

COMMONWEALTH OF PUERTO RICO
PUBLIC SERVICE REGULATORY BOARD
PUERTO RICO ENERGY BUREAU

2019 JUL 11 PM 3:13

IN RE: REVIEW OF THE PUERTO
RICO ELECTRIC POWER
AUTHORITY INTEGRATED
RESOURCE PLAN

NO. CEPR-AP-2018-0001

SUBJECT: PREPA's Compliance
Filing re July 9, 2019, Order, and
Supplement to Motion for
Reconsideration on General or Interim
Basis

**PREPA'S COMPLIANCE FILING RE JULY 9, 2019, ORDER,
AND SUPPLEMENT TO MOTION FOR
RECONSIDERATION ON GENERAL OR INTERIM BASIS**

TO THE HONORABLE PUERTO RICO ENERGY BUREAU:

COMES NOW the Puerto Rico Electric Power Authority ("PREPA") and respectfully submits to the honorable Puerto Rico Energy Bureau (the "Energy Bureau") PREPA's Interim Compliance Filing re July 9, 2019, Order, and Supplement to Motion for Reconsideration on General or Interim Basis, relating to PREPA's request for approval of the proposed Siemens PTI Contract amendment.

1. On June 20, 2019, PREPA filed a Motion, that, among other things, requested that the Energy Bureau approve the proposed Siemens PTI Contract amendment. The amendment involves Fiscal Year 2020 (July 1, 2019, to June 30, 2019) work by Siemens PTI primarily on this IRP case, but also involves work by Siemens PTI to support PREPA responses to Financial Oversight and Management Board ("FOMB") directives and requests and Siemens' provision of technical expertise in support of PREPA on planning items, most often to PREPA's Planning directorate. The work under the proposed amendment is capped at \$750,000.

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2. On June 24, 2019, the Energy Bureau issued a Resolution and Order requiring more support for the June 20th Motion for approval of the Siemens Contract amendment.

3. On June 26, 2019, PREPA filed a compliance filing.

4. On July 2, 2019, the Energy Bureau issued a Resolution and Order that: (a) authorized an amendment or new Contract limited to the amount of \$175,721,000; for work identified in Siemens' Contract Release Number 8 Proposal (the "CR-8 Proposal"); and (b) required more support for the June 20th Motion.

5. On July 5, 2019, PREPA filed an Interim Compliance Filing re July 2, 2019, and Motion for Reconsideration on General or Interim Basis. PREPA inadvertently did not file a signed signature page and filing / service page. The July 5th Motion speaks for itself, but, in essence, requested that the Energy Bureau reconsider and approve the Siemens Contract amendment or at least approve a larger amount on an interim basis subject to further proceedings.

6. On July 9, 2019, the Energy Bureau issued a Resolution giving PREPA five calendar days to file a signature page for PREPA's July 5th Compliance Filing and Motion. July 14th is a Sunday, so the due date is July 15th.

7. PREPA, in today's compliance filing and submission: (1) is providing a signature page for PREPA's July 5th filing; but also (2) is providing supplemental information in support of its July 5th Motion.

8. The supplemental information is being provided to address further the concerns raised in the Energy Bureau's orders while balancing and recognizing the very significant uncertainties about the specifics of future work by Siemens as the IRP case

progresses and the need to avoid hindering or delaying the IRP case. The supplemental information could not be developed during the limited period between the July 2nd order and the July 5th Compliance Filing and Motion, especially given the July 4th holiday. The supplemental information consists of an additional Memorandum from Siemens PTI that reflects best estimates of their further work, albeit constrained by the uncertainties.

9. As PREPA stated in its July 5th Compliance Filing and Motion, PREPA understands that the Energy Bureau seeks to achieve a reasoned and practical outcome on this subject.

10. Under these circumstances, PREPA remains of the view, and respectfully urges the Energy Bureau to reconsider, and to adopt, the view, that the proposed Siemens Contract amendment is a reasonable approach to providing for Siemens' ongoing work while capping the amount that Siemens can be paid.

11. In the alternative, PREPA respectfully suggests that the Energy Bureau reconsider, and adopt an interim or middle ground, to keep Siemens on the job past the immediate work that is planned and to avoid impeding or delaying this IRP case, along the lines discussed in the July 5th Compliance Filing and Motion.

