

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

NEPR

Received:

Sep 1, 2023

8:30 PM

**IN RE: REVIEW OF LUMA’S INITIAL
BUDGETS**

CASE NO.: NEPR-MI-2021-0004

**SUBJECT: PREPA’s Motion for
Reconsideration of Portions of the August 16
Order and in Compliance with the August 14
Request for Information and the August 16
Order**

**PREPA’S MOTION FOR RECONSIDERATION OF PORTIONS OF THE AUGUST 16
ORDER AND IN COMPLIANCE WITH THE AUGUST 14 REQUEST FOR
INFORMATION AND THE AUGUST 16 ORDER**

COMES NOW the Puerto Rico Electric Power Authority (“PREPA”), through its counsel of record, and respectfully submits and requests as follows:

I. Introduction

PREPA once again seeks approval of necessary funds from the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau" or “PREB”) to comply with the bare minimum of its pending responsibilities and obligations. PREPA once again states for the record that the FY24 budgets approved for HoldCo and HydroCo by the Energy Bureau is already having devastating effects on PREPA’s ability to operate and comply with pending workstreams essential for PREPA’s transformation and reorganization. At present, the ever-changing requests and additional compliance requirements from both the Energy Bureau and the Financial Oversight and Management Board (“FOMB”) for external contract approvals for PREPA¹ have affected PREPA’s ability to comply with, for example, the deadlines for the FY22 Audited Financial Statements as

¹ The Energy Bureau has not required similar reporting from either LUMA or Genera-PR when the bulk of the FY24 budget, which stems from public funds, has been currently assigned to both entities.

well as setting back workstreams related to the Tranche 1 Renewable Energy process, among others. The contracts already submitted by PREPA for approval are essential to comply with direct orders from the Energy Bureau regarding the submittal of Audited Financial Statements as well as Tranche 1 projects. For example, PREPA will not be able to comply with the September 30, 2023, deadline set for the issuance of FY 2022 Audited Financial Statements, hence, PREPA will be unable to comply with an Energy Bureau requirement² precisely because PREPA does not have the funds or the necessary contracts with the external consultants that work with the audited financial statements to comply with such order. As will be more fully discussed herein, PREPA reiterates the need for a FY24 budget that will allow PREPA to comply with its obligations and pending responsibilities fully.

II. Procedural History

1. On June 25, 2023, the Energy Bureau issued a *Resolution and Order* ("June 25 Order") through which it determined the Consolidated Fiscal Year 2024 ("FY24") Budget. The Consolidated Fiscal Year 2024 ("FY24") budget has the following components: (i) the T&D budget developed by LUMA³, (ii) the generation budget developed by Genera PR, LLC ("Genera") for the PREPA subsidiary GENCO LLC ("GenCo"), and (iii) the budget developed by PREPA for its holding company, HoldCo, and its subsidiaries PREPA HydroCo LLC ("HydroCo") and PREPA PropertyCo, LLC ("PropertyCo").
2. Through the June 25 Order, the Energy Bureau, among other matters, ordered PREPA to file for review and approval, any new contract or amendment to an existing contract, before executing or making any award of such contract or amendment.

² *Resolution and Order* dated July 6, 2023, in case no. CEPR-CT-2016-0018.

³ LUMA Energy, LLC and LUMA Energy ServCo, LLC (collectively referred to as, "LUMA").

3. On June 30, 2023, LUMA on behalf of PREPA submitted a document titled *Motion for Reconsideration of the June 25 Resolution and Order on the Determination of the FY24 Annual Budgets for the electric utility system-LUMA, Genera and PREPA* (“June 30 Reconsideration”)⁴. Through the June 30 Reconsideration, PREPA expressed its dissent and concerns with the approved budget for FY2024 and listed the devastating effect this limited budget would have on PREPA’s operations, putting the entity at risk of being unable to operate and meet its responsibilities and obligations.⁵ As such, PREPA hereby adopts by reference and incorporates fully all of its prior filings, motions, ROI responses and justifications⁶ in the case of caption and reiterates the need for a FY24 budget that will allow PREPA to fully comply with its remaining obligations. Given the Energy Bureau’s failure to adjudicate the June 30 Reconsideration, PREPA then proceeded to identify available funds in the restricted FEMA reimbursement account to meet its ongoing obligations and thus secured authorization from its Governing Board through Resolution 5076 dated July 5, 2023, to access these funds in order to bridge the budgetary gaps between the proposed budget and the approved FY24 budget, in an effort to comply with PREPA’s pending obligations. Given the current legal and regulatory structure Resolution 5076 conditioned access to those funds to Energy Bureau and FOMB approval.

4. In response to the June 25 Order, between July 7 and July 20, 2023, PREPA submitted various contracts between PREPA and multiple contractors for review and approval by the Energy Bureau.⁷

⁴ PREPA had originally submitted its request for reconsideration on June 29, 2023, but the Energy Bureau entered Resolution and Order on the night of June 30, 2023, stating it would not consider either PREPA’s or Genera’s filings as it was LUMA’s responsibility to file on behalf of PREPA.

⁵ The Energy Bureau did not rule on the June 30 Reconsideration.

⁶ [0157-PREPA- PREB FY2024 Budget Submissions](#)

⁷ *Motion to Submit PREPA’s Contract for Professional Services in Compliance with Portion of the June 25 Order and Urgent Request for Approval* dated July 7, 2023; *Second Motion to Submit PREPA’s Contracts for Professional and*

5. On July 11, 2023, the Energy Bureau issued a Resolution and Order ("July 11 Order") through which it determined that PREPA did not comply with the criteria for the Energy Bureau's review of the contracts submitted by PREPA. The Energy Bureau stated that in order for the Energy Bureau to review and grant approval of these contracts, PREPA had to specify: 1) if these are the totality of the contracts to be executed during FY24 and 2) how the amounts referenced pertaining these contracts fit within the FY24 Approved Budget. The Energy Bureau also ordered PREPA to certify that there was no duplicity of scopes of work between the efforts handled by LUMA, Genera, and/or PREPA.

6. In parallel, and after a series of motions and resolutions pertaining to the new contract approval requirement, on July 28, 2023, PREPA filed a document titled *Informative Motion and Request for Remedy* ("July 28 Informative Motion"). Through the July 28 Informative Motion, PREPA requested authorization to use funds from its Federal Emergency Management Agency ("FEMA") reimbursement account for the purpose of funding necessary contracts that are impossible to fund with the current approved budget.

7. As a result of the July 28 Informative Motion, on August 14, 2023, the Energy Bureau issued a *Resolution and Order* ("August 14 ROI Order") where it stated, among other matters that in its determination for the proper budget allocation for PREPA, decreased the total HoldCo and HydroCo Operating Budgets from \$53,367 million to \$21.975 and from \$18.324 to \$13.520

Technical Services in Compliance with Portion of the June 25 Order and Urgent Request for Approval dated July 7, 2023; Third Motion to Submit PREPA's Contracts for Professional and Technical Services in Compliance with Portion of the June 25 Order and Urgent Request for Approval dated July 7, 2023; Urgent Request for Approval of Four Contracts for Professional Services in Compliance with the June 25 and July 11 Orders dated July 12, 2023; PREPA's Informative Motion in Compliance with the July 11 and July 13 Orders dated July 14, 2023 and Motion to Submit the Amended Contract in Compliance with the July 19 Order dated July 20 2023.

respectively. Additionally, the Energy Bureau specified that PREPA had proposed \$41.071 million for HoldCo Non-labor expenses and \$8.455 million for HydroCo Non-labor Expenses but that it reduced these amounts to \$11.772 million and \$5.470 million respectively. The Energy Bureau then proceeded to state its mandate to ensure prudent use of ratepayer funds and expressed that unjustified reliance on external consultants is unacceptable arguing that PREPA's proposed budgets and contracts should reflect judicious coordination between internal personnel and strictly necessary supplemental consulting engagements.

8. The August 14 ROI Order stated that for “any proposed consulting contracts, the Energy Bureau expects clear justification of why the services cannot be performed by PREPA's existing staff, LUMA, Genera, and/or the Puerto Rico Public-Private Partnership Authority ("P3A"). This justification must include an itemized description of the specific expertise, workload capacity, or other factors that require supplementary external services.”

9. Further, as part of PREPA's revised budget proposal, the Energy Bureau required PREPA include robust policies and procedures for the management of external consulting engagements including:

- a. Defined scopes of work, deliverables, timelines, and invoicing expectations within all contractor agreements.
- b. Designated internal supervisors responsible for approving work, monitoring progress, verifying satisfactory completion of deliverables, and authorizing payments for each contract.
- c. A formal process for reviewing invoices to confirm agreement with initial contract terms and documented work records, before payment approval.
- d. Regular auditing of contractor relationships to identify any discrepancies in charges versus contracted rates and delivered services.

10. Additionally, in the August 14 ROI Order the Energy Bureau stated that PREPA must demonstrate how responsibilities are being distributed across its finance, regulatory, operations,

and other internal departments to reduce duplication and redundancy with any requested external services.

11. Furthermore, in the August 14 ROI Order the Energy Bureau, among other things, ordered PREPA to comply with the following request for information:

- a. provide the Energy Bureau with documentation of the steps that PREPA has undertaken and other support as PREPA may deem appropriate, to ensure that the contracts for which it seeks approval, are the most cost effective available;
- b. provide with each request for contract approval, documentation of the steps that PREPA has undertaken and other support as PREPA may deem appropriate, to ensure that the contracts for which it seeks approval, are the most cost effective available;
- c. provide demonstrated need of external consulting contracts adapted to the increased use of the existing T&D OMA and LGA OMA contractual realities of the entities that represent PREPA for most of its operational responsibilities and related regulatory matters;
- d. provide a detailed demonstration of how PREPA's internal personnel and resources are being leveraged before proposing additional external consulting services;
- e. provide evidence of sufficient internal controls and active supervision to confirm that ratepayer funds used for external consulting services are used judiciously;
- f. demonstrate to the satisfaction of the Energy Bureau that it has exhausted all efforts in seeking to obtain and negotiate the most cost-effective contract possible for services rendered by KPMG - see criteria set forth in (a) above - or re-negotiate and resubmit that contract for approval.

12. Thereafter, on August 16, 2023, the Energy Bureau issued a *Resolution and Order* that, among other things, ordered PREPA to file a table including the totality of the approved and proposed contracts for FY24, the amounts approved and proposed for those contracts, the line items from the category to which they correspond, and the remaining balance for that category considering said amounts (“August 16 Order”). The Energy Bureau also reminded PREPA that all executed contracts not approved by the Energy Bureau nor included in the referenced table must be terminated and no services pertaining to those contracts can be rendered.

13. On August 24, 2023, PREPA filed a document titled *PREPA’s Request for Extension of*

Time to Comply with the August 14 Resolution and Order (“August 24 Request for Extension”) whereby PREPA requested an extension for six days, until September 1, 2023, to comply with the responses to the August 14 ROI Order, stating that given the detail level required, PREPA is still in the process of compiling the necessary information to complete its response. On August 28, 2023, PREPA also requested the Energy Bureau to treat the August 14 ROI Order and the August 16 Order as continuous workstreams and allow the same extension of time until September 1, 2023 to comply with both Orders pertaining to PREPA’s FY2024 Contracts.

III. General Statements in Response to the August 14 ROI Order and Responses to Requests for Information by PREPA Department

PREPA contends that there is enough information in this docket for the Energy Bureau to grant the requested approval in the June 28 Motion (i.e. 31.56 MM for HoldCo and 5.95MM for HydroCo) in order to cover the deficits and permit access to the federal funds to bridge the budget gap. Notwithstanding, PREPA will respond to the August 14 ROI with additional information related to the needs of each department and more particularly, the need for each contract. Given the current limited nature of the funds approved, PREPA will present the contracts on a rolling basis, giving priority to those contracts which are essential to comply with pending deadlines and ongoing workstreams.

A. The Revised Budget Proposal does not Include Workstreams Delegated to LUMA or GENERA

As part of the August 16 Order the Energy Bureau stated that “[r]egarding contracts for which PREPA seeks approval, which provide services to PREPA for its representation before the Energy Bureau or other governmental entities, the Energy Bureau notes that these services are delegated primarily to LUMA in LUMA's capacity as agent of PREPA. The emphasis in the T&D OMA on avoiding duplicative efforts leads the Energy Bureau

to believe that the requested consulting services may not be leveraging the resources already afforded to PREPA through the T&D OMA. LUMA must, as agent of PREPA, under established legal principles, act in good faith regarding the principal, which removes from PREPA the potential of contending that separate representation is necessary to ensure that its best interests are represented by LUMA. To secure Energy Bureau approval of the contracts PREPA is requesting, it must overcome the presumption created by LUMA's obligation as agent, for considering these contracts to be unnecessary.”

PREPA respectfully disagrees with this characterization from the Energy Bureau. While it may be convenient to theoretically assume that both LUMA and Genera-PR now have responsibilities for which PREPA is requesting funds and external contractors, the reality is that this is not the case, and PREPA maintains the inherent responsibilities and obligations necessary to comply with matters that are not applicable to LUMA or Genera-PR. For a concrete example on August 8, 2023, PREPA received a notice of pre-existing environmental conditions from Genera pursuant to Section 5.9 of the LGA OMA. In which, Genera, notifies the P3A and PREPA of an Order for Records and Reports (“Order”) issued by the Environmental Protection Agency (“EPA”) to PREPA, dated July 11, 2023, which identified 40 alleged violations of 40 C.F.R. § 112. The alleged violations were identified during the Spill Prevention Control and Countermeasure (“SPCC”) inspections EPA completed between June 27 and June 30, 2022, prior to Genera’s Service Commencement Date, at various PREPA generation facilities for which remedial actions are warranted or PREPA will be fined. As the Energy Bureau is aware upon Genera’s commencement date PREPA underwent considerable employee attrition and the approved budget for FY2024 was critically reduced from what was proposed by PREPA.

Consequently, currently PREPA has no personnel or retained environmental advisors to assist in the remedial actions required by the EPA. Pursuant to Section 5.9 of the LGA OMA, Genera would perform the identified remedial actions subject to PREPA reimbursement. See, Appendix A.

B. Legal and Regulatory Responsibilities Still Inherent to PREPA

As part of its remaining responsibilities, PREPA maintains legal obligations and thus the need for legal services for HydroCo, HoldCo and Property Co as well as all legal matters that are not within the scope of the Puerto Rico Thermal Generation Facilities Operation and Maintenance Agreement dated as of January 24, 2023 (“LGA OMA”) signed with Genera-PR or within the scope of the Operation and Maintenance of the Transmission and Distribution System Agreement (“T&D OMA”) executed on June 22, 2020 with LUMA.

