

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

NEPR

Received:

Jun 17, 2024

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IN RE: REVIEW OF LUMA'S INITIAL
BUDGETS

CASE NO.: NEPR-MI-2021-0004

**MOTION SUBMITTING PREPA'S FY 2025 BUDGET PROPOSALS FOR HOLDCO AND
HYDROCO IN COMPLIANCE WITH JUNE 12TH ORDER**

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:

I. Introduction

The Puerto Rico Electric Power Authority ("PREPA") hereby notifies its budget proposal pertaining to fiscal year ("FY") 2025 for PREPA and its subsidiary PREPA Property Co, LLC (jointly, for budgetary purposes, "HoldCo"), and its other subsidiary PREPA HydroCo LLC ("HydroCo"). In summary, PREPA proposes a budget of \$62.634M for HoldCo and a budget of \$26.175M for HydroCo without the necessity of any rate increase.

It is PREPA's position that no rate increase will be necessary to fund neither of PREPA's proposed budgets, nor the budget proposals of the private operators. All necessary expenses can be covered through an efficient and fair redistribution of the available economic resources. The difference between the FY24 HoldCo and HydroCo budgets certified by the Financial Oversight and Management Board

("FOMB") and PREPA's FY25 proposed budgets for HoldCo and HydroCo is \$36.4M. To cover this difference, PREPA proposes a proportional redistribution of the Puerto Rico Public-Private Partnerships Authority's ("P3A") Budget Allocation between PREPA, Genera PR, LLC ("Genera"), and LUMA Energy, LLC and LUMA Energy ServCo, LLC (jointly "LUMA").

II. Relevant Procedural Background

2.1. On May 9th, 2024, PREPA notified the P3A of its budget proposal for FY 2025 for HoldCo and HydroCo. In essence, PREPA proposed a budget of \$62.634M for HoldCo and a budget of \$26.175M for HydroCo. As part of its submission, PREPA explained that no rate increase would be necessary to fund either of its proposed budgets, or the budget proposals of the private operators. PREPA stressed that all necessary expenses could be covered through an efficient and fair redistribution of the available economic resources. PREPA further explained that the critical budgetary needs of HoldCo and HydroCo could be covered, for instance, with an increase of *Other Income* or *Additional Income Attributable to PREPA HoldCo and HydroCo* through acceleration of GridCo's federal funding reimbursement to reduce PREPA's net out-of-pocket position of over \$550M due to LUMA CapEx activities.

2.2. On that same date, that is, on May 9th, 2024, LUMA notified the P3A the budget proposals for FY25, including those proposed by PREPA for both HoldCo and HydroCo.

2.3. On May 17th, 2024, the P3A notified LUMA of its FY25 budget allocations determination ("Budget Determination"). However, PREPA was excluded from this

initial notification and, for reasons unbeknownst to PREPA, the Budget Determination was not received until four days *after* LUMA - May 21st, 2024.

2.4. To summarize, the Budget Allocation concluded that the proper allocation of the Projected Net Available Funds Allocation Rates would be as follows: GridCo 65.2%, Generation 31.8% and HoldCo 3.0%. With regards to the Generation Budget, the P3A determined that a 95.4% - 4.6%, GenCo – HydroCo allocation was reasonable and appropriate for FY25. With regards to the \$89.655M of total projected Other Income for FY25, the P3A adopted LUMA Energy, LLC's and LUMA Energy ServCo, LLC's (jointly, "LUMA") recommendation and allocated it as follows: (i) \$35.948M attributable to all entities (i.e., GridCo, Generation and HoldCo); (ii) \$53.011M attributable to GridCo; and (iii) \$0.697M attributable to Generation (i.e., GenCo and HydroCo).

2.5. The P3A's Budget Determination also identified \$74.741M in additional funds that would be included in the FY25 Budget and would be allocated as follows: \$67.655M allocated to all entities using the approved Allocation Factors; \$3.421M allocated directly to GenCo/GeneraPR; \$165k allocated directly to HydroCo/PREPA; and \$3.5M allocated directly to HoldCo/PREPA for its FY24 audited financial statements. Based on the foregoing, the P3A approved a total budget allocation for HoldCo in the amount of \$33.038M and a total budget allocation for HydroCo in the amount of \$14.527M.

2.6. On May 24th, 2024, PREPA notified the P3A its *Request to Reconsider the May 17th, 2024, Budget Determination* ("Request to Reconsider"). In essence, PREPA asserted that authorized budget allocations for HoldCo and HydroCo are insufficient

to cover its basic operational responsibilities and needs, as well as its legal obligations.

The P3A has yet to address PREPA's Request to Reconsider.

2.7. In the Request to Reconsider, PREPA further stated, that the P3A's determination on *Other Income* is either internally inconsistent or poorly reasoned and explained. Specifically, PREPA observed that, on page 3 of the Budget Determination, the P3A stated the following:

It is a rate review principle to align costs with cost causation. Some of the revenue collected through sources other than base rates corresponds to activities attributable to specific entities (e.g., late payment charges, which is a customer service activity). As such, these entities should benefit from the revenue these activities bring. **On the other hand, in those instances in which a non-base rate revenue cannot be attributable to a specific entity, such revenue should be allocated to all entities (e.g., interest from the Operating, Construction and Sinking Funds).**

2.8 PREPA explained that, despite the P3A clearly stating that Interest Income from Operating, Construction, and Sinking Funds should not be attributable to a specific entity, its Budget Determination ultimately attributed more than half of PREPA's Interest Income to LUMA. Considering that the \$40.1M of Interest Income comes from PREPA's accounts, as Owner, PREPA asserted said amounts should be attributable to PREPA's operating entity budgets and available to fund the severe and growing shortfall in PREPA's liquidity. More so, when said shortfall is driven solely by LUMA's mismanagement and resulting backlog of over \$550M in delayed reimbursements and working capital advances for federally funded projects.¹

¹ Between LUMA's Interim Period Service Commencement Date through May 2024, LUMA has expended **more than \$950 million** of federally funded CapEx but has only obtained Federal Emergency Management Agency ("FEMA") **reimbursements and Working Capital Advances ("WCA") amounting to \$381 million** (which includes \$69 million of FEMA reimbursements and \$312 million in WCAs), **resulting in a net negative liquidity impact to PREPA cash of over \$550 million through Q3 2024.** Unconscionably, LUMA has not been required to correct its glaring inefficiencies.

2.9 On May 24th, 2024, PREPA re-notified LUMA with PREPA's FY25 budget proposals for HoldCo and HydroCo.

2.10 After requesting various extensions, on May 25th, 2024, LUMA submitted to the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau") a document titled *Request for Approval of T&D Budgets and Submission of GenCo Budgets for FY25 and Budget Allocations for the Electric Power System*. LUMA submitted therein: (a) the proposed budgets for the Transmission and Distribution System ("T&D Budgets") developed by LUMA; (b) the proposed budgets for the legacy thermal generation units ("GenCo Budget") developed by Genera PR, LLC ("Genera"); and (c) the Budget Determination approved by the P3A for HoldCo and HydroCo.

2.11 On June 12th, 2024, the Energy Bureau entered and notified a *Resolution and Order* ("June 12th Order") whereby it reached the following determination and entered, *inter alia*, the following orders:

- a. Established as the FY25 operating budget for the electric utility the amount of \$1.315850 billion, under the Budget Determination by the P3A.
- b. Ordered PREPA (HoldCo and HydroCo) to file its proposed FY25 budgets within three (3) business days.
- c. Ordered LUMA, Genera and PREPA to file within three (3) business days all workpapers and supporting material used to develop their respective FY25 budget proposals in native form with all

Instead, **PREPA has been forced to transfer over \$430 million from its restricted federal funds account to compensate for LUMA's inefficiencies.** LUMA's unjustified overspending along with its inability to, *inter alia*, generate sufficient revenues either from its collection efforts for power services or its endeavors to obtain reimbursements from the federally funded T&D projects it oversees is, simply put, **unsustainable**. Despite PREPA's repeated warnings on the unfeasibility of LUMA's *modus operandis* and invitations to discuss solutions, LUMA has taken no action to address this dire problem.

formulas and links intact and any Excel spreadsheets provided unlocked.

(the above-mentioned orders will be jointly denominated hereafter, where appropriate, the "Budget Orders").

III. PREPA's budget proposals for HoldCo and HydroCo, and supporting documents

3.1. In compliance with the June 12th Order, PREPA submits its FY25 budget proposal for HoldCo and HydroCo. See **Exhibit A – PREPA's FY 2025 HoldCo Budget Proposal** and **Exhibit B - PREPA's FY 2025 HydroCo Budget Proposal**. In summary, PREPA proposes a budget of **\$62.634M for HoldCo** and a budget of **\$26.175M for HydroCo**. PREPA also submits the Excel document containing supporting material used to develop its FY25 budget proposals in native form (See **Exhibit C – PREPA FY25 HoldCo and HydroCo Budget Proposals in native format**) and a document containing the most salient details and justifications for specific line-items (See **Exhibit D - PREPA FY25 HoldCo and HydroCo Budget Proposals Details and Justifications**).

3.2. For ease of reference, below is a brief explanation of the line-items with a significant impact on PREPA's budget proposal for FY25.

a. Legal Services

The budget allocation requested under the HoldCo Legal Services and Litigation Claims Settlement Expense line-items varies substantially from the amounts sought in FY24, primarily due to the FOMB's requirement for PREPA to include a litigation reserve to pay for judicial settlements and judgments in its proposed budget for FY25.² PREPA's counsel has made a detailed analysis of the cases that pose the greatest material risk of financial impact during FY25 and, based on said analysis, requested the appropriate reserves per the Oversight Board's mandate.

² See Oversight Board's January 16th, 2024, Letter to PREPA titled "Access to Cash at Hand for Payment of Post-Petition Civil Case."

