

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

NEPR
Received:
Jun 18, 2024
11:39 PM

IN RE: REVIEW OF LUMA'S INITIAL
BUDGETS

CASE NO.: NEPR-MI-2021-0004

**MOTION IN RESPONSE TO THE JUNE 12TH ORDER
REGARDING HOLDCO'S RIGHTSIZING**

1. On December 8th, 2023, the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau") issued a *Resolution and Order* ("December 8th Order") whereby it ordered PREPA, *inter alia*, to prepare and submit for the Energy Bureau's review:

...a Detailed Plan with action items, expected results, responsible party(ies), and due dates needed to achieve the reduced headcount footprint and labor expenses, starting on July 1, 2024, to get the HoldCo Organization in line with both staffing levels and business operations that correctly correspond to its substantially downsized mandated and associated approved budgets as it was originally approved in the June 25 Resolution.

2. On March 22nd, 2024, PREPA filed *Motion in Compliance with December 8th Order regarding HoldCo's Rightsizing*. In essence, PREPA informed that, as of November 28th, 2023, it was compliant with the 255-headcount imposed by Puerto Rico Fiscal Agency and Financial Advisory Authority ("AAFAF"), which is the following:

56 employees for HoldCo; two (2) employees for PropertyCo; 29 employees for the Pension Administration; and 168 employees for HydroCo.¹

3. On May 17th, 2024, the Energy Bureau issued a *Resolution and Order* ("May 17th Order") whereby it concluded that "PREPA's March 22 Motion is non-compliant with and unresponsive to the Directive set forth by the Energy Bureau in the December 8 Resolution." Further, the Energy Bureau stated that "PREPA demonstrates a marked reticence to comply with Energy Bureau directives intended to bring PREPA's labor force into line with PREPA's reduced responsibilities and the corresponding approved budget." Finally, the Energy Bureau directed PREPA to:

submit, a Detailed Plan with action items, expected result, responsible party(ies), and due dates needed to achieve the reduced headcount footprint and labor expenses, starting on July 1, 2024, to get the HoldCo Organization in line with both staffing levels and business operations that correctly correspond to its substantially downsized mandate and associated approved budgets as it was originally approved in the June 25 Resolution.

4. On May 31st, 2024, PREPA filed its *Motion for Brief Extension of Time to Comply with the May 17th Resolution and Order* ("May 31st Motion"). In said motion, PREPA explained that the undersigned attorney had been on a sick leave due to complications with her pregnancy, which prevented her from discussing and working on PREPA's motion in compliance with the May 17th Order.

¹ It is worth noting that, for purposes of the analysis performed by AAFAF, HoldCo is separate from PropertyCo and the Pension Administration. However, for budgetary purposes and related filings made before the Energy Bureau, the term "HoldCo", as used by PREPA, includes HoldCo, PropertyCo and the Pension Administration.

For purposes of this motion, the term "HoldCo" will be defined in paragraph seven (7).

5. On June 12th, 2024, the Energy Bureau issued a *Resolution and Order* ("June 12th Order") whereby it reiterated and modified its previous orders to PREPA as follows:

to respond to the orders contained in the December 8 and May 17 Resolutions, and submit, "a Detailed Plan with action items, expected result, responsible party(ies), and due dates needed to achieve the reduced headcount footprint and labor expenses, starting on July 1, 2024, to get the HoldCo Organization in line with both staffing levels and business operations that correctly correspond to its substantially downsized mandate and associated approved budgets as it was originally approved in the June 25 Resolution - this plan should also include employee titles and associated salary and benefit expenses. A Monthly Status Update on the status of the defined actions and any added corrective actions needed to take to achieve the desired results by July 1, 2024, shall be submitted as well.

6. In response to the June 12th Order, PREPA informs that, after evaluating its operations during FY24, the inevitable conclusion is that any further reduction of the HoldCo's headcount will curtail its effective operation and cause PREPA to fail to comply with its legal obligations. As such, PREPA hereby informs that albeit its best efforts, it is unable to submit a plan before this Energy Bureau to further reduce HoldCo's headcount; ie. PREPA is already working with the less than the minimum amount of staffing necessary and any further reduction would directly affect it day to day operations.