12. Finally, in suggesting, in the alternative, that the Energy Bureau approve an interim or middle ground approach, PREPA wishes to add, as it did in the July 5th Compliance Filing and Motion, that the approach, whatever it is, should not involve numerous filings and multiple orders.

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WHEREFORE, the Puerto Rico Electric Power Authority respectfully requests that the Honorable Puerto Rico Energy Bureau accept this Compliance Filing, reconsider its July 3rd order, approve the proposed Siemens Contract amendment as soon as reasonably practical, or, in the alternative, provide for an interim or middle ground approach pending future filings, and enter any other relief as is warranted.

RESPECTFULLY SUBMITTED,

IN SAN JUAN, PUERTO RICO, THIS 11th DAY OF JULY, 2019

PUERTO RICO ELECTRIC POWER AUTHORITY



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COMMONWEALTH OF PUERTO RICO
PUBLIC SERVICE REGULATORY BOARD
PUERTO RICO ENERGY BUREAU

2019 JUL -5 AM 11:41

IN RE: REVIEW OF THE PUERTO
RICO ELECTRIC POWER
AUTHORITY INTEGRATED
RESOURCE PLAN

NO. CEPR-AP-2018-0001

SUBJECT: PREPA's Interim
Compliance Filing re July 2, 2019,
Order, and Motion for Reconsideration
on General or Interim Basis

**PREPA'S INTERIM COMPLIANCE FILING RE JULY 2, 2019, ORDER, AND
MOTION FOR RECONSIDERATION ON GENERAL OR INTERIM BASIS**

TO THE HONORABLE PUERTO RICO ENERGY BUREAU:

COMES NOW the Puerto Rico Electric Power Authority ("PREPA") and respectfully submits to the honorable Puerto Rico Energy Bureau (the "Energy Bureau") PREPA's Interim Compliance Filing re July 2, 2019, Order, and Motion for Reconsideration on General or Interim Basis, relating to PREPA's request for approval of the proposed Siemens PTI Contract amendment.

1. The Energy Bureau's July 2nd order, in brief: (a) authorizes an amendment or new Contract limited to the amount of \$175,721,000, for work identified in Siemens' Contract Release Number 8 Proposal (the "CR-8 Proposal"); and (b) requires PREPA to file on July 5, 2019, by 12:00 p.m. AT, "a detailed proposal, including any other work that Siemens will perform regarding the IRP or any other process."

2. PREPA understands that the Energy Bureau seeks to achieve a reasoned and practical outcome on this subject, and, to that end, that the Bureau approved the contract amount associated with the CR-8 Proposal and provided for possible additional amounts.

3. At the same time, however, PREPA and Siemens cannot practically achieve a comparable level of detail for the remaining IRP work, because of the profound uncertainties about what work and what level of work that Siemens will need to perform in the remainder of this IRP case.

4. Accordingly, PREPA will provide some additional existing information in this compliance filing, but PREPA also will ask for reconsideration either in general or at least on an interim (or "middle ground") basis, so that the Energy Bureau and PREPA can balance the concerns that underlie the Bureau's orders while at the same time not impeding or delaying the conduct of the IRP case.

5. To begin with, PREPA wishes to make clear that the \$750,000 figure in the proposed Siemens Contract amendment is a "do not exceed" figure. To put it another way, the \$750,000 figure is a cap. Siemens could be paid up to \$750,000, but only if Siemens performs work in accordance with the Contract and submits timely and proper requests for payment.

6. In addition, PREPA wishes to observe, as it previously has noted, that some of the proposed Siemens Contract amendment is for work outside of the IRP case. Some of the Contract amendment anticipates that Siemens will continue to assist PREPA with compliance with Financial Oversight and Management Board ("FOMB") directives or requests. The frequency and extent of that work is difficult to predict, and it is not in the control of PREPA. Moreover, some of the Contract amendment anticipates that Siemens will continue to assist PREPA with other work, especially, although not exclusively, technical planning assistance to PREPA's Planning directorate. The frequency and extent of that work also is difficult to predict, and it is not fully in the control of PREPA.