Further, as part of PREPA’s reorganization and pursuant to the budget approved by both the Energy Bureau and FOMB, PREPA’s legal division has only four (4) attorneys, including its General Counsel.

More specifically, PREPA maintains responsibility *for all existing litigation* related to the Transmission and Distribution system, including all legacy litigation and or cases or legal matters *for events that transpired before* LUMA’s Service Commencement date on June 1, 2021⁸. Even within this definition, it has been PREPA’s experience with LUMA that if a plaintiff sues both PREPA and LUMA for post-Service Commencement Date events, PREPA has had to include independent legal defense, which LUMA has decided not to cover⁹. Even though this work will

⁸ T&D OMA Section 5.12; Annex I (H)

⁹ *Edmari Quiñones v. Municipio de San Juan*, SJ2022CV06029; *Olga Rodriguez v. Municipio Autónomo de San Juan*, SJ2022CV02995; *Ismael Rivera Colón v. LUMA Energy*, CV2022Cv03093.

dwindle with time, at present PREPA is still responsible for ongoing litigations in federal, state and administrative forums, specifically labor administrative forums where PREPA is in need of legal representation. As this Energy Bureau may be aware, in regulatory matters, even though LUMA appears on behalf of PREPA on matters pertaining to T&D, rate review and quarterly reconciliations, performance and other matters, PREPA still has active reporting requirements in the following PREB dockets:; NEPR-MI-2020-0001; NEPR-MI-2021-0004; NEPR-MI-2021-0002; NEPR-MI-2022-0005; NEPR-AP-2021-0001; NEPR-AP-2021-0002; NEPR-QR-2020-0047; CEPR-CT-2016-0018.

In relation to the LGA-OMA, Genera-PR will handle only five Existing Litigations¹⁰ related to legacy generation assets.

Accordingly, and pursuant to both the T&D OMA and LGA OMA, LUMA has complete responsibilities for some after Service Commencement date cases and Genera will only be responsible for all future day-to-day legal responsibilities related to the Legacy Generation Assets and/or the Generation Sites, and management of Existing Litigation related to the Legacy Generation Assets and/or the Generation Sites. Given the specificity of both LUMA's and Genera's roles related to the T&D OMA and LGA OMA all other pending legal matters remain with HoldCo until their completion. These matters include all legal responsibility related to Title III work which includes all pre-petition claims reconciliation processes, PREPA labor claims, execution, implementation and management of contracts, execution and filing of any condemnation

¹⁰ Section 5.11; Annex IX (H); Section 5.1 of the LGA OMA

“Existing Litigation” means any legal claims involving or affecting the Legacy Generation Assets and/or the Generations Sites, or the Owner as they relate to the Legacy Generation Assets and/or the Generation Sites, in each case which are pending or threatened in writing as of the Service Commencement Date.

proceeding for LUMA and an obligation to provide legal representation to PREPA employees or ex-employees sued over actions or omissions during their employment.

Additionally, PREPA maintains legal responsibilities and accountability towards government regulatory entities including the Puerto Rico's Comptroller's Office, the Office of the Inspector General, the Puerto Rico Legislature, compliance matters related to the Environmental Protection Agency ("EPA") and the Federal Emergency Management Agency ("FEMA"), as well as continued appearance before the Energy Bureau to comply with reporting requirements, Tranche 1, pending invoice challenges cases as well as adversary cases like the CELI case. Finally, PREPA will also maintain the responsibility for tax and securities law-related advice as it relates to the Legacy Generation Assets, among others.

PREB Orders:

a. Provide the Energy Bureau with documentation of the steps that PREPA has undertaken and other support as PREPA may deem appropriate, to ensure that the contracts for which it seeks approval, are the most cost effective available;

b. provide with each request for contract approval, documentation of the steps that PREPA has undertaken and other support as PREPA may deem appropriate, to ensure that the contracts for which it seeks approval, are the most cost effective available;

Response: PREPA has used its best judgment to ensure that the requested contracts for legal services are the most cost-effective, especially given the necessity of continuity of services. Engaging the services from new legal firms would entail time and resources destined for a learning curve of each case, forum, reporting requirements, reorganization, remaining structure and duties by department and even more involvement from PREPA's limited human resources to explain the policies carried out by PREPA's management.

c. provide demonstrated need of external consulting contracts adapted to the increased use of the existing T&D OMA and LGA OMA contractual realities of the entities that represent PREPA for most of its operational responsibilities and related regulatory matters;

Response: *See*, PREPA's arguments in Section III-B regarding T&D OMA and LGA OMA contractual responsibilities and PREPA's continuing inherent responsibilities.

d. provide a detailed demonstration of how PREPA's internal personnel and resources are being leveraged before proposing additional external consulting services;

Response:

Position	Number of Employees	Role / Responsibilities
General Counsel	1	Provide legal advice to the CEO and the Governing Board. Attend meetings as requested, coordinate and commission services from legal consultants.
Legal Counsel	2	See Appendix B
Senior Attorney	1	See Appendix B
Administrator	1	Attends to all of the legal division administrative matters and performs certain secretarial functions
Total	5	

e. provide evidence of sufficient internal controls and active supervision to confirm that ratepayer funds used for external consulting services are used judiciously;

Response: All invoices pertaining to Consultants of the Legal Division are reviewed and certified by the different end-users requesting their services, are reviewed by the Division Head to verify their reasonableness and finally evaluated and signed by the General Counsel. Once sent to LUMA for payment, they are verified, making sure that the contract has funds assigned to it, that the invoiced services are in accordance with the contract's scope of work and that the rates correspond to those in the contract.

f. demonstrate to the satisfaction of the Energy Bureau that it has exhausted all efforts in seeking to obtain and negotiate the most cost-effective contract possible for services rendered by KPMG - see criteria set forth in (a) above - or re-negotiate and 4 resubmit that contract for approval.

Response: *See*, below response provided in Section III. C-Finance.

C. Finance

In regard to the Finance contracts the Energy Bureau demonstrated concern with the Galindez and KPMG contracts. Specifically, the Energy Bureau stated that PREPA proposed \$2 million for audit services for FY 2024, PREPA has not adequately justified this cost for the remaining work required by KPMG, LLP (“KPMG”).

Additionally, the Energy Bureau stated that PREPA proposed an \$800,000 contract for financial statement services by Galindez, LLC (“Galindez”) that seems potentially duplicative of work that could be handled internally by PREPA’s finance department.

As a result, the Energy Bureau stated that PREPA must demonstrate it has effectively managed costs for the proposed KPMG contract and justify the need for the services provided in the Galindez contract rather than utilizing internal resources.

PREPA hereby responds accordingly:

External Audit

PREPA’s management and its Governing Board recognize the urgency and importance of completing the backlog of audited financial statements to become current. Furthermore, PREPA understands that up-to-date audited financial statements are a requirement of the Puerto Rico Treasury and PREPA’s Title III exit. To add context to this matter, PREPA has made significant progress to become current on its audited financial statements that were outstanding when the current Finance management team was formed in 2017. Specifically, over the past 6 years, PREPA has issued ten (10) audited financial statements – seven (7) for PREPA (fiscal years ending June 30, 2015, 2016, 2017, 2018, 2019, 2020 and 2021), and three (3) for PREPA’s ERS (fiscal years 2015, 2016, 2017). PREPA had planned and budgeted accordingly to issue audited financial statements for fiscal years 2022 and 2023 during the current fiscal year ending June 30, 2024.

Currently, PREPA's Finance department does not have adequate internal resources and as such, it relies on various consulting firms to prepare schedules for financial statements, provide technical advisory services, and prepare actuarial reports. PREPA highlights the roles of the six (6) consultants needed for its External Audit Services herein, as well as in its June 21, 2023 response to the PREB ROI and bench order. Despite the accounting functions shifting from HoldCo's to the operators under the T&D OMA and LGA OMA, PREPA remains responsible for organizing and executing the consolidated audit process.

External Audit Processes

In an effort to address PREB's "concerns about potential duplication of efforts and unjustified costs, such as in the financial services consulting contracts" PREPA has and continues to have processes in place that align all parties on a weekly basis. KPMG maintains a daily comprehensive Prepared by Client ("PBC") List of requests made and deliverables both necessary and required to complete each year's Audit. Additionally, each week, Scott Madden reviews the PBC Audit List managed by KPMG and prepares a 'PBC Audit Process Status Report' to reflect and communicate the status of efforts and all changes of scope of work volume from week to week. The PBC Audit Process Status Report includes, but is not limited to, the following information:

- Project objectives, insights, and decision points
- PBC request critical items status
- Near-term activities
- Progress since last report
- Progress dashboard that details open items
- Priority items
- Phased submittal milestones with target dates, including key dates for KPMG review milestones and scheduling notes
- List of items for review

The PBC Audit Process Status Report is presented during the weekly coordination meetings where representatives from PREPA, LUMA, Hacienda, KPMG, Guzman, Galindez and Scott Madden attend. The weekly coordination meetings serve to align work efforts and weekly progress updates across multiple stakeholder touchpoints, ensuring there is no duplication of efforts and unjustified costs. To further assure PREB that there is no duplication of efforts and unjustified costs, please reference Appendix C for the detailed Scope of Works for each External Audit contract for FY2024.

PREB Orders

A. Within ten (10) calendar days of the notification of this Resolution and Order, provide the Energy Bureau with documentation of the steps that PREPA has undertaken and other support as PREPA may deem appropriate, to ensure that the contracts for which it seeks approval, are the most cost effective available;

Response: PREPA has used their best judgement that the six (6) requested contracts are the most cost effective, given the benefit that continuity has under the urgency to issue the outstanding financial statements.

B. Provide with each request for contract approval, documentation of the steps that PREPA has undertaken and other support as PREPA may deem appropriate, to ensure that the contracts for which it seeks approval, are the most cost effective available;

Response:

RFP Process External Audit Services

PREPA's finance directorate completed an RFP process in 2019 for Audit Services of the Financial Statements for the Fiscal Years 2018, 2019 and 2020. As part of the RFP processes, ten (10) firms requested to submit proposals in which six (6) firms declined to participate. PREPA closely reviewed the remaining four (4) and rejected two (2) proposals due to a conflict of interest and rejected one (1) proposal due that was deemed insufficient to cover the necessary scope of work. Ultimately, PREPA's finance directorate recommended the selection of KPMG as the auditors for Fiscal Years 2018, 2019 and 2020 to PREPA management for the reasons below:

- KPMG were (and still are) the current auditors of the Central Government
- During the consolidation process KPMG had reviewed the financial statements and accompanying notes and, as such, were knowledgeable of PREPA's accounting and financial performance. KPMG's fees for audit services were approximately 3% or \$50,000 higher than the lowest full-scope competitive bidder
- KPMG's proposed services and fees were found to be higher value, reasonable and justified due to the extensive work and knowledge that was acquired during the transition process with the previous auditors.
- No conflict-of-interest issues arose during the RFP process.

Upon review, PREPA's management agreed to execute a contract with KPMG. PREPA, in consultation with Hacienda, elected to renew its contract with KPMG for audits of Fiscal Years 2021, 2022, 2023 and 2024, given the complexities and time constraints associated with clearing the backlog of audited financial statements. Upon bringing the financial statement audits to current this fiscal year, PREPA Finance will coordinate with Hacienda on plans for normal course future fiscal year audits and competitive RFPs for necessary services to ensure the lowest reasonable cost of services is obtained.

C. Provide demonstrated need of external consulting contracts adapted to the increased use of the existing T&D DMA and LGA OMA contractual realities of the entities that / represent PREPA for most of its operational responsibilities and related regulatory matters;

Response: PREPA's contracts with external consulting services firms are for those obligations that HoldCo and PREPA, as a Covered Entity, is responsible for and that fall outside the scope of services for the T&D OMA and the LGA OMA. As previously mentioned, certain accounting functions and responsibilities have shifted from HoldCo to the operators under the T&D OMA and LGA OMA, however, PREPA remains responsible for organizing and executing the audit process.

D. Provide a detailed demonstration of how PREPA's internal personnel and resources are being leveraged before proposing additional external consulting services;

Response: PREPA's finance department currently consists of 8 finance professionals and one administrative employee, which represents a 50% reduction in the finance-specific workforce relative to FY2023, prior to Genera PR service commencement, and over a 90% reduction relative to FY2021, prior to LUMA service commencement. Below is a summary of the current finance department positions and examples of their roles and responsibilities.

Position	Number of Employees	Role / Responsibilities
Director of Finance	1	Oversees and manages PREPA's financial activities and operations to ensure compliance with statutory and contractual requirements
Controller	1	Oversee internal / external accounting functions / vendors, budget development, external Audit support and invoicing, finance and compliance reporting, debt issuance and service management
FPA Analyst	1	Responsible for budget development, consolidated budgeting, analysis and reporting, regulatory reporting, Genera / other subsidiary payments, and bank account replenishment / management.
Disbursement Officer	2	Plans, coordinates, and supervises disbursement operations, including verification, approval and instructions for disbursements to employees, contractors and suppliers, and reviews and prepares associated management and stakeholder reports
Account Property and Payable	1	Prepare monthly, quarterly, and year-end financial statements / reporting packages, perform a wide variety of accounting analyses, analyze various transactions and identify appropriate accounting treatment, prepare journal entries and maintain general ledger, assist with preparation of annual operating budgets
Accounts Payable Administrator	2	Assemble, review and verify invoices and check requests, flag and clarify any unusual or questionable invoice items or prices, sort, code and match invoices set invoices up for payment, enter and upload invoices into system, track expenses and process expense reports, prepare and process electronic transfers and payments, prepare and perform check runs, post transactions to journals, ledgers and other records, reconcile accounts payable transactions, prepare analysis of accounts monitor accounts to ensure payments are up to date, research and resolve invoice discrepancies and issues, maintain vendor files, correspond with vendors and respond to inquiries, produce monthly reports, assist with month end closing, provide supporting documentation for audits and maintain accurate historical records
Administrative Assistant	1	Performs administrative work for finance professionals in the office of the Director of Finance
Total	9	

Of the nine (9) employees listed above, only three (3) would be directly involved in the audit process. None of those employees involved in the audit process are Certified Public Accountants, and therefore are involved in as support and oversight capacity. Furthermore, PREPA disagrees with PREB's comment "...contract for financial statement services by Galindez that seems potentially duplicative of work that could be handled internally by PREPA's finance department." Since 2020, PREPA's finance department has relied on the support of Galindez for its year end closing process, including the preparation of its financial statements and the coordination of the external audit process (see above for details scope of works performed by Galindez). Galindez's experience and capabilities are critical for ensuring accuracy and efficiency in the audit process, and the service they provide to PREPA, and its stakeholders could not otherwise be performed by Finance Department personnel.

