

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

NEPR

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IN RE: REVIEW OF LUMA'S INITIAL
BUDGETS

CASE NO.: NEPR-MI-2021-0004

**MOTION FOR APPROVAL OF CONTRACTS OR AMENDMENTS, AND TO INFORM
DEVELOPMENTS REGARDING PREPA'S SEPARATION FROM SHARED SERVICES**

TO THE HONORABLE ENERGY BUREAU:

COMES NOW the Puerto Rico Electric Power Authority ("PREPA") through its undersigned legal representation and, very respectfully, informs and requests as follows:

1. On June 25th, 2023, the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau") issued a *Resolution and Order* ("June 25th Resolution") whereby it modified and approved the *Consolidated Annual Budgets for Fiscal Year 2024*,¹ subject to compliance with various orders. The June 25th Resolution ordered PREPA, among other things, to file with the Energy Bureau for its review and approval any new contract or amendment to an existing contract before its execution or award.

2. On August 16th, 2023, the Energy Bureau issued a *Resolution and Order*

¹ The *Consolidated Annual Budgets for Fiscal Year 2024*, submitted by LUMA Energy, LLC and LUMA Energy ServCo, LLC (jointly hereafter, "LUMA"), were comprised of the following: (i) the proposed T&D budget developed by LUMA, (ii) the proposed generation budget developed by Genera PR, LLC ("Genera") on behalf of the PREPA, for the PREPA subsidiary GENCO LLC ("GenCo"), and (iii) the proposed Budget developed by PREPA for its holding company, HoldCo, and its subsidiaries PREPA HydroCo LLC ("HydroCo") and PREPA PropertyCo, LLC ("PropertyCo").

whereby it ordered PREPA to file a table including the totality of the approved and proposed contracts for Fiscal Year 2024 ("FY24"), the approved and proposed amounts for those contracts, the line items from the category to which they correspond, and the remaining balance for each category considering said amounts ("August 16th Resolution").

3. After other procedural incidents, on November 7th, 2023, PREPA filed its *Motion in Compliance with Orders and Request for Approval of Revised Proposed Budget* ("November 7th Motion").

4. In response to the November 7th Motion, on December 8th, 2023, the Energy Bureau issued another *Resolution and Order* whereby it increased the HoldCo Non-Labor Budget from \$11,772,000.00, as authorized in the June 25th Resolution, to \$18,072,000.00 ("December 8th Resolution").

5. On December 12th, 2023, the Fiscal Oversight and Management Board certified the HoldCo Non-Labor Budget, as approved by the Energy Bureau in the December 8th, 2023. See **Exhibit A** – HoldCo Budget.

6. In compliance with the June 25th and August 16th Resolutions, PREPA hereby submits the following contracts or amendments identified below, for the Energy Bureau's review and approval.²

I. Proposed Contracts or Amendments

² It is worth noting that, participation by contractors in PREPA's competitive process in no way creates an obligation to award the contract to the bidder. Furthermore, being selected as the successful bidder or proponent in the process does not create any obligation on PREPA's part to award such contract. No contract submitted, discussed, or negotiated between the PREPA and the bidders or proponents shall be effective or valid until it is approved by Energy Bureau, the Puerto Rico Financial Oversight and Management Board, and the Office of Management and Budget (whichever is applicable).

A. HoldCo Non-Labor Operating Budget: Materials & Supplies; & HydroCo Non-Labor Operating Budget: Materials & Supplies

- i. **Morivivi, LLC:** PREPA moves for the approval of this per-request (in Spanish, *a requerimiento*) purchase contract for regular uniforms, in the total amount of **\$50,820.00**. The allocation of funds for this contract is as follows: **\$4,918.06** will come from the HoldCo budget (See **Exhibit A** – HoldCo Budget – Materials & Supplies line-Item); **\$18,360.77** will come from the HydroCo budget (See **Exhibit B** – HydroCo Budget – Materials & Supplies line-Item); and **\$27,541.16** from the Irrigation budget, which falls outside the purview of the Energy Bureau. PREPA has a statutory obligation to provide uniforms to the employees that it requires to wear them. The proposed Morivivi LLC, contract and other relevant documents are marked as **Exhibit C**.

