

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

<b>NEPR</b>  <b>Received:</b>  <b>Aug 14, 2020</b>  <b>11:14 AM</b>
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**IN RE:**

**PUERTO RICO ELECTRIC POWER  
AUTHORITY PERMANENT RATE**

CASE NO.:

NEPR-MI-2020-0001

SUBJECT:

FEMA, Insurance and Public Lighting

**REPORT ON FEMA REIMBURSEMENT, INSURANCE  
CLAIM AND PUBLIC LIGHTING REPAIRS**

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:

**I. INTRODUCTION**

On July 28, 2020, the Energy Bureau of the Public Service Regulatory Board (the "Energy Bureau"), ordered the Puerto Rico Electric Power Authority (the "Authority") to, on the second Friday of each month on or before noon, submit (i) a public lighting repairs report and (ii) an update of the process to recover insurance proceeds and FEMA reimbursements related to the January 2020 earthquakes.<sup>1</sup>

In compliance with the Order, the Authority submits as follows.

**II. FEMA CLAIM**

As is has been previously informed, the Authority and the Central Office for Recovery, Reconstruction and Resilience ("COR3") continue to diligently pursue claims for the

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<sup>1</sup> *Resolución y Orden* (the "Order"), sec. III.

reimbursement from the Federal Emergency Management Agency (FEMA) for the cost of operating the emergency response units to cover the Costa Sur units 5 & 6 loss of generation.

The Authority and FEMA recently held a conference call and FEMA informed that it expects that the funds will be obligated by the Office of Legislative Affairs on or around September 30, 2020. This is consistent with the deadline informed to the Energy Bureau on July 20, 2020.<sup>2</sup>

Moreover, on July 10, 2020, the Authority requested COR3 to ask FEMA for an extension of the project performance deadline. FEMA's regulation provides that the emergency projects will be considered for reimbursement for a period of no more than six (6) months. Costa Sur's unit 5 returned to service on August 15, 2020 and the Authority expects that unit 6 will return to service on or around October 21, 2020, thus, exceeding the six (6) month period. Therefore, the Authority requested COR3 to ask FEMA for an extension of the deadline in order to secure the continuance of the reimbursement claim beyond the original six (6) month period. The request was granted. This is important because the Authority can now claim the cost of operating the emergency response units for six (6) additional months.

The Authority and FEMA have not exchanged communications from July 21<sup>st</sup> to date.

### **III. INSURANCE CLAIM**

The Authority continues to actively pursue claims under its commercial property insurance policies for loss and damage arising from the January 7, 2020 earthquake. The Authority's insurance policies afford it coverage for: (a) the cost to repair and, if necessary, replace earthquake damaged property consistent with applicable building codes and regulations in force in Puerto Rico

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<sup>2</sup> *Request for Approval of June 2020 Reconciliation and Revision of August and September 2020 FCA and PPCA Riders Factors* filed on July 20, 2020, Sec. III, pág. 6.

at the time of the earthquake; (b) extra expenses incurred in order to operate its business as normal as practicable during the period when earthquake repairs are being completed; and (c) the actual loss of gross earnings resulting from interruptions of the business caused by earthquake property damage. The Authority, in coordination with its forensic claim consultant, The Claro Group, is engaged in preparing, presenting and supporting the validation and adjustment of the various elements of the earthquake insurance claim.

As informed, the Authority's coverage for physical loss resulting from an earthquake is subject to a \$25 million deductible. To date, the Authority's insurers have paid an advance for Property Damage totaling \$25 million. The Authority, with the assistance of The Claro Group, is actively working to identify, track and formulate its claim for property damage resulting from the earthquake event. The Authority continues to keep the insurers' adjustment team apprised of the status and cost of physical repairs and will be pursuing additional advance payments when it can substantiate Property Damage losses in excess of \$50 million (i.e., in excess of the \$25 million property damage payment that has already been received and the \$25 million deductible).

