

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

IN RE: REVIEW OF LUMA'S INITIAL
BUDGETS

CASE NO.: NEPR-MI-2021-0004

SUBJECT: PREPA Urgent Motion to Submit
Healthcare Plan Contracts for the Energy
Bureau's Review and Approval

RESOLUTION AND ORDER

I. Introduction

On May 16, 2023, LUMA Energy, LLC and LUMA Energy ServCo, LLC (jointly referred to as "LUMA") filed before the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau") review and approval, a document titled *Submission of Consolidated Annual Budgets for Fiscal Year 2024 and Proposed Annual T&D Projections Through Fiscal Year 2026* ("May 16 Motion"). The May 16 Motion included the following budget components: (i) the proposed T&D budget developed by LUMA, (ii) the proposed generation budget developed by Genera PR, LLC ("Genera") on behalf of the Puerto Rico Electric Power Authority ("PREPA") for the PREPA subsidiary GENCO LLC ("GenCo"), and the proposed Budget developed by PREPA for its holding company, HoldCo, and its subsidiaries PREPA HydroCo LLC ("HydroCo") and PREPA PropertyCo, LLC ("PropertyCo").

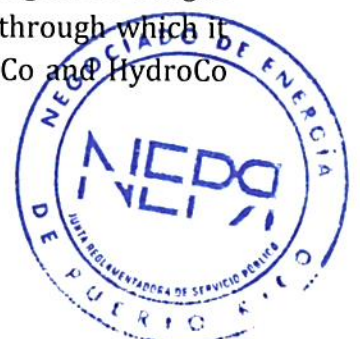
On June 25, 2023, the Energy Bureau issued a Resolution and Order ("June 25 Resolution") through which it modified the Proposed Consolidated Fiscal Year 2024 ("FY24") Budget submitted by LUMA and approved the modified budgets subject to compliance with various orders in the June 25 Resolution. The Energy Bureau further 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.

On August 14, 2023, the Energy Bureau issued a Resolution and Order ("August 14 Resolution"), through which it emphasized that PREPA may not have funding available for all of the contracts it originally sought and that, therefore, in accordance with its reduced responsibilities, PREPA must effectively prioritize the contracts for which it seeks approval and demonstrate to the Energy Bureau that the contracts have been efficiently bid and negotiated, are the most cost effective contracts for necessary services and are not duplicative of work that should be done by LUMA or Genera in accordance with their respective OMAs or by PREPA's internal resources, among other requirements.

On July 19, 2023 ("July 19 Resolution"), August 3, 2023 ("August 3 Resolution") and August 14, 2023 ("August 14 Resolution"), the Energy Bureau issued Resolutions and Orders through which it ordered PREPA to submit in all future filings a table reflecting the approved and proposed contracts, 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.

On September 27, the Energy Bureau issued a Resolution and Order ("September 27 Resolution") through which it required PREPA to file the totality of the contracts PREPA planned to execute in FY 2024.

On October 16, 2023, PREPA filed a document titled *Motion to Submit the August 16 Budget to Actuals Reports as Ordered in the June 25 Order* ("October 16 Motion"), through which it provided the tracking of certified budget to actual expenditures for HoldCo and HydroCo pursuant to the June 25 Resolution.



On November 7, 2023, PREPA filed a document titled *Motion in Compliance with Orders and Request for Approval of Revised Proposed Budget* ("November 7 Motion"), through which PREPA submitted for the Energy Bureau review and approval several contracts PREPA proposed to execute in FY 2024.

On November 10, 2023, PREPA filed a document titled *Urgent Motion to Submit Healthcare Plan Contracts for Review and Approval* ("November 10 Motion"), through which it submitted for the Energy Bureau review and approval, three contracts that it stated, urgently required approval in order to guarantee health insurance to all active employees and retirees, along with their qualifying family members, beginning on January 1, 2024:

- A. Contract with MMM Healthcare, LLC for the Healthcare plan of Active Employees in the amount of \$1.275MM to be allocated from the HoldCo Budget Pension and Benefits line and \$0.725MM to be allocated from the HydroCo Budget pension and Benefits line.¹
- B. Contract with MMM Healthcare, LLC for the Healthcare Plan for Retirees 65 years of age or older, in the amount of \$0.350MM to be allocated from the HoldCo Retiree Medical Benefits line.²
- C. Contract with MMM Healthcare, LLC for the Healthcare Plan of Retirees younger than 65 years of age, in the amount of \$7.600MM, to be allocated from the HoldCo Retiree Medical Benefits line.³

In accordance with Energy Bureau requirement as set forth in the July 19 Resolution, PREPA provided as Annex D⁴ and Annex E⁵ respectively, HoldCo and HydroCo Schedules of Approved and Proposed Contracts for the relevant budget lines. PREPA also included Annex F which includes the Certification of Funds for Professional Services Contracts.⁶

II. Analysis and Conclusion

The Energy Bureau **APPROVES** the contract with MMM Healthcare, LLC, included as Annex A, for the Healthcare Plan of Active Employees in the amount of \$1.275MM to be allocated from the HoldCo Budget Pension and Benefits line and \$0.725MM to be allocated from the HydroCo Budget Pension and Benefits line. PREPA is reminded that the Labor Budgets for HoldCo and HydroCo are required to reflect the Energy Bureau approved budgets. The Energy Bureau approval of the MMM contract for active employees does not imply or express its approval of a labor budget that exceeds the Energy Bureau approved budget.