- ii. **Safety Zone** (formerly New York Wiping Industrial Products Co Inc.): PREPA moves for the approval of this per-request (in Spanish, *a requerimiento*) purchase contract for fire retardant uniforms, in the total amount of **\$26,176.20**. The allocation of funds for this contract is as follows: **\$0** will come from the HoldCo budget (See **Exhibit A** – HoldCo Budget – Materials & Supplies line-Item); **\$21,686.04** from the HydroCo budget (See **Exhibit B** – HydroCo Budget – Materials & Supplies line-Item); and **\$4,490.16** from the Irrigation budget, which falls outside the purview of the Energy Bureau. PREPA has a statutory obligation to provide fire retardant uniforms to the employees that are exposed to fire hazard. The proposed Safety Zone,

contract and other relevant documents are marked as **Exhibit D**.

B. HoldCo Non-Labor Operating Budget: Transportation, Per Diem, and Mileage; & Hydro Co Non-Labor Operating Budget: Transportation, Per Diem, and Mileage

- i. **American Petroleum / Administration of General Services (“ASG” per its Spanish acronym):** PREPA requests approval of its contract with American Petroleum, which adopts the fees established in the Master Agreement executed by ASG for fuel purchase, to obtain gas and diesel supplies of less than 1,000 gallons at ASG’s agreed upon prices with American Petroleum. See **Exhibit E-1** –American Petroleum Contract and **Exhibit E-2** - ASG Master Agreement for Fuel Purchase. The total budget for this purpose is **\$60,000.00**, to be allocated as follows: **\$798.00** will come from the HoldCo budget (See Exhibit A – HoldCo Budget - Transportation, Per Diem, and Mileage line-item) ; and **\$ \$6,565.87** will come from the HydroCo budget (See Exhibit B – HoldCo Budget - Transportation, Per Diem, and Mileage line-item), and the remaining **\$52,636.13** will come from the Irrigation budget.

C. HoldCo Non-Labor Operating Budget: Legal Services

- i. **González & Martínez, P.S.C. (“G&M”):** PREPA requests the approval of the second amendment to this contract, in the amount of **\$1,250,000.00**, to be allocated as follows: **\$1,000,000.00**, for legal services in connection with non-Title III matters, and **\$250,000.00** for legal services relating to Title III matters. See **Exhibit A** – HoldCo Budget – Legal Services Line-Item and Title III Line-Item; and **Exhibit F** – Second Amendment G&M. With this second

amendment, the contract would be increased from \$1,500,000.00 to \$2,750,000.00. The scope of work can be found in the original contract, which includes, but it is not limited to providing PREPA with legal representation in approximately 15,342 active labor claims, over eight hundred fifty (850) energy theft claims; over 80 civil suits filed throughout the different State Courts of Puerto Rico and the Federal District Court of Puerto Rico; and over 30 cases before the Energy Bureau.

- ii. Corretjer, LLC:** PREPA requests the approval of the first amendment to this contract, in the amount of **\$75,000.00**. See **Exhibit A** – HoldCo Budget – Legal Services Line-Item. With the amendment, the contract would be increased from \$9,000.00 to \$84,000.00. The scope of work can be found in page 2 of the proposed contract, attached herewith as **Exhibit G** - Corretjer, LLC First Amendment, which includes, but it is not limited to: (i) providing PREPA with legal representation in connection with labor and employment cases filed at the local or federal forums involving claims for discrimination, wrongful dismissal, salaries, breach of labor contracts; (ii) legal representation in arbitration, mediation, administrative proceedings; (iii) contract and settlement negotiations, litigation, and legal opinions, among other matters. Corretjer, LLC currently represents PREPA in over 40 civil matters, including administrative forums, arbitration, as well as state and federal courts (including bankruptcy court).
- iii. Eng. Victor M. Ruiz Pérez:** PREPA requests the approval of the first amendment to this contract, in the amount of **\$50,000.00**. See **Exhibit A** –

HoldCo Budget – Legal Services Line-Item. With the amendment, the contract would be increased from \$20,000.00 to \$70,000.00. The scope of work can be found in page 2 of the proposed amendment, attached herewith as **Exhibit H** - Eng. Victor M. Ruiz Pérez First Amendment, and includes, but it is not limited to, providing expert technical advice and opinions in the field of electrical engineering as expert witness in all civil cases against PREPA for damages purportedly caused by electric discharges currently pending before the Courts of Justice of the Commonwealth of Puerto Rico, the District Court for the District of Puerto Rico, and any other forum where his expert testimony is required by PREPA. After the transformation process, PREPA lacks an employee that can serve as an expert witness. Eng. Ruiz Pérez is the only expert that PREPA has for its numerous active cases. Adequate expert testimony provides the necessary support to the litigation team to protect the best interest of PREPA and avoid adverse judgments and verdicts.