E. Provide evidence of sufficient internal controls and active supervision to confirm that ratepayer funds used for external consulting services are used judiciously;

Response: With the continued impact to internal resources and the continuation of diminishing budget, PREPA assures that the use of customer funds for external consulting services is aligned with prudent operations. In addition to the weekly formal meetings to address and monitor progress on specific workstreams related to the audit mentioned previously, PREPA's finance department has a thorough invoice review process in place that is initially performed by the Accounts Payable Administrator or the Controller (external audit contracts only), before being sent to the Director of Finance for review and approval and then to LUMA for additional review and approval. As mentioned in PREPA's response to D, the invoice review process procedures for external audit invoices are as follows:

Step 1: Controller

- Assembles, review and verify invoices and check requests
- Flag and resolve any unusual or questionable invoice items or prices
- Sort, code and match invoices
- Certify invoices and distribute to the Director of Finance for review and approval

Step 2: Director of Finance

- Review certified invoice from Controller
- Flags and resolve any discrepancies
- Approve invoice for payment and authorizes Controller to distribute to LUMA to review and verification

Step 3: LUMA

- Review and verify invoice according to contract agreement
- Flag and resolve any unusual or questionable invoice items or prices
- Approve invoice for payment

F. Demonstrate to the satisfaction of the Energy Bureau that it has exhausted all efforts in seeking to obtain and negotiate the most cost-effective contract possible for services rendered by KPMG - see criteria set forth in (a) above - or re-negotiate and resubmit that contract for approval.

Response: In FY2024, KPMG will be responsible for auditing PREPA's financial statements for two years, the years ended June 30, 2022 and 2023. Historically and procedurally, KPMG executes a new contract for each Fiscal Year Audit Report, meaning KPMG's work on FY2022 is under a separate contract than FY2023. The FY2023 audit was started during FY2023 and continues into FY2024, in the year it will be completed. PREPA's current contract with KPMG expired on July 31, 2023 and covers only the preparation of audited financials for the year ended June 30, 2022. During FY2023, the KPMG contract was amended twice in January 2023 and February 2023 for an additional \$164,000 and an additional \$1,170,600, respectively. The reasons for the contract amendments are as follows:

- January 2023: Amended to include the Single Audits for the years 2019 and 2020 and the incremental audit effort related to the audit of the financial statements for FY2021 in order to comply with the Puerto Rico Treasury Department's timetable;

- February 2023: Amended to include an additional amount for the incremental audit effort related to the audit of the financial statements for FY2021 in order to comply with the Puerto Rico Treasury Department's timetable for and an amendment to the scope to include the works for the audits of the financial statements for FY2022

Under this contract, PREPA with their external auditors, were able to issue the Audited Financials for the years ending June 30, 2020 and 2021 during FY2023. In an overabundance of caution, PREPA proposed \$2.0 million KPMG's audit services for FY2024. It should be made clear that the \$2.0 million is inclusive of both the "carry over" from their current contract related to the preparation and issuance of the FY2022 audited financials (~\$1.0 million) and the proposed contract amount relating to the audited financials for the year ended June 30, 2023 (~\$1.0 million). Accordingly, PREPA submits the KPMG Contract as Appendix D.

FY2023 Contract # P-000062 (expired on July 31, 2023)	
<i>Audit for Years Ended June 30, 2020, 2021 and 2022</i>	Fees
Initial Budget (P-000062)	\$970,600
(+) January 2023 Amendment (P-000062A)	164,000
(+) February 2023 Amendment (P-000062B)	1,170,660
Total Contract Amount for P-000062	\$2,305,260
(-) Total Payments as of June 30, 2023	(351,861)
(-) Invoiced Pending Payment	(695,946)
Remaining Contract Funds Available for P-000062	\$1,257,453
Estimated FY2024 Contract	
<i>Audit for Year Ended June 30, 2023</i>	
Audit of Financial Statements of PREPA	\$1,100,000
Single Audit Reports	63,000
Report on Statement of Unmodified Gross Assets	24,675
Total Estimated Contract Amount for FY2024	\$1,187,675
Total FY2024 Budget	\$2,445,128

Also, as mentioned in PREPA's response to PREB's August 14th Resolution and Order, item D, PREPA Finance Department does not have the workforce, nor the technology, to absorb the

work performed by ADP, Fusionworks and Nexvel (*see Appendix E for the detailed Scope of Work*). The FY2024 proposed budgets are estimated as ADP contract is partially based upon the number of employees and Fusionworks and Nexvel are time and materials contracts. For these reasons, the ADP, Fusionworks and Nexvel contract amounts are subject to change. PREPA would like to clarify that the ADP contract for FY2024 remains active. It is not in the best interest of PREPA to terminate this contract as termination would result in PREPA employees not being paid. Additionally, the ADP contract falls well within the FY2024 budget approval for Professional and Technical Outsourced Services as detailed below.

# Non-Labor Operating Expenses Detail by Contract (\$ in thousands)		PREPA Proposed	Contract Number
1	Professional & Technical Outsourced Services		
2	ADP	\$ 46	2024-P00019
3	Total Professional & Technical Outsourced Services	\$ 46	
4	Remaining Budget Funds Available	\$ 508	
5	FOMB Approved Budget for Total Professional & Technical Outsourced Services	\$ 554	

D. Operations

As PREPA explained in the June 28 Informative Motion, PREPA's Engineering Division was dissolved due to the transition to Genera, to put this into context the employee attrition at PREPA is so great that only nine (9) engineers remain at PREPA operations including its Executive Director. Hence, it is imperative for HoldCo and HydroCo operations that PREPA enter into agreements with technical consultants for design, studies, project management, and development of technical specifications, as well as consultants in the environmental matters. In order for this procurement of services to be the most cost effective, PREPA will develop competitive processes to ensure the best price and services be contracted. Notwithstanding, PREPA requires a reasonable budget to allow for these operations to be fulfilled. PREPA will inform the Energy Bureau of any competitive process completion and submit for the review and approval of the contracts for operations in a rolling basis.¹¹

IV. Compliance with the August 16 Order

The August 16 Order directs PREPA to file a table including the totality of the approved and proposed contracts for FY24, the amounts approved and proposed for those contracts, the line items from the category to which they correspond, and the remaining balance for that category considering said amounts. PREPA herein includes as Appendix F the table as ordered for the approved ("APP") and proposed/requested ("REQ") contracts for HoldCo and HydroCo, as well a table of contracts not under consideration pursuant to PREB's August 16 Order.

Through the August 16 Order, the Energy Bureau also reminded PREPA that all executed contracts not approved by the Energy Bureau nor included in the referenced table must be

¹¹ PREPA will submit a list of contracts or services already identified in a future filing early next week.

terminated and no services pertaining to those contracts can be rendered. PREPA respectfully requests this Energy Bureau to stay this portion of the August 16 Order, until it has ruled on the request of access to funds to bridge the gap on FY2024 approved budget for PREPA, as PREPA has executed and proposed contracts based on the pending workstreams and its obligations. Accordingly, PREPA requests the Energy Bureau to reconsider its determination that it no longer has contract approvals before its consideration. The cancellation of executed contracts that would be detrimental to PREPA's operations, as an example, the ADP Inc. Contract was submitted as part of the document titled *Third Motion to Submit PREPA's Contracts for Professional and Technical Services in Compliance with Portion of the June 25 Order and Urgent Request for Approval* dated June 7, 2023. This is a contract for processing payroll services, without which PREPA would not be able to fulfill its obligation to pay its employees their salaries. Other contracts PREPA is unable to cancel are the Genesis Security Services Inc. contracts, these security contracts which are divided into two contracts for the north and south regions and are shared with Genera. Of these contracts, Genera holds 70% of the services and PREPA maintains 30%. *See*, Certification as Appendix G. Furthermore, it would have devastating effects on PREPA, the Commonwealth of Puerto Rico and the Title III proceedings if the contracts for the External Audit Services were to be canceled. It is imperative for PREPA to get up to speed and complete the outstanding audited financial statements in order to have a confirmed plan of adjustment, to finally emerge from the Title III Bankruptcy case, which is also a condition precedent for LUMA's Service Commencement Date to become effective. These are only a few of the justifications PREPA can provide as to why canceling the submitted and already executed contracts would continue to put PREPA in a disadvantageous position. Accordingly, PREPA requests the Energy Bureau to

evaluate and approve HoldCo contracts for External Audited Services, Professional & Technical Outsourced Services and Security.as submitted in the July 7 Motions

Nonetheless, to conform with the Energy Bureau's orders and to allow consultants to begin working so that not all workstreams are paralyzed, PREPA was forced to cancel some of the legal services contracts previously submitted and withdraw them from the Energy Bureau's consideration in order to comply with the approved FY2024 budget. However, PREPA stresses that the amount allocated for the legal services line item in the Non- Labor/Other expenses category for the approved FY2024 budget is not enough to comply with the workloads for the entire fiscal year. If the Energy Bureau denies PREPA's reconsideration and request for access to additional funds it is very likely that these already executed contracts will run out of monies and PREPA will default on its obligations. These obligations include, among others, litigation matters with set trial dates and ongoing litigation that has an exposure for PREPA of upwards of 60 million. Among these cases there are electric contacts cases with severe damages and/or deaths, labor processes in the middle of discovery, as well as compliance with reporting requirements, Tranche I process, and invoice challenges cases before this very forum.

Notwithstanding the abovementioned requests, PREPA makes the commitment to comply with any reporting requirement and justification required by the Energy Bureau for each proposed contact, in order for the Energy Bureau to accomplish its mandate of overseeing the prudence of expenditures on behalf of all the ratepayers.

V. Request for Clarification on the Scope of the June 25 Order

PREPA respectfully requests the Energy Bureau to clarify the scope of the contract aspect of the June 25 and July 11 orders and asks the Honorable Energy Bureau to further detail which

contracts should be submitted for review and approval. PREPA understands that the June 25 Order to submit all contracts is excessively broad and this creates a new level of oversight that delays services and operations and also overextends PREPA's limited resources. The foregoing is taking into consideration that PREPA already has different levels of internal and external contract approval such as PREPA's Governing Board, the Puerto Rico Administration for General Services (ASG, for its spanish acronym) and the Financial Oversight and Management Board for Puerto Rico (FOMB) for which PREPA has to provide certifications of funds that are within the approved budget and certified fiscal plan. Additional *ex post facto* controls and oversight are exercised through audits carried out by the Puerto Rico Office of the Comptroller and the Puerto Rico Office of the Inspector General. For instance, as part of the June 25 Order, is PREPA expected to only submit the external consultants and professional services contracts for the Non-Labor/Other Operating Expenses categories from the FY2024 approved budget as is the subject in the August 14 ROI Order and the August 16 Order, or is PREPA expected to submit even the contracts for acquiring security equipment like boots for its employees?

Lastly, there are some contracts like the ones for Witt O'Brien's, McGwire Woods and the Claro Group, among others¹², that are not part of the operational budget as they qualify for reimbursements either through FEMA or Insurance. Thus, PREPA would also request clarification as to the Order to submit "all contracts", if, for example, these ones do not affect the FY2024 approved budget.

This request is made in good faith, understanding the Energy Bureau's jurisdiction over the approved budget for fiscal year 2024 and its regulatory powers. Nevertheless, for its operation, PREPA needs to execute numerous contracts for goods and services, it would be helpful to have a

¹² CSA Architects Engineers LLP, CPM PR LLC, Ari Group, Black & Veatch.

more defined detail of the contracts that the Energy Bureau would like to examine, for example starting from a defined amount, or a defined line item in the approved budget. PREPA further states it is able to participate in a working session with the Energy Bureau's Commissioners and its consultants in order to answer any concerns in real-time and avoid this continued motion practice that has provoked PREPA to already be in the month of September 2023 without securing services and executing contracts needed for its continued operations.

VI. Conclusion

When establishing the budgets for HoldCo and HydroCo subsidiaries, PREPA rightsized those entities to reflect the levels of responsibility each will continue to have, in view of the assumption of responsibilities by LUMA and Genera for T&D and LGA, respectively. PREPA herein answers the Energy Bureau's requests for information and once again justifies the need for access to the funds to bridge the gap in the approved FY2024 budget in order to comply with all the obligations, mandates and responsibilities that PREPA continues to hold. Consequently, PREPA requests the Energy Bureau to reconsider its directive in the August 16 Order and accept the execution of the contracts previously submitted, as well as grant access to the FEMA reimbursement account funds for PREPA to fulfill its obligations.

WHEREFORE, PREPA respectfully requests the Energy Bureau to take notice of the information herein provided, FIND that PREPA has complied with the August 14 ROI Order and the August 16 Order and GRANT PREPA access to the FEMA funds for the contracts herein requested.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 1st day of September 2023.

/s Maralíz Vázquez-Marrero
Maralíz Vázquez-Marrero
TSPR 16,187
mvazquez@diazvaz.law

/s Joannely Marrero-Cruz
Joannely Marrero Cruz
TSPR 20,014
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Tel.: (787) 395-7133
Fax. (787) 497-9664

CERTIFICATE OF SERVICE

It is hereby certified that, on this same date, I have filed the above motion with the Office of the Clerk of the Energy Bureau using its Electronic Filing System at <https://radicacion.energia.pr.gov/login>, and a courtesy copy of the filing was sent to LUMA through its legal representatives at margarita.mercado@us.dlapiper.com and laura.rozas@us.dlapiper.com and to Genera-PR, LLC through its legal representatives jfr@sbgblaw.com; alopez@sbgblaw.com; legal@genera-pr.com; regulatory@genera-pr.com.

In San Juan, Puerto Rico, this 1st day of September 2023.

/s Joannely Marrero-Cruz
Joannely Marrero Cruz



GOVERNMENT OF PUERTO RICO
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Appendix A



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"We are an equal opportunity employer and do not discriminate on the basis of race, color, gender, age, national or social origin, social status, political ideas or affiliation, religion; for being or perceived to be a victim of domestic violence, sexual aggression or harassment, regardless of marital status, sexual orientation, gender identity or immigration status; for physical or mental disability, for veteran status or genetic information."

Via Electronic Email

Puerto Rico Public-Private Partnerships Authority
PO BOX 42001
San Juan, Puerto Rico 00940-2001
Attention: Executive Director – Fermín E. Fontanés Gómez
Telephone: (787) 722-2525 Ext. 15330
Email: Fermin.Fontanes@p3.pr.gov and Administrator@p3.pr.gov

Puerto Rico Electric Power Authority
PO Box 364267
San Juan, Puerto Rico 00936-42677
Email: director_ejecutivo@prepa.com; ceo@prepa.com; maria.aponte@prepa.com;
josue.colon@prepa.com

Re: Notice of Pre-Existing Environmental Condition Pursuant to Section 5.9(a)(ii)

Dear Administrator and Owner:

Reference is made to that certain Operation and Maintenance Agreement (“OMA”) dated as of January 24, 2023, by and among the Puerto Rico Electric Power Authority (“Owner” or “PREPA”), the Puerto Rico Public-Private Partnerships Authority (“Administrator” or “P3A”) and Genera PR LLC (“Operator” or “Genera”). Capitalized terms not defined in this letter shall have the meanings ascribed to them in the OMA.