7. Furthermore, PREPA previously had noted that the schedule of the remainder of the IRP case, and what work would be required of Siemens, was not yet known. As of July 3, there now is information about the schedule, but there still are profound uncertainties.

8. On July 3, 2019, the Energy Bureau issued three orders in this case. One of the orders is very relevant here. One of the orders is on: "Completeness Determination of PREPA's IRP Filing and Procedural Calendar". In brief, the Completeness and Calendar order finds Completeness, but also: (a) includes very detailed discussion of some items that the Bureau expects to be discussed during this proceeding; (b) directs the provision of certain additional detailed information on two different subjects by July 12, 2019, at 12:00 pm AT; and (c) puts PREPA on notice that the Bureau will expect additional detailed information on several other subjects. The order also sets the procedural calendar, including: (a) discovery from July 3, 2019, through October 1, 2019; (b) petitions to intervene by August 2, 2019; (c) an initial technical hearing on August 13, 2019; (d) amicus curiae briefs by September 20, 2019; (e) intervenor testimony by October 15, 2019; (f) an evidentiary hearing on October 22-25, 2019; (g) final Legal and Substantive Briefs by November 12, 2019; (h) Reply Briefs by November 26, 2019; (i) a public hearing on November 26, 2019; and (j) written public comments by December 3, 2019.

9. Setting aside, for the moment, PREPA's very serious concerns about the procedural calendar,¹ the order and the calendar illustrates the significant difficulties with

¹ Before proceeding further, PREPA must note that it is deeply concerned by the procedural calendar. The calendar provides for no rebuttal testimony by PREPA, and for as little as only four business days in which PREPA can conduct discovery from intervenors after the intervenors file written testimony and before the evidentiary hearing starts. As a practical matter, that means no discovery. The calendar is severely out of sync with good utility regulation practice. In major utility matters, where the utility is the proponent, the norm is to give the utility the last word, including in written testimony. In addition, good utility regulation practice requires sufficient opportunities for the

trying to formulate a detailed estimate of work for Siemens in the remainder of the IRP case. There will be three months of discovery by intervenors. The Energy Bureau has identified in advance some inquiries that it will pursue, some specific and some general, and surely the Energy Bureau's staff / consultants also will issue extensive discovery. Depending on what intervenors and staff / consultant ask, and what intervenors propose, Siemens may have to perform an immense of work, but there is no practical way to identify specifics other than the limited items in the order.

10. In addition, PREPA has not had a workable opportunity to discuss the July 3 order with Siemens to develop the detailed information the Energy Bureau seeks. July 4 was a major federal and Puerto Rico holiday. PREPA can work with Siemens on trying to develop more information based on the July 3 order, but that task could not be accomplished by today, July 5.

11. Under these circumstances, PREPA remains of the view, and respectfully urges the Energy Bureau to reconsider, and to adopt, the view, that the proposed Siemens Contract amendment is a reasonable approach to providing for Siemens' ongoing work while capping the amount that Siemens can be paid.

12. In the alternative, PREPA respectfully suggests that the Energy Bureau reconsider, and adopt an interim or middle ground, to keep Siemens on the job past the immediate work that is planned and to avoid impeding or delaying this IRP case. For example, the Bureau could approve an interim amount of double the figure provided for

utility to conduct discovery regarding intervenor testimony. The procedural calendar does not afford either of those things. The point of those requirements is not just to be fair to the utility. The point also is to allow the development of a sound administrative record on which the administrative agency can make a decision. The calendar, as it stands, will present the Energy Bureau with a lopsided record that may require in a decision that is not in the interests of the people of Puerto Rico. PREPA intends to file a motion to amend the procedural calendar.

in the July 3rd order, and set a due date in mid July by which, if not sooner, PREPA could give the Bureau an update on the discovery and other demands being handled by Siemens and the status of the work and amounts accrued under the Contract. That is just one possible approach. The Bureau may wish to formulate a different practical approach that achieves the same purposes.

13. Finally, in suggesting, in the alternative, that the Energy Bureau approve an interim or middle ground approach, PREPA wishes to add that the approach, whatever it is, should not involve numerous filings and multiple orders. That in itself would be time-consuming for all involved and could come at the expense of IRP work. Thus, the interim or middle ground approach should be one with a limited number of "moving pieces" in order to be efficient and not burdensome for all involved.