The Authority has also incurred substantial incremental costs to fuel and operate less-efficient reserve generation assets, including peaking units, to replace the generation capacity that has been lost due to earthquake damage. On June 24, 2020, the Authority submitted an initial claim for incremental fuel expenses realized through May 31, 2020. This initial claim for extra fuel expenses totaled approximately \$116 million before application of 30-day deductible waiting period. Since the presentation of this claim PREPA has issued a demand for an additional advance payment based on the incremental fuel expenses. The insurers' claim adjuster and the insurers' forensic accountant are evaluating the extra fuel expenses for purposes of supporting a recommendation to the insurers for an additional advance payment to the Authority. The Authority

has been actively in communication with insurer's adjusters and its forensic accountant to facilitate their analysis and review of the extra expense claim. PREPA will send the insurers' adjuster additional information pertaining to extra expenses incurred by PREPA after May 31, 2020 as that information becomes available within the next 4-6 weeks. PREPA and the Claro Group also continue to evaluate additional potential claims for any loss resulting from the earthquake.

As informed last July 20, 2020, in addition to advancing the insurance claim, the Authority insurance recovery team participates in weekly conference calls with the Disaster Funding Management Office in an effort to ensure insurance claim and FEMA claim coordination and support the recovery the Authority is entitled to receive for earthquake loss and damages from its insurance program and FEMA.

The Authority and the insurers have not exchanged communications from July 21<sup>st</sup> to date.

#### **IV. PUBLIC LIGHTING REPORT**

The public lighting repair report is attached to this motion as Exhibit A. The information is updated up to August 10, 2020. Exhibit A.

WHEREFORE, the Authority requests the Energy Bureau to find the Authority in compliance with the Order.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico on August 14, 2020.

/s Katuska Bolaños  
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Exhibit A

Public Lighting Repair Report

# STREET LIGHTING | EXECUTIVE VISIBILITY TOOL

Report Date (AST Local Time)

8/10/2020 3:24:10 PM

Latest Refresh (AST Local Time)