Pursuant to Section 5.9(a)(ii) of the OMA, Genera hereby notifies Administrator and Owner of an Order for Records and Reports (“Order”) issued by the Environmental Protection Agency (“EPA”) to PREPA, dated July 11, 2023. The Order, attached hereto as Attachment A, states that EPA identified 40 alleged violations of 40 C.F.R. § 112 during the Spill Prevention Control and Countermeasure (“SPCC”) inspections EPA completed between June 27, 2022, and June 30, 2022, prior to Service Commencement Date, at various PREPA facilities.

The alleged violations identified in the Order qualify as Pre-Existing Environmental Conditions and Owner is obligated to “commence and diligently prosecute such Remedial Actions required by Applicable Law” to address such Pre-Existing Environmental Conditions. Section 5.9(a)(ii). The OMA defines “Pre-Existing Environmental Condition” to include “Pre-Existing Environmental Noncompliance,” or “the ownership or operation of the Legacy Generation Assets or Generation Sites in violation of Environmental Law . . . on or before the Service Commencement Date that continues after the Service Commencement Date.” Section 1.1. These alleged violations of Environmental Law were identified by the EPA during an inspection prior to the Service Commencement Date and remain ongoing. Therefore, any such alleged violations qualify as Pre-Existing Environmental Conditions.

The Order issued imposes six separate compliance requirements which must be completed and provided to the EPA within 30 or 60 days of receipt of the Order, depending on the requirement.

These requirements include potential repairs and physical changes to several of the facilities including to address corrosion related problems, which will require coordination with our engineering and operational departments and need to be addressed immediately. The Order also calls for updating the SPCC Plans for each of the Facilities, ensuring that the SPCC Plans contain updated tank tables as required by Paragraph III.4 of the Order, and the other stated requirements to ensure compliance with the CWA. Should you wish Genera to take over completing these requirements, subject to reimbursement by Owner, Genera is open to considering this strategy.

Genera anticipates that responding to the Order, including addressing the rehabilitation required, will be time and resource intensive. Although Owner is obligated to incur the cost of compliance, Genera must review and approve any submissions in advance of their submission to EPA as each of these plans are required for operation.

Genera requests a meeting with P3A and PREPA by Thursday, August 10, 2023 to discuss how this Order will be addressed.

[Signature Page to Follow]

Cordially,

Genera PR LLC



Brannen McElmurray
Authorized Signatory



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Appendix B:

Tasks Performed by PREPA's Legal Division



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1. **Notary Matters-** Drafting of deeds, notarization of documents executed abroad, notarial acts or certifications, testimonies of authenticity, among others. Provide notary services for employees when they are related to their official functions (for example: oath of office or employment, retirement system beneficiary designations, explosives licenses, professional licenses, answers to interrogatories and other discovery mechanisms in civil and administrative cases, transfers of official motor vehicles, among others).
2. **Administrative Judges in Complaints under Act 38** - By appointment of the Executive Director, attorneys act as administrative judges in administrative cases, as for example, RFP challenges.
3. **Legal Consultations-** Carry on legal investigations and analysis, in order to provide legal advice when consulted by PREPA officers, as well as from other governmental agencies, municipalities, private companies, and individuals, so as to ensure compliance with all applicable laws, regulations, policies, and procedures.
4. **Expropriations-** Represent PREPA in expropriation cases filed by other government agencies and serve as liaison in PREPA's expropriation cases and in cases of claims for damages caused by the Authority's withdrawal from such expropriation cases.
5. **Contracts** - Draft, at the request of PREPA Management, various types of contracts related to the lease, sale, purchase, and exchange of real estate. Evaluate contracts prepared by other agencies or legal entities, provide legal advice regarding said contracts and recommend them for execution by the Executive Director or the corresponding officer according to the approval levels.
6. **Interagency Agreements** - Evaluate, advise on and draft agreements between PREPA and other government agencies, as well as private entities.
7. **Subpoenas / RFI's/Court Orders** - Receive (or respond to when directed to PREPA) or, as the case may be, channel to LUMA or Genera subpoenas and RFI's requesting information and/or documents, from courts and both state and federal law enforcement agencies, organizations, the media, and private citizens. Respond to requests for information and production of documents issued by the courts in cases between private persons unrelated to PREPA when there is a dispute over permits issued by or real property owned by PREPA and to any other requests as ordered by the courts.
8. **Liaisons with the FOMB** – Submit contracts for FOMB's review and approval, respond to FOMB's RFI's regarding said contracts and advising end users as to the comments or directives from FOMB.
9. **Legislation** - Evaluate, advise on and draft legislation related to or affecting the PREPA's operations and interests and in those related to the development of public policy.
10. **Consignments** - File motions in state courts to deposit benefits from the PREPA's Retirement System in cases of death of employees in active service.
11. **Legal Opinions-** When requested by PREPA management and officers, interprets laws, regulations, policies, and procedures in order to prepare legal opinions regarding complex legal matters, and in all matters presented to PREPA's Governing Board for approval.
12. **Reporting-** Prepare all types of reports related to our functions or other areas, as required.



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Appendix C:
FY2024 External Audit Contracts Scope of Work



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KPMG, LLC

KPMG provides PREPA with auditing services for the preparation of financial statements. In FY2024, KPMG will be responsible for auditing PREPA's financial statements for two years, the years ended June 30, 2022 and 2023.

Examples of the types of services within the scope of KPMG's contract for audit engagements include the following:

- Planning and risk assessment meetings within the audit engagement team and/or with management
- Meeting with management during the year to remain current on significant business and other developments
- Attending meetings of the board of directors, or the committees of the board, as needed
- Consulting with management and accounting personnel on questions about accounting standards and financial reporting matters
- Executing their tests of controls or substantives tests, and documenting such work
- Attending meetings with various departmental management teams to discuss year-end closing and other financial matters
- Reviewing PREPA's consolidated financial statements and notes
- Issuing the Government Auditing Standards (GAGAS) Report

Guzmán & Co. CPA's, LLC

Provide professional consulting services to support PREPA in its accounting reconciliation processes, perform accounting duties for disaster-related projects and analysis of all FEMA documentation for compliance with federal guidelines and provide support for audits, as well as expenses to be claimed to PREPA's insurance provider.

They prepare the Schedule of Expenditures of Financial Awards ("SEFA") used to prepare the Single Audit Report. The Single Audit Report is then reviewed by KPMG for KPMG to issue an opinion on. Guzman also provides support related to the accounting of insurance claims.

- Assist in the preparation of and accounting reconciliation that will be required by the Federal government as part of the Single Audit process
- Support and/or transfer of knowledge to PREPA Finance/Accounting personnel
- Verification of expenditures made by PREPA related to the disasters (Irma and María hurricanes) from an accounting perspective. Includes verification of reimbursements from FEMA and/or private insurers, mainly the recording of transactions to the emergency accounts
- Review disaster-related expenditures that will not be reimbursed and verify the corresponding accounting entries and categories.
- Review documents supporting insurance claims, from an accounting perspective.

- Preparation of the necessary financial reports
- Participation, planning and/or attendance of meetings and/or teleconferences to discuss issues related to insurance or FEMA claims, from an accounting perspective
- Perform any task as assigned by management

Galíndez, LLC

Certified Public Accounting (“CPA”) firm that leads the support to PREPA for the preparation of financial statements, specifically preparing and providing all schedules for the audited financial statements.

Due to the decrease in workforce, the finance department will heavily rely on Galindez during FY2024.

- Support management in meetings related to accounting, auditing and account processes
- Support to management in reconciliation and analysis of accounting accounts such as cash accounts, accounts payable, accounts receivable, uncollectible accounts reserve, inventory, property, plant and equipment, income and expenses among others
- Support in preparation and review of supporting documents related to amounts, estimates and balance sheets related to the financial statements
- Support in the preparation and analysis of notes for the financial statements
- Assists management in the analysis of findings as a result of the audit and in the preparation, implementation and monitoring of corrective plans
- Support in other tasks related to the financial area, fiscal matters and operational matters that management understands necessary

Sargent & Lundy Puerto Rico, LLC

Sargent & Lundy are Consulting Engineers providing required technical advisory staff to fully support the services for financial support, as it related to the audit of financial statements, during the fiscal year 2024. More specifically, Sargent & Lundy provide services on the following matters:

- GASB 42 Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries
- Financial Analysis Support, including technical support for any unresolved or remaining GASB 83 issues, if required
- Depreciation Study Updates, as determined and required by the results of GASB 42 impairment analysis work
- Remaining Useful Life (RUL) Reports for Peakers and Emergency Generation Plants
- General Support as required from the Financial Directorate

ScottMadden, Inc.

Provide PREPA with the necessary professional consulting services for project management support. Services will include executive advisory support, such as:

- Assist PREPA in managing the “FY22 to FY23 PBC Audit” efforts including the execution and monitoring of key activities to ensure a timely submittal of all deliverables and requirements
- Provide PREPA, as required, the necessary professional consulting services for the execution, monitoring, and completion of audits for the fiscal years 2022 and 2023, and the consolidated annual financial disclosure report for 2016 through 2023 periods
- Review PBC Audit List to ensure alignment with all project stakeholders, specifically between PREPA, Hacienda, and auditors. Prepare weekly status reports to reflect and communicate the status of effort and all changes of scope of work volume from week to week
- Develop executive dashboards and presentations for PREPA Finance’s use to communicate status with various stakeholders including Hacienda, and PREPA Audit Committee
- Capture PREPA work efforts and progress for weekly discussions across multiple stakeholder touchpoints (e.g., LUMA coordination calls, audit team weekly priority list meetings, internal status, and progress discussions, etc.)
- Track all communication between projects stakeholders. Track all submittals from PREPA to the auditors and advisors. Support PREPA finance with ad-hoc requests and daily functions.

Cavanaugh Macdonald Consulting, LLC

Actuarial consulting services to PREPA and to the Employees' Retirement System of the Puerto Rico Electric Power Authority

- A. Governmental Accounting Standard Board Number 68 (GASB 68)
 - Prepare a detailed GASB 68 Disclosure Report for PREPA for the fiscal years ending June 30, 2022 and June 30, 2023, which will include the following:
 - Determination of the Discount Rate: This requires a projection of plan assets under certain conditions to determine the discount rate to be used for 68 disclosure purposes
 - Calculation of the Total Pension Liability (TPL) and Net Pension Liability (NPL)
 - Sensitivity Analysis: Calculation of the NPL using an interest rate one percent higher and one percent lower than the Discount Rate.
 - Table of Membership Data
 - Prospective 10 Year Schedule of Changes in the Net Pension Liability
 - Historical 10 Year Schedule of Actuarially Determined Contributions

- Calculation of the Pension Expense and Deferred Inflows and Outflows of Resources
- A schedule presenting the following:
 - For each of the subsequent five years, and in the aggregate thereafter, the net amount of the employer's balance of deferred outflows of resources and deferred inflows of resources that will be recognized in the employer's pension expense
 - Amount of the employer's balance of deferred outflows of resources due to employer contributions subsequent to the measurement date that will be recognized as a reduction of the NPL

B. Governmental Accounting Standard Board Number 75 (GASB 75)

- Prepare a detailed GASB 75 Disclosure Report for PREPA for the fiscal years ending June 30, 2022 and June 30, 2023, which will include the following:
 - Sensitivity Analysis: Calculation of the NOL using an interest rate one percent higher and one percent lower than the Discount Rate. Calculation of the NOL using a health care cost trend rate one percent greater and one percent less than the current health care trend rate
 - Table of Membership Data
 - Calculation of the OPEB Expense and Deferred Inflows and Outflows of Resources
 - A schedule presenting the following:
 - For each of the subsequent five years, and in the aggregate thereafter, the net amount of the employer's balance of deferred outflows of resources and deferred inflows of resources that will be recognized in the employer's OPEB expense
 - Amount of the employer's balance of deferred outflows of resources due to employer contributions subsequent to the measurement date that will be recognized as a reduction of the NOL
 - Prospective 10 Year Schedule of the following for each year:
 - Total OPEB liability
 - Fiduciary Net position
 - Net OPEB liability
 - Fiduciary net position as a percentage of TOL
 - Covered employee payroll
 - Net OPEB liability as a percentage of covered employee payroll
 - Summary of assumptions and methods used in the calculations
 - Summary of Plan Provisions



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Appendix D



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GOVERNMENT OF PUERTO RICO
PUERTO RICO ELECTRIC POWER AUTHORITY
PROFESSIONAL SERVICES CONTRACT

-----**APPEAR**-----

AS FIRST PARTY: The Puerto Rico Electric Power Authority (PREPA), a public corporation and government instrumentality of the Commonwealth of Puerto Rico, created by Act No. 83 of May 2, 1941, as amended (Act 83), represented in this act by its Executive Director, Josué A. Colón Ortiz, of legal age, married, and resident of Caguas, Puerto Rico. -----

AS SECOND PARTY: KPMG, LLP, (Consultant), a Delaware registered limited liability partnership, registered to do business in Puerto Rico, represented in this act by its Partner, Mr. Luis A. Pérez Negrón, of legal age, married, and resident of Dorado, Puerto Rico, duly authorized to appear in representation of the Consultant, by Resolution dated September 14, 2022. -----

Both PREPA and Consultant are herein individually referred to as a Party and collectively referred to as the Parties. -----

-----**WITNESSETH**-----

WHEREAS, PREPA, by virtue of Act 83, has the authority to engage those professional, technical and consulting services necessary and convenient to the activities, programs and operations of PREPA; -----

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in this Contract, hereinafter stated, the Parties agree themselves, their personal representatives, and successors to enter into this Contract under the following:

-----TERMS AND CONDITIONS-----

Article 1. Scope of Services

In accordance with the terms and conditions set forth herein, the Consultant will provide to PREPA:

- 1.1 Where applicable, a separate engagement letter will be executed for each of the services outlined in this section, and will be attached as an Appendix to this Contract. In that case, the Contract has to be amended in order to recognize the engagement letter as an Appendix.-----
- 1.2 Audit report in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, on the financial statements and required supplementary information of PREPA as of and for year ended June 30, 2022 (See Appendix A).
- 1.3 Reports in compliance with the Single Audit Act (See Appendix A).-----
- 1.4 Report on Internal Control Over Financial Reporting and Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards (GAS Report) (See Appendix A).-----
- 1.5 Read the Reporting Package as required by the Treasury Department for consistency with the audited financial statements.-----
- 1.6 Limited procedures over the supplemental Schedules (Required by Trust agreement, schedule of expenditures of federal awards (SEFA)) in the context of