- iv. **Global Consultas Asociados, LLC:** PREPA requests the approval of this contract, in the total amount of **\$100,000.00**. It is worth noting that, although the Energy Bureau previously approved a contract for Global Consultas Asociados, LLC in the amount of \$20,000.00, said contract was never executed because the contractor alleged the approved amount was insufficient to responsibly carry out the required services. As such, the proposed contract submitted herein as **Exhibit I** would be the first contract between the parties for FY24, and the Energy Bureau would only need to

approve an additional allocation of \$80,000.00, under the currently approved budget. See **Exhibit A** – HoldCo Budget – Legal Services Line-Item.

The scope of work can be found in page 2 of the proposed contract, attached herewith as **Exhibit I** - Global Consultas Asociados, LLC Contract, which includes, but it is not limited to: (i) legal representation in numerous eminent domain cases that are currently pending before the Court of the Commonwealth of Puerto Rico, (ii) appraisals and surveying of properties; (iii) acquisition of land rights; (iv) studies of demarcation for each of PREPA's lots, (v) plot plans of lots with description of boundaries, (vi) title studies, among others. These services are required for the proper defense of the eminent domain cases.

- v. **King & Spalding, LLP**: PREPA requests the approval of the first amendment to this contract, in the amount of **\$200,000.00**. See **Exhibit A** – HoldCo Budget – Legal Services Line-Item. With this amendment, the contract would be increased from \$100,000.00 to \$300,000.00. The scope of work can be found in page 2 of the proposed amendment, attached herewith as **Exhibit J** - King & Spalding, LLP First Amendment, and includes, but it is not limited to: (i) providing PREPA with legal services in connection with any Renewable and Energy Storage RFP and any other operational matters, including among others, legal services in connection with resolutions and orders by the Energy Bureau, mediation and resolution of disputes, amendments and/or ancillary documents for contracts relating to

operational or greenfield generation projects, negotiations related to fuel supply, support in the transition of services relating to Puerto Rico Public Private Authority (P3A), the filing of fee applications and related issues with the Fee Examiner, among others.

vi. Prime Counselors P.S.C.: PREPA requests the approval of this contract, in the amount of **\$80,000.00**. See **Exhibit A** – HoldCo Budget – Legal Services Line-Item. The scope of work can be found in page 2 of the proposed contract, attached herewith as **Exhibit K** - Prime Counselors P.S.C Contract, and includes, but it is not limited to: (i) providing PREPA with legal services in connection with, among other, general local and federal legal advice and counseling; (ii) legal opinions in areas of legislation, public policy formulation, public agencies and corporations; (iii) analysis and drafting of statutes, regulations and administrative rules, (iv) represent PREPA in local and federal litigation (including appeals in the Court of Appeals for the First Circuit) as plaintiff or defendant in areas of human resources, labor relations affairs, real property law, PREPA's purchase procedures, bid and auctions procurement, environmental law; (v) contract drafting and negotiations; (vi) administrative judge in disciplinary procedures and/or investigations, collective bargaining agreements, among other legal services.