8/10/2020 2:31:35 PM



Empowered by **acumenian**

Inventory

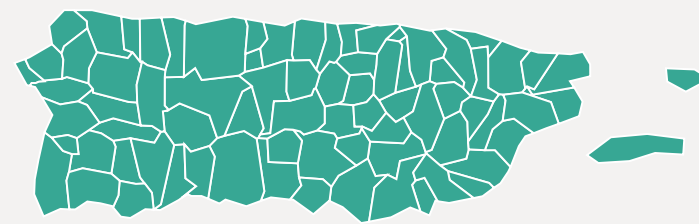
Approved to Work

Repairs Required

Repaired



## WORKED BY CONTRACTORS:

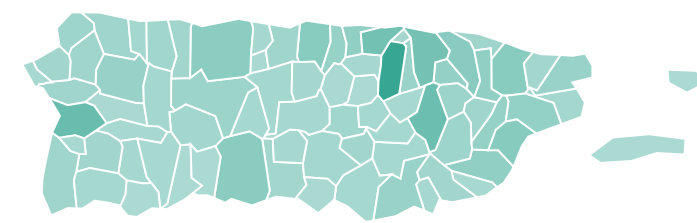


**19.0%** | 93,084  
Approved to Work\*  
(From Total Inventory)

**55.2%** | 79,271  
Repairs Required  
(From Assessments Done)

**89.4%** | **67,012**  
**Repairs Completed**  
(From Total Required) Inspections Passed = 97.0%

## WORKED BY T&D: (ZONE CERTIFIED BY DISTRICT, T&D)

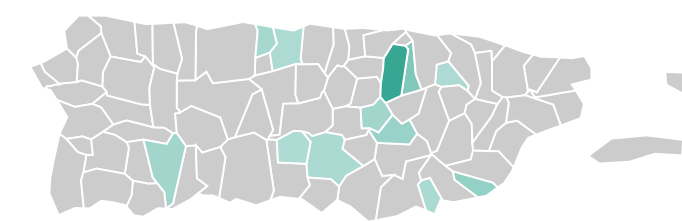


**36.7%** | 179,691  
Approved to Work  
(From Total Inventory)

**100.0%** | 179,691  
Repairs Required  
(From Total Approved)

**83.6%** | 150,285  
Repairs Completed  
(From Total Required)

## ISSUED TO MUNICIPALITIES (MOUs): (ZONE CERTIFIED BY DISTRICT, T&D)

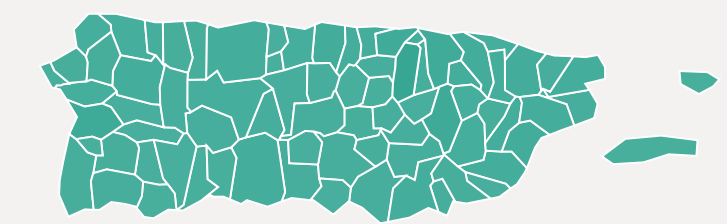


**1.9%** | 9,172  
Amount Issued  
(From Total Inventory)

**100.0%** | 9,172  
Amount Issued  
(From Total Approved)

**100.0%** | 9,172  
Amount Issued  
(From Total Required)

## TOTAL WORK (CONTRACTORS + T&D + MOU):



**57.6%** | **281,947**  
**Total Approved to Work (All)**  
(From Total Inventory)

**95.1%** | **268,134**  
**Repairs Required (All)**  
(From Total Approved)

**84.5%** | **226,469**  
**Total Repaired (All)**  
(From Total Required)

\*Approved to Work amt. is adjusted as Assessments are completed.

## Budget Analysis (Contractors)

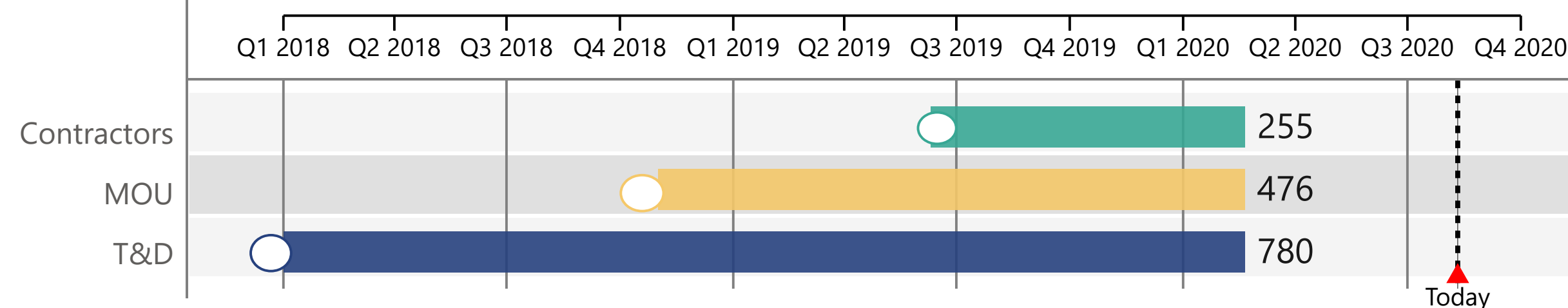
Time Elapsed

**88.8%**

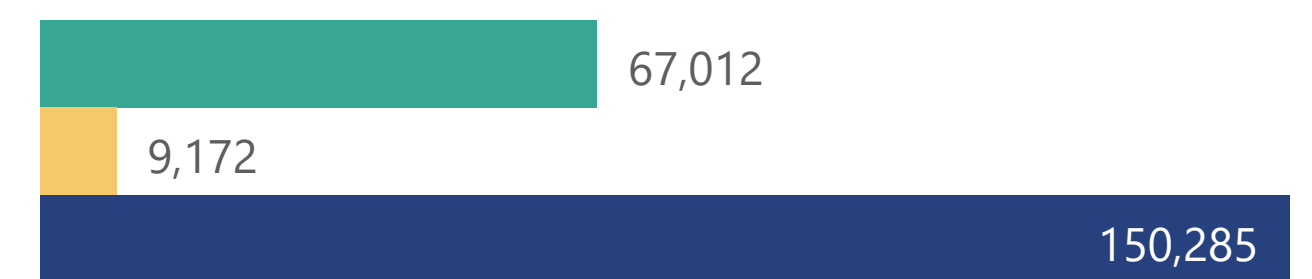
Work Performed (Estimated \$)

**77.3%**

## Timeline Analysis (Days Elapsed from Start)



## Repairs Completed to Date:



## REMARKS:

- Current Contractor's assigned scope is 132,408 streetlights. Available funding for contractors will last up to September 2020 due to COVID Time Extension.
- Currently we have \$15M authorized and waiting on Government Board's approval of a time extension to extend works until January 2021.