

**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 IN COMPLIANCE WITH RESOLUTION AND ORDER OF APRIL 18TH 2024

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 December 8th, 2023, the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau") issued a *Resolution and Order* whereby it increased the HoldCo Non-Labor Budget from its original amount of \$11.772MM to \$18.072MM. As part of its ruling, the Energy Bureau conditionally approved PREPA's request for an increase to the HoldCo Non-Labor External Audit budget line-item of \$751,000.00 ("Conditionally Authorized Budget"), "pending the submittal of the renegotiated contracts as stipulated in the August 14th, 2023 Resolution and Order." ("December 8th Resolution").

2. On February 12th, 2024, PREPA filed its *Motion in Compliance with the December 8th Resolution* ("February 12th Motion") whereby it requested approval of the following proposed allocation of the Conditionally Authorized Budget:

a. ScottMadden, Inc. ("ScottMadden"): allocate **\$236,000.00** of the

Conditionally Authorized Budget to retain the services of ScottMadden to provide the following services:

- i. Project management services to coordinate the preparation of the 2022 and 2023 financial statements, and their auditing process.
- ii. Coordinate and align intricate requests and track key deliverables between KPMG, PREPA, and LUMA for the preparation of the financial statements.
- iii. Track important deliverables and coordinate intricate requests between KPMG, PREPA, LUMA and GeneraPR for the preparation of the audited financial statements.
- iv. This contract allows PREPA to comply with current industry standards (GAAP), relevant laws, corporate policies, and regulatory requirements.

b. Nexvel Consulting, LLC (“Nexvel”): allocate **\$58,000.00** of the Conditionally Authorized Budget to retain the services of Nexvell to provide the following services:

- i. Support of the account reconciliations, supplementary schedules, entry and review of journals, and support of financial services to complete the external audits.
- ii. Accounting Closing Management.
- iii. Entry and Review of Journals.
- iv. Fixed Assets-Estimated Retirement.
- v. Audit Adjustments.
- vi. Support in the management of files and digitization of files.

c. González & Martínez Law Offices P.S.C. (“González & Martínez”): Allocate **\$300,000.00** of the Conditionally Authorized Budget for the second amendment to the González & Martínez Contract to cover the legal services provided by González & Martínez in connection with PREPA’s 2022 and 2023 audited financial statements.

3. On April 3rd, 2024, PREPA filed a motion reiterating its urgent need for the above-mentioned services and budgetary allocations.

4. On April 18th, 2024, that is more than two (2) months after the February 12th Motion was filed, the Energy Bureau issued a *Resolution and Order* (“April 18th

Order") whereby it requested additional information to grant final approval of the Conditionally Authorized Budget. In pertinent part, the April 18th Order directed PREPA as follows:

The Energy Bureau **ORDERS** PREPA to file within ten (10) days of the notification of this Resolution and Order full documentation to support any contention PREPA may assert that a contract for the FY 2022 or FY 2023 audited financial statements has not and will not be funded by the Department of Treasury and therefore is strictly required to be utilized from the \$1.108 MM in the HoldCo External Audit Budget Line as approved in the December 8 Resolution.

5. In compliance with the April 18th Order, PREPA submits a certification from its Finance Department whereby it confirms that no contract with ScottMadden, Nexvel or González & Martínez for PREPA's FY 2022 or FY 2023 audited financial statements has or will be funded by the Department of Treasury and, as such, PREPA is strictly required to use the Conditionally Authorized Budget of \$751,000.00, for these purposes ("Certification").

6. As explained in the Certification, the services of ScottMadden, Nexvel and González & Martínez are essential for PREPA to submit the FY 2023 financial statements to its auditors, KPMG, on or before July 31st, 2024, which is the current tentative deadline set by the Puerto Rico Treasury Department. The auditors will then have until August 31st, 2024, to issue PREPA's FY 2023 audited financial statements just in time for the Government of Puerto Rico to issue its FY 2023 audited financial statements by the September 30th, 2024, mandated deadline.

7. As stated in the Certification, PREPA was unable to retain the services of ScottMadden and Nexvel for the drafting and subsequent audit of its FY 2022 financial statements due to its lack of authorized budget. The foregoing unduly delayed the issuance of PREPA's FY 2022 audited financial statements which, at the same time, delayed the issuance of the FY 2022 audited financial statements of the Government of Puerto Rico.

8. As the Energy Bureau is aware, the Governor of Puerto Rico, Hon. Pedro Pierluisi, is committed to leading Puerto Rico's exit from fiscal oversight under the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) and the Title III bankruptcy proceeding. To achieve this goal, PREPA must issue its FY 2023 audited financial statements within the July 31st, 2024 deadline so that the Government of Puerto Rico, in turn, can issue its FY 2023 audited financial statements within the September 30th, 2024 deadline.

9. Considering all the foregoing, PREPA, very respectfully, requests the Energy Bureau to grant final approval of the Conditionally Authorized Budget.

WHEREFORE, PREPA respectfully requests the Energy Bureau to **GRANT FINAL APPROVAL** to the increase to the HoldCo Non-Labor External Audit budget line-item of \$751,000.00 that was conditionally authorized in the December 8th Resolution.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 29th day of April 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>. We also certify that a true and exact copy of this document was notified to the following parties through attorneys of record: Genera PR LLC through Jorge Fernández Reboredo, jfr@sbgblaw.com; Alejandro López Rodríguez, alopez@sbgblaw.com; Joaquín M. Lago González, jlago@sbgblaw.com; and at the following email addresses legal@genera-pr.com; regulatory@genera-pr.com; and LUMA Energy LLC and LUMA Energy ServCo, LLC through Margarita Mercado Echegaray, margarita.mercado@us.dlapiper.com; Julian Anglada Pagán, julian.angladapagan@us.dlapiper.com.

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