PREPA has further substantiated the amounts requested to increase the budget of Legal Services, considering the thousands of cases that are still active and subject to constant litigation. For example, over the past five consecutive months (January-May), PREPA's expenditures on legal services from Gonzalez & Martínez Law Office, PSC have exceeded \$300,000 each month. Additionally, Global Consultas Asociados, LLC, who performed no billable work during FY24 due to lack of sufficient budget, is expected to resume litigation of more than twenty (20) eminent domain cases. Considering the number of cases that are still being litigated daily on behalf of PREPA, these expenditures will not decrease during FY 2025.

It is also important to note that two (2) additional contracts have been included under the HoldCo Legal Services line-item, which were not contemplated in the original budget certified by the FOMB for FY24. The first of these contracts is for McGuire Woods, which provides legal services in connection with PREPA's insurance claims for losses incurred during Hurricane Maria and the January 2020 earthquakes. Said contract was approved by the Energy Bureau of the Puerto Rico Public Service Regulatory Board after the original budget submissions for FY24 were evaluated by P3A. The second contract that has now been placed under the Legal Services line-item is for Baker Donelson Caribe LLC. During FY 2024, said contract was included under the HoldCo PREPA Restructuring and Title III line-item. The inclusion of these two (2) contracts under the HoldCo Legal Services line-item constitutes an addition of \$2M when compared to the FY24 budget, and highlights the importance and reality of the requested and warranted increase by PREPA.

b. External Audit

The process to issue the FY2022 financial audit and begin the FY2023 audit was severely disrupted by the drastically reduced operational budget for PREPA External Audit Services. The lack of sufficient funding completely restricted PREPA's ability to continue the audit of the financial statement process through the support of its five (5) outside consultants – KPMG, Galindez, Cavanaugh Macdonald, Guzman and Sargent & Lundy.

PREPA was forced to halt all efforts in connection with its FY2022 audited financial statements for most of the first half of FY24, which unduly delayed the issuance of both PREPA's FY2022 audited financial statements and the FY2022 audited financial statements for Government of Puerto Rico. PREPA turned to the Puerto Rico Treasury Department ("Treasury Department") to discuss PREPA's budgetary constraints and insufficient funds to complete and issue the FY2022 audited financial statements. As a result of these conversations, the Treasury Department reached an agreement with PREPA and received approval from the FOMB to fully cover the professional services for the audit and issuance of PREPA's FY2022 audited financial statements. In addition to

the FY2022 audit, the Treasury Department will cover the amounts necessary to perform and issue PREPA's FY2023 audited financial statements.

However, the Treasury Department has informed PREPA that it will not pay for the drafting, auditing process and issuance of PREPA's financial statements for FY24. PREPA's FY25 budget proposals only include the total amounts necessary to perform, complete and issue the FY24 audited financial statements during FY25.

As previously mentioned, the P3A's Budget Determination identified \$74.741M in additional funds that would be included in the FY25 Budget, of which it correctly allocated \$3.5M directly to HoldCo/PREPA for its FY24 audited financial statements.

c. IT – Maintenance & Corporate Services

As the Energy Bureau is aware, PREPA is required to achieve full separation from the Shared Services Agreement during FY25. This includes completing and maintaining an independent IT/OT infrastructure (categorized as "IT – Maintenance & Corporate Services" in PREPA's HoldCo budget) as well as developing, implementing and maintaining an independent Enterprise Resource Planning (ERP) system (categorized as "Shared Services Separation" in PREPA's HoldCo budget).

The IT – Maintenance & Corporate Services line item is comprised of twelve (12) service provider contracts. The difference between FY24 and FY25 for the IT – Maintenance & Corporate Services is due to service provider contracts being funded through a combination of (i) the PREB-approved \$780,000 to commence the ERP implementation during the months of February/March 2024 and (ii) through a disbursement from the Commonwealth, and were earmarked specifically for PREPA's separation activities. Starting in FY25, PREPA is fully responsible for the annual recurring costs associated with maintaining these service provider contracts to support an independent IT/OT infrastructure.

PREPA notes that the IT/OT infrastructure service provider contracts and associated costs are not duplicated in the Shared Services Separation budget. As such, an inevitable increase due to the additional expenses is warranted under said line-item.

d. Shared Services Agreement

Pursuant to the LGA OMA, LUMA began providing interim Shared Services to PREPA under the Shared Services Agreement ("SSA") on June 1st, 2021, which coincided with LUMA's Commencement. The services are provided at cost

with no mark-up or profit, and they are predominately related to common or shared IT/OT, Finance, and Operations-related O&M for some plant equipment under PREPA's control (It is worth noting that PREPA still has generation related operations under the hydroelectric plants). The original SSA expired six (6) months after the Commencement of the GenCo operator, ultimately set at December 31st, 2023, consistent with Genera's July 1st, 2023, Commencement.

During the period leading to December 31st, 2023, PREPA completed various measures to establish independent operations consistent with the overall restructuring; however, a variety of plans and initiatives could not be completed by the SSA termination date. Consequently, PREPA requested to conditionally extend the original SSA to continue some services until PREPA could assume responsibility for the services. Correspondingly, LUMA and PREPA entered into a new, Amended and Restated Shared Services Agreement ("Amended SSA") to satisfy the services requested by PREPA. The Amended SSA extends services related to IT/OT services in the area of labor and non-labor, and Finance services in the areas of labor only.

PREPA's Amended SSA will terminate on September 30th, 2024, with the potential for certain services to terminate earlier. As requested by LUMA, PREPA has budgeted for Shared Services through the Q1, or three (3) months, of FY25, and in compliance with the conditions outlined in the Amended SSA.

The Shared Services Amendment does not include insurance. PREPA, LUMA and Genera will enter into an "Insurance Collaboration Agreement". The Insurance Collaboration Agreement will serve as an annual agreement for PREPA, LUMA and Genera to jointly solicit and place common insurance policies. The collaboration agreement will not flow through the current Shared Services invoice structure; instead, a new and separate intercompany invoice structure will be introduced during the FY25 policy cycle.

Per the request of LUMA, PREPA has budgeted for 7% of the total annual insurance program costs, which LUMA has estimated to be \$81.0M. Therefore, PREPA has budgeted approximately \$5.7M related to insurance policies for FY25.

Taking the Shared Services Amendment and Insurance Collaboration Agreement into consideration, the amounts approved and allocated to Shared Services in FY24 are not even sufficient to cover the most important aspect – the insurance premiums.

PREPA would request an additional allocation of ~\$3.2M (~\$1.8M allocated to HoldCo and ~\$1.4M allocated to HydroCo) to cover the costs associated with the SSA Amendment and Insurance Collaboration Agreement.

e. Shared Services Separation

As mentioned above, the initial deployment and implementation costs related to ERP system in FY24 were funded through a combination of: (i) the PREB-approved \$780,000 for FY24 to commence the ERP implementation during the months of February/March 2024; and (ii) certain additional funding to be disbursed from the Commonwealth, which has been earmarked specifically to finance the outsourcing service model deployment. The Commonwealth funding was a one-time disbursement that was provided to the outsourced Shared Services Administrator.

For FY25 and beyond, PREPA is responsible for all recurring costs required to maintain an independent ERP system from LUMA and Genera. Additionally, in FY25 only, PREPA is responsible for the Phase III Deployment Cost to implement the ERP Cloud.

Under P3A's Revenue Allocation Determination letter dated May 17th, 2024, P3A determined that the FY25 Net Available Revenues would be allocated using the same allocation factors used in the FY24 budget allocation process, with an additional \$3.5M allocated to External Audit. P3A did not allocate additional funds to HoldCo for costs associated with the Shared Services Separation, despite P3A being an integral part of approving this project and understanding the costs PREPA would be incurring in FY25 and beyond.

Notwithstanding numerous delays due to budget constraints and approvals experienced in FY24, PREPA anticipates full separation, with the exception of Insurance, from LUMA by June 2025. However, this is contingent upon PREPA obtaining an additional allocation of ~\$6.2M in funding (~\$1.7M for HoldCo for IT – Maintenance & Corporate Services, ~\$1.8M for HoldCo and ~\$1.4M for HydroCo related to the Shared Services Agreement and ~\$1.3M for HoldCo for the Shared Services Separation).

3.3 PREPA reiterates that it is not seeking a rate increase to fund either PREPA's proposed budgets, or the budget proposals of the private operators. All necessary expenses can be covered through an efficient and fair redistribution of the available economic resources.

3.4 The difference between the FY24 HoldCo and HydroCo budgets certified by the FOMB and PREPA's FY25 proposed budgets for HoldCo and HydroCo,

which is \$36.4M, can be covered through a proportional redistribution of the P3A's Budget Allocation between PREPA, Genera, and LUMA.

3.5 PREPA FY 2024 budgets, as approved in the *Resolution and Order* entered on June 25th, 2023, were insufficient for it to operate properly and comply with its legal obligations. This conclusion is supported by the Energy Bureau's own determinations in this case. See, for instance, the *Resolution and Order* entered on September 22nd, 2023, whereby the Energy Bureau revised, *inter alia*, the FY24 HoldCo Non-Labor Budget and increased it by **\$3.673M**, from **\$11.772M** to **\$15.445M**, subject to certain reporting requirements; see also the *Resolution and Order* entered on December 8th, 2023, whereby the Energy Bureau authorized an increase to the FY24 HoldCo Non-Labor Budget of **\$2,617,000.00**, from **\$15.445M** to **\$18.072M**.

3.6 Despite the Energy Bureau's reluctance to increase PREPA's budget, PREPA was ultimately able to demonstrate that additional allocations were truly necessary. However, the budgetary revisions were an uphill battle that extended for half of FY24 and required continuous motion practice before this Bureau. These efforts, along with the Energy Bureau's requirement that PREPA submit for its review and approval all contracts prior to their execution, caused PREPA to incur in substantial and unforeseen legal expenses, stalled numerous projects, and delayed PREPA's compliance with its legal obligations, such as the timely issuance of its FY2022 audited financial statements.