vii. Regulatory Compliance Service Corp. (“RECOMS”) – For Non-Title III, Non-Federal Disaster Relief work: PREPA requests the approval of the first amendment to this contract, in the amount of **\$200,000.00**, for auditing and

compliance work pertaining to Puerto Rico law and regulations that fall outside the scope of Title III and federal disaster relief. See **Exhibit A** – HoldCo Budget – Legal Services Line-Item and **Exhibit L** – RECOMS First Amendment. With this amendment, the contract would be increased from \$100,000.00 to \$300,000.00. Currently, RECOMS can only perform work related to Title III matters. The purpose of the amendment is to authorize an allocation of funds under the Legal Services line-item for RECOMS to perform auditing and other compliance work relating to Puerto Rico laws and regulations (non-Title III and unrelated to federal disaster relief). The services to be provided under the amendment are the following: (i) internal audits of PREPA's Governing Board and any other PREPA area or department (excluding LUMA and Genera), as PREPA's Governing Board and/or its Executive Director may request; (ii) assistance in responses to Requests for Information (RFIs) from agencies such as the Puerto Rico Comptroller's Office or the Office of the Inspector General, (iii) legal guidance in cases regarding criminal acts perpetrated against PREPA or by PREPA employees or contractors.

It is worth noting that, in the December 8th Resolution, the Energy Bureau stated the following:

PREPA made allocations of the HoldCo Non-Labor funds provided in the September 22 Resolution that did not correspond to Non-Labor. For example, the bulk of the requested funding for Non-Title III activities for the Regulatory Compliance Service Corp. contract pertain to the use of federal funds allocated for disaster relief and any other federal allocation, in connection with PREPA's hydro plants,

assets and projects. The Energy Bureau expects PREPA to employ the Working Capital Advance Program, approved by FEMA, and implemented by the Central Office for Recovery, Reconstruction, and Resiliency ("COR3"), to cover the expenses associated with this contract.

PREPA hereby informs that, due to error and inadvertence, the scope of work of the proposed amendment for Regulatory Compliance Service Corp. attached to the November 7th Motion was incomplete. Specifically, it failed to include the services required by PREPA pertaining to Puerto Rico laws and regulations that prompted the proposed amendment. **Exhibit L** identifies the required services. As the Energy Bureau will see, the services sought under the proposed amendment do not qualify for the Working Capital Advance Program.

viii. Strategia Legale LLC: PREPA requests the approval of this contract in the amount of **\$50,000.00**. See **Exhibit A** – HoldCo Budget – Legal Services Line-Item. The scope of work can be found in page 2 of the proposed contract, attached herewith as **Exhibit M** - Strategia Legale Contract, which includes, but it is not limited to: providing general legal advice related to governmental laws and/or regulations and public policy, including but not limited to legal research, drafting of legal opinions, contract review and other matters; (ii) legal advice related to the adequate management of RFPs and/or other competitive procurement processes; (iii) assistance with local legislative and/or congressional affairs; (iv) assistance with coordination of interagency matters, including with the federal government; (v) representation of the Executive Director in his official

capacity and PREPA before governmental agencies, the legislative Assembly and Puerto Rico state and/or federal courts in litigation proceedings; (vi) crisis management and public communications advice; and (vii) any other matter that might be delegated by PREPA at its own discretion.

- ix. **Ramón M. Mendoza Rosario, Esq.:** PREPA requests the approval of this contract, in the amount of **\$25,000.00**. See **Exhibit A** – HoldCo Budget – Legal Services Line-Item. The scope of work can be found in page 2 of the proposed contract, attached herewith as **Exhibit N** - Ramón M. Mendoza Rosario, Esq. Contract, which includes, but it is not limited to: (i) providing PREPA, and particularly the PREPA's Legal Directorate, with legal advice and services in specialized matters and complex litigation; (ii) conducting legal research, and drafting legal memorandums and opinions, among others; and (iii) provide legal services, including judicial and administrative undertakings, in all the cases and matters referred by PREPA.

D. HoldCo Non-Labor Operating Budget: Professional & Technical Outsourced Services

- i. **EDR Solutions, LLC (“EDR”):** PREPA requests the approval of this contract, in the amount of **\$100,000.00**. See **Exhibit A** – HoldCo Budget – Professional & Technical Outsourced Services and **Exhibit O** – EDR Contract. Under the proposed contract, EDR will provide PREPA with daily monitoring services, analysis, and evaluation of news publications (printed, digital, radio, TV, etc.) that may have direct or indirect repercussions on PREPA. This service

is available 24/7 to keep the Executive Director, the Governing Board, and other PREPA officers fully informed on all matters relating to electric power, fuel, renewable sources, allocation of federal funds, climate, PREPA Employees' Retirement System, water reserves levels, etc. EDR also provides PREPA with graphic design services for public announcements in newspapers or other media including but not limited to, requests for proposals, and public meetings of the PREPA Governing Board, as required by law; publications (such as brochures, official presentations, labels, etc.) and content management in digital platforms to keep the public informed. EDR also assists in the coordination of press conferences (sound and transmission through digital platforms), as well as official events informing the public of any emergency in the hydroelectric plants and others (damage from earthquakes, hurricanes, etc.).

