

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

NEPR Received: Feb 5, 2021 9:49 PM

IN RE: THE PERFORMANCE OF THE
PUERTO RICO ELECTRIC POWER
AUTHORITY

CASE NO.: NEPR-MI-2019-0007

SUBJECT: Performance Baseline and
Compliance Benchmarks.

**SUPPLEMENTAL COMMENTS OF THE PUERTO RICO ELECTRIC POWER
AUTHORITY ON THE ESTABLISHMENT OF PERFORMANCE BASELINE AND
COMPLIANCE BENCHMARKS FOR ELECTRIC SERVICE COMPANIES**

I. INTRODUCTION

On December 23, 2020, the Energy Bureau of the Puerto Rico Public Service Regulatory Board (the “Energy Bureau”) ordered the Puerto Rico Electric Power Authority (PREPA), LUMA Energy, LLC as ManagementCo, LUMA Energy ServeCo, LLC as ServCo (collectively, LUMA) to provide their comments and inputs regarding performance baseline, compliance benchmarks and which specific performance metrics, in their opinion, should be targeted as performance metrics to be applied to electric service companies (the “December 23 Order”). The Energy Bureau also invited the general public to submit comments. Comments from PREPA, LUMA and the public were due on January 29, 2021.

In compliance with the December 23 Order, on January 29, 2021, PREPA filed *Comments of the Puerto Rico Electric Power Authority on the Establishment of Performance Baseline and Compliance Benchmarks for Electric Service Companies*.¹

¹On January 30, 2021, PREPA substituted the comments originally filed with a revised version to exclude a formatting error. The comments did not change.

On February 1, 2021, the Energy Bureau notified a *Resolution and Order* amending the procedural calendar. Pursuant to this *Resolution and Order*, the Energy Bureau determined that it was prudent to extend the deadline for interested parties to file comments regarding the information the Energy Bureau presented on the January 19, 2021 Technical Conference. The new deadline to file any such supplemental comments is February 5, 2021, with a related extension, until February 12, 2021, to file any replies to comments by the parties involved.

Pursuant to the revised schedule for submittal of comments in the captioned docket, PREPA hereby submits these comments related to federal funding in support of these proceedings and specifically to continue to help the Energy Bureau to: 1) establish a baseline and a uniform understanding of the current level of PREPA's performance on every aspect of PREPA's decision-making and operations; 2) optimize the Energy Bureau's ability to measure PREPA's reliability and stability with the critical data gathered; and 3) identify those areas of lower performance within the PREPA system that may need more attention.

II. FEDERAL FUNDING METRICS

PREPA recommends that the Bureau adopts the following matrix related to FEMA compliance:

1. FEMA Compliance Failures (#)
2. FEMA Reimbursements Denied (\$)

Expanding on the above, PREPA hereby suggests the following proposed additional baseline metrics under each of the two categories, as presented in the table below, along with baseline comments from PREPA.

Accountability	Proposed Additional Baseline Metrics	Baseline
FEMA Compliance Failures (#)	Total Number of Compliance Issues Currently Open Outcome measure indicates the degree on which the entity efficiently addressed findings and recommendations in a effort to reduce risk of deobligations and securitization of funds.	Recipient monitoring visit resulted in 27 observations still outstanding and awaiting COR3's approval on Corrective Action Plans.
	Percentage of Post-Audit Issues Outstanding: Total issues still outstanding after completion of an audit, expressed as a percentage. Outcome measure indicates the degree on which the entity efficiently addressed findings and recommendations in a effort to reduce risk of deobligations and securitization of funds.	No Audits as of the date of this communication.
	Overall risk score - Low, Moderate, and High Low, High Moderate, and High-high. Outcome numbers demonstrate managements effort to establish a program for which proper oversight and execution is performed. A high number of findings can result in temporary hold of reimbursements, suspension of awards, and/or prevent PREPA from participating in future federal awards.	High-High
	Number of determination memos (#s) Determination memos establishes the federal agency's assessments on eligibility to documentation and costs presented for formulation and/or reimbursement. A significant degree of determination memos is indicative of lack program eligibility and or compliance requirements and increases PREPAs risk to deobligations and or securing federal funds to execute its infrastructure plan.	2
	Number of recommendations/Observations per Monitoring Visit/Audit or review Score is indicative of how the recipients views the applicants capacity to manage related grants and ensure that such are in compliance with regulatory statues. Reduction of risk score demonstrate managements capacity to execute proper grant functions and thus, reduces supervisory levels from the recipient expediting award formulations and reimbursement transactions.	27/1 PREPA has only undergone 1 monitoring visit for which various observations were refuted. All observations are still active awaiting COR3 determination to Corrective Action plans.
FEMA Reimbursement denied	Percentage of disallowed funds: Total amount received against amount requested, expressed as a percentage. Ratio defines managements knowledge on program eligibility and compliance. Furthermore, it demonstrate that underlying transactions were executed following executed subaward agreements.	90% Total amount requested through Request for Reimbursement against total amount received.
	Amount expended against Reimbursed as a percentage Ratio demonstrates managements ability and commitment to reduce shortfalls on cash outlays through the execution of the program.	Expenses in Permanent repairs have yet to commence thus PREPA holds no active metrics.

III. CONCLUSION

This historic undertaking by the Energy Bureau in the end is intended to be for the benefit, and in the best interest, of electric system customers and Puerto Rico generally, as electric infrastructure and services are improved, reconstructed and modernized. **PREPA continues to be**

fully supportive of the energy public policy to privatize the administration of the T&D System and various generation assets – always ensuring that the customers’ best interests are well served.

In summary, PREPA respectfully submits these comments and trusts that the collective actions of all stakeholders in this proceeding will be collaborative and transparent, to provide all parties - and specially the general public - the ability to know and understand the challenges, the objectives and the progress towards such objectives over time.

PREPA is in transition from a regulated public utility to a regulated asset owner with private third-party operators who are responsible for planning, managing, and operating the transmission and distribution system, and ultimately the generation assets. PREPA will discharge its responsibility to complete this transition, while remaining as the asset owner and financial backstop, with all the ensuing responsibilities under law, to ensure that the electrical system assets are adequately maintained, reconstructed and stewarded.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 5th day of February 2021.

/s Katuska Bolaños-Lugo
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CERTIFICATE OF SERVICE

It is hereby certified that, on this same date, I have filed the above motion with the Clerk of the Energy Bureau using the Energy Bureau's Electronic Filing System, at the following address: <http://radicacion.energia.pr.gov> It is further certified that I have sent a copy to margarita.mercado@us.dlapiper.com and mmercado@mercado-echegaray-law.com.

In San Juan, Puerto Rico, this 5th day of February 2021.

s/ Katuska Bolaños-Lugo
Katuska Bolaños-Lugo