

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

NEPR

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IN RE: PUERTO RICO ELECTRIC POWER
AUTHORITY RATE REVIEW

CASE NO.: NEPR-AP-2023-0003

SUBJECT: Direct testimony in support of
PREPA's proposed Revenue Requirement for
permanent rates.

DIRECT WRITTEN TESTIMONY

Juan Carlos Adrover Ramírez

Puerto Rico Electric Power Authority

I. BACKGROUND AND QUALIFICATIONS

Question No. 1: State your name and job title.

Answer: Juan C. Adrover Ramírez, Comptroller of the Puerto Rico Electric Power Authority (“PREPA”).

Question No. 2: What is your professional background and experience in the energy or utility sectors?

I possess an extensive professional background and substantial experience within the energy and utility sectors, primarily through my long tenure at PREPA. I became PREPA’s Comptroller in August 2023. Prior to that, my career at PREPA spanned over **30 years**, from January 1996 to the present day. During my time at PREPA, I have progressively held several key accounting and supervisory roles, including but not limited to:

- **Senior Payroll Supervisor (2008 to 2017):** In this significant role, I was responsible for supervising staff, including junior and senior specialists, and overseeing payroll operations for a workforce exceeding 5,000 employees. In this role, I implemented and streamlined payment procedures that significantly enhanced administrative efficiency and compliance. My leadership was particularly critical during periods of corporate restructuring, where I ensured that all compensation processes adhered strictly to applicable labor and tax laws. Through my oversight and commitment to operational integrity, I maintained seamless payroll continuity while upholding full legal and regulatory compliance across all organizational levels.
- **Finance Administrator (January 2017 to July 2021):** I have extensive experience in financial and operational management within complex organizational settings. I managed

1 key financial workflows that supported large-scale infrastructure upgrades and workforce
2 planning initiatives, ensuring effective allocation of resources and alignment with strategic
3 objectives. I also served in cross-functional committees dedicated to enhancing operational
4 efficiency and optimizing costs, where I contributed to developing policies and processes
5 that improved budgetary control and project performance.

- 6 • **Head of Finance Division (August 2021 to July 2023):** I led the financial strategy for
7 Puerto Rico's generation, transmission, and distribution business units, ensuring that our
8 fiscal planning aligned with PREPA's operational and transformation objectives. In that
9 role, I championed transparency initiatives aimed at strengthening accountability and
10 stakeholder confidence, developing comprehensive financial and performance reports to
11 support the island's energy transformation programs. I also implemented data-driven
12 forecasting models that significantly improved budget accuracy, financial planning, and
13 the efficient allocation of resources across all operational areas.

14 **Question No. 3: On whose behalf are you providing this testimony?**

15 PREPA.

16 **Question No. 4: What was your role in the preparation and oversight of PREPA's budget**
17 **and rate filings?**

18 As the Comptroller, I am directly responsible for the planning, coordination, and execution of
19 PREPA's budgeting process. For the Fiscal Year 2026 budget and the projected budgets for Fiscal
20 Years 2027 and 2028, I led the Finance Department's efforts, along with PREPA's former Chief
21 Financial Officer ("CFO"), to implement a bottom-up budgeting approach, which involved
22 conducting detailed budget review sessions with each department to assess their operational and

1 regulatory needs. My role was to ensure that all proposed expenditures were thoroughly justified,
2 fiscally prudent, not duplicative, and aligned with PREPA’s obligations and strategic priorities. I
3 evaluated all departmental budget requests to confirm their necessity and relevance, prioritized
4 spending based on compliance mandates and critical infrastructure requirements and ensured
5 consistency with financial best practices. In collaboration with senior leadership, including
6 PREPA’s Chief Executive Officer (“CEO”) Eng. Mary C. Zapata Acosta, PREPA’s former CFO
7 Oscar X. Ocasio González, and financial consultants, I ensured that the proposed budgets complied
8 with applicable regulatory standards and that they reflected PREPA’s ongoing role within the
9 public-private partnership framework. Ultimately, my responsibility as Comptroller is to ensure
10 that the proposed and projected budgets are financially sound, transparently prepared, and
11 designed to sustain PREPA’s operational viability and public mission.