3.7 The lack of a sufficient budget in FY24 also put legal contractors in a dire position. As counsels of record, attorneys have an ethical duty to provide competent

and timely legal representation to PREPA in active cases and comply with Court set orders. However, given PREPA's lack of sufficient budget for Legal Services in FY24, González & Martínez Law Offices, P.S.C., as well as other legal contractors, had no other choice but to provide legal services to PREPA gratuitously, to avoid the imposition of monetary sanctions to PREPA, entries of default, etc. It is respectfully submitted that no contractor should be put in the position where the work that they complete should go without a just compensation.

3.8 To avoid repeating the setbacks and mistakes of FY24, PREPA respectfully requests the Energy Bureau to approve PREPA's FY25 proposed budgets for HoldCo and HydroCo, as submitted herein. To cover the difference between PREPA's original FY24 FOMB certified budget and its FY25 proposed budgets, PREPA requests the Energy Bureau to make a proportional redistribution of the P3A's Budget Allocation between PREPA, Genera, and LUMA.

WHEREFORE, PREPA respectfully requests the Energy Bureau to take notice of the foregoing information, accept the exhibits submitted herein (**Exhibits A-D**), and deem the Budget Orders contained in the June 12th Order as complied with.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 17th day of June 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.

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

PREPA FY2025 HoldCo Budget Request
(\$ in thousands)

PREPA is not requesting a rate increase; its proposed budget is based on essential operational needs and should be funded without impacting customer rates.

| # | Description | FY2024 | | FY2025 | | Variance |
|-----------|--|-----------------------------------|------------------|-----------------------------------|------------------|----------------|
| | | FOMB Certified as of: 03/15/24 | | Budget Request as of: 06/17/24 | | FY25 vs. FY24 |
| 1 | Budget Revenues | | | | | |
| 2 | Projected Sales (GWh) | | 15,466 | | 16,180 | 714 |
| 3 | Projected Base Rate Revenue | \$ | 1,111,801 | \$ | 1,151,456 | 39,655 |
| 4 | Other Income | | 189,088 | | 164,396 | (24,692) |
| 5 | Projected Base Rate Revenue + Other Income | \$ | 1,300,889 | \$ | 1,315,852 | 14,963 |
| 6 | less Bad Debt | | 59,450 | | 59,529 | 79 |
| 7 | less Bankruptcy & Restructuring Costs | | 62,971 | | 56,418 | (6,553) |
| 8 | less LUMA Service Fee | | 129,162 | | 134,736 | 5,574 |
| 9 | less Genera Incentive Fee | | - | | 40 | 40 |
| 10 | less Genera Service Fee | | 52,540 | | 24,285 | (28,255) |
| 11 | Projected Net Available Funds | \$ | 996,767 | \$ | 1,040,844 | 44,077 |
| 12 | Budget Expense Allocation | | | | | |
| 13 | PREPA HoldCo Allocation % of Net Available Funds | | 3.1% | | 3.2% | 0.1% |
| 14 | Funds Available to HoldCo O&M Budget | \$ | 30,943 | \$ | 33,038 | 2,095 |
| 15 | HoldCo | | | | | |
| 16 | Headcount | | 87 | | 86 | (1) |
| 17 | Labor Operating Expenses | | | | | |
| 18 | Salaries & Wages | \$ | 6,502 | \$ | 6,289 | (213) |
| 19 | Employee Benefits | | 2,692 | | 1,572 | (1,120) |
| 20 | Overtime Salary | | 361 | | 319 | (42) |
| 21 | Overtime Benefits | | 43 | | 20 | (23) |
| 22 | Total Labor Operating Expenses | \$ | 9,598 | \$ | 8,201 | (1,397) |
| 23 | Non-Labor Operating Expenses | | | | | |
| 24 | Materials & Supplies | \$ | 29 | \$ | 171 | 142 |
| 25 | Transportation, Per Diem, and Mileage | | 26 | | 286 | 260 |
| 26 | Retiree Medical Benefits | | 7,950 | | 9,757 | 1,807 |
| 27 | Security | | 797 | | 1,667 | 870 |
| 28 | Utilities & Rents | | 66 | | 72 | 6 |
| 29 | Legal Services | | 3,688 | | 7,840 | 4,152 |
| 30 | Communications Expenses | | 6 | | - | (6) |
| 31 | Professional & Technical Outsourced Services ¹ | | 1,365 | | 6,183 | 4,818 |
| 32 | IT - Maintenance & Corporate Services | | 780 | | 2,494 | 1,714 |
| 33 | Regulation & Environmental Expenses | | 1,591 | | 1,615 | 24 |
| 34 | External Audit Services | | 1,108 | | 4,769 | 3,661 |
| 35 | Equipment, Inspections, Repairs & Other O&M | | 666 | | 2,063 | 1,397 |
| 36 | Total Non-Labor Operating Expenses | \$ | 18,072 | \$ | 36,917 | 18,845 |
| 37 | Subtotal HoldCo Operating Expenses | \$ | 27,670 | \$ | 45,119 | 17,449 |
| 38 | HoldCo Necessary Maintenance Expenses ("NME") | \$ | 645 | \$ | 3,892 | 3,247 |
| 39 | Shared Services Agreement² | \$ | 1,993 | \$ | 3,805 | 1,812 |
| 40 | Shared Services Separation³ | \$ | - | \$ | 1,319 | 1,319 |
| 41 | Total HoldCo Operating and Maintenance Expenses⁴ | \$ | 30,308 | \$ | 54,134 | 23,826 |
| 42 | PREPA Restructuring & Title III | \$ | 30,150 | \$ | 27,450 | (2,700) |
| 43 | FOMB Advisor Costs allocated to PREPA | \$ | 32,821 | \$ | 28,968 | (3,853) |
| 44 | Litigation Claims Settlement Expense | | 635 | | 8,500 | 7,865 |
| 45 | Total HoldCo Operating and Maintenance Expenses⁵ | \$ | 93,914 | \$ | 119,052 | 25,138 |
| 46 | HoldCo Surplus / (Deficit)⁵ | | 635 | | (21,096) | |

¹ Professional & Technical Outsourced Services in FY2024 included \$780K related to IT - Maintenance & Corporate Services.

² Represents amounts that PREPA is responsible for under the amended Shared Services Agreement (approx. \$403K) and the Insurance Collaboration Agreement (approx. \$3.4M).

³ Represents the Enterprise Resource Planning ("ERP") implementation project costs comprised of the last deployment of the ERP system including integration to Hacienda's ledger and the migration of the comingled Fixed Assets and Inventory post-balance sheet separation project (~\$140K) and reoccurring annual support cost for the maintenance of the system (~\$1.2M).

⁴ Total HoldCo Operating and Maintenance Expenses for FY2024 does not include the 10% Cost Share for the Acquisition of the Temporary Generators for \$37.23M and does not include the \$300.0M Commonwealth Loan Proceeds as these line items were one time in nature.

⁵ PREPA Restructuring & Title III and FOMB Advisor Costs allocated to PREPA are considered "System Wide Costs" are deducted from total revenues prior to the GenCo, HoldCo, HydroCo and GridCo allocation. Litigation Claims Settlement Expense was paid in FY2024 with cash on hand as approved by the FOMB in their January 16, 2024 letter and subsequently the Energy Bureau in their February 20, 2024 Resolution and Order (Docket No. NEPR-MI-2021-0004) HoldCo Surplus / (Deficit) is shown excluding these costs.

PREPA FY2025 HydroCo Budget Request
(\$ in thousands)

PREPA is not requesting a rate increase; its proposed budget is based on essential operational needs and should be funded without impacting customer rates.

| # | Description | FY2024 | | FY2025 | | Variance |
|-----------|--|-----------------------------------|------------------|-----------------------------------|------------------|------------------|
| | | FOMB Certified as of: 03/15/24 | | Budget Request as of: 06/17/24 | | FY25 vs. FY24 |
| 1 | Budget Revenues | | | | | |
| 2 | Projected Sales (GWh) | | 15,466 | | 16,180 | 714 |
| 3 | Projected Base Rate Revenue | \$ | 1,111,801 | \$ | 1,151,456 | \$ 39,655 |
| 4 | Other Income | | 189,088 | | 164,396 | (24,692) |
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| 8 | less LUMA Service Fee | | 129,162 | | 134,736 | 5,574 |
| 9 | less Genera Incentive Fee | | - | | 40 | 40 |
| 10 | less Genera Service Fee | | 52,540 | | 24,285 | (28,255) |
| 11 | Projected Net Available Funds | \$ | 996,767 | \$ | 1,040,844 | \$ 44,077 |
| 12 | Budget Expense Allocation | | | | | |
| 13 | PREPA Generation (GenCo and HydroCo) Allocation % of Net Available Funds | | 35.3% | | 33.5% | -1.8% |
| 13 | PREPA Generation (GenCo and HydroCo) O&M Budgets | \$ | 351,566 | \$ | 348,839 | \$ (2,727) |
| 13 | HydroCo Allocation (excluding Irrigation) % of Total PREPA Generation | | 3.9% | | 4.2% | 0.3% |
| 14 | Funds Available to HydroCo O&M Budget | \$ | 13,645 | \$ | 14,527 | \$ 882 |
| 15 | HydroCo | | | | | |
| 16 | Headcount | | 54 | | 84 | 30 |
| 17 | Labor Operating Expenses | | | | | |
| 18 | Salaries & Wages | \$ | 2,543 | \$ | 3,955 | \$ 1,412 |
| 19 | Employee Benefits | | 1,532 | | 989 | (543) |
| 20 | Overtime Salary | | 288 | | 406 | 118 |
| 21 | Overtime Benefits | | 35 | | 45 | 10 |
| 22 | Total Labor Operating Expenses | \$ | 4,398 | \$ | 5,395 | \$ 997 |
| 23 | Non-Labor Operating Expenses | | | | | |
| 24 | Materials & Supplies | \$ | 724 | \$ | 1,425 | \$ 701 |
| 25 | Transportation, Per Diem, and Mileage | | 269 | | 654 | 385 |
| 26 | Security | | 1,712 | | 2,863 | 1,151 |
| 27 | Utilities & Rents | | 80 | | - | (80) |
| 28 | Professional & Technical Outsourced Services | | 187 | | 1,579 | 1,391 |
| 29 | IT - Maintenance & Corporate Services | | - | | - | - |
| 30 | Regulation & Environmental Expenses | | 731 | | 998 | 267 |
| 31 | Equipment, Inspections, Repairs & Other O&M | | 1,892 | | 721 | (1,171) |
| 32 | Total Non-Labor Operating Expenses | \$ | 5,595 | \$ | 8,240 | \$ 2,644 |
| 33 | Subtotal HydroCo Operating Expenses | \$ | 9,993 | \$ | 13,635 | \$ 3,642 |
| 34 | HydroCo Necessary Maintenance Expenses ("NME") | \$ | 2,471 | \$ | 10,003 | \$ 7,533 |
| 35 | Shared Services Agreement¹ | \$ | 1,181 | \$ | 2,537 | \$ 1,356 |
| 36 | Total HydroCo Operating and Maintenance Expenses | \$ | 13,645 | \$ | 26,175 | \$ 12,530 |
| 37 | HydroCo Surplus / (Deficit) | | - | | (11,648) | |

¹ Represents amounts that PREPA is responsible for under the Amended Shared Services Agreement (approx. \$269K) and the Insurance Collaboration Agreement (approx. \$2.3M).