- our audit of the financial statements in accordance with auditing standards generally accepted in the United States of America (See Appendix A).-----
- 1.7 Audit report in accordance with auditing standards generally accepted in the United States of America on the Statement of Unmodified Gross Assets in relation to our audit of the financial statements (See Appendix A).-----
- 1.8 Consideration of PREPA's information technology as part of planning and performing our audit for the purpose of expressing and opinion on the basic financial statements but not for the purpose of expressing an opinion on the effectiveness of PREPA's internal control. (See Appendix A).-----
- 1.9 An agreed upon procedures to review the historical financial data on the Official Statement. (A separate engagement letter will be issued for this service upon agreement of the specific procedures with management).-----
- 1.10 At the direction of PREPA, the Consultant may be required to work with other consulting, legal, investment, or other type of firms. The Parties agree to discuss such assignment in advance, so that all the Parties have a clear understanding as to their responsibilities. The Consultant is not responsible for work performed by other firms. -----

Article 2. Services Coordination

All the Services of the Consultant in relation to the terms and conditions of this Contract will be coordinated through PREPA's Chief Financial Officer or the person designated by him. -----

Article 3. Contract Assignment or Subcontract

The Consultant shall not assign nor subcontract its rights and obligations under this Contract, except in the event that PREPA gives written authorization for such actions. Provided, that no subcontract shall be considered for PREPA's approval, except when the following requirements are met: (1) the Consultant delivers to PREPA a copy of the subcontract, not less than thirty (30) days prior to the effective date of the proposed subcontract; (2) the subcontract includes, as a condition for its legal validity and enforceability, a provision whereby PREPA has the right to substitute, subrogate or assume Consultants' rights under the subcontract, in the event that PREPA declares the Consultant in breach or default of any of the Contract terms and conditions; and (3) the subcontract includes, as a condition for its validity and enforceability, a provision establishing for the subcontractor the obligation to comply with all of the Consultants' obligations under the Contract (*mirror image clause*), except for such obligations, terms and conditions which exclusively relate to works or services not included under the subcontract. A request to subcontract shall specify the issues or matters that will be referred to the subcontractor. These services shall be paid as part of the Contract Amount, as stated in Article 6, Payment. This paragraph shall not apply to entities within the KPMG network of independent firms and entities controlled by, or under common control with, one or more KPMG member firms (together with KPMG, the "KPMG Firms" as defined in Appendix A) who provide services under this Contract.-

Article 4. Contract Term

This Contract shall be in effect from the date of its execution, until June 30, 2023 (Contract Period). -----

Article 5. Contract Termination

5.1 PREPA shall have the right to terminate this Contract, at any time, with thirty (30) days prior written notice by registered mail, return receipt requested, or overnight express mail to the Consultant. If notice is given, the Contract shall terminate upon the expiration of the thirty (30) days and PREPA shall be obligated to pay all fees and expenses incurred up to the day of effective termination, in accordance with the terms of this Contract. The rights, duties and responsibilities of the Parties shall continue in full force and effect during the thirty (30) day notice period. The Consultant shall have no further right to compensation except for what has been accrued for services rendered and expenses incurred under the Contract until said date of effective termination. -----

5.2 PREPA shall have the right to terminate this Contract immediately in the event of negligence, dereliction of duties or noncompliance by the Consultant, without prior written notice. -----

Article 6. Payment

6.1 In accordance with the terms and conditions contained herein, PREPA agrees and Consultant accepts, that the total amount to be paid under the Contract shall not exceed a cumulative amount of one million sixty thousand seven hundred fifty-seven dollars (\$1,060,757) ("Contract Amount"), plus reimbursable expenses, if

necessary for the performance of the Contract, which shall be previously authorized by PREPA. -----

All payments to be made under this Contract will be charged to account number 01-4019-92303-556-614. PREPA will only pay for Services already rendered before the submitted invoice date. PREPA will not be required to make advance payments for any future service to be rendered by Consultant under the Contract.--

In the event that Consultant is requested or required by law, rule, regulation or governmental, regulatory or self-regulatory body (including by deposition, interrogatory, request for documents, subpoena, civil investigative demand, legal regulatory or similar process) to disclose PREPA's confidential information ("Legal Demand"), the Consultant shall, unless prohibited by law or such Legal Demand, provide immediate written formal notice, within five (5) business days after receiving the Legal Demand, to PREPA, in order to permit it to seek appropriate protective order. So long as the Consultant gives notice as provided herein, the Consultant shall be entitled to comply with such Legal Demand to the extent required by law, subject to any protective order or the like that may have been entered in the matter. In the event the Consultant is required by law, rule, regulation or Legal Demand in a proceeding or investigation to which the Consultant is not a named party or respondent, to produce the Consultant's documents or personnel as witnesses or for interviews, or otherwise to make information relating to the services provided under this Contract available to a third party, PREPA shall reimburse the Consultant for its professional time, at a blended

rate of two hundred dollars (\$200) per hour, and expenses, including reasonable attorneys' fees and expenses, or others, when incurred and paid in producing documents or personnel or providing information pursuant to such request. In that case the Contract shall be amended in order to consider and increase of the Contract amount that will cover the abovementioned expenses. This section shall not apply to requests directly related to the Consultant's Peer Review Program.-----

6.2 Nothing herein shall preclude the Parties from agreeing to increase said amount in writing and signed by both Parties. -----

6.3 The Consultant shall immediately notify PREPA when the billing under the Contract amounts to seventy-five percent (75%) of the Contract Amount. Once this notification has been issued, the Consultant, in coordination with PREPA, will ensure that no services will be rendered in excess of the Contract Amount, except that a written amendment is agreed upon by both Parties. In addition, the Consultant shall present an itemized list of the remaining billable Services under the Contract. -----

Article 7. Transfer of Skills and Technical Knowledge

For this Contract, as amended, the transfer of skills and technical knowledge required by the Certified Fiscal Plan is inapplicable given the non-recurring or specialized nature of the contracted services.-----

Article 8. Invoices

8.1 Consultant shall submit its invoices on a monthly basis for the work already performed during the preceding month. Consultant will provide to PREPA an

invoice for each billing period which will include a description of the services rendered and the number of hours spent in each task. The invoice for professional services shall be itemized and must be duly certified by the Consultant. -----

8.2 PREPA will review the invoices upon receipt, and if they are in compliance with the requirements set forth in this Contract, it will proceed with payment. Payment is due thirty (30) days of receipt of the invoice. PREPA reserves the right to conduct the audits it deems necessary, and it will not be subject to finance charges regarding invoice payments subject to an audit. -----

8.3 All invoices submitted by Consultant shall include the following Certification in order to proceed with its payment: -----

No Interest Certification:

“We certify under penalty of nullity that no public servant of PREPA will derive or obtain any benefit or profit of any kind from the contractual relationship which is the basis of this invoice. If such benefit or profit exists, the required waiver has been obtained prior to entering into the Contract. The only consideration to be received in exchange for the performance of the Services provided is the agreed-upon price that has been negotiated with an authorized representative of the PREPA. The total amount shown on this invoice is true and correct. The Services have been rendered, and no payment has been received”.

Consultant's Signature

This is an essential requirement and those invoices without this Certification will not be processed for payment. In order to comply with the certification requirements set forth above, Consultant shall require that subcontractors, if any approved by PREPA, providing Services also make the certification set forth above in any invoices submitted in connection with the Services. -----

Article 9. Information and Material Facts

- 9.1 PREPA shall promptly provide to Consultant all information under the control of PREPA and necessary for Consultant to perform the Services under this Contract. PREPA will ensure, to the best of its knowledge and belief, that the documents, data, and other information and material facts provided to Consultant, which are under its control, are true and complete, and do not constitute misleading or inaccurate information and Consultant shall be entitled to rely on the accuracy and completeness of the documents, data, and other information. -----
- 9.2 PREPA will advise Consultant in writing of any developments of which PREPA becomes aware, and which PREPA considers may have a material effect with respect to the information and/or facts provided to Consultant. -----

Article 10. Information Disclosure and Confidentiality

- 10.1 The Parties shall take all reasonable steps to keep confidential and use only for the purposes contemplated by the terms of the Contract the information provided by PREPA and/or Consultant and take all reasonable steps to ensure that such information is not disclosed or distributed by its employees or agents in violation of the terms of this Contract. -----
- 10.2 The Parties also agree that, except as agreed to in writing by both Parties, they will not, at any time after termination of this Contract, disclose any confidential information to any person whatsoever, or permit any person whatsoever to examine and/or make copies of any reports prepared by Consultant or under its control by reason of its consulting services, and that upon termination of this

Contract each Party will turn over to the other all documents, papers, and other matters in its possession or under its control that relate to the other Party. Consultant may retain one file copy for its records, and may comply with all contractual provisions and applicable professional standards. -----

10.3 The term “confidential information” shall include, but not be limited to, all information provided to Consultant by PREPA or at PREPA’s direction regarding its facilities or operations and any and all information gathered or developed by Consultant regarding the same. The Parties further agree that proprietary records and documents related to Consultant’s business operations are confidential to Consultant and will not be disclosed to PREPA or other Parties, except as ordered by the court. The Parties agree that PREPA will resist any attempt by opposing counsel or other Parties to obtain Consultant’s proprietary information. The term “confidential information”, however, will not include information that: -----

- (i) is or becomes public other than through a breach of this Contract;
- (ii) is known to the receiving Party prior to the date of this Contract and with respect to which the receiving Party does not have any obligation of confidentiality; or
- (iii) is independently developed by the receiving Party without use of, or reference to, confidential information.

10.4 The Parties acknowledge that disclosure of any confidential information by either Party will give rise to irreparable harm to the injured Party inadequately

compensable in damages. Accordingly, either Party may seek and obtain injunctive relief against the breach or threatened breach of the foregoing undertakings, in addition to any other legal remedies, which may be available. ----

10.5 If this Contract terminates for any reason, in accordance with the other relevant terms of this Contract, Consultant shall maintain in strictest confidence both; during the term of this Contract and subsequent to termination of this Contract, and shall not during the term of this Contract or thereafter disclose or divulge to any person, firm, or corporation, or use directly or indirectly, for its own benefit or the benefit of others, any information which in good faith and good conscience ought to be treated as confidential information including, without limitation, information relating to PREPA's operations or trade secrets relating to the business or affairs of PREPA which Consultant may acquire or develop in connection with or as a result of the performance of the Services hereunder. In the event of an actual or threatened breach by Consultant of the provisions of this paragraph, PREPA shall be entitled to injunctive relief for such breach. Nothing herein shall be construed as prohibiting PREPA from pursuing any other legal remedies available, including the recovery of damages from Consultant. ----

10.6 The above provisions do not apply with respect to information, which Consultant is requested to disclose under applicable law and regulations, professional standards, court order, subpoena or governmental directives. The Consultant agrees to promptly notify and submit to PREPA a copy of any court order or subpoena and to the extent possible provide any assistance to PREPA (in the

form of documents) regarding the submission of such information and to provide PREPA prompt notice of such request in order to procure for PREPA a reasonable opportunity to oppose such disclosure. -----

- 10.7 With respect to this Contract and any information supplied in connection with this Contract and designated by the disclosing Party as confidential, the recipient agrees to: (i) protect the confidential information in a reasonable and appropriate manner and in accordance with applicable professional standards; (ii) use confidential information only to perform its obligations under this Contract; and (iii) reproduce confidential information only as required to perform its obligations under this Contract.-----

Article 11. Rights and Titles

- 11.1 The Consultant will submit any reports reasonably required by PREPA regarding the Services performed under this Contract. If required by PREPA, at the completion of any assigned task, the Consultant will participate in a closing meeting with management and/or will make a presentation to the Audit Committee or those charged with governance of the required communications under auditing standards generally accepted in the United States of America. This requirement shall not be interpreted as a waiver by PREPA of the Consultant's ethical obligation and responsibility of keeping PREPA informed of the progress of the assigned matters. -----
- 11.2 All rights, titles and interest in and to any data, information and other materials furnished to the Consultant by PREPA hereunder (the "PREPA Information") are

and shall remain PREPA's sole and exclusive property. PREPA hereby grants to the Consultant a revocable, limited and non-exclusive license to use such PREPA Information to the extent required to provide the Services described herein. Except as provided below, upon full and final payment to the Consultant hereunder, the Consultant's audit or attestation reports created in connection with the Services (the "Deliverables") shall become the property of PREPA.-----

PREPA acknowledges that the working papers shall remain the property of the Consultant. The Consultant acknowledges the proprietary and confidential nature of all internal, nonpublic, financial, business, and systems information relating to PREPA, its subsidiaries and affiliates, of which the Consultant will become aware in the process of conducting the audit, including information related to other public or private entities now or hereafter provided by PREPA to the Consultant.-----

Article 12. Warranty

12.1 Consultant warrants that he shall perform the Services in accordance with the applicable professional standards (the "Standard"). Should any of the Services provided by Consultant not fulfill the above established Standard, Consultant shall take all necessary corrective measures to rectify such deficient Services, at its own and exclusive cost, whenever such course of action is possible or desirable. The rectification of deficient Services by Consultant shall not be understood as a waiver by PREPA to any other remedy it may have under this Contract or under the law or equity for any damages that Consultant's may have

caused to it by rendering such deficient Services. -----

12.2 No other warranty, express or implied, is made or intended by this Contract, by furnishing oral or written reports of findings made, or by any other act of Consultant. -----

Article 13. Responsibility for Damages

The appearing Parties agree that their responsibilities for damages under this Contract will be governed by the Puerto Rico Civil Code and its case law, as dictated by the Supreme Court of Puerto Rico. -----

Article 14. Independent Contractor

14.1 Consultant shall be considered as an independent contractor, for all material purposes under this Contract, and all persons engaged or contracted by Consultant for the performance of its obligations herein, shall be considered as its employees or agents, and not as employees or agents of PREPA. -----

14.2 As an independent contractor, Consultant shall not be entitled to any fringe benefits, such as, but not limited to vacation, sick leave, and to which PREPA's employees are entitled. -----

Article 15. Employees not to Benefit

No officer, employee or agent of PREPA, nor of the Government of the Commonwealth of Puerto Rico or its Municipal Governments shall be admitted to any share or part of this Contract or to any benefit that may arise therefrom. -----

Article 16. Conflict of Interest

- 16.1 Consultant certifies that none of its representatives under this Contract receive payment or compensation of any nature, for the services regularly rendered through an appointment in another government agency, body, public corporation or municipality of Puerto Rico. Consultant also certifies that it may have other consulting services contracts with other governmental agencies or bodies, but such condition does not constitute a conflict of interest for Consultant. -----
- 16.2 Consultant acknowledges that in executing its services pursuant to this Contract it has a duty to avoid conflict of interest. “Conflict of Interest” means representing clients who have or may have interests that are contrary to PREPA, but does not include rendering services that are unrelated to the services covered in this Contract. Also, Consultant shall have the continuous obligation to disclose to PREPA relevant information and circumstances of its relations with clients and third persons that would result in a conflict of interest which would influence the Consultant when performing its responsibilities under this Contract. -----
- 16.3 In the event that any of the partners, directors, agents or employees of Consultant engaged in providing services under this Contract should incur in the conduct described herein, said conduct shall constitute a violation of the prohibitions provided herein. -----
- 16.4 Consultant acknowledges that PREPA’s Executive Director shall have the power to intervene with the acts of Consultant and/or its agents, employees, and subcontractors regarding the enforcement of the prohibitions contained herein.