7. HoldCo is comprised of the following offices or departments: (1) Office of the Governing Board; (2) Office of the Executive Director; (3) Asset Management; (4) Emergency Management Office and Disaster Adm.; (5) Office of Innovation Projects (PMO); (6) Disaster Funds Management Office (DFMO); (7) Retirement System Administration; (8) IT/OT Department; (9) Legal Affairs Department; (10)

Environmental Protection Office; (11) Finance Department; (12) Purchases Department; (13) Property Co Office; (14) Human Resources Department; (15) Press and Public Relations Office. See *Motion Submitting PREPA's FY 2025 Budget Proposals for HoldCo and HydroCo in Compliance with June 12th Order*, Exhibit C, tab FY25_Labor Operating Expense.

8. The personnel employed in these offices and departments is essential for HoldCo's efficient and effective operation. Further reducing HoldCo's headcount, which is already at less than the acceptable minimum, would hinder PREPA's efficient operation which, in turn, would cause more harm than good not only to PREPA, but to the People of Puerto Rico.

9. Contrary to the Energy Bureau's conclusion in its May 17th Order, PREPA is not reticent about complying "with the Energy Bureau directives intended to bring PREPA's labor force into line with PREPA's reduced responsibilities." PREPA has carried out significant efforts to bring its labor force in line with its current responsibilities and, as explained in the March 22nd Motion, operates with a headcount far more reduced than it deems appropriate.

10. PREPA is unable to propose additional personnel reduction measures to the ones already implemented because all current HoldCo employees are indispensable for its proper and effective operation. PREPA respectfully submits that the Energy Bureau has incorrectly minimized PREPA's responsibilities and role following the commencement of the private operators. HoldCo continues to have significant legal and regulatory obligations, pursuant both to federal and state law. Per the Operation and Maintenance Agreements with the private operators, and as the

recent mandates issued by both the Governor of Puerto Rico and this Energy Bureau in connection with the outage events reported during June 2024 confirm, PREPA – and particularly HoldCo– plays a pivotal oversight role in its relationship with the private operators. See, for instance, Section 3.5 of the Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement which provides as follows “each of Owner, Administrator, PREB and their respective Representatives shall have the right to access the T&D System assets and all System Information for Oversight of Operator’s performance of the O&M Services and to otherwise carry out their obligations under Applicable Law...” Further reducing HoldCo’s headcount would jeopardize PREPA’s ability to properly oversee the private contractors, when needed, leaving the Energy Bureau, the Puerto Rico Public-Private Partnerships Authority and, ultimately, the People of Puerto Rico without its expert knowledge and insight.

11. As explained in the March 22nd Motion, various HoldCo departments are understaffed and, as a result, its employees overworked. This is particularly true in the Finance, Human Resources and Legal Affairs Departments. To comply with its multiple legal duties and obligations, these departments require additional employees or an increased budget to outsource the required services.

12. Notwithstanding, and in an effort to address the Energy Bureau’s concerns, PREPA did not propose a headcount increase for HoldCo in FY25, but based its budget proposal on its current headcount of 86 employees. See *Motion Submitting PREPA’s FY 2025 Budget Proposals for HoldCo and HydroCo in Compliance with June 12th Order*, Exhibit C, tab FY25_Labor Operating Expense.

13. In compliance with the June 12th Order, PREPA submits, as **Exhibit A** of this motion, the list of HoldCo's employee titles.

14. The associated salary and benefit expenses can be found in the *Motion Submitting PREPA's FY 2025 Budget Proposals for HoldCo and HydroCo in Compliance with June 12th Order*, Exhibit A - PREPA's FY 2025 HoldCo Budget Proposal and Exhibit C - PREPA FY25 HoldCo Budget Proposals in native format, tab FY25_Labor Operating Expense. Additional information regarding HoldCo's labor expenses can be found in the *Motion Submitting PREPA's FY 2025 Budget Proposals for HoldCo and HydroCo in Compliance with June 12th Order*, Exhibit D - FY25 Budget Details and Justifications for HoldCo and HydroCo.

15. Finally, as **Exhibit B** of this motion, PREPA submits the job description of all its job posts, where the Energy Bureau will be able to find the job description of HoldCo's job positions.

WHEREFORE, PREPA very respectfully requests the Energy Bureau to take **NOTICE** of the information submitted herein.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 18th day of June 2023.

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

Exhibits

Exhibit A – HoldCo Job Titles and Exhibit B – PREPA Job Descriptions can be accessed through the following link:

<https://www.dropbox.com/t/3PDqfWyQyIB8bWlc>