Exhibit C

PREPA FY25 HoldCo and HydroCo Budget Proposals in native format. Submitted to the Energy Bureau via e-mail (secretaria@jrsp.pr.gov).

FY25 Budget Details and Justifications for HoldCo and HydroCo

Labor Operating Expenses

Salaries & Wages

- Base salaries are forecast based on projected number of employees and hourly wages, and assuming the average employee works 1,950 hours a year (37.5 hours per week). Headcount for FY2025 is estimated to be 170 employees across HoldCo and HydroCo. Retirements are assumed based on employees with more than 24 years of service, with no additional attrition assumed. Salaries are based on hourly salaries of PREPA in January 2024 plus a 15% increase for the Classification and Remuneration Plan for qualified employees.
- **Classification and Remuneration Plan**
 - o In FY2025, PREPA intends to implement the “Classification and Remuneration Plan” that is currently being developed by C2S Consulting. PREPA engaged with C2S Consulting in order to comply with the Circular Letter (OSG-2022-002) that was issued by the Secretary of the Governor on February 25, 2022. The Circular Letter requested that all government entities, specifically public corporations, to update their Classification and Remuneration Plans. Furthermore, in accordance with Circular Letter OSG-2022-002, the Office of Administration and Transformation of Human Resources of the Government of Puerto Rico (OATRH) issued the Special Memorandums 6-2022 and 4-2023 of March 1, 2022 and March 14, 2023, respectively, requesting necessary information of the public corporations such as the status of the Classification and Remuneration Plan, the Contractor’s name that is working with the update of the Plans and the status of the update.
 - o C2S Consulting is currently classification and remuneration of PREPA’s staff, for employee positions across HoldCo, HydroCo and Riego. While the Classification and Remuneration Plan is not yet finalized, PREPA has budgeted for a 15% increase to the base salary of 98employees. The estimated amount of 15% has taken into consideration adjustments to base salaries for items such as cost of living, labor markets, inflationary matters etc.
 - o PREPA stresses that revising their Classification and Remuneration Plan was not a PREPA choice but was in compliance with executive orders.

Employee Benefits

- Employee benefits are calculated as 25% of Base Salary, which is based on historical and projected costs for Worker’s Compensation Insurance, Federal Payroll taxes for Social Security and Medicaid, and the employee Health Plan.

Overtime Pay

- For eligible employees, overtime benefits are budgeted at 10% of Base Salaries HoldCo employees and 18% of Base Salaries for HydroCo employees, based on historical and projected costs for necessary overtime hours worked.

Overtime Benefits

- For eligible employees, overtime benefits are budgeted at 12% of Overtime Pay, which is based on historical and projected costs for Worker's Compensation Insurance and Federal Payroll taxes for Social Security and Medicaid.

Non-Labor Operating Expenses

Materials and Supplies

PREPA uses the same methodology for HoldCo and HydroCo as it relates to Materials and Supplies. Materials and Supplies are budgeted on a price per unit basis, whereas the price per unit was determined through the supply contracts. Each directorate at PREPA determines the number of units they will need for the fiscal year.

Transportation, Per Diem and Mileage

PREPA uses the same methodology for HoldCo and HydroCo as it relates to budgeting for Transportation, Per Diem and Mileage. Transportation represents the maintenance expense PREPA incurs in order to maintain their vehicle fleet. PREPA currently has a fleet of over 70 vehicles across HoldCo and HydroCo. PREPA's vehicle fleet includes various types of vehicles such as the typical passenger vehicle, bucket trucks, Kawaski mules (4x4 utility vehicle), trailers, etc. In order to determine maintenance expenses, vehicles are assigned a class based on the type of vehicle. Each class is assigned a cost per hour maintenance expense. Each vehicle is expected to operate for a total of 960 hours for the fiscal year. Below is the FY2025 rate sheet for vehicle fleet maintenance.

| Class | Type / Description | Cost per Hour | Total Annual Hours | FY25 Annual Rate |
|--------------|---|--------------------------|-------------------------------|-----------------------------|
| 0 | Utility | \$ 5.83 | 960 hrs. | \$ 5,596.80 |
| 1 | Passenger Type | \$ 5.83 | 960 hrs. | \$ 5,596.80 |
| 2 | Light Duty Panel Trucks | \$ 7.46 | 960 hrs. | \$ 7,161.60 |
| 3 | Trucks with Brigades, Platform, Dump or Heavy Load Beds | \$ 9.99 | 960 hrs. | \$ 9,590.40 |
| 4 | Construction Bucket Truck | \$ 9.35 | 960 hrs. | \$ 8,976.00 |
| 5 | Lightweight Bucket Truck | \$ 15.33 | 960 hrs. | \$ 14,716.80 |
| 6 | Special Equipment Vehicle | \$ 28.40 | 960 hrs. | \$ 27,264.00 |
| 7 | Trailer | \$ 1.01 | 960 hrs. | \$ 969.60 |
| 8 | Panel Truck / Chassis Cab | \$ 7.46 | 960 hrs. | \$ 7,161.60 |

Per Diem and Mileage is budgeted in two different categories: internal travel (within Puerto Rico) and external travel (outside Puerto Rico).

Internal Travel Methodology

| Metric | Amount |
|-------------------|--|
| Breakfast | \$4.50/meal |
| Lunch | \$8.00/meal |
| Dinner | \$8.00/meal |
| Midnight | \$5.00/meal |
| Lodging | \$55.00/night |
| Mileage | \$0.50/mile |
| Tolls and Parking | Dollar amount based on historical travel estimates |

External Travel Methodology

| Metric | Amount |
|--------------------------------------|--------------------|
| Airfare – Abroad (i.e. London) | \$3,000 round trip |
| Airfare – United States (i.e. Miami) | \$1,000 round trip |
| Car Rent / Taxi Service | \$50 per day |
| External Days (Hotel, Meals) | \$150 per day |

Retiree Medical Benefits

PREPA provides postretirement medical benefits outside of the PREPA ERS (i.e., not paid from pension trust). The eligibility for receiving medical benefits is 30 years of service. This benefit does not have an asset reserve or investments to support funding, and therefore this benefit is fully funded through annual operating expenses. There are approximately 6,830 retirees that receive the OPEB medical benefit. The Retiree Medical Benefits fall into two categories, benefits for retirees under 65 (approximately 1,280 retirees) and benefits for retirees 65 and older that are eligible for Medicare (approximately 5,550 retirees). The Retirement System expects ~160 new retirees to qualify for the retiree medical benefits across all agencies during the 2025 fiscal year.

The Under 65 plan is a bridge for retirees not yet eligible for Medicare, providing coverage for medical services for the retiree and their spouse. Medical services include, but are not limited to, medical-surgical, hospital, mental health, controlled substance abuse, pharmacy, major expenses and dental services. The under 65 group is one that continues to grow, since mobile employees who retire with 30 years of service from PREPA's Retirement System are entitled to enter PREPA's retiree plan.

The 65 & Over plan is a Medicare Advantage Fee Contract Medical plan for retirees over 65 eligible for Medicare, providing coverage for medical services for the retiree and their spouse. Medical services include, but are not limited to, medical-surgical, hospital, mental health, controlled substance abuse, pharmacy, major expenses, and dental services. The 65 & older group continues to grow by group of minor retirees.

During 2023, a Request for Proposal (“RFP”) was performed, in which a Medical Plan was negotiated for both categories of retiree medical benefits. Both contracts were granted to the insurer MMM Healthcare, LLC, who was the proponent who presented the most competitive cost. The contracts were granted for a term of one year, from January 1, 2024 to December 31, 2024.

Since these contracts are awarded and administered on a calendar year basis, projected expenditures for the 2025 fiscal year are based on 6 months of actuals under the 2024 calendar year contracts, plus 6 months of estimates.

Both groups of Retiree Medical Benefits are subject to change depending on the number of retirees and the required/determined benefits. An increase in the premiums from FY2024 to FY2025, is based on the scenarios presented by MMM, the current insurer, in the RFP 2023. The increase in the cost of medical benefits is in line with the expected patterns of increase in utilization and cost (both due to the inflationary element and rate adjustments to providers). In addition, pharmacy costs have increased due to patterns of increments in the cost of medications on the island.

Security

Consistent with the Energy Bureau’s public policy, PREPA has and continues to implement technology that will all it to continue operating with minimum physical presence of security guards, while expanding its capabilities to protect and monitor its assets, facilities, and lands. Unlike FY2024, PREPA will have independent contracts from Genera PR as it relates to Security Services.

