



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

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

CASE NO.: CEPR-AP-2018-0001

SUBJECT: PREPA's Compliance Filing  
regarding June 27, 2019 Order

**RESOLUTION AND ORDER**

On November 6, 2018, the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau") issued a Resolution and Order ("November 6 Order") through which it required the Puerto Rico Electric Power Authority ("PREPA") to file, among other things, any amendment to the existing contract with Siemens, including the scope of the amendment and the expected change in contract costs. The Energy Bureau restated such request through the December 20, 2018 Resolution and Order ("December 20 Order"), in which it ordered PREPA to submit, for the Energy Bureau's review and approval, any proposed amendment to the contract with Siemens, prior to executing such amendment.

On June 20, 2019 PREPA filed a motion titled *PREPA's Motions (1) to Extend June 21 Compliance Deadline and (2) for Approval of Siemens Contract Amendment* ("June 20 Motion"). In the June 20 Motion, PREPA informed the Energy Bureau that (i) Siemens, the technical consultant assisting PREPA with the preparation of its Integrated Resource Plan ("IRP") has had to perform significantly more work than what it was originally anticipated; (ii) due to the additional work, Siemens has reached the spending amount limit under its existing contract; (iii) the contract between PREPA and Siemens needs to be amended for a third time to increase the contract amount **by about \$750,000.00**, to cover costs related to the additional work. Based on the foregoing, PREPA asked the Energy Bureau to approve the proposed contract amendment. Although the June 20 Motion included a copy of the proposed amendment, PREPA described the scope of work using general language. As such, PREPA did not provide any degree of detail or estimate as to the distribution of the new funds to specific tasks, something that is normally included in a consultant's proposal to a client.

On June 24, 2019, the Energy Bureau issued a Resolution and Order ("June 24 Order") in which it determined that PREPA did not comply with the November 6 Order and the December 20 Order regarding the scope of the amendment and the expected change in the contracted amount. Therefore, the Energy Bureau ordered PREPA to, on or before June 26, 2019, at 12:00 p.m., provide a copy of the draft contract, including the scope of the work to be performed by Siemens. The Energy Bureau stated that such filing must detail the contract amount that will be assigned to each proposed task and emphasized that this information is needed in order to determine the proposed amount contract amendment and the amounts assigned thereto are justified.



On June 26, 2019, PREPA filed a document titled *PREPA's Compliance Filing* ("Compliance Filing"). The Compliance Filing did not include the detailed information required by the Energy Bureau. On June 27, 2019, the Energy Bureau issued a Resolution and Order ("June 27 Resolution and Order") through which it determined PREPA did not comply with the June 24 Order regarding the scope of the amendment and the expected change in the contracted amount.

On the same day, the Energy Bureau ordered PREPA to, on or before June 28, 2019, at 5:00 p.m., submit a copy of the Siemens proposal in which the consultant includes a breakdown of the expected work (*i.e.*, additional or remaining work) and the amount/costs associated to each task and all information ordinarily included in a proposal for a client to evaluate the reasonability of the costs of the services that would be received from the consultant (*i.e.*, rates, estimated/expected amount of hours per task, etc.).<sup>1</sup> Furthermore, the Energy Bureau ordered PREPA to, on or before June 28, 2019, at 5:00 p.m. file true and exact copies of (i) all invoices submitted by Siemens to PREPA under the existing contract; and (ii) documentation evidencing of all the payments made by PREPA to Siemens under the existing contract.<sup>2</sup>

The Energy Bureau expressed that, although it is concerned about potential delays in any work related to the IRP, in order for the Energy Bureau to properly discharge its duties, PREPA must provide the information necessary to place the Energy Bureau in a position to determine that the proposed contract amendment and the amounts assigned thereto are justified.<sup>3</sup> Moreover, the Energy Bureau prohibited PREPA from executing the proposed amendment until receiving approval from the Energy Bureau.<sup>4</sup>

On June 28, 2019, the PREPA timely filed before the Energy Bureau a document titled *PREPA's Compliance Filing RE June 27, 2019, Order* ("Compliance Filing"). In the Compliance Filing, PREPA attached a copy of Siemens' Contract Release Number 8 Proposal ("CR-8 Proposal"), which PREPA stated is the latest, amongst others proposals; copies of the invoices received; and evidence of payments made by PREPA to Siemens regarding the preparation of the IRP.