- ii. **Liberty Communications of Puerto Rico Inc. (“Liberty Communications”):** PREPA requests the approval of this contract, in the amount of **\$13,757.76**, for the implementation of broad band for the telephone system. See **Exhibit A** – HoldCo Budget – Professional & Technical Outsourced Services and **Exhibit P** – Liberty Communication's Contract. These services are required for PREPA's separation from the Shared Services.
- iii. **Fusion Works LLC:** PREPA requests the approval of this contract, in the amount of **\$7,040.00**, for the APEX database migration of the applications *Executive Follow-up* and Budget Online. See **Exhibit A** – HoldCo Budget – Professional & Technical Outsourced Services and **Exhibit Q** – Fusion Works

LLC's Contract. These services are required for PREPA's separation from the Shared Services.

- iv. Elda M. Rodríguez Cora (Examining officer):** PREPA requests the approval of this contract, in the amount of **\$25,000.00**, for the services of Mrs. Rodríguez Cora as an examining officer (*official examinadora* in Spanish). See **Exhibit A** – HoldCo Budget – Professional & Technical Outsourced Services Line-Item; and **Exhibit R** - Mrs. Rodríguez Cora Contract. The services of Mrs. Rodríguez Cora are needed as PREPA continues to have numerous disciplinary cases involving *inter alia* summary suspensions (Art. XLI, Section 6) and cases contemplated in Article XIX, on Leave for Work Accidents. Per the Collective Bargain Agreement signed between PREPA and UTIER ("CBA"), these and many other cases must be presided by an examining officer.
- v. Jan C. Bonilla Silva (Examining Officer):** PREPA requests the approval of this contract, in the amount of **\$17,000.00**, for the services of Mr. Bonilla Silva as an examining officer (*official examinador* in Spanish). See **Exhibit A** – HoldCo Budget – Professional & Technical Outsourced Services Line-Item; and **Exhibit S** – Mr. Bonilla-Silva Contract. The services of Mr. Bonilla Silva are needed as PREPA continues to have numerous disciplinary cases involving *inter alia* summary suspensions (Art. XLI, Section 6) and cases contemplated in Article XIX, on Leave for Work Accidents. Per the Collective Bargain Agreement signed between PREPA and UTIER ("CBA"), these and many other cases must be presided by an examining officer.

E. HoldCo Necessary Maintenance Expenses

- i. **ARM Construction:** PREPA requests the approval of this contract, in the amount of **\$17,500.00**, for maintenance services in the outdoor areas of the BONUS facility. See **Exhibit A** – HoldCo Budget – NME; and **Exhibit T** – Arm Construction Contract. As the Energy Bureau is aware, PREPA is the owner of the BONUS Facility and, as such, is responsible for maintaining the site in safe conditions. Additionally, the *Long-Term Surveillance and Maintenance Plan for the Boiling Nuclear Superheater (BONUS) Reactor Facility, Rincón, Puerto Rico*, provides as follows:

4.5 Facility Maintenance

PREPA, as owner of the BONUS facility and its contents (except for the radioactive material), is responsible for maintaining the site in a safe and structurally sound condition for access by workers and the public and to maintain the integrity of the concrete monolith.

- ii. **Protective Security Systems, Inc.:** PREPA requests the approval of this contract in the total amount of **\$247,000.00**, to be allocated from the HoldCo Necessary Maintenance Expenses (“NME”). See **Exhibit A** – HoldCo Budget – NME Line-Item. The purpose of this contract is to acquire specialized security equipment and infrastructure for the administration, management, monitoring, protection and operation of security cameras and controlled access points to PREPA’s buildings and property, and to equip the Security Operations and Electronic-Video-Surveillance Center (“COVE” in its Spanish acronym) and the Technical Services control room in Guaynabo. This contract is part of PREPA’s efforts

to reduce its reliance on security guards. The relevant Protective Security Systems, Inc.'s Contract and supporting documents are marked as **Exhibit U** - Protective Security Systems, Inc. Contract - COVE.