Genesis Security Services

- PREPA contracts with Genesis Security Services to provide surveillance and protection services in all the facilities and agencies of PREPA in both the Northern Region (15 sites) and Southern Region (12 sites). Cost estimates are based on providing 27 security personnel (including 4 special service) in the Northern Region and 18 security personnel (including 4 special service) in the Southern Region.
- Annual cost estimates are projected based on weekly estimates that were derived from the following formula: hourly rate of security personnel * estimated hours for each location for 1 week * 52 weeks = annual cost

estimate. Note, the cost per holiday is not included in the weekly costs and is added to the annual total.

- For example, 1 preventative patrol guard at Hidroeléctrica Dos Bocas has hourly rate of \$18.47 and estimated hours of 168 hours/week for a total cost of \$3,103/week, or ~\$161K per year.
- In all facilities, there is only one (1) security guard per shift (the bare minimum) except in the Rio Blanco hydroelectric plant where there are two (2) between 6:00pm and 6:00am; Guajataca where there are two (2) security guards between 6:00am and 2:00pm; and Irrigation Guayama where there are two (2) security guards in all three shifts. Following site inspections and risks analyses, PREPA concluded these facilities required, at least, two (2) security guards during the specified shift due to the vast size of the perimeter and associated risks.

Protective Security Systems

- Protective Security Systems provides PREPA services for the conservation, maintenance, and repairment services for all its security equipment, including but not limited to, controlled access gates and systems in all PREPA facilities (i.e., at the Dams and Reservoirs), and all components of the closed-circuit television system (“Maintenance Contract”). The Maintenance Contract is necessary to guarantee proper operation of all access gates, magnetic security systems for pedestrian gates and magnetic security systems for internal accesses in the hydro-electric plants and all other PREPA facilities.

IT - Maintenance & Corporate Services

In FY2024, IT Maintenance & Corporates Services were funded through a disbursement from the Commonwealth, which was earmarked specifically for PREPA’s separation activities. The FY2025 IT maintenance and corporate services budget are the costs required for PREPA to maintain independent IT/OT infrastructure. PREPA ascertains that these contracts and associated costs are not duplicated in the Shared Services Separation budget. Below is a summary of the key services.

| Service Provider | Key Services |
|--|--|
| In Two Corp Cyber Security | Provides secure archival and account management capabilities and independent cybersecurity measures for HydroCo to maintain operational independence as mandated by reorganization. |
| In Two Corp Managed Azure Services | |
| HUB Networks Advanced Transport Services | Ethernet and internet transport circuits and connections between 10 locations near Hydro and PropertyCo assets and HUB 787 building in Isla Verde. This transport circuits connect PREPA IT/OT system configuration center which enables PREPA to provide intranet and internet to all PREPA’s dependencies. |

| | |
|--|---|
| Oracle Caribbean Tenant | Annual renewal of license related to the operations of the Retirement ERP System. |
| SIDIF del Caribe Service Desk and Adobe Acrobat Licenses | Provides the helpdesk software to manage all technology related requests from PREPA system users. |
| Liberty Communications Services Internet Access | Provider of internet and phone services for PREPA. |
| PRITS Microsoft and Oracle Licenses | Until PREPA can fully stand up an independent ERP system from LUMA, PREPA must maintain licenses to guarantee access to Microsoft and Oracle systems such as Ebusiness suite. |
| LT Automation OSI PI Vision Licenses | <u>These licenses give access to the OSI Soft PI Vision application system (the "System"). The System provides data related to the electric, irrigation, dams, and water reservoirs systems for oversight purposes. This historic and real-time data includes all types of electric generation (fossil, solar, eolic, landfill, and hydro), fuel consumption, meteorological measures, dam water levels, and irrigation channels flow metering. This information is published on PREPA's website. The information is shared with the Governor's office and EPA for environmental regulatory purposes.</u> |
| Oracle Caribbean PAAS and LAAS Universal Credit | Related to the separation and stand up of both the Retirement ERP System and PREPA's independent ERP System from LUMA as a result of the Shared Services separation. It is required by PREPA to create a historical memory of historical data in the digital space in order to assure all historical records are maintained. |
| Go Daddy | Annual cost of maintaining PREPA's independent domain names of <i>prepa.pr.gov, aeepr.co and prepa.com</i> |
| NSAT | Provide satellite phone services for emergency situations related to hydroelectric plants, irrigation systems, dams and water reservoirs, including natural disasters. As part of PREPA's Emergency Plan, PREPA must have access to satellite phones. |
| CISCO Webex | Equipment and necessary licensing to operate videoconference systems installed in PREPA's conference rooms throughout the NEOS building. |

Utilities and Rents

This line is solely comprised of the water utility expenses incurred at the NEOS building that PREPA pays to Puerto Rico Aqueduct and Sewer Authority, also known by its Spanish acronym "AAA".

Legal Services

Legal Professionals

- **González & Martínez Law Firm, P.S.C.**

González & Martínez Law Firm, P.S.C. (“González & Martínez”) is PREPA’s primary legal consultant and provides the following legal services to PREPA:

- **Labor Claims:** González & Martínez represents PREPA in approximately 15,342 active labor claims, which are currently highly engaged and subject to expedited deadlines. In addition to litigation in the applicable administrative forum, González & Martínez represents PREPA in all related appellate proceedings in the Court of Appeals.
- **State and Federal Civil Matters:** González & Martínez represents PREPA in over 80 civil suits filed across various State Courts of Puerto Rico and the Federal District Court of Puerto Rico, including injunctions and ordinary proceedings. These civil suits are contentious and complex, involving expert discovery, dispositive motions, valuation of damages for bodily injury, trial proceedings, appeals, settlement agreements and post-judgment procedures before PREPA’s Governing Board, the Energy Bureau and the Puerto Rico Financial Oversight and Management Board.
 - **Litigation Expenses:** Plaintiffs are becoming more sophisticated in the litigation of their cases and are retaining a wide array of experts to substantiate both liability and their specific claimed damages. To provide PREPA with a proper defense, the proposed budget for González & Martínez includes an allocation for litigation expenses that include, but is not limited to, liability expert witnesses (other than Eng. Víctor Manuel Ruiz Pérez, PREPA’s liability expert), psychiatric and/or psychological expert witnesses to evaluate and rebut plaintiffs’ claims for emotional damages; CPAs or economists to compute present value of damages in catastrophic cases; a wide array of medical experts (these include, but are not limited to, orthopods, physiatrists and neurologists) to evaluate and rebut plaintiffs’ claims for bodily injury; and life care planners to evaluate and rebut plaintiffs Life Care Plans. These expert witnesses not only provide an expert report but also assist González & Martínez in the development of the legal strategy, preparation for depositions, site inspections, etc. The proposed budget for González & Martínez also contemplates other litigation expenses such as stenographers or court reporters for deposition expenses, interpreters, etc.
- **Energy Bureau:** González & Martínez manages over 30 cases before the Energy Bureau, many of which require periodic filings. Presently, the firm is responsible for PREPA’s filings in connection with the FY25 budgets and the Rate Case. It also represents PREPA in over eight hundred fifty (850) energy theft claims.

- **PREPA's Audited Financial Statements:** González & Martínez has provided critical legal advice and support to PREPA in connection with the 2022 and 2023 audited financial statements and will continue to provide such support for PREPA's 2024 audited financial statements. González & Martínez's participation and legal advice has been crucial to the completion and issuance of PREPA's FY22 audited financial statements and the drafting of PREPA's FY23 financial statements, working hand in hand with PREPA's internal departments, external consultants, auditors, the Puerto Rico Treasury Department and other agencies.
 - **Day-to-day legal inquiries:** González & Martínez also supports PREPA's Legal Affairs Department on day-to-day inquiries about contractual interpretation of the OMAs, responses to RFIs notified by local agencies, and legal communications with the private contractors and regulatory bodies.
- **Corretjer, LLC**
 - Corretjer, LLC provides PREPA with legal representation in over 40 complex civil matter cases, including administrative forums, arbitration, as well as state and federal courts. These cases include, but are not limited to, labor and employment cases filed at the local or federal forums involving claims such as discrimination, wrongful dismissal, salaries or breach of labor contracts, and contract and settlement negotiations, litigation and legal opinion.
- **Eng. Víctor Manuel Ruiz Pérez**
 - Eng. Ruiz Pérez is currently PREPA's only liability expert. He provides expert technical advice and opinion in the field of electrical engineering as an expert witness in all civil cases against PREPA for damages purportedly cause 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 expert testimony is required by PREPA in matters related to electrical engineering.
 - As a result of the transformation, PREPA lacks the employees that can serve as a liability expert witness. As such, PREPA solely relies on Eng. Ruiz Pérez to serve as liability expert witness in all its cases.
- **Lcdo. Ramón Mendoza**
 - Provides PREPA, particularly PREPA's legal directorate, with legal advice and services in specialized matters and complex litigation in various legacy cases that remain in court, conducting legal research and drafting legal memorandums and opinions (among others), and provides legal services in judicial and administrative undertaking in all the cases and mattered referred by PREPA.
- **Baker Donelson Caribe**

