

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

**IN RE:** PUERTO RICO ELECTRIC POWER  
AUTHORITY'S PERMANENT RATE

**CASE NO.:** NEPR-MI-2020-0001

**SUBJECT:** Resolution and Order pertaining to *Motion in Compliance with Resolution and Order of October 16, 2024*, filed by the Puerto Rico Electric Power Authority; Hearing Examiner Designation.

**RESOLUTION AND ORDER**

On October 16, 2024, the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau") issued a Resolution and Order ("October 16 Resolution") through which it ordered the Puerto Rico Electric Power Authority ("PREPA") to respond to a requirement of information pertaining to LUMA's<sup>1</sup> Current System Liquidity and LUMA's allegations that PREPA has chronically failed to fully fund LUMA's Service Accounts pursuant to their obligations under the Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement ("T&D OMA") and the Puerto Rico Thermal Generation Facilities Operation and Maintenance Agreement ("LGA OMA").

On October 25, 2024, PREPA filed a document titled *Motion in Compliance with Resolution and Order of October 16, 2024* ("October 25 Motion"). In its October 25 Motion, PREPA acknowledges that Section 7.5 of the T&D OMA and Section 7.6 of the LGA OMA details PREPA's obligations related to funding LUMA's Service Accounts.<sup>2</sup> Nonetheless, PREPA argues that these obligations are contingent on the availability of sufficient liquidity within PREPA's accounts, sourced primarily from revenues generated through billing and collections and federal reimbursements for federally funded projects, processes that are solely under LUMA's control.<sup>3</sup> According to PREPA, since Commencement Date, LUMA has been ineffective with both its revenue generation obligations, while incurring in unnecessary and/or unreasonable spending.<sup>4</sup> PREPA further argues that its liquidity shortfall is a direct consequence of LUMA's deficient collection for power services, collection, and suspension of power service to delinquent customers, collection of pole attachment fees, among others, as well as the administration of the T&D system federally funded capital projects and substantial delays in federal reimbursements.<sup>5</sup> PREPA claims that full replenishment of Service Accounts can only be achieved by addressing LUMA's deficiencies and shortfalls.<sup>6</sup> PREPA also provided its answers to our October 16 Resolution requirement of information and reiterated its ability to fund Service Accounts has been compromised by factors outside its direct control, specifically stemming from LUMA's operational inefficiencies, mismanagement, and apparent lack of expertise in critical areas such as revenue collection and federal funding administration.<sup>7</sup>

Liquidity issues were also highlighted in a letter marked as *Confidential Communication* to the Energy Bureau from Hon. Omar J. Marrero Díaz, Secretary of State and Executive Director of the Puerto Rico Fiscal Agency and Financial Advisory Authority ("AAFAF"), underscoring the urgency and impact of PREPA's liquidity challenges and the imminent need to address these cash constraints with short- and long- term solutions that allow PREPA to adequately

<sup>1</sup> LUMA Energy, LLC and LUMA Energy ServCo, LLC (referred to jointly as "LUMA").

<sup>2</sup> October 25 Motion, p. 2, ¶ 1.4.

<sup>3</sup> *Id.*, pp. 2 – 3.

<sup>4</sup> *Id.*, p. 3, ¶ 1.5.

<sup>5</sup> *Id.*, pp. 3 – 4, ¶ 1.6.

<sup>6</sup> *Id.*, p. 4, ¶ 1.7.

<sup>7</sup> *Id.*, Exhibit A; pp. 6 – 7, ¶ 1.12.



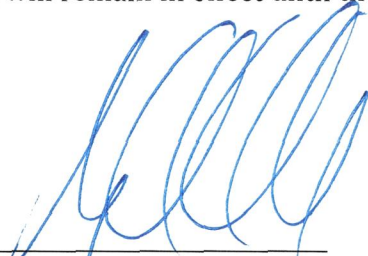
fund Service Accounts under the T&D OMA and the LGA OMA. AAFAF urged the Energy Bureau to take all actions deemed necessary to ensure that PREPA has sufficient liquidity to carry out its functions, including the replenishment of Service Accounts.


The Energy Bureau **TAKES NOTICE** of PREPA’s October 25 Motion and **DESIGNATES** Scott Hempling to serve as a Hearing Examiner to address the referenced critical liquidity issues. This matter is of significant importance, as it directly impacts our electric systems’ funding, which in turn may affect its operational continuity and obligations to the public. Given the urgency and potential ramifications, the Hearing Examiner must give the highest priority to this case and facilitate an expedite resolution.

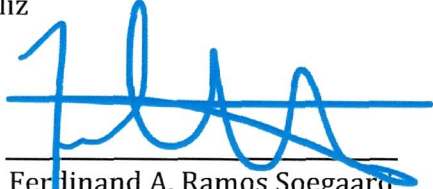
This referral is intended for the Hearing Examiner to evaluate all positions and perspectives thoroughly and to issue a final recommendation to the Energy Bureau. Scott Hempling has been appointed by the Energy Bureau as an Examiner to conduct the proceedings of the above captioned case as it pertains to the liquidity challenges raised. Scott Hempling shall have the authority to (1) administer oaths and take depositions; (2) issuing subpoenas; (3) receive and evaluate evidence; (4) preside hearings; and (5) hold conferences to streamline procedures. This does not include the imposition of administrative fines.

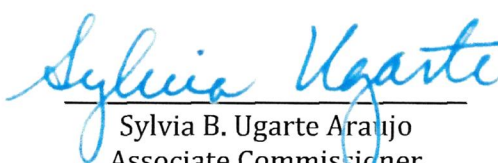
The appointment of Scott Hempling will remain in effect until the Energy Bureau expresses the contrary.


Be it notified and published.

  
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Edison Avilés Deliz  
Chairman

  
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Lillian Mateo Santos  
Associate Commissioner

  
\_\_\_\_\_  
Ferdinand A. Ramos Soegaard  
Associate Commissioner

  
\_\_\_\_\_  
Sylvia B. Ugarte Aranjó  
Associate Commissioner

  
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Antonio Torres Miranda  
Associate Commissioner

**CERTIFICATION**

I certify that the majority of the members of the Puerto Rico Energy Bureau agreed on October 30, 2024. Also certify that on October 30, 2024, I have proceeded with the filing of this Resolution and Order and was notified by email to arivera@gmlex.net; yahaira.delarosa@us.dlapiper.com; margarita.mercado@us.dlapiper.com, hrivera@jrsp.pr.gov; legal@genera-pr.com; regulatory@genera-pr.com; jfr@sbgblaw.com; alopez@sbgblaw.com.

I sign in San Juan, Puerto Rico, today, October 30, 2024.

  
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Sonia Seda Gaztambide  
Clerk