In the event that the existence of adverse interests is discovered, the PREPA's Executive Director shall inform Consultant in writing of PREPA's intention to terminate this Contract within a thirty (30) day period. During said period, Consultant may request a hearing with the Executive Director to present its arguments regarding the alleged conflict of interests. In the event that Consultant does not request such hearing during the specified thirty (30) day period or the controversy is not satisfactory settled during the hearing, this Contract shall be canceled. -----

16.5 The Consultant certifies that, at the time of the execution of this Contract, it does not have nor does it represents anyone who has Conflict of Interests with PREPA. If such Conflict of Interest arises after the execution of the Contract, the Consultant shall notify PREPA immediately. -----

Article 17. Notices

All notices and other communications hereunder shall be in writing and shall be deemed given when delivered personally or sent by telecopy, or postage prepaid, by registered, certified or express mail (return receipt requested) or reputable overnight courier service and shall be deemed given when so delivered by hand, or tele copied, or if mailed, three days after mailing (one business day in the case of express mail or overnight courier service) to the Parties to the following addresses:-----

To PREPA: Puerto Rico Electric Power Authority
PO Box 364267
San Juan, Puerto Rico 00936-4267

Attention: Josué A. Colón Ortiz
Executive Director

To Consultant: KPMG, LLP
American International Plaza
250 Muñoz Rivera Avenue
Suite 1100
San Juan, Puerto Rico 00918

Attention: Luis A. Pérez Negrón
Partner

Article 18. Applicable Law and Venue

This Contract shall be governed by and construed in accordance with the laws of the Commonwealth of Puerto Rico. Also, the Parties expressly agree that only the state courts of Puerto Rico will be the courts of competent and exclusive jurisdiction to decide over the judicial controversies that the appearing Parties may have among them regarding the terms and conditions of this Contract. -----

Article 19. Change in Law

During the term of this Contract, any change in law, including, but not limited to changes in applicable tax law, will cause an unreasonable increase in the Consultant's costs when providing the services, the Consultant and PREPA shall discuss any equitable adjustment to increase the Contract Amount. -----

Article 20. Force Majeure

20.1 The Parties shall be excused from performing their respective responsibilities and obligations under this Contract and shall not be liable in damages or otherwise, if and only to the extent that they are unable to perform or are prevented from performing by a force majeure event. -----

20.2 For purposes of this Contract, force majeure means any cause without the fault or negligence, and beyond the reasonable control of, the Party claiming the occurrence of a force majeure event. -----

20.3 Force majeure may include, but not be limited to, the following: Acts of God, industrial disturbances, acts of the public enemy, war, blockages, boycotts, riots, insurrections, epidemics, earthquakes, storms, floods, civil disturbances, lockouts, fires, explosions, interruptions of services due to the acts or failure to act of any governmental authority; provided that these events, or any other claimed as a force majeure event, and/or its effects, are beyond the reasonable control and without the fault or negligence of the Party claiming the force majeure event, and that such Party, within ten (10) days after the occurrence of the alleged force majeure, gives the other Party written notice describing the particulars of the occurrence and its estimated duration. The burden of proof as to whether a force majeure event has occurred shall be on the Party claiming the force majeure. -----

Article 21. Novation

21.1 The Parties expressly agree that no amendment or change order, which could be made to the Contract during its term, shall be understood as a contractual novation, unless both Parties agree to the contrary, specifically and in writing. ----

21.2 The previous provision shall be equally applicable in such other cases where PREPA gives Consultant a time extension for the compliance of any of its

obligations under this Contract, or where PREPA dispenses the claim or demand of any of its credits or rights under the Contract. -----

Article 22. Severability

If a court of competent jurisdiction declares any of the Contract provisions as null and void or invalid, such holding will not affect the validity and effectiveness of the remaining provisions of this Contract and the Parties agree to comply with their respective obligations under such provisions not included in the judicial declaration. -----

Article 23. Save and Hold Harmless

The Consultant agrees to save and hold harmless and to indemnify PREPA for all expenses and costs of any nature (including reasonable attorneys' fees) incurred by PREPA arising out of any third party claim made by any person for bodily injuries, including death, or for tangible property damage, to the extent directly caused by the Consultant by the negligent act or omission, in the performance or nonperformance of its obligations under the Contract, but not to the point directly caused by negligence or tort of PREPA or a third party, which is not an employee or subcontractor of the Consultant.-----

With respect to any indemnity set forth in this Contract, each indemnity shall give prompt notice of its receipt of any threat, indication or other notice of any claim, investigation or demand that might give rise to any losses required to be indemnified hereunder and shall reasonably cooperate in the defense of such claim. The indemnifying party shall have the right to conduct defense of such action at its sole expense. -----

Article 24. Insurance

The Consultant shall obtain and maintain in full force and effect during the life of this Contract policies of insurance covering all the services engaged under the Contract, which shall be obtained from insurance companies authorized to provide coverage for operations in Puerto Rico, and to that effect it shall provide in original certificates of insurance and endorsements, as follows:-----

A. Commonwealth of Puerto Rico Workmen's Compensation Insurance – The Consultant shall provide Workmen's Compensation Insurance as required by the Workmen's Compensation Act of the Commonwealth of Puerto Rico. The Consultant shall also be responsible for compliance with said Workmen's Compensations Act by all its subcontractors, agents, and invitees, if any.-----

The Consultant shall furnish PREPA a certificate from the State Insurance Fund showing that all personnel employed in the Services are covered by the Workmen's Compensation insurance, in accordance with this Contract.-----

B. Employer's Liability Insurance – The Consultant shall provide Employer's Liability Insurance with minimum bodily injury limits of at least \$1,000,000 for each employee and at least \$1,000,000 for each accident covering against the liability imposed by law upon the Consultant as result of bodily injury, by accident or disease, including death arising out of and in the course of employment, and outside of and in the course of employment, and outside of and distinct from any claim under the Workmen's Compensation Act of the Commonwealth of Puerto Rico. -----

- C. Commercial General Liability Insurance – The Consultant shall provide a Commercial General Liability Insurance with limits of at least \$1,000,000 per occurrence and at least \$1,000,000 aggregate. -----
- D. Automobile Liability Insurance – The Consultant shall provide Automobile Liability Insurance with limits of at least \$1,000,000 combined single limits covering all non-owned and hired automobiles. -----
- E. Professional Liability Insurance – The Consultant shall maintain a Professional Liability Insurance with limits of at least \$1,000,000 per claim and at least \$1,000,000 aggregate. -----

Requirements under the Policies

The Commercial General Liability required under this Contract shall be endorsed to include:

As “additional insured”:

Puerto Rico Electric Power Authority
PO Box 364267
San Juan, PR 00936-4267

A thirty (30) day cancellation or nonrenewable notice to be sent by certified mail with return receipt to the above address; -----

An endorsement including this Contract under Contractual Liability Coverage identifying it by number, date, and Parties to the Contract; -----

Waiver of subrogation in favor of PREPA for claims due to the Consultant’s sole negligence; -----

Breach of Warranties or conditions: The breach of any of the Warranties or Conditions in this policy by the Consultant shall not prejudice PREPA's rights under this policy. -----

Furnishing of Policies

All required policies of insurance shall be in a form acceptable to PREPA and shall be issued only by insurance companies authorized to do business in Puerto Rico. -----

The Consultant shall furnish a certificate of insurance. This certification shall be in the "Accord" form, in general by insurers. Also, blanket copies of the endorsements shall be furnished.-----

Article 25. Compliance with the Commonwealth of Puerto Rico Contracting Requirements

A. The Consultant will comply with all applicable laws, regulations and executive orders that regulate the contracting process and requirements of the Government of Puerto Rico, including Act 73-2019, as amended, known as the "2019 General Services Administration Act for the Centralization of Purchases of the Government of Puerto Rico" (Act 73-2019). In compliance with the provisions of Act 73-2019, the Consultant has provided PREPA the Certification of Eligibility of the Unique Registry of Professional Services Providers (known in Spanish as "Certificado de Elegibilidad del Registro Único de Proveedores de Servicios Profesionales", and hereinafter referred to as the "RUP Certification"), issued by the General Services Administration. It is hereby acknowledged that pursuant to the provisions of Article 42 of Act 73-2019, a valid RUP Certification serves as evidence of compliance with the documentation requirements necessary for contracting professional services with the Government of Puerto Rico, particularly those

applicable under Act 237-2004, as amended, which establishes uniform contracting requirements for professional and consultant services for the agencies and governmental entities of the Commonwealth of Puerto Rico (3 LPRA 8611 et seq.), the Puerto Rico Department of Treasury Circular Letter Number 1300-16-16 issued on January 22, 2016, as amended, and the sworn statement before notary public required pursuant to Article 3.3 of Act 2-2018.-----

- B. Special Contribution for Professional and Consulting Services: As required by Act 48-2013, as amended, PREPA will withhold a special contribution of one point five percent (1.5%) of the gross amounts paid under this Contract. -----
- C. Social Security and Income Tax Retentions: In compliance with Executive Order 1991 OE- 24; and C.F.R. Part 404 et. Seq., the Consultant will be responsible for rendering and paying the Federal Social Security and Income Tax Contributions for any amount owed as a result of the income, from this Contract. -----
- D. Income Tax Retention Law: PREPA shall deduct and withhold ten percent (10%) of any and all payments to residents of the Commonwealth of Puerto Rico as required by the Internal Revenue Code of Puerto Rico. In case of US citizens and non-US citizens, which are nonresidents of the Commonwealth of Puerto Rico, the PREPA will retain twenty percent (20%) and twenty-nine percent (29%) respectively. PREPA will remit such withholdings to the Government of Puerto Rico's Treasury Department (known in Spanish as *Departamento de Hacienda de Puerto Rico*). The Consultant will request PREPA not to make such withholdings if, to the satisfaction of PREPA, the Consultant timely provides a release from

such obligation by the Government of Puerto Rico's Treasury Department.

3 L.P.R.A. § 8611 et seq., 2011 L.P.R.A. 232; 232-2011. -----

E. Compliance with Act 1 of Governmental Ethics: The Consultant will certify compliance with Act 1-2012, as amended, known as the Ethics Act of the Government of Puerto Rico (Act 1-2012), which stipulates that no employee or executive of PREPA nor any member of his/he immediate family (spouse, dependent children or other members of his/her household or any individual whose financial affairs are under the control of the employee) shall have any direct or indirect pecuniary interest in the services to be rendered under this Contract, except as may be expressly authorized by the Governor of Puerto Rico in consultation with the Secretary of Treasury and the Secretary of Justice of the Government. 3 L.P.R.A. § 8611 et seq.; -----

F. Act 168-2000: Law for the Strengthening of the Family Support and Livelihood of Elderly People: The Consultant will certify that if there is any Judicial or Administrative Order demanding payment or any economic support regarding Act 168-2000, as amended, the same is current and in all aspects in compliance. Act 168-2000 "*Law for the Strengthening of the Family Support and Livelihood of Elderly People*" in Spanish: "*Ley para el Fortalecimiento del Apoyo Familiar y Sustento de Personas de Edad Avanzada*", 3 L.P.R.A. §8611 et seq.-----

G. Act 127-2004: Contract Registration in the Comptroller's Office of Puerto Rico Act: Payment for services object of this Contract will not be made until this Contract is

properly registered in the Office of the Comptroller of the Government of Puerto Rico pursuant to Act 18 of October 30, 1975, as amended. -----

- H. Prohibition with respect to execution by public officers: 3 L.P.R.A. §8615(c): No public officer or employee authorized to contract on behalf of the executive agency for which he/she works may execute a contract between the agency for which he/she works and an entity or business in which he/she or any member of his/her family unit has or has had direct or indirect economic interest during the last four (4) years prior to his/her holding office.-----
- I. Prohibition with respect to contracting with officers or employees: 3 L.P.R.A. §8615(d): No executive agency may execute a contract in which any of its officers or employees or any member of their family units has or has had direct or indirect economic interest during the last four (4) years prior to their holding office, unless the Governor gives authorization thereto with the previous recommendation of the Secretary of the Treasury and the Secretary of Justice.-----
- J. Prohibition with respect to contracts with officers and employees of other Government entities: 3 L.P.R.A. §8615(e): No public officer or employee may be a party to or have any interest in any profits or benefits produced by a contract with any other executive agency or government dependency unless the Governor gives express authorization thereto with previous recommendation from the Secretary of the Treasury and the Secretary of Justice.-----
- K. Prohibition with respect to evaluation and approval by public officers: 3 L.P.R.A. §8615(f): No public officer or employee who has the power to approve or

authorize contracts shall evaluate, consider, approve or authorize any contract between an executive agency and an entity or business in which he/she or any member of his/her family unit has or has had direct or indirect economic interest during the last four (4) years prior to his/her holding office.-----

L. Prohibition with respect to execution by public officers' contracts with former public officers: 3 L.P.R.A. §8615(h): No executive agency shall execute contracts with or for the benefit of persons who have been public officers or employees of said executive agency until after two (2) years have elapsed from the time said person has ceased working as such.-----

M. Dispensation: Any and all necessary dispensations have been obtained from any government entity and that said dispensations shall become part of the contracting record.-----

N. Rules of Professional Ethics: The Consultant acknowledges and accepts that it is knowledgeable of the rules of ethics of his/her profession and assumes responsibility for his/her own actions.-----

Consequences of Non-Compliance: The Consultant expressly agrees that the conditions outlined throughout this Article are essential requirements of this Contract. Consequently, should any one of these representations, warranties or certifications be incorrect, inaccurate or misleading, in whole or in part, there shall be sufficient cause for PREPA to render this Contract null and void, and the Consultant shall reimburse the PREPA all moneys received under this Contract. -----