- Provides legal advisory services on the investigations carried out by the U.S. Office of the Inspector General and advises on compliance with the requirements for the reimbursement of federal funds after the passage of Hurricane María.
- **Global Consultas Asociados, LLC**
 - **Eminent Domain Cases:** Global Consultas Asociados, LLC provides PREPA with the proper defense and legal representation in more than 20 eminent domain cases that are currently pending before the Court of the Commonwealth of Puerto Rico.
 - **Appraisals and Surveying of Properties:** Global Consultas Asociados, LLC also provides PREPA, particularly, PropertyCo, with appraisal and surveying services, studies of demarcation for each of PREPA's lots, plot plans of lots with description of boundaries, title studies amongst others.
 - It is important to note that the execution of PropertyCo's divestment plan has been halted due to the lack of budget to conduct the necessary appraisals, surveys, etc.
- **Regulatory Compliance (Non-Title III and Non-Federal Disaster Relief related works)**
 - Internal audits of PREPA's Governing Board and any other PREPA area or department (excluding LUMA and Genera, PR), as PREPA's Governing Board and/or its Executive Director may request, 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, legal guidance in cases regarding similar acts perpetrated against PREPA or by PREPA employees or contracts.
 - Regulatory Compliance works to meticulously validate invoices submitted by contractors for services reimbursable by the Federal Emergency Management Agency (FEMA). To reconcile invoices accurately and efficiently, Regulatory Compliance employs rigorous auditing procedures to ensure compliance with FEMA guidelines and local regulations.
- **King & Spalding (Non-Title III)**
 - Provide PREPA with any legal services in connection with all matters related to Renewable and Energy Storage IRP.
 - Legal services in connection with resolutions and orders by the Energy Bureau, medication 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 service relating Puerto Rico Public Private Authority ("P3A").
- **Local Legal Services – Strategia Legale, LLC**
 - Provide legal advice relating to administrative statutes, procedures, and regulations, public policy, legislative processes, and constitutional law. These

services include, but are not limited to: (i) legal research, drafting of legal opinions, contract review, public policy analysis, and other matters; (ii) legal advice on adequate management of RFPs and/or other competitive procurement processes; (iii) legal advice, strategy and assistance with local legislative and/or congressional subpoenas, hearings, and other affairs; (iv) legal advice, legal representation, and 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; (vi) crisis management and public communications advice; and (vii) any other matter that might be delegated by PREPA at its own discretion.

- **McGuire Woods**

- Firm solely focused on PREPA's insurance litigation with respective insurance companies related to storm damage claims (i.e., Hurricane Maria and the earthquakes) and reimbursements to PREPA.

Litigation Claims Settlement Reserves

- Per the Oversight Board's January 16, 2024 letter to PREPA titled "Access to Cash at Hand for Payment of Post-Petition Civil Case" the Oversight Board stated that "...PREPA should include in its proposed budget for FY2025 a litigation reserve to address similar unforeseen legal expenses, promoting transparency and fiscal responsibility." In compliance with the Oversight Board, PREPA has budgeted all necessary litigation claims reserve amounts reflective of the predicted settlement of multiple cases, not just one like FY2024.

- **Reserve – General Civil Cases Settlement and Judgments**

- In compliance with the Oversight Board's mandate, PREPA's legal consultants evaluated the cases that may be settled, or where a judgment may be rendered in FY 2025 and recommended an estimated reserve. Based on this analysis, PREPA made the determination to reserve \$3,000,000.00, for these purposes.

- **Reserve - Eminent Domain Cases Settlement and Judgments**

- In compliance with the Oversight Board's mandate, Global Consultas evaluated the eminent domain cases that may be settled, or where a judgment may be rendered in FY 2025 and recommended an estimated reserve. Based on this analysis, PREPA made the determination to reserve \$5,500,000.00, for these purposes.

Communication Expenses

PREPA will no longer use this category in FY2025. Communication Expenses are included under the "IT – Maintenance & Corporate Services" line for FY2025.

Professional & Technical Outsources Services

Professional & Technical Outsourced Services are comprised of numerous contracts that are not exclusive to one (1) directorate. See 'KOE_500 HoldCo' and 'KOE_500 HydroCo' tabs in the budget workbook for more details.

Regulation & Environmental Inspection

HoldCo

- **BONUS Plant** - PREPA maintains the responsible party under the Long-Term Surveillance and Maintenance Plan ("LTS&M Plan") for the former Boiling Nuclear Superheater (BONUS) reactor facility in Rincón, Puerto Rico. The U.S. Army Corps of Engineers prepared a report for the U.S. Department of Energy Legacy Management titled "Boiling Nuclear Superheater (BONUS) reactor Facility, located in Rincon, Puerto Rico – Maintenance Costs" dated March 25, 2024. The report outlines the surveillance and maintenance activities and associated costs that the U.S. Army Corps of Engineers recommends based on their site assessment of the BONUS facility.

The U.S. Army Corps of Engineers report outlines one-time maintenance costs as well as annual maintenance costs. The one-time maintenance costs are included in the HoldCo NME budget for the BONUS Plant. The annual maintenance costs are summarized below and are included in PREPA's operational budget.

| Maintenance Item | Unit of Measure | FY25 Amount (in USD) |
|--|-----------------|----------------------|
| Fertilizing, add for weed control | 2,770.00 MSF | \$ 30,254 |
| Mowing, lawn mowing, improved areas, 18" - 22", power mower | 2,770.00 MSF | 41,592 |
| Watchman, security service, uniformed person, monthly basis, min | 8,760.00 HR | 360,632 |
| Annual radiological survey | 1.00 LS | 92,400 |
| Annual structural inspection | 1.00 LS | 57,750 |
| Misc repairs after inspection | 1.00 LS | 115,500 |
| Total Annual Maintenance Costs | | \$ 698,128 |

- **Climate Change** – In compliance with Law 33-2019 and under Executive Order OE-2013-016 PREPA is required to carry out a vulnerability study on PREPA's existing infrastructure to climate change. PREPA will develop an adaptation plan to confront the study's findings.
- **Hogan's Lovell's Contract** - Environmental legal advice in relation to the modification of the Consent Decree, management of the CERCLA (PROTECO) and OCHOA Case among others. PREPA must maintain environmental legal advice to ensure its interests before regulatory agencies regarding the actions of its operators. PREPA remains responsible for all actions taken in relation to environmental compliance with regulatory actions such as the EPA, FERC, USFs, USFWS, USACE, DOE and DRNA among

- others. Additionally, with the acquisition of the Temporary Generation, a possible consent decree or special order will have to be entered into with the EPA and the DOJ.
- **Superfund PROTECO** – Under CERCLA Regulations, there is also the case of PROTECO Superfund. The case arose through a Consent Agreement (Civil Action No. 93-2527 CCC). EPA issued PREPA a “Notice of Potential Liability and Request for Information” letter and issued PREPA a “Special Notification Letter for Remedial Investigation/Feasibility Study” pursuant to Section 122(e) of CERCLA regulation. The case is currently in the study stage and periodic payments are issued based on meetings with the EPA. The total amount paid to date made by PREPA is \$656,714.45, with a projected payment amount of approximately \$350,000 for FY2025.

HydroCo

- **Solids Collection and Disposal Services HydroCo Facilities** - Per State and Federal Regulations in Puerto Rico, PREPA is required to properly collect and dispose of solid and industrial waste at our facilities.
- **Collection, transportation and disposal of water in contact with Hydrocarbons in Hydroelectric Power Plants, Reservoirs and Irrigation Canals** - Hydroelectric Power Plants work with oils and fossil fuels for emergency generators and in the event of a spill and/or contamination of water with hydrocarbons, PREPA will be required to collect, transport and dispose of water that comes in contact with Hydrocarbons.
- **Contract upon request for collection and disposal of lighting fixtures, batteries, electronic equipment and emergency response to spills of less than 2,100 gallons** – This single contract allows PREPA to comply with State and Federal environmental regulations necessary.
- **Contract to provide Sampling and Analysis services for Regulated Contaminants such as Asbestos and Lead for the HydroCo Facilities** – To comply with all applicable federal, state and municipal laws, environmental, health and safety regulations, sampling and analysis services for regulated contaminants such as asbestos and lead must be conducted for Hydroelectric Plants, Irrigation Systems, Dams and Reservoirs.
- **Contract to provide Disposal services for Regulated Contaminants such as Asbestos and Lead for the HydroCo Facilities** - Provide disposal service for regulated contaminants such as asbestos and lead, for Hydroelectric Plants, Irrigation Systems, Dams and Reservoirs. These services will be requested according to need. State and federal environmental regulations require proper disposal of all hazardous and non-hazardous solid waste in PR.
- **Contract for the Relicensing Process of the Rio Blanco Operation Permit (FERC)** - This contract is for the relicensing process of the FERC Operating Permit for the Río Blanco Hydroelectric Plant. The process must begin before April 2024, it takes approximately 5 years. The cost of the work for this process is estimated at \$2.2

million, including a Resolution of the Government Board authorizing the RFP. For this fiscal year, expenses are estimated at \$320,000. This calculation is for the management and necessary procedures with FERC and the federal regulatory agencies involved in the project. This Operating License is a requirement because the Hydroelectric Plant is located on federal lands.

- **Biological Studies Icacos Dam Río Blanco Hydroelectric Power Plant** - Contract to carry out biological studies downstream and upstream of the Icacos Dam at the Río Blanco hydroelectric plant at the request of the U.S. Forest Service Regulatory Agency for the relicensing process of the plant's operating permit.
- **Request for Plan Evaluation Services (Rio Blanco Survey and BONUS)** - The Forest Service carried out survey studies of the boundaries of its property and the easement of the Río Blanco hydroelectric project. The U.S. Fish and Wildlife Services required PREPA to evaluate and certify information with a licensed surveying firm to complete the Exhibit G certification process for the Blanco River relicensing process.
- **Unforeseen Emergency Response Expenses** – To assure prudent and responsible operations, PREPA must be prepared for the potential need for emergency response services in the event of an operation or construction activities at the HydroCo facilities could occur (isolated incidents), hydrocarbon spills, etc. that contaminate the land or bodies of water. If PREPA does not deploy an emergency response, it can lead to fines or administrative sanctions by state and federal environmental regulatory agencies. The Regulation and Environmental Division has a contract to respond to small emergency situations up to 2,100 gallons of contaminated water with a limited budget. This account is intended to have an immediate response to spills greater than 2,100 gallons.

External Audit Services

PREPA management and the 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.

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 (11) audited financial statements – seven (8) for PREPA (fiscal years ending June 30, 2015, 2016, 2017, 2018, 2019, 2020, 2021 and 2022), and three (3) for PREPA's ERS (fiscal years 2015, 2016, 2017).

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 five (5) consultants needed for its External Audit Services herein. 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.