12 **II. TESTIMONY**

13 **Question No. 5: What is the purpose of your testimony?**

14 The purpose of my testimony is to support PREPA’s proposed Revenue Requirement for the 2025
15 Rate Case, which encompasses the proposed budget for Fiscal Year 2026, as well as projected
16 budgets for Fiscal Years 2027 and 2028. My testimony is intended to assist the Puerto Rico Energy
17 Bureau (“Energy Bureau”) in establishing permanent rates for Fiscal Year 2026, and projected
18 rates for Fiscal Years 2027 and 2028.

19 **Question No. 6: What specific issues are you addressing in support of PREPA’s revenue and** 20 **budget requests?**

21 The primary issue I am addressing is that the budgets approved by the Energy Bureau in recent
22 fiscal years and certified by the Financial Oversight and Management Board (“FOMB”) have been

1 materially insufficient for PREPA to adequately fulfill its legal and operational responsibilities. I
2 am also addressing PREPA's need for permanent rates to cover its pension obligations.

3 **Question No. 7: What funding constraints has PREPA experienced as a result of the**
4 **budgetary reductions imposed by the Energy Bureau and other regulatory bodies, and how**
5 **have these limitations affected PREPA's operational and maintenance activities?**

6 With regards to its operational and maintenance budget, PREPA's funding constraints primarily
7 arise from budget reductions imposed by the Energy Bureau over the past several years,
8 particularly following PREPA's transformation into a public-private partnership model. As part of
9 this transformation, operational responsibilities for transmission and distribution were delegated
10 to LUMA, and for thermal generation to Genera. Based on this new structure, the Energy Bureau
11 and other fiscal authorities envisioned that PREPA's operational and administrative functions
12 would be significantly reduced and consequently imposed severe cuts to PREPA's budgets.
13 However, this assumption did not fully account for the non-delegable responsibilities that PREPA
14 continues to bear. As the legal owner and ultimate custodian of Puerto Rico's electric power
15 infrastructure, PREPA retains statutory and regulatory obligations before both federal and local
16 authorities. These include, in general terms, participation in and compliance with administrative
17 proceedings before the Energy Bureau; compliance with environmental regulations; oversight of
18 hydroelectric assets; oversight of the administration of federal grant programs; completing
19 PREPA's financial audits; continued interaction with agencies such as FEMA, the U.S.
20 Department of Energy, and the Environmental Protection Agency; periodic meetings and
21 communications with the private operators to address compliance with the applicable Operation
22 and Maintenance Agreements and other PREPA responsibilities, litigation of pre-transformation

1 and post-transformation cases, just to name a few. The budget reductions imposed in previous
2 fiscal years have resulted in PREPA operating with severely limited resources, directly impacting
3 its ability to maintain facilities, retain critical personnel, carry out essential maintenance and
4 compliance functions, and execute a long-term operation plan. Specifically, PREPA has been
5 forced to:

- 6 • **Curtail maintenance and security operations**, leaving certain facilities and critical
7 infrastructure vulnerable to degradation and security incidents.
- 8 • **Reduce its workforce** beyond levels consistent with its actual operational needs,
9 hampering its ability to fulfill reporting and compliance requirements, particularly those
10 tied to auditing and accounting processes.

11 In sum, these funding constraints—imposed through externally mandated budget reductions—
12 have severely undermined PREPA’s capacity to effectively discharge its non-delegable duties,
13 protect its assets, and support a reliable and resilient electric system for the people of Puerto Rico.

14 **Question No. 8: Are you sponsoring any exhibits with your testimony?**

15 Yes. PREPA Exhibit 35- FY26-FY28 Consolidated Budget Sch A-1 & A-2 along with its native
16 format version; PREPA Exhibit 36-PREPA_FY26-FY28 Consolidated Budget Sch B-1 along with
17 its native format version; PREPA Exhibit 37-FY26-FY28 Consolidated Budget Sch D-1 & D-2
18 along with its native format version; PREPA Exhibit 38-FY26-FY28 Consolidated Budget with
19 Sch C-2 along with its native format version; PREPA Exhibit 39-Schedule B-3 - Debt Service
20 along with its native format version; PREPA Exhibit 40-Schedule B-5 - Plant & Deprec and B-6 -
21 Capital Lease along with its native format version; and PREPA Exhibit 43-Schedules C-1, C-3, C-
22 4 & C-5 - PREPA's FY22 Audited FS along with its native format version. I am also sponsoring

1 PREPA Exhibit 45 07.17.25 PREPA Employee Retirement System, Forecast of Proposed Cash
2 Transfers, July 31, 2025 through June 30, 2026, along with its native, submitted along with
3 PREPA's Responses to Hearing Examiner's Request for Information in the Agenda for the July
4 11 2025 conference and to Supplement Rate Case Application. The natives contain the supporting
5 data and justifications for each budgetary request. All of the afore-mentioned documents were filed
6 as part of the Rate Review Petition or through a subsequent filing.