- iii. **Protective Security Systems, Inc.:** PREPA requests the approval of this contract in the total amount of **\$7,881.083** to be allocated from the HoldCo Necessary Maintenance Expenses ("NME"), for the purchase, installation and configuration of the controlled access point in the entrance of the Corporate Security Office located in NEOS 701. See **Exhibit A** – HoldCo Budget – NME Line-Item and **Exhibit V** - Protective Security Systems, Inc. Contract – NEOS 701.

F. HydroCo Necessary Maintenance Expenses (NME)

- i. **Integrations Technologies Corp ("In Two Corp") (Microsoft Azure):** PREPA requests the approval of this contract in the total amount of **\$328,000.00**, to be allocated from the HydroCo Necessary Maintenance Expenses (NME), for access to the virtual servers in the Microsoft Azure Platform by the Supervisors from the Hydroelectric Plants. See **Exhibit B** – HydroCo Budget – NME Line-Item and **Exhibit W** - Integrations Technologies Corp Contract – Microsoft Azure. This contract is part of PREPA's separation from the Shared Service. Currently, PREPA's IT System has many applications running on the Microsoft Azure Platform such as, Active Directory, Security Cameras System, Shared Files Server, Microsoft Tenant for email, teams, and Office 365 services, among others. This contract is required to migrate all these new applications to PREPA's own system

and, thus, guarantee the supervisors in the Hydroelectric plants continued access to these services.

- ii. **Integrations Technologies Corp (“In Two Corp”)(Cybersecurity)**: PREPA requests the approval of this contract in the total amount of **\$167,000.00**, to be allocated from the HydroCo Necessary Maintenance Expenses (NME), to provide cybersecurity to hydro plants where internet infrastructure is in process or has been recently implemented. See **Exhibit B** – HydroCo Budget – NME Line-Item and **Exhibit X** - Integrations Technologies Corp Contract – Cybersecurity. This contract is part of PREPA's separation from the Shared Service.

II. **Recent developments regarding PREPA's separation from the Shared Services**

1. Consistent with the transformation policies approved by the Energy Bureau, PREPA, in collaboration with the Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF” by its Spanish acronym), expects to complete separation from the Shared Services in FY24. As preliminarily envisioned by AAFAF, this separation process will be funded by: (a) the \$780,000.00 Oracle ERP allocation authorized by the Energy Bureau in the December 8th Resolution, under the HoldCo Non-Labor Professional & Technical Outsourced Services line-item; and (b) and AAFAF's approved Business Case, which will require the Puerto Rico Public-Private Partnership (“P3A”) to redirect \$2,100,000.00 from the \$25,000,000.00 Balance Sheet Separation Activities for PREPA's separation from the Shared Services (hereinafter, the “Separation Funds”).

2. Under the above plan, the Separation Funds would be transferred directly to the Shared Services Administrator, HUB 787, who will be contractually responsible for the enterprise resource planning (ERP) implementation and business process outsourcing (BPO) pertaining to PREPA's separation from the Shared Services.

WHEREFORE, PREPA respectfully requests the Energy Bureau to take **NOTICE** of the above-stated information and **APPROVE** the contracts submitted herein.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 18th day of January 2024.

CERTIFICATE OF SERVICE: We hereby certify that this document was filed with the Office of the Clerk of the Energy Bureau using its Electronic Filing System at <https://radicacion.energia.pr.gov/login>, which automatically notifies all attorneys of record with copy of the filed motion.

GONZÁLEZ & MARTÍNEZ

1509 López Landrón
Seventh Floor
San Juan, PR 00911-1933
Tel.: (787) 274-7404

s/ Mirelis Valle Cancel

Mirelis Valle-Cancel

TSPR No.: 21,115
E-mail: mvalle@gmlex.net

s/ Alexis G. Rivera Medina

Alexis G. Rivera-Medina

TSPR No.: 18,747
E-mail: arivera@gmlex.net

Addendum - Exhibits

<https://www.dropbox.com/t/XffDr3xyKSK3JPbf>