It should be noted that the process to issue the FY2022 financial audit and begin the FY2023 audit process was severely disrupted by the drastically reduced operational budget for PREPA External Audit Services. The lack of funding sufficiency completely restricted PREPA's ability to continue the audit of the financial statements process through the support of its five (5) outside consultants – KPMG, Galindez, Cavanaugh Macdonald, Guzman and Sargent & Lundy. PREPA was forced to halt all efforts in connection with its FY2022 audited financial statements for most of the first half of FY2024, which unduly delayed the issuance of both PREPA's FY2022 audited financial statements and the FY2022 audited financial statements for Government of Puerto Rico.

PREPA turned to the Puerto Rico Treasury Department ("Treasury Department") to discuss PREPA's budgetary constraints and insufficient funds to complete and issue the FY2022 audited financial statements, through which the Treasury Department reached an agreement with PREPA and received approval from the Oversight Board to fully cover the professional services for the audit and issuance of PREPA's FY2022 audited financial statements. In addition to the FY2022 audit, the Treasury Department will cover the amounts necessary to perform and issue PREPA's FY2023 audited financial statements.³ The Treasury Department has informed PREPA that it will not pay for the drafting, auditing process and issuance of PREPA's financial statements for FY2024.

Notwithstanding the Energy Bureau's September 22, 2023 Resolution and Order⁴ ordering PREPA to include a projection as to the external audit resources and budgets that PREPA anticipates will be needed in FY2025, PREPA includes in their FY2025 budget the total necessary amounts to perform, complete and issue only the FY2024 financial audit statements during FY2025.

In compliance with the Energy Bureau's September 22, 2023 Resolution and Order, PREPA certifies that the amount being requested in relation to External Audit are the total necessary amounts to perform, complete and issue the FY2024 financial audit statements during FY2025.

- **KPMG, LLC**

KPMG provides PREPA with auditing services for the preparation of financial statements. In FY2025, KPMG will be responsible for auditing PREPA's financial statements for the year ended June 30, 2024.

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 FY2025.

- 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 2025. 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

- **Cavanaugh Macdonald Consulting, LLC**

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

- Governmental Accounting Standard Board Number 68 (GASB 68)
 - Prepare a detailed GASB 68 Disclosure Report for PREPA for the fiscal year ending June 30, 2024, 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
- Governmental Accounting Standard Board Number 75 (GASB 75)
 - Prepare a detailed GASB 75 Disclosure Report for PREPA for the fiscal year ending June 30, 2024, 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

Equipment, Inspections, Repairs & Other O&M

- Equipment, Inspections, Repairs & Other O&M is comprised of numerous contracts that are not exclusive to one (1) directorate. See 'KOE_500 HoldCo' and 'KOE_500 HydroCo' tabs in the budget workbook for more details.

PREPA Restructuring & Title III

- O'Melveny & Myers LLP

O'Melveny & Myers, LLP ("OMM") provides legal services to PREPA on matters related to: (a) the restructuring of the outstanding indebtedness of PREPA (the "PREPA Debt Restructuring"); (b) all litigation and mediation related to the PREPA Debt Restructuring or the Puerto Rico Oversight, Management, and Economic Stability Act ("PROMESA"), as well as other litigation matters requested by PREPA or AAFAF, related to PREPA; (c) matters related to confirmation and implementation of PREPA's Title III Plan of Adjustment related to the PREPA Debt Restructuring; and (d) other corporate, finance, securities, litigation or restructuring matters, including related to the PREPA transformation process, PROMESA, relations with and submissions to the Oversight Board, fiscal plan issues, or other matters, as requested by PREPA or AAFAF, related to PREPA.

- Ankura Consulting Group

Ankura Consulting Group LLC ("Ankura") provides professional bankruptcy and financial advisory services to PREPA. Ankura's current and future workstreams and activities fall into two broad categories - (1) Title III Bankruptcy Support, and (2) Implementation of PREPA's Transformation, as mandated under Puerto Rico law, and the Oversight Board's FOMB Certified Fiscal Plans for PREPA and the Commonwealth of Puerto Rico.

Ankura's ongoing and future activities include, but are not limited to the following:

Title III Bankruptcy Support:

- **Title III Related Financial Advisory Services** – continued work with AAFAF, Oversight Board and other stakeholders on debt restructuring mediation discussions and

- financial support to legal advisors for ongoing litigation and appeals court proceedings related to confirmation of PREPA's Plan of Adjustment.
- **PREPA Plan of Adjustment Implementation** – including preparatory and support work for claims settlement, issuance of new bonds, reorganization of corporate structure and governance, and regulatory approvals.

Implementation of PREPA's Transformation:

- **Fiscal Plan Development and Implementation** - advise PREPA – which will continue to be the Covered Instrumentality, as defined under PROMESA - and work with the Oversight Board and other stakeholders, including LUMA and GENERA PR, regarding fiscal plan development, reporting and management and support on implementation of certain key strategic initiatives.
- **Strategic and Financial Advisory Support** - advise PREPA with ongoing renegotiation and implementation of amendments to contracts with critical suppliers.
- **Budget, Liquidity and Regulatory Support** - prepare analyses to support PREPA management, comply with related reporting requirements and provide information (e.g., analysis, reports) to various stakeholder groups including the Oversight Board, creditors, AAFAF, LUMA, Genera, Energy Bureau, among others.
- **Regulatory Services** – provide support to PREPA regarding the Energy Bureau's regulatory proceedings and filings related to budgets, cash flow, liquidity, resource planning, and the Rate Review for PREPA entities in coordination with and in response to requests for information from LUMA & GENERA PR.
- **Ongoing Corporate Restructuring** - advisory services for the design and implementation of new corporate structures for HoldCo, HydroCo, PropertyCo – and resulting coordination with GenCo and GridCo – to support PREPA management in their new operational, regulatory compliance and financial responsibilities in coordination with AAFAF and the P3A.
- **Transition and Integration** - coordination and integration between PREPA, LUMA, GENERA PR and other stakeholders (e.g., P3A, AAFAF, Oversight Board, Energy Bureau, related advisors) on matters such as Shared Services, consolidated financial reporting, Service Account funding, and others.
- **PREPA ERS Funding Efforts** - continued support of the emergency ERS funding needs and the implementation of the pension plan restructuring with AAFAF and the Oversight Board in accordance with the PREPA Plan of Adjustment.
- **PREPA Audited Financial Statements** - support on issuance of PREPA's audited financial statements, including Swap Validation Analysis.

Ankura's fees and expenses are subject to the Title III Court supervision and approval, including the review by the Court appointed Fee Examiner.

- **Baker Donelson Caribe, LLC**
 - Been an advisor to PREPA since 2018 on matters primarily related to federal grant funding
 - Baker Donelson most recent works in FY23 and FY24 have been related to PREPA's contracts with Whitefish and Cobra and anticipates continued work on Cobra- and Whitefish-related issues, including administrative appeals, potential arbitration(s), and resolution of Cobra's demands for payment. All of this work bears a significant relationship to PREPA's efforts to obtain an approved plan of reorganization in its Title III proceeding.
 - Baker Donelson anticipates that work related to Whitefish will be minimal going forward but expect Cobra-related work as the parties attempt to mediate their dispute and, if unsuccessful, to litigate them.
 - If litigated, Baker Donelson's role would be in support of Proskauer Rose, counsel for the Oversight Board that represents PREPA in the Title III Court. Therefore, Baker Donelson anticipates reduced total annual billings over the next three Fiscal Years (FY25, FY26 and FY27). However, there are nine First Appeals pending with FEMA that are likely to be decided within the next year and could produce additional work (Second Appeal or arbitration) should any amounts be denied.
 - Baker Donelson expects to continue to provide considerable assistance to Proskauer Rose (the Oversight Board's counsel designated to represent PREPA) on matters relating to PREPA's significant outstanding liabilities arising from unpaid bills FEMA-eligible work. This may include, for example, potential negotiation / mediation of the disputes on the amount owed to Cobra for emergency power restoration.

- **Regulatory Compliance Service Corp.**
 - Regulatory Compliance will continue to offer comprehensive regulatory compliance services, with the goal of ensuring PREPA's operations align with all relevant regulations and guidelines, mitigating risk and promoting transparency throughout the Title III bankruptcy court procedures. This includes providing assistance in navigating regulatory requirements, conducting audits to assess compliance, and implementing strategies to address any identified gaps. This may include advising on legal matters related to regulatory compliance, representing PREPA's interests in court proceedings, and offering guidance on navigating complex legal challenges.
 - Regulatory Compliance conducts thorough audits of PREPA's financial records and operational processes. These audits will help identify areas for improvement, ensure compliance with legal and regulatory requirements, and provide valuable insights to support PREPA's overall financial health and stability.

- **González & Martínez Law Office, P.S.C.**

- González & Martínez is assisting Proskauer Rose LLP and O’Melveny in preparation for the mediation and potential litigation in connection with the Cobra claim regarding municipal taxes, tax gross up and compound interests’ controversies.

FOMB Advisor Costs allocated to PREPA

Estimate as provided by the Oversight Board on February 28, 2024.

HoldCo NME

- **BONUS Plant**

- PREPA maintains the responsible party under the Long-Term Surveillance and Maintenance Plan (“LTS&M Plan”) for the former Boiling Nuclear Superheater (BONUS) reactor facility in Rincón, Puerto Rico. The LTS&M Plan outlines how the U.S. Department of Energy (DOE) Office of Legacy Management’s (LM) and PREPA, as partners, will maintain protection of human health and the environment and comply with applicable laws and regulations in the post closure care.
- To ensure protection of human health and the environment and comply with applicable laws and regulations, PREPA is required to construct a chain link fence around the facility, reconstruct the retaining wall and recondition the dome area.
- As mentioned, the U.S. Army Corps of Engineers prepared a report for the US Department of Energy Legacy Management titled “Boiling Nuclear Superheater (BONUS) reactor Facility, located in Rincon, Puerto Rico – Maintenance Costs” dated March 25, 2024. The report outlines the surveillance and maintenance activities and associated costs that the US Army Corps of Engineers recommends based on their site assessment of the BONUS facility.
- The U.S. Army Corps of Engineers report outlines one-time maintenance costs as well as annual maintenance costs. The annual maintenance costs are included in the HoldCo Regulation and Environmental budget. The approximate \$2.2M being requested under NME for the BONUS plant is reflective of only the one-time maintenance expenses.