7 **Question No. 9: What was your involvement in developing these exhibits?**

8 The schedules were prepared by PREPA's financial consultants and staff under my direct
9 supervision and the supervision of PREPA's former CFO, Oscar X. Ocasio González. As
10 PREPA's Comptroller, I played a central role in the development of the proposed budget for Fiscal
11 Year 2026 and the projected budgets for Fiscal Years 2027 and 2028. I was responsible for
12 ensuring the financial integrity, consistency, and transparency of the process. I provided the
13 financial framework and oversight necessary to guide departments in preparing and justifying their
14 budget requests, requiring that all proposed expenses be strictly necessary to carry out their
15 operational responsibilities.

16 Each department was required to substantiate its requests, and I carefully reviewed submissions to
17 ensure that all proposed expenditures served a clearly defined and essential purpose—supporting
18 PREPA's operational efficiency, regulatory compliance, and its obligations under the public-
19 private partnership structure. My focus was to maintain responsible fiscal management by aligning
20 the budget with PREPA's statutory duties, prioritizing the enhancement of hydroelectric assets,
21 and upholding the principle of requesting only those funds that are just, reasonable, and consistent
22 with sound financial and operational practices.

Question No. 10: How did PREPA develop its proposed budget for Fiscal Year 2026 and projected proposed budgets for Fiscal Years 2027 and 2028?

PREPA prepared its proposed budget for Fiscal Year 2026, along with projected budgets for Fiscal Years 2027 and 2028, using a bottom-up budgeting methodology. This approach prioritizes input from individual departments to ensure that the overall budget accurately reflects PREPA's operational and regulatory needs. As part of this process, the Finance Department conducted in-depth meetings with each internal department to assess their specific functions, responsibilities, and anticipated needs for the upcoming fiscal years.

Departments were required to identify and justify their resource requirements based on operational mandates, compliance obligations, and planned initiatives or projects. These requests were substantiated with detailed documentation, including cost estimates, staffing plans, contractual commitments, and applicable regulatory or legal considerations. The Finance Department reviewed each departmental submission to ensure consistency and accuracy. After validation, the data was consolidated to develop PREPA's comprehensive proposed budgets, with all costs properly classified, aligned with the Energy Bureau's regulatory filing requirements, and supported by appropriate user justification. By employing a bottom-up approach, PREPA aimed to ensure that the proposed budgets are well-supported, transparent, and sufficient to support its statutory responsibilities, contractual and operational obligations, without unduly burdening the ratepayers.

Question No. 11: What relief is PREPA requesting from the Energy Bureau based on the exhibits and corresponding native documents it has submitted for its consideration?

1 PREPA respectfully requests that the Energy Bureau approve a reasonable and fair base rate that
2 is sufficient to cover both PREPA's and the private operators' reasonable costs and expenses. As
3 previously detailed in my testimony, PREPA currently lacks the necessary budgetary resources to
4 operate effectively and to fulfill its non-delegable statutory and regulatory responsibilities, as
5 previously summarized. Over the past several years, the budgets allocated to PREPA have been
6 significantly reduced, impairing its ability to carry out these essential functions. This chronic
7 underfunding has forced PREPA to limit operations to only the most urgent and essential tasks,
8 compromising its ability to plan and execute long-term maintenance and compliance activities
9 necessary to ensure system reliability and regulatory adherence. Accordingly, through this rate
10 case, PREPA seeks the PREB's approval of a permanent base rate that will provide a budget
11 sufficient to enable PREPA to properly operate, comply with its statutory and contractual
12 obligations, protect the public interest, and continue to meet its obligations to the People of Puerto
13 Rico. In summary, for Fiscal Year 2026, PREPA is requesting: \$44,476 million for HoldCo O&M;
14 \$11,900 million for Retirement System O&M; and \$24,995 million for HydroCo, for a total of
15 \$81,371 million.