If any of the previously required Certifications shows a debt, and Consultant has requested a review or adjustment of this debt, Consultant will certify that it has made such request at the time of the Contract execution. If the requested review or adjustment is denied and such determination is final, Consultant will provide, immediately, to PREPA a proof of payment of this debt; otherwise, Consultant accepts that the owed amount be offset by PREPA and retained at the origin, deducted from the corresponding payments.-----

Article 26. Anti-Corruption Code for a New Puerto Rico

Consultant agrees to comply with the provisions of Act 2-2018, as the same may be amended from time to time, which establishes the Anti-Corruption Code for a New Puerto Rico (Act 2-2018). The Consultant hereby certifies that it does not represent particular interests in cases or matters that imply a conflict of interest, or of public policy, between the executive agency and the particular interests it represents. -----

Consultant shall furnish a sworn statement to the effect that neither Consultant nor any partner or managing director in the San Juan Office of KPMG, or any person performing equivalent functions for the San Juan Office of KPMG has been convicted of or has pled guilty to any of the crimes listed in Article 6.8 of Act 8-2017, as amended (Act 8-2017), known as the Act for the Administration and Transformation of Human Resources in the Government of Puerto Rico or any of the crimes included in Act 2-2018.-----

Consultant hereby certifies that it has not been convicted in Puerto Rico or United States Federal court for under Articles 4.2, 4.3 or 5.7 of Act 1-2012, any of the crimes listed in Articles 250 through 266 of Act 146-2012, as amended, known as the

Puerto Rico Penal Code, any of the crimes typified in Act 2-2018, as amended, known as the Anti-Corruption Code for a New Puerto Rico or any other felony that involves misuse of public funds or property, including but not limited to the crimes mentioned in Article 6.8 of Act 8-2017, as amended, known as the Act for the Administration and Transformation of Human Resources in the Government of Puerto Rico.-----

PREPA shall have the right to terminate the Contract in the event Consultant is convicted in Puerto Rico or United States Federal court for under Articles 4.2, 4.3 or 5.7 of Act 1-2012, any of the crimes listed in Articles 250 through 266 of Act 146-2012, as amended, known as the Puerto Rico Penal Code, any of the crimes typified in Act 2-2018, or any other felony that involves misuse of public funds or property, including but not limited to the crimes mentioned in Article 6.8 of Act 8-2017.---

Article 27. Contractor's Certification Requirement

The Parties acknowledge that the Consultant has submitted the certification titled "Contractor Certification Requirement" required in accordance with the Contract Review Policy of the Financial Oversight and Management Board for Puerto Rico, effective as of November 6, 2017, and amended on October 30, 2020, signed by the Consultant. A signed copy of the "Contractor Certification Requirement" is included as an annex to this Contract.-----

The Consultant represents and warrants that the information included in the Contractor Certification Requirement is complete, accurate and correct, and that any misrepresentation, inaccuracy or falseness in such Certification will render the Contract

null and void and the Consultant will have the obligation to reimburse immediately to PREPA any amounts, payments or benefits received from PREPA under the Contract. –

Article 28. Representations

PREPA represents and warrants to the Consultant that (a) PREPA's execution and delivery of this Contract has been duly authorized, and (b) the person signing this Contract is expressly authorized to execute it on behalf of, and to bind, PREPA.-----

Except for a claim limited solely to seeking non-monetary or equitable relief, any dispute or claim arising out of or relating to the Services, this Contract or any other services provided by or on behalf of the Consultant or any of its subcontractors or agents to PREPA or at PREPA's request (including any matter involving any third party for whose benefit any such services are provided), shall be resolved by the state courts of Puerto Rico.-----

Article 29. Use of Reports and Recommendations

Any information, advice, recommendations or other content of any reports, presentations or other communications the Consultant provides under this Contract (Reports), other than Client Information, are for PREPA's internal use only (consistent with the purpose of the particular Services).-----

PREPA may not disclose a Report (or any portions or summary of a Report) externally (including to its affiliates) or refer to the Consultant or to any other Consultant in connection with the Services, except:

- a. To PREPA's lawyers (subject to these disclosure restrictions), who may review it only to give PREPA advice relating to the Services.-----

- b. To the extent, and for the purposes, required by subpoena or similar legal process (of which PREPA will promptly notify the Consultant.-----
- c. To other persons (including PREPA affiliates) with the Consultant prior written consent, who have executed an access letter substantially in the form the Consultant prescribes and who may use it only as the Consultant has specified in its consent, or-----

If PREPA is permitted to disclose a Report (or a portion thereof) externally, PREPA shall not alter, edit or modify it from the form the Consultant provided.-----

PREPA may not rely on any draft Report, Consultant shall not be required to update any final Report for circumstances of which the Consultant becomes aware, or events occurring, after its delivery.-----

Article 30. Transfer of Skills and Technical Knowledge

For this Contract, the transfer of skills and technical knowledge required by the Certified Fiscal Plan is inapplicable given the non-recurring or specialized nature of the contracted services.-----

Article 31. Contracts with other Agencies

The Consultant certifies that at the time of execution of this Contract it has other contracts with other agencies, public corporations, municipalities, and/or instrumentalities of the Government of Puerto Rico. As provided by the Consultant and as an Annex of this Contract, it is included a list of the effective contracts, in which the Consultant is a party.-----

Article 32. Administrative Bulletin No. OE-2021-029

The Parties hereby acknowledge the requirements and procedures set forth in Administrative Bulletin No. OE-2021-029 issued by the Governor of Puerto Rico, Hon. Pedro R. Pierluisi, on April 27, 2021 ("OE-2021-29") and Circular Letter No. 013-2021 issued on June 7, 2021, by the Office of Management and Budget ("CC 013-2021"), applicable to professional services agreements with a maximum amount of \$250,000 or more per fiscal year. However, in accordance with the exceptions authorized in the Contracting Measures, PREPA filed a petition with the Office of Management and Budget seeking to be exempted from the Contracting Measures which was thereafter approved. Consequently, in accordance with the exceptions authorized in OE-2021-29 and CC 013-2021, the execution of this Contract is exempt from the requirements and procedures established in the abovementioned provisions.-----

Article 33. Certification of Legal Entity

The Consultant certifies that at the time of the execution of this Contract, it is not a public company with shares that are traded on a regulated stock exchange. The Consultant certifies that prior to the execution of this Contract, it has submitted to PREPA a Certification of Legal Entity (known in Spanish as "*Certificación sobre Personas Jurídicas*").-----

Article 34. Entire Contract

The terms and conditions contained herein, including engagements letters, constitute the entire agreement between PREPA and Consultant with respect to the subject matter of this Contract, and supersede all communications, negotiations, and agreements of

the Parties, whether written or oral, other than these, made prior to the signing of this Contract. -----

IN WITNESS THEREOF, the Parties hereto sign this Contract in San Juan, Puerto Rico
this ____ day of _____, 2023. -----

Josué A. Colón Ortiz
Executive Director
Puerto Rico Electric Power Authority
Tax ID: 660-433747
josue.colon@prepa.com

Luis A. Pérez Negrón
Partner
KPMG, LLP
Tax ID: 135-56-5207
lperez@KPMG.com



GOVERNMENT OF PUERTO RICO
PUERTO RICO ELECTRIC POWER AUTHORITY

Appendix E:
FY2024 Professional and Technical Outsourced Services
Contracts for Finance Scope of Work



PO Box 364267 San Juan, Puerto Rico 00936-4267

"We are an equal opportunity employer and do not discriminate on the basis of race, color, gender, age, national or social origin, social status, political ideas or affiliation, religion; for being or perceived to be a victim of domestic violence, sexual aggression or harassment, regardless of marital status, sexual orientation, gender identity or immigration status; for physical or mental disability, for veteran status or genetic information."

ADP, Inc.

ADP provides PREPA with human capital management services and the processing of payroll.

- Payroll Services
 - ADP Employment Tax Services
 - ADP Wage Payment Services
 - Print and Online Statement Services
 - Wage Garnishment Payment Services
- Employment Verification Services
- Time and Attendance Services
- HR, Benefits, Talent Services and Essential ACA Services

PREPA budget request for \$46,198.00 for FY2024 is related to the services that ADP provides for 250 employees for the entire year as outlined below:

Service	Rate	Total Fees
WFN Enhanced Payroll @ 250 Employees Bi-Weekly	\$65.00 Base + \$2.00 ea.	\$ 14,690.00
WFN Enhanced Human Resources @ 250 Employees per Month	\$2.25 ea.	\$ 6,750.00
WFN Document Cloud @ 250 Employees per Month	\$0.60 ea.	\$ 1,800.00
WFN Analytics @ 250 Employees per Month	\$0.72 ea.	\$ 2,160.00
WFN Enhanced Time and Attendance (\$1,400 per Month Minimum)	\$4.40 ea.	\$ 16,800.00
InTouch Bar-code Time Clock Subscription @ 1 per Month	\$117.00 ea.	\$ 1,404.00
InTouch Biometric Finder Scan Subscription @ 1 per Month	\$12.00 ea.	\$ 144.00
Additional Manager Licenses @ 1 per Month	\$1000.00 ea.	\$ -
Custom Client Integration @ 250 Employees per Month	\$0.34 ea.	\$ 1,020.00
Employment Verification Services @ 250 Employees Anytime	-	\$ -
Employee/Employer Tax Download @ 1 per Year	\$75.00	\$ 75.00
Employee/Employer Tax Download @ 1 per Year	\$50.00	\$ 50.00
Year End W2s @ 250 Employees per Year	\$5.22 ea.	\$ 1,305.00
Annual Total		\$ 46,198.00

Fusionworks

Fusionworks provides business and technology financial advisory consulting services that consist of assisting PREPA, among other matters, to:

- Assess, develop, and prepare financial and operational reports to meet the requirements of the Fiscal Plan approved by the Puerto Rico Oversight, Management and Economic Stability Act (PROMESA) in order to enhance fiscal visibility
- Provide business knowledge through budget reporting, Power Plants Operating Expense Analysis, Collaboration with the Disaster Fund Management Office

(DFMO) on reporting consolidation or centralization with Financial Directorate reports, spend and trend analysis and the strategic financial advice of Certified Public Accountants, and other certified licensed professionals such as Information Technology Specialists, Field Professionals, to PREPA's Finance Directorate and Project Management Office

The primary tasks shall be monthly, quarterly, and year-to-date financial results, comparing and analyzing fiscal plan projections and key assumptions with results, analyzing budget variances, assistance in documenting the cause of such variances and respective corrective actions.

At the direction of PREPA, the Consultant may be required to work with other consulting, legal, investment, or other types of firms. The Parties agree to discuss such assignment in advance, so that all the Parties have a clear understanding as to their responsibilities. The Consultant is not responsible for work performed by others.

Nexvel

The Consultant will provide PREPA professional services in the preparation of the financial statements, cash management statements, supplemental schedules, reporting packages and other analytical work necessary to issue the financial statements for the years ending June 30, 2022 and 2023.

The Consultant will provide professional consultancy and support services for the following initiatives:

- Audit and issuance of financial statements,
- Preparation of the fuel report
- Accounting close management
- Entry and review of journals
- Fixed assets - estimated retirement
- Audit adjustments
- Support in the management of the files and digitalization of files and any other aspect Finance Directorate needs

At the direction of PREPA, the Consultant may be required to work with other consulting, legal, investment, or other types of firms. The Parties agree to discuss such assignment in advance, so that all the Parties have a clear understanding as to their responsibilities. The Consultant is not responsible for work performed by others.



GOVERNMENT OF PUERTO RICO
PUERTO RICO ELECTRIC POWER AUTHORITY

Appendix F



PO Box 364267 San Juan, Puerto Rico 00936-4267

"We are an equal opportunity employer and do not discriminate on the basis of race, color, gender, age, national or social origin, social status, political ideas or affiliation, religion; for being or perceived to be a victim of domestic violence, sexual aggression or harassment, regardless of marital status, sexual orientation, gender identity or immigration status; for physical or mental disability, for veteran status or genetic information."

FY2024 HoldCo Approved Budget - Schedule of Approved and Requested Contracts
(\$ in thousands)

#	Description	FY2023	FY2024		
		FOMB CERTIFIED	FOMB CERTIFIED 06.30	\$	%
1	HoldCo Non-Labor Operating Expenses				
2	Materials & Supplies	\$ 288	\$ 29	\$ (259)	-89.9%
3	Transportation, Per Diem, and Mileage	242	26	(216)	-89.3%
4	Retiree Medical Benefits	9,000	7,950	(1,050)	-11.7%
5	Security	-	797	797	n.a.
6	Utilities & Rents	36	41	5	13.9%
7	Legal Services	-	728	728	n.a.
8	Communications Expenses	81	6	(75)	-92.6%
9	Professional & Technical Outsourced Services	2,485	554	(1,931)	-77.7%
10	Regulation & Environmental Expenses	-	744	744	n.a.
11	External Audit Services	2,509	357	(2,152)	-85.8%
12	Equipment, Inspections, Repairs & Other O&M	1,825	541	(1,284)	-70.4%
13	PREPA Restructuring & Title III	25,100	30,150	5,050	20.1%
14	FOMB Advisor Costs allocated to PREPA	24,400	32,821	8,421	34.5%
15	Total HoldCo Non-Labor Operating Expenses	\$ 65,966	\$ 74,744	\$ 8,778	13.3%

FY2024 HoldCo Approved Budget - Schedule of Approved and Requested Contracts

(\$ in thousands)

#	Non-Labor Operating Expenses Detail by Contract	PREPA Submitted	PREB Approved	Contract Number	Approval Date / Pending
16	Retiree Medical Benefits				
17	Benefits for Retirees less than 65 years old		7,600	2022-P00036	6/25/2023
18	Benefits for Retirees 65 years and older		350	2022-P00038	6/25/2023
19	Contracts for Retiree Medical Benefits		\$ 7,950		
20	Remaining Budget Funds Available		-		
21	FOMB Approved Budget for Retiree Medical Benefits		\$ 7,950		

#	Non-Labor Operating Expenses Detail by Contract	PREPA Submitted	PREB Approved	Contract Number	Approval Date / Pending
22	Security				
23	[CONTRACT PLACEHOLDER]				
24	Contracts for Security		\$ -		
25	Remaining Budget Funds Available		797		
26	Approved Budget for Security		\$ 797		

#	Non-Labor Operating Expenses Detail by Contract	PREPA Submitted	PREB Approved	Contract Number	Approval Date / Pending
27	Utilities & Rents				
28	[CONTRACT PLACEHOLDER]				
29	Contracts for Utilities & Rents		\$ -		
30	Remaining Budget Funds Available		41		
31	FOMB Approved Budget for Utilities & Rents		\$ 41		

