

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

~~NEPR~~
Received:
Jun 24, 2020
3:11 PM

IN RE:

**PUERTO RICO ELECTRIC POWER
AUTHORITY PERMANENT RATE**

CASE NO.:

NEPR-MI-2020-0001

SUBJECT:

Technical Conference Meeting Follow-up

**SECOND MOTION IN COMPLIANCE WITH
ORDER ENTERED ON JUNE 24, 2020**

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:

On June 23, 2020, the Puerto Rico Electric Power Authority (the “Authority”) appeared to a Technical Conference before the Energy Bureau of the Puerto Rico Public Service Regulatory Board (the “Energy Bureau”). During the Technical Conference, the Energy Bureau discussed several requirements for information to the Authority and later decided that said requirements were going to be included in a written resolution and order. The *Resolution and Order* was issued this morning and it directs the Authority to comply with several requirements for information and document production.¹ Earlier today, the Authority filed a motion in response to most of the items listed in the June 24 Order and requested a brief extension of time to comply with two of them.² The Authority herein responds to items 4 and 5 of the June 24 Order.

4. Any documentation filed with the Federal Emergency Management Agency ("FEMA") after the May 22, 2020 Technical Conference held in the instant case, as well as copies of the documents evidencing the actual

¹ *Resolution and Order* entered on June 24, 2020 (the “June 24 Order”)

² *Motion in Compliance with Order Entered on June 24, 2020 and to Request Extension of Time of Five Hours to Submit Additional Information* filed by the Authority on June 24, 2020 (the “First June 24 Motion”).

costs associated with the operation of peaking units for the month of May, 2020 which were or will be submitted to FEMA for reimbursement.

Response: See Exhibit C.³

5. Any documentation exchanged with PREPA's insurance company regarding actual expenses corresponding to May, 2020 which were or will be submitted to the insurance company for reimbursement and the anticipated timeline for such reimbursement.

Response: See Exhibit D.

The Authority's primary 2019-20 property policy provides "extra expense" coverage for amounts incurred by the Authority to continue providing service to its customers while the Costa Sur Plant is offline. Specifically, the extra expense section provides, in relevant part, that in the event of loss or damage covered under the policy, the insurers shall be liable under the policy for the amount incurred by the Authority in order to continue as nearly as practicable the normal conduct of the Authority's business, being the excess (if any) of the total cost chargeable to the conduct of the Authority's business, over and above the total cost that would normally have been incurred to conduct the business during the same period had no loss occurred, the cost in each case to include expense of using other property or facilities of other concerns or other necessary emergency expenses, any salvage of such property remaining after resumption of normal operations being taken into consideration in the adjustment of any loss hereunder. Indemnity shall continue for only such length of time as would be required with the exercise of due diligence and dispatch to rebuild, repair or replace such part of the property as has been lost

³ Evidence of the costs associated with the operating of the peaking units that the Authority submits to FEMA has already been submitted to the Energy Bureau. *See Motion to Submit May 2020 Reconciliations and Proposed Factors for the July to September 2020 Period Riders* filed by the Authority on June 24, 2020.

or damaged, commencing with the date of such loss or damage and not limited by the date of expiration of the policy. There is a 30-day waiting period applicable to extra expense claims under the policy.

As the Energy Bureau is aware, the Authority has incurred substantial costs to operate less efficient reserve fleet assets, including peaking units, to restore generation capacity that was lost when Costa Sur sustained substantial earthquake damage in January. The Authority retained a forensic claim consultant, The Claro Group, to identify these costs and to prepare an extra expense claim for submission to the insurers. The Claro Group has organized a preliminary conference call with the insurers' appointed loss adjusters, RTS and Quintana Lopez, to discuss the preliminary extra expense claim, which reflects extra expenses incurred through May 31, 2020. After that call, which will take place later this afternoon, the Authority will finalize and submit the extra expense claim to the insurers. While the numbers in the extra expense claim are still under review and may be subject to further adjustment, the Authority currently anticipates that based on the extra expense claim information it is preparing to provide, it will request another advance payment from its insurers under the policy of at least \$50 million, in addition to the cash advance currently running for which PREPA has received \$24.4 million as of June 23, 2020.

WHEREFORE, the Authority respectfully requests the Energy Bureau note the filing of the instant motion, to find the Authority in complete compliance with the June 24 Order.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 24th day of June 2020.

/s Katuska Bolaños
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Exhibit C⁴

Communications with FEMA and COR3 Attorneys

[This exhibit has been filed under seal.]

⁴ Exhibits A and B were submitted with the First June 24 Motion.

Exhibit D

Communications with Insurers and Adjusters

[This exhibit has been filed under seal.]