Upon reviewing PREPA's submission of the CR-8 Proposal, it is important to note that it is not signed nor initialed. Considering the services and budget estimates described to be required for completing the activities in the Exhibit A of the CR-8 Proposal, the Energy Bureau **DETERMINES** that such proposal does not justify the amount of \$750,000.00 requested by PREPA in the June 20 Order and the June 24 Order. Therefore, the Energy Bureau is not in a position to authorize the full requested amount of \$750,000.

<sup>1</sup> June 27 Resolution and Order, p. 1.

<sup>2</sup> *Id.*, p. 2.

<sup>3</sup> *Id.*

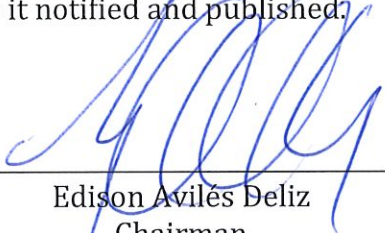

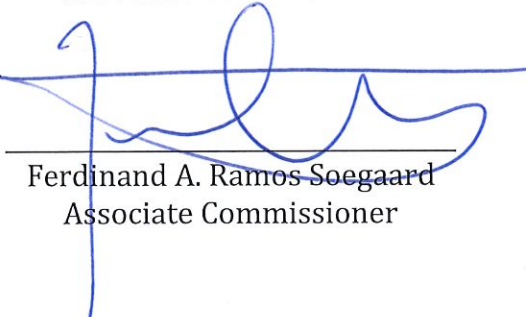
<sup>4</sup> *Id.*

In the CR-8 Proposal Siemens established that the budget associated with the tasks contained in Exhibit A of the proposal is \$175,721.00.<sup>5</sup> No other budget or tasks were listed in the Compliance Filing. Therefore, the Energy Bureau **AUTHORIZES** an amendment of the existing Siemens contract or the execution of a new contract, as applicable, **in the amount of \$175,721.00.**

In order to evaluate the remaining requested amount, and to avoid any further delays in the IRP evaluation and approval process, the Energy Bureau **ORDERS** PREPA to submit **on or before July 5, 2019, at 12:00 pm**, a detailed proposal, including any other work that Siemens will perform regarding the IRP or any other process. Further amendments to the Siemens contract will be evaluated to determine the reasonableness of the cost of the services that the consultant will provide. The Energy Bureau **PROHIBITS** PREPA from executing an amendment to the contract in an amount greater than the \$175,721.00 approved herein.

The Energy Bureau **WARNS** PREPA that noncompliance with the filing of the required information, will be construed as a violation of the Energy Bureau's orders and may result in the imposition of administrative fines up to twenty-five thousand dollars (\$25,000) per day, per violation, as well as any other administrative sanctions the Energy Bureau deems necessary, in accordance with the applicable statutes and regulations.

Be it notified and published.

  
\_\_\_\_\_  
Edison Avilés Deliz  
Chairman  
\_\_\_\_\_  
Lillian Mateo Santos  
Associate Commissioner  
\_\_\_\_\_  
Ángel R. Rivera de la Cruz  
Associate Commissioner  
\_\_\_\_\_  
Ferdinand A. Ramos Soegaard  
Associate Commissioner

<sup>5</sup> CR-8 Proposal, Exhibit B.



## CERTIFICATION



I hereby certify that the majority of the members of the Puerto Rico Energy Bureau has so agreed on July 2, 2019. I also certify that on July 2, 2019 a copy of this Resolution and Order was notified by electronic mail to the following: astrid.rodriguez@prepa.com, jorge.ruiz@prepa.com, n-vazquez@aeep.com and c-aquino@prepa.com. I also certify that today, July 2, 2019, I have proceeded with the filing of the Resolution and Order issued by the Puerto Rico Energy Bureau and I have sent a true and exact copy to the following:

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

Attn.: Nitza D. Vázquez Rodríguez

Astrid I. Rodríguez Cruz

Jorge R. Ruíz Pabón

PO Box 363928

San Juan, PR 00936-3928

For the record, I sign this in San Juan, Puerto Rico, today July 2, 2019.

---

Wanda I. Cordero Morales  
Clerk