The Energy Bureau **APPROVES** the contract with MMM Healthcare, LLC. Included as Annex B, for the Healthcare Plan for Retirees 65 years of age or older, in the amount of \$0.350MM to be allocated from the HoldCo Retiree Medical Benefits budget line.

The Energy Bureau **APPROVES** the contract with MMM Healthcare, LLC, included as Annex C, for the Healthcare Plan of Retirees younger than 65 years of age, in the amount of \$7.600MM, to be allocated from the HoldCo Retiree Medical Benefits budget line.

¹ November 10 Motion, Annex A ("Annex A").

² November 10 Motion, Annex B ("Annex B").

³ November 10 Motion, Annex C ("Annex C").

⁴ November 10 Motion, Annex D ("Annex D").

⁵ November 10 Motion, Annex E ("Annex E").

⁶ November 10 Motion, Annex F ("Annex F").



The Energy Bureau recognizes that PREPA must also obtain authorization to execute these contracts from the Fiscal Oversight Management Board (FOMB).⁷

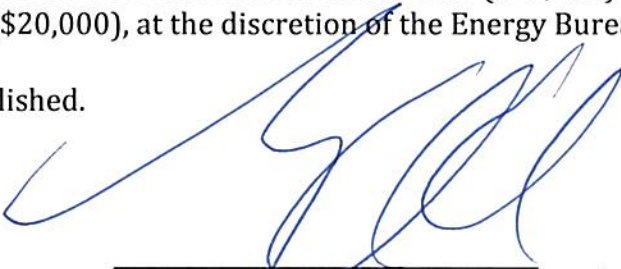
The Energy Bureau is concerned that PREPA is not accurately accounting for available funds. As an example, PREPA shows \$1.267MM Remaining Budget Funds Available for HoldCo Pension and Benefits⁸ when in reality PREPA has already spent \$0.323MM through August 31, 2023.⁹ PREPA should be accurate in its representation to the Energy Bureau. The Energy Bureau also notes that the term of the MMM Contracts, which commence on January 1, 2024, extends into FY 2025 and PREPA is reminded that they must adhere to approved budgets.

Regarding future funding for Retiree Medical Benefits, the Energy Bureau recommends to PREPA, that to prepare for the upcoming rate review, it considers proposing for Energy Bureau consideration, funding for Retiree Medical Benefits through a dedicated mechanism that is not part of the operating budget, in view of the necessity of a continuing and secure funding source for Retiree Medical Benefits.


The Energy Bureau **WARNS** LUMA, Genera, and PREPA that:

- (i) noncompliance with this Resolution and Order, regulations and/or applicable laws may carry the imposition of fines and administrative sanctions of up to \$25,000 per day;
- (ii) any person who intentionally violates Act 57-2014, as amended, by omitting, disregarding, or refusing to obey, observe, and comply with any rule or decision of the Energy Bureau shall be punished by a fine of not less than five hundred dollars (\$500) nor over five thousand dollars (\$5,000) at the discretion of the Energy Bureau; and
- (iii) for any recurrence of non-compliance or violation, the established penalty shall increase to a fine of not less than ten thousand dollars (\$10,000) nor greater than twenty thousand dollars (\$20,000), at the discretion of the Energy Bureau.


Be it notified and published.




Edison Avilés Deliz
Chairman



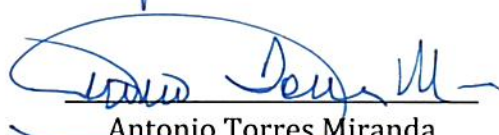
Lillian Mateo Santos
Associate Commissioner



Ferdinand A. Ramos Soegaard
Associate Commissioner



Sylvia B. Ugarte Araujo
Associate Commissioner



Antonio Torres Miranda
Associate Commissioner



⁷ November 10 Motion, p. 3, ¶ 8

⁸ November 10 Motion, Annex D, p. 1 of 9, line item 30.

⁹ October 16 Motion, p. 6 of 9. Line item 2 (HoldCo Pension & Benefits) YTD- August 31, 2023 - \$0.323MM.

CERTIFICATION

I certify that the majority of the members of the Puerto Rico Energy Bureau agreed on November 17, 2023. Also certify that on November 17, 2023, I have proceeded with the filing of this Resolution and Order and was notified by email to pre@promesa.gov; margarita.mercado@us.dlapiper.com; ana.rodriguezrivera@us.dlapiper.com; julian.angladapagan@us.dlapiper.com; mvalle@gmlex.net; arivera@gmlex.net; legal@genera-pr.com; regulatory@genera-pr.com; jfr@sbgblaw.com; alopez@sbgblaw.com; jlagos@sbgblaw.com.

For the record, I sign in San Juan, Puerto Rico, today, November 17, 2023.



Sonia Seda Gaztambide
Clerk

