

**COMMONWEALTH OF PUERTO RICO
PUERTO RICO ENERGY COMMISSION**

IN RE: TEMPORARY OVERSIGHT MEASURES
RELATED TO THE PROCUREMENT AND
MANAGEMENT OF RESTORATION SERVICES
BY PREPA

CASE NO.: CEPR-MI-2017-0008

SUBJECT: Order identifying and
implementing temporary oversight
measures.

ORDER

Through this Order, the Puerto Rico Energy Commission (“Commission”) identifies and implements a set of measures, requirements and directives aimed at ensuring optimal accountability, prudence and reasonability in the procurement and prospective management of restoration support services by the Puerto Rico Electric Power Authority (“PREPA”) in the wake of Hurricane María.

These measures are taken to ensure PREPA funds allocated towards the restoration and recovery of the Island’s electric grid—whether these funds come ultimately from PREPA customers, Commonwealth taxpayers or federal taxpayers—are spent effectively and efficiently, producing measurable and quantifiable results. Another objective is to avoid wasteful, fraudulent or abusive practices, by holding PREPA and its contractors and sub-contractors accountable for the quality and efficiency of their work. The measures taken herein are consistent with the Commission’s overall goal and statutory mandate of inducing administrative and financial discipline to PREPA’s operations and culture; they are not meant to duplicate any efforts by any other state or federal agency, but rather to support such efforts.¹ Finally, as detailed below, the measures and directives identified herein are necessary and essential, in light of both recent and historical examples of doubtful PREPA contracting determinations. They are especially necessary in light PREPA’s insistence, in testimony and briefs presented in the rate case petition proceeding and in arguments to state and federal courts, that the Commission has no power to review and prevent PREPA’s spending before it occurs; but rather, once that spending has occurred, must approve rates that reflect those costs, even if wasteful or imprudent.²

¹ The Commission recognizes that the Fiscal Agency and Financial Advisory Authority (“AAFAF” for its Spanish acronym) and the Financial Oversight and Management Board for Puerto Rico (“FOMB”) also may conduct some type of contract review. Those reviews do not relieve the Commission of its duty under Act 57-2014 to ensure that rates are just and reasonable generally, and do not include imprudent costs specifically. The Commission is pleased to coordinate with both AAFAF and FOMB to avoid duplication of effort but it must and will carry out its independent legal obligation. To that end, the Commission contacted representatives of AAFAF and FOMB in May 2017, and FOMB again in November 2017, providing a systematic path to coordination. The Commission is awaiting their response but in the meantime must and will use its unique expertise and experience with PREPA, demonstrated in numerous prior orders—most importantly the Transition Charge, the Integrated Resource Plan and Rate Case—to protect Puerto Rico’s citizens.

² See, in general, Part Four of the Commission’s Final Resolution and Order, In Re: Review of Rates of the Puerto Rico Electric Power Authority, CEPR-AP-2015-0001, January 10, 2017 at pp. 147-156 (“Resolution and Order