments permitted to be made. [...] Under the law, PREPA is allowed to offset amounts owed by municipalities for their power consumption with the CILT Payments allowed to be made in any given year [...] However, given the deficiency that is described above between the consumption of the municipalities and the CILT Payments able to be made by PREPA, the full amount of accounts receivable owed by the municipalities has not been offset and, as of June 30, 2014, PREPA had approximately \$420 million of outstanding accounts receivable from municipalities." Additional pages including pages 20 and 21 in the Report present additional concerns about the CILT.

- a) Describe PREPA's plans for addressing and resolving matters regarding (1) collection of amounts owed to PREPA from municipalities represented by the accounts receivable balances and (2) the concerns noted at pages 20 and 21 of the Report concerning the structure and basis for the CILT.

54. Provide a listing of all items classified as utility plant under the National Association of Regulatory Utility Commissioners (NARUC) Uniform System of Accounts (USOA) that was expensed during 2014. As part of your response, include a description and cost.

55. Describe your procedures and internal controls to record Advances in Aid of Construction (AIAC) and to ensure that refunds are made in a timely basis. Also, provide a complete history of all your AIAC contracts and dates of refunds since your last rate review.

56. State your customer security deposits balance at the end of 2014.

57. State the amount of interest you paid on customer security deposits during 2014, and provide supporting documentation.

58. Provide a summary of sales promotion, advertising and miscellaneous sales expense for 2014. Classify the advertising expense by purpose: service promotion, safety, customer instruction, etc.

59. Describe the programs for inspection, maintenance, replacement, and/or upgrading of your system. Also, state the year(s) in which the program(s) were conducted since the last rate review. As part of your response state how often each program is conducted and whether or not the program was conducted during 2014.

60. Describe in detail any operating or administrative facilities which PREPA shares with other entities, affiliated or not, and the basis for quantification and allocation of the related operating and capital costs.

61. For each expense or cost recorded by PREPA that is an allocation, provide the following:

- a) Identify the cost, i.e., provide a descriptive name;
- b) The basis of the allocation (e.g. number of customers); and
- c) The actual calculation used to make the allocation.

62. Provide your cost allocation manual.



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63. Identify and describe PREPA's departments and staffing and provide the most current organizational charts.
64. Provide a schedule of all transactions with other Puerto Rico government departments during 2014. As part of your response, include the dollar amount and the account numbers for such transactions.
65. Identify major storms and related costs for storm damage/service restoration for the five years through 2014. Describe the accounting for storm damages.
66. Identify the amount of Uncollectibles for each of the five years through 2014. Provide the balance of Accounts Receivable as of January 1, and December 31, 2014. Also provide an aging of Accounts Receivable as of January 1, and December 31, 2014. Show the Accounts Receivable aging by customer class.
67. Provide a detailed listing of the expenses incurred for the items listed below in 2014. For each of the items listed below, list the dollar amount paid, the payee, the account charged, and purpose of purchase.



- a) Dues paid for social and service clubs
- b) Membership payments made to industry associations
- c) Charitable contributions
- d) Sponsorships
- e) Gifts and awards
- f) Employee parties, picnics, or other similar events
- g) Entertainment

68. In relation to incentive pay, provide the following information:

- a) A detailed explanation for any incentive or bonus plans in existence during 2014.
- b) For all incentive or bonus plans in effect during 2014, provide documentation explaining how the plan works.
- c) The total dollar amount of incentive or bonus pay included in PREPA's income statement accounts for 2014.

- d) Also, as part of your response, state the account numbers charged, and the amounts charged to each account.

69. With regards to employee salary and wage information, provide the following:

- a) Copies of all labor agreements in effect during 2014.
- b) A schedule of the names, titles, and annual salaries (excluding any incentive pay) of all employees actual payroll expenses.
- c) Payroll and employee benefits expense in total and by account for 2014.
- d) Employee benefit cost by type of benefit for 2014.
- e) A schedule of actual overtime payroll hours and cost vs. budgeted overtime payroll hours and cost for 2014.
- f) Identify any early retirement plans or severance programs in effect during 2014 and the related costs.

70. In relation to officer salary and wage information, provide the following:

- a) A schedule of the names, titles, and annual salaries (excluding any incentive pay) of all officers' actual payroll expenses and employee benefits by account charged for 2014;
- b) A description of the job duties for each officer.

71. Identify your insurance costs by type of insurance and identify the sections that discuss the annual costs, items covered, coverage period, and who is covered.

72. In relation to system peak and losses, provide the following information in tabular form:

- a) The actual annual system peak demand in MW, system load in MWh delivered (excluding losses), and annual system losses in MWh for the past five years through 2014. Indicate the month in which the peak occurred for each year.
- b) The forecast annual system peak demand in MW, system load in MWh delivered (excluding losses), and annual system losses in MWh for the next five years, 2015-2019.