16 Question No. 12: Is PREPA requesting a rate adjustment to cover its pension obligations?

17 Yes. In substitution of the provisional rate previously authorized by the Energy Bureau in this case,
18 PREPA is requesting a permanent rate adjustment to secure the funds necessary to meet its
19 statutory and contractual obligations to the PREPA Employee Retirement System ("PREPA
20 ERS").

21 Question No. 13: Which Schedule(s) support(s) PREPA's request for a permanent rate
22 adjustment to cover its pension obligations?

1 PREPA Exhibit 5: Schedule B-3–Debt Service, as supplemented in *PREPA’s Responses to*
2 *Hearing Examiner’s Request for Information in the Agenda for the July 11 2025 conference and*
3 *to Supplement Rate Case Application* filed on July 17, 2025, where PREPA submitted *PREPA*
4 *Exhibit 45 07.17.25 PREPA Employee Retirement System, Forecast of Proposed Cash Transfers,*
5 *July 31, 2025 through June 30, 2026.* In PREPA’s *Motion to Amend Rate Application and*
6 *Objection to LUMA’s Requested Provisional Rate Rider Amount*, filed on July 11, 2025, PREPA
7 requested that LUMA’s proposed revenue requirement for permanent rates be updated to reflect
8 the correct PREPA ERS funding requirement. To that end, PREPA requested that LUMA’s
9 Schedule B-3 of the Rate Application, located in “*ANNEX I.A LUMA Exhibits and Schedules*”, be
10 replaced with the document titled “*PREPA Ex. 39 6.30.25 - PREPA Exhibit 5-Schedule B-3 - Debt*
11 *Service*”, which was submitted as part of the Rate Application under “*ANNEX I.C PREPA Exhibits*
12 *and Schedules*”. This amendment to the Rate Application ensures that the record reflects the most
13 current and accurate information for the permanent rate phase.

14 **Question No. 14. What is the PREPA ERS?**

15 PREPA’s ERS, established in 1945, is a trust fund designed to provide retirement, disability, death,
16 and other benefits to PREPA’s active employees, retirees, and their beneficiaries. As of May 2025,
17 the system supported approximately 10,098 retirees and 2,438 surviving spouses, and provided
18 services to active employees, with monthly benefit and other payment obligations totaling
19 approximately \$25 million.

20 **Question No. 15. Why is PREPA requesting a permanent rate adjustment to secure the funds**
21 **necessary to meet its statutory and contractual obligations to the PREPA ERS?**

1 By 2017, PREPA’s pension plan faced an actuarial accrued liability of over \$4 billion, which
2 continued to grow. PREPA ERS began liquidating assets in 2019 to fund pension benefits and
3 avoid payment default. After 2022, PREPA ERS’s remaining liquid assets were held in cash and
4 short-term government securities until they were nearly depleted. In February 2023, PREPA ERS
5 issued a Certificate of Inability to Pay Pensions to the FOMB, saying it would have insufficient
6 funds to pay pensions by April 2023.

7 Despite concerted efforts—including the identification of federal reimbursements, emergency
8 government loans, and internal cash reprogramming—these measures have proven temporary and
9 insufficient to establish a permanent, stable funding source for the pension obligations. Earlier this
10 year, the FOMB directed PREPA to request a rate adjustment as a more permanent, long-term,
11 solution to cover its pension obligations. Absent this permanent rate adjustment, PREPA will face
12 an immediate and critical shortfall that jeopardizes the financial security of thousands of retirees
13 who rely on these payments as their principal or exclusive source of income.

14 **Question No. 16. How much funding does PREPA require to fund its pension obligations**
15 **under the PREPA ERS?**

16 For Fiscal Year 2026, PREPA requires \$307,475,422.00 to fund its annual pension obligation.
17 This amount reflects: (i) monthly benefit and other payments to retirees and beneficiaries totaling
18 approximately \$25 million per month; and (ii) offsetting inflows of approximately \$2 million per
19 month from member employee contributions, personal loan and mortgage payments from pension
20 system loans to members, and other cash receipts. .

21 For Fiscal Year 2027, PREPA estimates that it will require approximately \$298,658,580.64 to
22 cover its pension obligations under the PREPA Employee Retirement System, while for Fiscal

1 Year 2028, PREPA estimates that it will require approximately \$298,438,608.00, to cover its
2 pension obligations under the PREPA Employee Retirement System.