#	Non-Labor Operating Expenses Detail by Contract	PREPA Submitted	PREB Approved	Contract Number	Approval Date / Pending
32	Legal Services				
33	Díaz & Vázquez Law Firm, P.S.C.		200	2024-P00022	8/3/2023
34	González & Martínez Law Office, P.S.C.		350	2024-P00023	7/19/2023
35	Ing. Víctor Manuel Ruiz Pérez		20	2024-P00018	7/19/2023
36	Global Consultas Asociados, LLC		20	2024-P00009	7/19/2023
37	King and Spalding LLP		100	[TBU]	8/29/2023
38	Contracts for Legal Services		\$ 690		
39	Remaining Budget Funds Available		38		
40	FOMB Approved Budget for Legal Services		\$ 728		

#	Non-Labor Operating Expenses Detail by Contract	PREPA Submitted	PREB Approved	Contract Number	Approval Date / Pending
41	Professional & Technical Outsourced Services				
42	ADP	46		2024-P00019	Re-Submitted: 9/1/2023
43	Fusionworks	478		[PENDING]	Re-Submitted: 9/1/2023
44	Nexvel	257		[PENDING]	Re-Submitted: 9/1/2023
45	Contracts for Professional & Technical Outsourced Services	\$ 781	\$ -		
46	Remaining Budget Funds Available	(227)	554		
47	FOMB Approved Budget for Professional & Technical Outsourced Services		\$ 554		

FY2024 HoldCo Approved Budget - Schedule of Approved and Requested Contracts

(\$ in thousands)

#	Non-Labor Operating Expenses Detail by Contract	PREPA Submitted	PREB Approved	Contract Number	Approval Date / Pending
48	Regulation & Environmental Expenses				
49	Sargent & Lundy Puerto Rico (Tranche 1 Process)		200	[TBU]	8/28/2023
50	Contracts for Regulation & Environmental Expenses		\$ 200		
51	Remaining Budget Funds Available		544		
52	FOMB Approved Budget for Regulation & Environmental Expenses		\$ 744		

#	Non-Labor Operating Expenses Detail by Contract	PREPA Submitted	PREB Approved	Contract Number	Approval Date / Pending
53	External Audit Services				
54	KPMG	1,200		[PENDING]	Submitted: 9/1/2023
55	Guzman & Co. CPA's	1,300		[PENDING]	Re-Submitted: 9/1/2023
56	Galindez, LLC	999		[PENDING]	Re-Submitted: 9/1/2023
57	Sargent & Lundy Puerto Rico	500		[PENDING]	Re-Submitted: 9/1/2023
58	Scott Madden	378		[PENDING]	Re-Submitted: 9/1/2023
59	Cavanaugh Macdonald	108		[PENDING]	Re-Submitted: 9/1/2023
60	Contracts for External Audit Services	\$ 4,485	\$ -		
61	Remaining Budget Funds Available		357		
62	FOMB Approved Budget for External Audit Services		\$ 357		

#	Non-Labor Operating Expenses Detail by Contract	PREPA Submitted	PREB Approved	Contract Number	Approval Date / Pending
63	Equipment, Inspections, Repairs & Other O&M				
64	[CONTRACT PLACEHOLDER]				
65	Contracts for Equipment, Inspections, Repairs & Other O&M		\$ -		
66	Remaining Budget Funds Available		541		
67	FOMB Approved Budget for Equipment, Inspections, Repairs & Other O&M		\$ 541		

#	Non-Labor Operating Expenses Detail by Contract	PREPA Submitted	PREB Approved	Contract Number	Approval Date / Pending
68	PREPA Restructuring & Title III				
69	O'Melveny & Myers LLP		9,000	2024-P00014	7/13/2023
70	Ankura Consulting Group LLC		6,600	2024-P00016	7/13/2023
71	Díaz & Vázquez Law Firm, P.S.C.		2,000	2024-P00022	8/3/2023
72	King and Spalding LLP		1,000	[PENDING]	PREB Approval 7/13/2023, Pending FOMB Approval
73	Baker Donelson Caribe LLC		200	2024-P00017	7/19/2023
74	Regulatory Compliance Service Corp.		200	2024-P00024	7/19/2023
75	Contracts for PREPA Restructuring & Title III		\$ 19,000		
76	LUMA Budget for Title III Expenses		8,750		
77	Remaining Budget Funds Available		2,400		
78	FOMB Approved Budget for PREPA Restructuring & Title III		\$ 30,150		

FY2024 HydroCo Approved Budget - Schedule of Approved and Requested Contracts

(\$ in thousands)

#	Description	FY2023	FY2024		
		FOMB CERTIFIED ¹	FOMB CERTIFIED 06.30	\$	%
1	HydroCo Non-Labor Operating Expenses				
2	Materials & Supplies	\$ 1,223	\$ 724	\$ (499)	-40.8%
3	Transportation, Per Diem, and Mileage	335	244	(91)	-27.2%
4	Security ²	1,795	1,712	(83)	-4.6%
5	Utilities & Rents	7	80	73	1085.2%
6	Professional & Technical Outsourced Services	1,235	187	(1,048)	-84.9%
7	Regulation & Environmental Expenses	-	731	731	n.a.
8	Equipment, Inspections, Repairs & Other O&M	2,609	1,792	(817)	-31.3%
9	Total HydroCo Non-Labor Operating Expenses	\$ 7,204	\$ 5,470	\$ (1,734)	-24.1%

¹ The FY23 HydroCo (Water Administration) budget was included in the FY23 FOMB Certified GenCo budget. As shown, HydroCo divests budget expenses from the Generation budget for FY24.

² FY23 FOMB Certified Budget for Security updated to reflect appropriate allocation.

FY2024 HydroCo Approved Budget - Schedule of Approved and Requested Contracts

(\$ in thousands)

# Non-Labor Operating Expenses Detail by Contract		PREPA Submitted	PREB Approved	Contract Number	Approval Date / Pending
10	Security				
11	[CONTRACT PLACEHOLDER]				
12	Contracts for Security		\$ -		
13	Remaining Budget Funds Available		1,712		
14	FOMB Approved Budget for Security		\$ 1,712		
# Non-Labor Operating Expenses Detail by Contract		PREPA Submitted	PREB Approved	Contract Number	Approval Date / Pending
15	Professional & Technical Outsourced Services				
16	[CONTRACT PLACEHOLDER]				
17	Contracts for Professional & Technical Outsourced Services		\$ -		
18	Remaining Budget Funds Available		187		
19	FOMB Approved Budget for Professional & Technical Outsourced Services		\$ 187		
# Non-Labor Operating Expenses Detail by Contract		PREPA Submitted	PREB Approved	Contract Number	Approval Date / Pending
20	Regulation & Environmental Expenses				
21	ConWaste - Consolidated Waste Services LLC	\$ 50	\$ 50	[TBU]	8/14/2023
22	Contracts for Regulation & Environmental Expenses	\$ 50	\$ 50		
23	Remaining Budget Funds Available	681	681		
24	FOMB Approved Budget for Regulation & Environmental Expenses		\$ 731		
# Non-Labor Operating Expenses Detail by Contract		PREPA Submitted	PREB Approved	Contract Number	Approval Date / Pending
25	Equipment, Inspections, Repairs & Other O&M				
26	[CONTRACT PLACEHOLDER]				
27	Contracts for Equipment, Inspections, Repairs & Other O&M		\$ -		
28	Remaining Budget Funds Available		1,792		
29	FOMB Approved Budget for Equipment, Inspections, Repairs & Other O&M		\$ 1,792		

FY2024 HoldCo Approved Budget - Schedule of Contracts Not Under PREB Consideration

(\$ in thousands)

#	Description	FY2023	FY2024	\$	%
		FOMB CERTIFIED	FOMB CERTIFIED 06.30	FOMB Certified Variance	
1	HoldCo Non-Labor Operating Expenses				
2	Materials & Supplies	\$ 288	\$ 29	\$ (259)	-89.9%
3	Transportation, Per Diem, and Mileage	242	26	(216)	-89.3%
4	Retiree Medical Benefits	9,000	7,950	(1,050)	-11.7%
5	Security	-	797	797	n.a.
6	Utilities & Rents	36	41	5	13.9%
7	Legal Services	-	728	728	n.a.
8	Communications Expenses	81	6	(75)	-92.6%
9	Professional & Technical Outsourced Services	2,485	554	(1,931)	-77.7%
10	Regulation & Environmental Expenses	-	744	744	n.a.
11	External Audit Services	2,509	357	(2,152)	-85.8%
12	Equipment, Inspections, Repairs & Other O&M	1,825	541	(1,284)	-70.4%
13	PREPA Restructuring & Title III	25,100	30,150	5,050	20.1%
14	FOMB Advisor Costs allocated to PREPA	24,400	32,821	8,421	34.5%
15	Total HoldCo Non-Labor Operating Expenses	\$ 65,966	\$ 74,744	\$ 8,778	13.3%

#	Non-Labor Operating Expenses Detail by Contract	PREPA Submitted	Contract Number	Submission Date
16	Security			
17	CCG Consultants, LLC	100	2024-P00008	7/7/2023
18	Génesis Security Services, Inc. - South	5,643	2023-P00077A	7/7/2023
19	Génesis Security Services, Inc. - North	5,907	2023-P00084A	7/7/2023
20	Proposed Contracts for Security	\$ 11,650		
21	Total PREB Approved Contracts for Security	\$ -		
22	Remaining Budget Funds Available	(10,853)		
23	FOMB Approved Budget for Security	\$ 797		

#	Non-Labor Operating Expenses Detail by Contract	PREPA Submitted	Contract Number	Submission Date
24	Utilities & Rents			
25	Ricoh Puerto Rico	115	2023-P00129	7/7/2023
26	Proposed Contracts for Utilities & Rents	\$ 115		
27	Total PREB Approved Contracts for Utilities & Rents	\$ -		
28	Remaining Budget Funds Available	(74)		
29	FOMB Approved Budget for Utilities & Rents	\$ 41		

FY2024 HoldCo Approved Budget - Schedule of Contracts Not Under PREB Consideration

(\$ in thousands)

# Non-Labor Operating Expenses Detail by Contract		PREPA Submitted	Contract Number	Submission Date
30	Professional & Technical Outsourced Services			
31	ADP	46	2024-P00019	7/7/2023
32	Fusionworks	478	2024-P00010	7/7/2023
33	Nexvel	259	2024-P00002	7/7/2023
34	EDR Solutions, LLC	300	2024-P00007	7/7/2023
35	Ruth Hilda Garcia Cintron (Retirement System Managerial Functions Contract)	69	2024-P00001	7/7/2023
36	Siemens Industry, Inc	1,000	2023-P00091A	7/7/2023
37	Global Consultas Asociados, LLC	220	[PENDING]	7/7/2023
38	Proposed Contracts for Professional & Technical Outsourced Services	\$ 2,373		
39	Total PREB Approved Contracts for Professional & Technical Outsourced Services	\$ -		
40	Remaining Budget Funds Available	(1,819)		
41	FOMB Approved Budget for Professional & Technical Outsourced Services	\$ 554		
# Non-Labor Operating Expenses Detail by Contract		PREPA Submitted	Contract Number	Submission Date
42	Regulation & Environmental Expenses			
43	Hogan Lovels	500	[PENDING]	7/7/2023
44	Proposed Contracts for Regulation & Environmental Expenses	\$ 500		
45	Total PREB Approved Contracts for Regulation & Environmental Expenses	\$ 200		
46	Remaining Budget Funds Available	44		
47	FOMB Approved Budget for Regulation & Environmental Expenses	\$ 744		
# Non-Labor Operating Expenses Detail by Contract		PREPA Submitted	Contract Number	Submission Date
48	External Audit Services			
49	Guzman & Co. CPA's	1,300	2024-P00005	7/7/2023
50	Galindez, LLC	999	2024-P00006	7/7/2023
51	Sargent & Lundy Puerto Rico	500	2024-P00011	7/7/2023
52	Scott Madden	378	2024-P00015	7/7/2023
53	Cavanaugh Macdonald	108	2024-P00003	7/7/2023
54	Proposed Contracts for External Audit Services	\$ 3,285		
55	Total PREB Approved Contracts for External Audit Services	\$ -		
56	Remaining Budget Funds Available	(2,928)		
57	FOMB Approved Budget for External Audit Services	\$ 357		

FY2024 HoldCo Approved Budget - Schedule of Contracts Not Under PREB Consideration

(\$ in thousands)

# Non-Labor Operating Expenses Detail by Contract		PREPA Submitted	Contract Number	Submission Date
58	Equipment, Inspections, Repairs & Other O&M			
59	[CONTRACT PLACEHOLDER]			
60	Proposed Contracts for Equipment, Inspections, Repairs & Other O&M	\$	-	
61	Total PREB Approved Contracts for Equipment, Inspections, Repairs & Other O&M	\$	-	
62	Remaining Budget Funds Available		541	
63	FOMB Approved Budget for Equipment, Inspections, Repairs & Other O&M	\$	541	



GOVERNMENT OF PUERTO RICO
PUERTO RICO ELECTRIC POWER AUTHORITY

Appendix G



PO Box 364267 San Juan, Puerto Rico 00936-4267

"We are an equal opportunity employer and do not discriminate on the basis of race, color, gender, age, national or social origin, social status, political ideas or affiliation, religion; for being or perceived to be a victim of domestic violence, sexual aggression or harassment, regardless of marital status, sexual orientation, gender identity or immigration status; for physical or mental disability, for veteran status or genetic information."



GOBIERNO DE PUERTO RICO
AUTORIDAD DE ENERGÍA ELÉCTRICA

CERTIFICACIÓN

Certifico, que el Contrato para los Servicios de Vigilancia y Protección Región Norte 2023-P00084-A entre Génesis Security Services, Inc. y la Autoridad de Energía Eléctrica de Puerto Rico (Autoridad) tiene una cuantía de \$5,907,265.73 y el Contrato 2033-P00077-A para los Servicios de Vigilancia y Protección Región Sur tiene una cuantía de \$5,642,612.56. Durante su vigencia desde el 1 de julio de 2023 hasta el 30 de junio de 2024 los desembolsos para el pago de los servicios se realizarán un 70% responsabilidad de Genera PR y un 30% responsabilidad de la Autoridad.

En San Juan, Puerto Rico, a 1 de septiembre de 2023.



Roberto Rosario Noriega
Administrador
Oficina de Seguridad Corporativa



María D. Santiago Rodríguez
Jefe Auxiliar de División
Oficina de Seguridad Corporativa