73. Provide in tabular form each of the following reliability statistics (to the extent they are maintained by PREPA) for each year for the past five years through 2014:

- a) The System Average Interruption Duration Index ("SAIDI");
- b) The System Average Interruption Frequency Index ("SAIFI");
- c) Customer Average Interruption Duration Index ("CAIDI").

74. Provide in tabular form the total number of customers broken down by customer class for each year for the past five years through 2014. Indicate if the information provided is annual average values or year-end values.

75. Provide a current schematic of your system, including substations.

76. Provide a geographic map of your system, including generating plants, substations and transmission lines.

77. Provide a description of routine scheduled maintenance plans, including but not limited to, generation plant maintenance, vegetation management, transformer testing, wooden pole inspection/replacement, reliability enhancement, etc.

78. Provide a listing of all projects over \$500,000 included in Construction Work in Progress as of December 31, 2014. Include the following information for each such project:

- a) The identification and description of each project;
- b) The dollar amount(s) for each of the projects provided in the response to (a); and
- c) The date that each project provided in the response to (a) is anticipated to be placed in-service.

79. Provide the most recent Construction Work Plan ("CWP") for the next five years, 2015-2019 which should include a listing of all major capital projects, along with a brief project description and justification.

80. Provide the current number of miles of transmission/sub-transmission lines, (34.5kV or greater), owned by PREPA.

81. Identify the number of transmission system miles that was trimmed under the vegetation management program in each of the five years through 2014.



82. Identify the number of transmission system miles that is planned to be trimmed under the vegetation management program in each of the five years 2015 through 2019.

83. Provide the current number of miles of distribution lines (less than 34.5 kV) specifying overhead and underground owned by PREPA.

84. Identify the number of distribution system miles that was trimmed under the vegetation management program in each of the five years through 2014.

85. Identify the number of distribution system miles that is planned to be trimmed under the vegetation management program in each of the five years 2015 through 2019.

86. Provide the following information concerning customer complaints:

- a) A listing of all complaints in 2014, either formal or informal, made to PREPA by customers.
- b) How many of the customer complaints involved claims of poor power quality, including but not limited to, voltage levels, harmonics, "flicker," etc.?
- c) Concerning the customer complaints identified in part (b) concerning power quality, please provide a description of PREPA's response. Please include details of the resulting investigations performed by PREPA, including what equipment was modified or newly installed as a result of the investigations, and if such installations resolved the complaint.



Pursuant to Regulation No. 8543, PREPA has the right to present its duly substantiated objections within ten (10) days from the date of notification of this Order. Any objection, request or motion relating to this Order shall be filed by personal delivery to the Clerk of the Commission temporarily located at the Telecommunications Regulatory Board at 500 Ave. Roberto H. Todd, San Juan PR 00907-3941.

The Commission recognizes that this is the first time in the history of PREPA, since its founding in 1941, that this company is subject to an investigation of this nature. If PREPA finds it necessary to request an extension to the thirty-day (30-day) period established in this Order for the production of part of the required information, it shall do so in writing and submit its request to the Commission before the end of the aforementioned thirty-day (30-day) period. In its motion, PREPA shall state, under oath, the efforts undertaken thus far in order to produce the required information, and the reasons pursuant to which it will not be able to produce it within the original period, and which, according to PREPA, justify the


granting of the requested extension. Furthermore, PREPA shall produce within the thirty-day (30-day) period provided in this Order all the required information that, up until that date, PREPA has been diligently able to obtain, organize, and process in accordance with the instructions established in this Order.

Be it hereby notified and published.



  
Agustín F. Carbó Lugo  
Chairman

  
Ángel R. Rivera De La Cruz  
Associate Commissioner

  
José H. Román Morales  
Associate Commissioner

I certify that the Puerto Rico Energy Commission has so agreed on February 12 2015.

  
Mariana I. Hernández Gutiérrez  
General Counsel

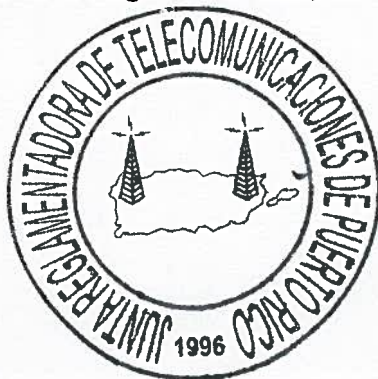
#### CERTIFICATION


I certify that this is a true and exact copy of the Order issued by the Puerto Rico Energy Commission. I further certify that today February 13 2015, I have proceeded with the filing of this Order and I have sent a copy thereof to the:

#### **Puerto Rico Electric Power Authority**

To the Attention of Eng. Juan Alicea Flores, Executive Director  
PO Box 364267  
Post Office Headquarters  
San Juan, PR 00936-4267

For the record, I sign this in San Juan Puerto Rico, today February 13 2015.



  
Rafael O. García Santiago  
Clerk of the Puerto Rico  
Telecommunications Regulatory Board