- **Facilities Maintenance**

- The Property, Facilities, and Fleet Division manages, reconditions, and maintains over 80 properties that became the responsibility of PREPA. Some properties require resurfacing, land conditioning, and sealed paint to prevent deterioration of the structures. As part of this project, we have implemented a mechanics workshop for the fleet of PREPA vehicles, since the mechanics workshops moved to LUMA with the transition. This involves reconditioning the entire existing

property for these purposes. PREPA maintains a fleet of over 70 official vehicles and equipment across HoldCo, PropertyCo and HydroCo. Official vehicles and equipment range from automotive vehicles, such as pickup trucks, bucket trucks, and trailers, to welding equipment, mowers and 4x4 utility vehicles. PREPA performs all maintenance of these vehicles and equipment at the automotive workshop. In order to maintain workplace safety standards, the automotive workshop is in need of roof repairs and general maintenance of the workshop area, as well as replacing workshop equipment and tools.

- **Other Property PREPA Security System**

- PREPA has been directed by the Energy Bureau to implement cost effective perimeter barriers, surveillance system technology, and vigilance practices suited to PREPA's mandate to downsize, and the nature of the facilities and security needs being addressed. To achieve such reduction, PREPA needs to install items such as closed-circuit television cameras, electronic access control, specialized cameras for operations, gate motors, concrete bases, control panel equipment, installation and configuration, fiber optic connections, among others.
- As a more detailed example, PREPA intends to implement the remote supervisory for safety and security to Toro Negro Plant 1, Dos Bocas, Yauco Plant 2, and an audible and visual alarm system to notify the community when the dam gates are open.

- **Facilities Improvement**

- PREPA maintains a fleet of over 250 official vehicles and equipment across HoldCo, PropertyCo and HydroCo. Official vehicles and equipment range from automotive vehicles, such as pickup trucks, bucket trucks, and trailers, to welding equipment, mowers and 4x4 utility vehicles. PREPA performs all maintenance of these vehicles and equipment at the automotive workshop. FY2025 estimates represent the acquisition of equipment and tools to supply the Bechara mechanics workshop with the necessary equipment for the diagnosis, analysis, repair, and maintenance of PREPA's vehicle fleet.

HydroCo NME

- **Hydroelectric Unit Improvement**

- In May 2021, Black & Veatch prepared issued a report titled “Feasibility Study for Improvements to Hydroelectric System”, whereas Black & Veatch performed an evaluation of the generation unit frequency response and potential remote control at 10 hydroelectric facilities. Hydroelectric investment is a major component of building a foundation for a well-planned, progressive and orderly transition to renewable power generation. Facility upgrades that are required at all sites include mechanical and electrical systems, generators, turbines and controls, penstock,

water conveyance, transmission and communication, governors, flood contract, and drainage.

- In FY2025, PREPA intends to install new turbine governor for automation at Toro Negro 1 and 2, Garzas 1 and Dos Bocas, whereas a turbine uses the force of moving water to push a series of blades to produce electrical energy and the governors control the speed and power output of the turbine. Furthermore, PREPA intends to install a Human Machine Interface (“HMI”) system for the Dos Bocas hydroelectric units, which provides an interface through which operators interact with and monitor the various components and processes of the power plant. An HMI system typically consists of graphical displays, control panels, and software applications that allow operators to visualize real-time data, control equipment, and manage the overall operation of the plant. This system plays a crucial role in ensuring the efficient and safe operation of the hydroelectric power plant by providing operators with the necessary tools and information to monitor and control the plant's processes effectively.
- **Hydroelectric Units Station Protective Coating**
 - Additional facilities improvements are associated with the extension of useful life to the infrastructure against deterioration from corrosion and UV rays’ erosion hydroelectric plants: Rio Blanco, Dos Bocas, Caonillas 1, Garzas 2 Yauco 1, Yauco 2.
- **IT/OT Infrastructure and the Expansion of IT Systems to Reservoirs**
 - As part of the Shared Services unbundling and termination required under the TDOMA, PREPA must implement its own independent IT/OT infrastructure, including those at the Hydroelectric facilities. Items that PREPA will need to install include, but are not limited to, VHF Radio System extensions to reservoirs, fiber optic cables for the distributed control system at the hydroelectric plants, demand meters and open platform communication servers, amongst others.
- **Hydroelectric, Dams and Irrigation Security System**
 - PREPA has been directed by the Energy Bureau to implement cost effective perimeter barriers, surveillance system technology, and vigilance practices suited to PREPA's mandate to downsize, and the nature of the facilities and security needs being addressed. To achieve such reduction, PREPA needs to install items such as the camera system for remote supervisory for safety and security, audible and visual alarm system to notify the community when the dam’s gates are open, etc.
- **Preliminary Studies – Dam and Reservoirs**
 - In order to comply with Dams and Reservoirs Inspection Programs, preliminary studies on stability are required. PREPA intends to perform stability studies and inspections at Lucchetti and Garzas.
 - Additionally, PREPA has identified various repair projects to penstocks and structural crack repairs at Rio Blanco and Toro Negro. Additional hydroelectric unit improvements to optimize and modernize existing units and repair Yauco 1 to enter the unit into service have been identified.

Shared Services Agreement

Pursuant to the LGA OMA, LUMA began providing interim Shared Services to PREPA under the Shared Services Agreement (SSA) on June 1, 2021, coincident with LUMA's Commencement. The services are provided at cost with no mark-up or profit, and they are predominately related to common or shared IT/OT, Finance, and, at that time, Operations-related O&M for some plant equipment under PREPA's control. The original SSA expired six (6) months after the Commencement of the GenCo operator, ultimately set at December 31, 2023, consistent with Genera's July 1, 2023, Commencement.

During the period to December 31, 2023, PREPA completed various measures to establish independent operations consistent with the overall restructuring; however, a variety of plans and initiatives could not be completed by the SSA termination date. Consequently, PREPA requested to conditionally extend the original SSA to continue some services until PREPA could assume responsibility for the services. Correspondingly, LUMA and PREPA entered into a new, Amended and Restated Shared Services Agreement (Amended SSA) to satisfy the services requested by PREPA. The Amended SSA extended services related to IT/OT services in the area of labor and non-labor, and Finance services in the areas of labor only.

PREPA's Amended SSA will terminate on September 30, 2024, with the potential for certain services to terminate earlier. As requested by LUMA, PREPA has budgeted for Shared Services through the Q1, or 3 months, of FY2025, and in compliance with the conditions outlined in the Amended SSA. The Insurance Collaboration Agreement will serve as an annual agreement for PREPA, LUMA and Genera to jointly solicit and place common insurance policies. The collaboration agreement will not flow through the current Shared Services invoice structure, rather a new and separate intercompany invoice structure will be introduced during the FY2025 policy cycle. Per the request of LUMA, PREPA has budgeted for 7% of the total annual insurance program costs.

PREPA's Labor, Non-Labor and Insurance costs are subject to a 60%/40% split between HoldCo and HydroCo. See 'FY25_Shared Services Agreement' tab in the budget workbook for more detail.

Shared Services Separation

PREPA has been working diligently alongside LUMA, Genera and AAFAF, in order to assure successful completion of Shared Services Separation. PREPA in conjunction with AAFAF has prepared a business case project plan.

Once implemented, PREPA will have an outsourced Shared Services Administrator that will manage the necessary vendors needed to replace the LUMA's Shared Services centers for the PREPA subsidiaries of HoldCo, HydroCo and PropertyCo. Vendors include a Business Process Outsourcing ("BPO") provided and an ERP system integrator. PREPA will own all finance and accounting activity.

The Enterprise Resource Planning ("ERP") implementation project is the deployment of an independent ERP system, spanning over an approximate 34-week period and focuses on the Finance, Accounting and Treasury services. The new ERP system will replace the legacy system, which is currently owned and maintained by LUMA.

The ERP implementation is split into three phases: Phase I - Financial Applications Implementation (i.e., Accounts Payable, General Ledger, Cash Management etc.), Phase II - Procurement Applications Implementation (i.e., Purchasing, Receivables & Advanced Collections, Sourcing etc.), and Phase III - Financial Integrations and Co-Mingled Fixed Assets (Balance Sheet Split). Phase I and Phase II are run in parallel, with the completion of Phase III being dependent on the Balance Sheet Separation.

Once implemented, PREPA will have an outsourced Shared Services Administrator that will manage the necessary vendors needed to replace LUMA's Shared Services centers for the PREPA subsidiaries of HoldCo, HydroCo and PropertyCo. Vendors include a Business Process Outsourcing ("BPO") provider and an ERP system integrator. PREPA will own all finance and accounting activity.

Despite numerous delays due to budget constraints and approvals, PREPA anticipates full separation, with the exception of Insurance, from LUMA by June 2025.

The initial deployment and implementation costs in FY2024 were funded through a combination of: (i) the Energy Bureau-approved \$780,000 for FY24 to commence the ERP implementation during the months of February/March 2024; and (ii) certain additional funding to be disbursed from the Commonwealth, which has been earmarked specifically to finance the outsourcing service model deployment. The Commonwealth funding is expected to be a one-time disbursement that will be provided to the outsourced Shared Services Administrator.

For FY2025 and forward, PREPA is responsible for all recurring costs required to maintain an independent ERP system from LUMA and Genera. Additionally, in FY2025 only, PREPA is responsible for the Phase III Deployment Cost to implement the ERP Cloud. See 'FY25_Shared Services Separation' tab in the budget workbook for more detail.