

**FINANCIAL OVERSIGHT AND MANAGEMENT BOARD  
FOR PUERTO RICO**



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*Natalie A. Jaresko*  
Executive Director

**BY ELECTRONIC MAIL**

October 4, 2018

The Honorable Ricardo A. Rosselló Nevares  
Governor of Puerto Rico  
La Fortaleza  
P.O. Box 9020082  
San Juan, PR 00902-0082

Mr. José F. Ortiz Vázquez  
Chief Executive Officer  
Puerto Rico Electric Power Authority  
PO Box 364267  
San Juan, Puerto Rico 00936-4267

Dear Governor Rosselló Nevares and Mr. Ortiz Vázquez:

On September 28, 2018, the Oversight Board certified a revised budget for fiscal year 2019 for the Puerto Rico Electric Power Authority (“PREPA”) and subsidiaries. On October 4, 2018, you announced that PREPA will be reducing the rates that it charges consumers by 3.5-3.9 cents per kilowatt hour due to certain efficiencies in power generation. The Board believes that the assertions supporting the rate reduction announcement are inconsistent with the information and data that has been provided by PREPA about its liquidity, operational expenses, fuel costs, and revenue projections.

Additionally, the Board is concerned that this proposed rate reduction would cause a significant variance in PREPA’s ability to service the Commonwealth loan to PREPA.

Because this would represent a material change in PREPA’s expected revenues for fiscal year 2019, the Oversight Board is initiating the process set forth in Section 202(a) of PROMESA to amend PREPA’s budget for fiscal year 2019.

Honorable Ricardo A. Rosselló Nevares

Mr. José Ortiz Vázquez

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Please provide by October 9, 2018 all supporting information to justify PREPA's announced efficiencies, PREPA's liquidity projections for fiscal year 2019, and PREPA's perspective on expected revenues for fiscal year 2019. Once the Oversight Board receives this information and conducts its own analysis, the Oversight Board will send a revenue letter pursuant to Section 202(b) of PROMESA, reflecting materially lower revenues and, accordingly, materially lower expenditures.

Furthermore, please provide, also by October 9, 2018, further documentation that explains the legal basis for why the proposed rate reduction does not constitute a rate adjustment that would require regulatory approval by the Puerto Rico Energy Bureau, under current Commonwealth law.

Sincerely,



Natalie Jaresko

Andrew G. Biggs

José B. Carrión

Carlos M. García

Arthur J. González

José R. González

Ana J. Matosantos

David A. Skeel, Jr.

CC: Christian Sobrino Vega  
PREPA Governing Board  
Todd Filsinger