

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

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| NEPR Received: Dec 13, 2019 1:46 PM |
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IN RE:

**PUERTO RICO ELECTRIC POWER
AUTHORITY RATE REVIEW**

CASE NO.:

CEPR-AP-2015-0001; NEPR-AP-2018-0003

SUBJECT:

November 25, 2019 Bench Order

**MOTION IN COMPLIANCE WITH BENCH ORDER
ISSUED ON NOVEMBER 25, 2019**

TO THE PUERTO RICO ENERGY BUREAU:

COMES NOW the Puerto Rico Electric Power Authority through the undersigned legal representation and respectfully sets forth and pray:

1. During the Technical Conference Hearing held on November 25, 2019, the Puerto Rico Energy Bureau of the Public Service Regulatory Board (the “Energy Bureau”) inquired about the Puerto Rico Electric Power Authority (PREPA)’s process to determine how to proceed with planned maintenance projects, such as the power plants’ maintenance. During the hearing, the Energy Bureau issued a Bench Order directing PREPA to file a report explaining how said operational decisions are made (the “Bench Order”). PREPA files this motion in compliance with said Bench Order.

2. The first part of the maintenance process is putting together PREPA’s draft budget for the consideration of the Federal Oversight and Management Board (the “Oversight Board”). After the enactment of the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA), the Oversight Board is the entity in charge of approving and certifying PREPA’s budget. 48 U.S.C. § 2142.

3. PREPA's Planning and Environmental Protection Directorate (the "Planning Directorate") plays an important role in the development of the draft budget. PREPA's initial budget draft is prepared as follows:

- a. The fuel budget is prepared.
- b. Based on the demand forecast, the revenue forecast is prepared.
- c. The revenue forecast minus the fuel budget is the budget for operation and maintenance of the electric system.
- d. The salaries and vehicles' budget are the first expenses included in the operational budget. Said expenses are fixed and cannot be changed.
- e. Other expenses are included in the budget to guarantee the operation of the electrical system and therefore, the service to the customers.
- f. Finally, the maintenance expenses of the electrical system infrastructure are included. This process occurs through simulation according to the current tariff structure, this includes the basic rate, the subsidy rider and CELI, the fuel adjustments and the purchase of energy. The subsidy rider and CELI, the adjustments of fuel and energy purchase revenues, the costs are recovered, and the income of the basic rate are funds available for the operational budget, including the maintenance costs necessary for the infrastructure of PREPA and debt service.

4. After the draft budget is prepared, PREPA presents it for the approval and certification of the Oversight Board. The process to achieve the certification of the budget is:

- a. The Oversight Board evaluates the budget.

- b. A negotiation process between PREPA and the Oversight Board begins, in which, validations, adjustments, and assumptions are made. Some budget items might be revised, added or excluded.
- c. When the negotiations are final, the budget is approved and certified by the Oversight Board and it becomes the Certified Budget for the particular fiscal year.
- d. Once the Budget is certified, all the operational budget items are allocated and the necessary maintenance expenses budget (the “NME”) is assigned.
- e. The NME has all the priority projects submitted by each directorate. All the directorates have the budget and the projects for the next fiscal year in order to move forward.
- f. If a directorate needs to reallocate budget from one project to another, or to a new one, due to an unforeseen event, the directorate shall submit a request with the corresponding evaluation, analysis and supporting documents to the Planning Directorate for approval. If the re-allocation is granted the NME is updated to reflect that re-allocation.
- g. As to the overall Certified Budget, during the fiscal year PREPA may ask the Oversight Board to make changes to line items as it deems necessary. The Oversight Board has the authority to review, accept or deny said requests.

WHEREFORE, PREPA respectfully requests the Energy Bureau to note PREPA’s compliance with the Bench Order.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 13th day of December, 2019.

/s Katuska Bolaños

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CERTIFICATE OF SERVICE

It is hereby certified that, on this same date I have filed the above motion using the Energy Bureau's Electronic Filing System, at the following address: <http://radicacion.energia.pr.gov> and that a courtesy copy of the filling was sent via e-mail to hrivera@oipc.pr.gov; abogados@fuerteslaw.com; francisco.rullan@aae.pr.gov; mgrpcorp@gmail.com; licenciadamasferrer@gmail.com; wilma.lopez@aae.pr.gov cfl@mcvpr.com; ive@mcvpr.com; pnieves@vnblegal.com; mmuntanerlaw@gmail.com; maribel.cruz@acueductospr.com; jfeliciano@constructorespr.net; abogados@fuerteslaw.com; eirizarry@ccdlawpr.com; edwin.quinones@aae.pr.gov; nydinmarie.watlington@cemex.com; aconer.pr@gmail.com; epenergypr@gmail.com; jorgehernandez@escopr.net; ecandelaria@camarapr.net; pga@caribe.net; manuelgabrielfernandez@gmail.com; mreyes@midapr.com; agraitfe@agraitlawpr.com.

In San Juan, Puerto Rico, this 13th day of December, 2019

/s/ Katuska Bolaños
Katuska Bolaños