WHEREFORE, the Puerto Rico Electric Power Authority respectfully requests that the Honorable Puerto Rico Energy Bureau accept this Interim Compliance Filing, reconsider its July 3 order, approve the proposed Siemens Contract amendment as soon as reasonably practical, or, in the alternative, provide for an interim or middle ground approach pending future filings, and enter any other relief as is warranted.

RESPECTFULLY SUBMITTED.

IN SAN JUAN, PUERTO RICO, THIS 5TH DAY OF JULY, 2019

PUERTO RICO ELECTRIC POWER AUTHORITY



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Memorandum

Date: 7/10/2019

To: Efran Paredes Planning & Environmental Director

CC:

From: Nelson J Bacalao Senior Manager Consulting

RE: Recommendations for Contract Extension / New Contract

1 Introduction

Siemens PTI has been working with PREPA under an existing contract that works as a Master Services Agreement against which Contract Releases (CR) are emitted. Prior the acceptance of a Contract Release, PREPA and Siemens agree on a scope of work, which is then followed by a proposal that once accepted by PREPA, becomes a CR part of the contract. So far seven contract releases have been approved and executed by Siemens, mostly for the development of the IPR but have included other tasks to provide responses to Puerto Rico Energy Bureau (PREB) and other key stakeholders including the Fiscal Oversight and Management Board (FOMB).

The existing contract has reached the Funding Limit authorized by PREPA's Governing Board and also has reached its termination date, so a new contract with a new Funding Limit needs to be entered on.

In this memo we provide details on our recommendation for the new Funding Limit to be used in the new contract. It should be highlighted that this Funding Limit does not commit PREPA to its use it, as the actual expenditures will occur via duly authorized Contract Releases.

2 Additional Activities

Siemens PTI has already identified a number of activities that are necessary for the continuation of the IRP process and to provide responses to PREB's. These activities and the associated budget are

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included in the Contract Release eight (CR-8) already provided to PREPA. In addition to the CR-8 we foresee that there could be additional activities that should be funded under the new contract and that can be used to estimate its funding limit. These activities include:

1. **IRP Process Support:** In the CR-8 there is limited amount for IRP presentations as required to the PREB and stakeholders. However, the IRP Process imply preparing responses to Interveners and/or PREB as well as participation in public hearings. This effort in our experience can be substantial
2. **Transmission Assessment:** Additional Transmission studies are expected as a function of the implementation of the IRP and/or to provide responses to the PREB. These assessments may include: a) further refinement of MiniGrids (definition of borders, acceleration of reintegration, refinement in location of resources, etc.), b) assessment of alternatives for connection of storage, PV and/or CCGTs considering aspects not accounted for in the IRP, as for example changes in resource size, inputs from stakeholders or unsolicited proposal and c) other short term studies in support of PREPA's planning
3. **Dynamic Studies:** A detailed study for the final selection of Synchronous Condensers location and technical parameters is expected to be necessary. This study should also address Frequency Response optimization and underfrequency load shedding review.
4. **Distribution Studies:** The IRP identified a number of issues with the distribution system that may limit the integration of DG and compromise reliability and resiliency. These studies may help PREPA refine the type and location of investments required for the solution of these issues.
5. **Additional studies and sensitivities for PREPA, FOMB or others:** Beyond the IRP PREPA and the FOMB may be interested in running a number of additional "What If" scenarios considering for example actual fuel costs / conditions of the power plant, different demand projections, delays in the interconnection of resources, etc. These studies may inform short term decisions.

3 Funding Limit

Siemens PTI recommends a funding limit of US\$ 750,000. The table below shows a high level estimation of hours required and costs for the CR-8 and each of the five additional activities above:

Task	Hours	Budget
Contract Release 8	691	184,863
IRP Process Support:	463	129,600
Transmission Assessment	386	108,000
Dynamic Studies	463	129,600
Distribution Studies	309	86,400
Additional studies and sensitivities for PREPA, FOMB or others	463	129,600
Total	2,743	768,063

It should be noted that as we do not expect that all activities will be performed to the estimated value, we round off the total in the table above to the US\$ 750,000 proposed.