3 **Question No. 17. What alternative measures did PREPA evaluate and exhaust prior to**
4 **concluding that a request for a provisional rate adjustment under the current Rate Case was**
5 **necessary?**

6 PREPA has diligently explored and exhausted all viable alternatives to avoid resorting to a rate
7 adjustment, including providing additional funding to the PREPA ERS from multiple sources,
8 including Commonwealth contributions for mobility transferees, an emergency budget amendment
9 for FY2023 PayGo funded from PREPA's operating cash balances, bad debt recovery from the
10 Puerto Rico Medical Services Administration, installment payments from the Puerto Rico
11 Aqueduct and Sewer Authority, and money pursuant to a Global Settlement Agreement prior to
12 the close of FY2023 between PREPA, the Office of Management and and the Puerto Rico
13 Department of Treasury to settle certain past due accounts for periods prior to LUMA service
14 commencement. While these contributions provided temporary relief to maintain benefit
15 payments, PREPA ERS remained insolvent and PREPA was forced to seek additional funding to
16 cover the monthly retiree benefit payments. As a result, in December 2023, the Commonwealth
17 with FOMB approval provided an interim pension loan of \$300 million to fund an estimated twelve
18 (12) months of PREPA Pension Obligations through December 2024. As the FOMB only allowed
19 the loan as a bridge to the implementation of a long-term solution through electricity rates, the
20 FOMB included a covenant requiring PREPA to take necessary actions to implement a permanent
21 solution by June 15, 2024.

1 On November 15, 2024, PREPA filed an informative motion with the Energy Bureau stating
2 PREPA would be unable to continue to fund PREPA Pension Obligations in full after December
3 2024. In response, the Energy Bureau directed PREPA to either find funds for a budget
4 reapportionment or take required action as provided under Act 57-2014, including requesting a
5 rate increase to fund the monthly benefits. PREPA responded shortly after, stating it had identified
6 \$74 million of pending reimbursements from FEMA that, once fully processed, would provide
7 interim liquidity. The Energy Bureau approved PREPA's request to use \$74 million of FEMA
8 reimbursements for pensions on December 26, 2004. The Energy Bureau's Resolution and Order,
9 dated December 26, 2024, approving the requested budget amendment required PREPA to file a
10 proposal by the end of January 2025, identifying additional sources and the parties' plan to fund
11 PREPA Pension Obligations once the \$74 million cash infusion was depleted. After three months
12 of funding benefits for the months of January 2025 through March 2025, the PREPA ERS was
13 again out of money. The FOMB allowed the Commonwealth to fund an additional \$25 million to
14 PREPA under similar terms and conditions of the original \$300 million loan amount to ensure
15 PREPA Pension Obligations were paid through April 2025. The Commonwealth agreed, with
16 FOMB approval, to additional \$25 million loans were approved for funding for each of May, June,
17 July, August, September and October 2025, totaling \$475 million, inclusive of the original Loan.
18 The FOMB mandated that PREPA seek to ensure the long-term sustainability of PREPA ERS
19 through a rate mechanism to fund PREPA Pension Obligations on a go-forward basis.

ATTESTATION

Affiant, Juan Carlos Adrover-Ramírez, of legal age, married, Comptroller of Puerto Rico Electric Power Authority and resident of Carolina, Puerto Rico, being first duly sworn, states the following:

The prepared Direct Testimony, along with the exhibits and other documents referenced therein, constitute my direct testimony in Case No. NEPR-AP-2023-0003. I would provide the same answers set forth in the Direct Testimony if asked the questions propounded therein at the time of filing. I further state that the facts and statements provided herein are, to the best of my knowledge, true and correct.

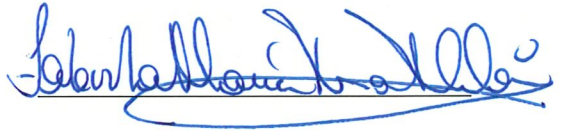

Juan Carlos Adrover-Ramírez 16-oct-2025

Affidavit No. 1066

Acknowledged and subscribed before me by Juan Carlos Adrover-Ramírez, of the personal circumstances above mentioned, in his capacity as Comptroller of Puerto Rico Electric Power Authority, who is personally known to me, in San Juan, Puerto Rico, this 16th day of October 2025.



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