

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

**IN RE:** REVIEW OF LUMA'S INITIAL  
BUDGETS AND RELATED TERMS OF  
SERVICE

**CASE NO.:** NEPR-MI-2021-0004

**SUBJECT:** *PREPA's Motion in Compliance  
with December 26 Resolution and Order  
Regarding PREPA Employee Retirement  
System Funding.*

**RESOLUTION AND ORDER**

On November 15, 2024, the Puerto Rico Electric Power Authority ("PREPA") filed a document titled *Urgent Motion to Address PREPA Employee Retirement System Funding* ("Urgent Motion") before the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau"). In the Urgent Motion, PREPA stressed the critical funding situation concerning PREPA's Employee Retirement System ("ERS"). The ERS provides, according to PREPA, monthly pension benefits to over 12,000 plan participants totaling approximately \$25 million. PREPA stated that ERS funds would be exhausted by December 2024.

On November 18, 2024, upon review of the Urgent Motion, the Energy Bureau issued a Resolution and Order ("November 18 Order") requiring PREPA to, within two days (i) file a proposal for, to the extent possible, reallocate funds from the HoldCo FY2025 Approved Budget to cover pension obligations (even if partially); and/or (ii) file a petition, with the support of LUMA<sup>1</sup>, as may be required, clearly identifying which of the potential solutions allowed under Act 57-2014, *known as the Puerto Rico Energy Transformation and RELIEF Act*, as amended, PREPA proposes (other than the rate case already commenced by the Energy Bureau under docket NEPR-AP-2023-0003) to solve the alleged pension obligations issue. Should a petition under Act 57-2014 be required to solve the pension obligations issue, the Energy Bureau ordered PREPA, if necessary, to collaborate with LUMA, to expeditiously file the petition to ensure PREPA's ability to meet its pension obligation beyond December 2024.

On November 20, PREPA filed a document titled *Motion in Compliance with November 18 Order* stating that the reallocation of funds from the HoldCo FY2025 Approved Budget was not a feasible solution. Still, PREPA identified three (3) strategies that could address the pension funding crisis and ensure the continuity of payments to retirees. These solutions all require coordinated efforts from PREPA, the Energy Bureau, the Government of Puerto Rico, and private operators to achieve sustainable outcomes. Generally, the three strategies were:

- (i) Short Term Solution - the use of \$74,255,336.63 of FEMA<sup>2</sup> reimbursement funds which PREPA anticipated would be obligated by mid-December 2024 and that their receipt would allow PREPA to, once again, reallocate these monies to fund three months of pension payments<sup>3</sup>;
- (ii) Mid Term Solution - a loan from the Central Government of Puerto Rico PREPA proposed that the Government of Puerto Rico extend a second emergency loan to cover the remainder of the pension obligations for FY2025. This measure would provide immediate relief to ensure uninterrupted pension payments while allowing time for the development and implementation of other mid-term solutions. Such a loan would be consistent with prior financial interventions from AAFAF<sup>4</sup>, the

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

<sup>2</sup> U.S. Federal Emergency Management Agency ("FEMA").

<sup>3</sup> According to PREPA, these funds were received by PREPA on December 18, 2024.

<sup>4</sup> The Puerto Rico Fiscal Agency and Financial Advisory Authority ("AAFAF", for its Spanish acronym).



Government and FOMB<sup>5</sup> to address critical funding shortfalls for public corporations while PREPA exits from the Title III bankruptcy.

- (iii) Long Term Solution - Resolution through Title III Proceedings. As pension payments are classified as legacy debt under PROMESA<sup>6</sup>, the resolution of the pension funding crisis ultimately relies on the Title III proceedings currently before Judge Taylor Swain.

On December 26, 2024, the Energy Bureau issued a Resolution and Order ("December 26 Order") approving, as a short-term measure, the allocation of \$74,255,336.63 of FEMA reimbursements for payment of PREPA's pension obligations and requiring PREPA to identify the source of budgeted funds it will employ to pay pension benefits after these funds are exhausted.

On January 26, 2025, PREPA filed a document titled *Motion in Compliance with December 26 Resolution and Order Regarding PREPA Employee Retirement System Funding* ("January 26 Motion") in which PREPA restated that the reallocation of funds from HoldCo FY2025 budget to address the pension funding situation is not feasible. In the January 26 Motion, PREPA proposes two (2) new strategies, to address the pension funding crisis and ensure the continuity of payments to retirees. According to PREPA, these solutions require collaboration between PREPA, the Energy Bureau, the Government of Puerto Rico, and private operators to achieve sustainable outcomes.<sup>7</sup> The proposed strategies are:

- (i) The analysis of LUMA and Genera<sup>8</sup> Budgets for Efficiency and Savings to identify efficiencies (or inefficiencies), efficiency in spending, and federal funds management results. PREPA proposes a reduction of 10% in LUMA's budget and 2% in Genera's budget and concurrent reallocation of these amounts (in monthly installments) to PREPA to help fund its monthly pension obligations. Nevertheless, according to PREPA, these amounts together represent \$75,000,000, which would only provide three months of funding for PREPA's ERS obligations, leaving a \$225,000,000 yearly gap; and<sup>9</sup>
- (ii) The LUMA's reimbursement to PREPA of \$496 million paid from PREPA's federal funds reimbursement accounts for service account funding which according to PREPA resulted in funding that covered LUMA's costs and inefficiencies regarding federally funded reconstruction projects and related reimbursements. These reimbursed funds, diverted to support LUMA's service account funding, were otherwise intended to enhance PREPA's liquidity and financial stability. PREPA proposes that LUMA repay this amount in structured monthly installments of \$30M, allowing PREPA to restore its financial capacity and allocate these funds toward addressing the pension funding crisis. This repayment is essential for ensuring that PREPA can meet its statutory obligations while maintaining its operational integrity<sup>10</sup>

In the January 26 Motion, PREPA requests that the Energy Bureau take notice of PREPA's compliance with the December 26 Order and its ongoing efforts to address the pension funding crisis and urges the Energy Bureau to initiate an investigation into LUMA Energy's procurement practices and financial management, as detailed in FEMA's December 27, 2024, letter. PREPA alleges that such an investigation is "critical to ensuring accountability, recovering mismanaged funds, and redirecting resources toward resolving the pension

<sup>5</sup> The Financial Oversight and Management Board for Puerto Rico ("FOMB").

<sup>6</sup> The Puerto Rico Oversight, Management, and Economic Stability Act ("PROMESA"), Act 2 of 2017.

<sup>7</sup> January 26 Motion, p. 8.

<sup>8</sup> GENERA PR, LLC ("Genera")

<sup>9</sup> *Id.* at p. 10.

<sup>10</sup> *Id.* at pp. 10-11.





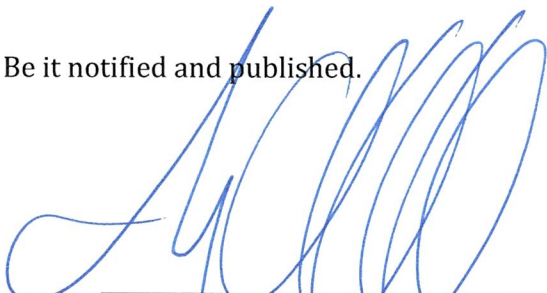
funding crisis”. Additionally, PREPA requests the Energy Bureau consider and approve the proposed solutions. PREPA further seeks collaboration with the Energy Bureau, the Central Government of Puerto Rico, and private operators to develop and implement sustainable mid- and long-term strategies to ensure financial security for thousands of retirees and their families.

Upon review of the January 26 Motion, the Energy Bureau **FINDS** it is in the public’s best interest that the two (2) new proposed solutions be subject to analysis under the existing investigation regarding PREPA’s cashflow concerns under *In Re: Puerto Rico’s Electric System Cashflow and Cash Position Concerns*, Case No. NEPR-IN-2024-0004. Consequently, the Energy Bureau **ORDERS** Mr. Scott Hempling, as designated Hearing Examiner of the investigation in progress under the proceeding *In Re: Puerto Rico’s Electric System Cashflow and Cash Position Concerns*, Case No. NEPR-IN-2024-0004 to include the analysis of the foregoing proposed strategies as part of his investigation. Finally, for expediency purposes, the Energy Bureau **TAKES NOTICE** of the January 26 Motion and **ORDERS** the Energy Bureau’s Clerk to file a copy of the same in the docket of *In Re: Puerto Rico’s Electric System Cashflow and Cash Position Concerns*, Case No. NEPR-IN-2024-0004.


It must be noted that the foregoing, as stated in the Resolution and Order issued October 25, 2023 in this proceeding<sup>11</sup>, should not preclude PREPA (*i.e.*, Hydroco and other affiliates), and Genera and LUMA from reaching an agreement regarding new budget allocations, provided they are within the 2017 rate case revenue requirements and present such proposed revised allocations to the Energy Bureau for its approval.

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Be it notified and published.



Edison Avilés Deliz  
Chairman



Sylvia B. Ugarte Araujo  
Associate Commissioner



Ferlinand A. Ramos Soegaard  
Associate Commissioner



Antonio Torres Miranda  
Associate Commissioner



<sup>11</sup> ....any motion requesting budget review or amendment must be developed jointly by PREPA, LUMA and Genera, and filed by LUMA, regardless of whether or not a party is requesting review or amendment of the approved budget. All parties must acknowledge and state their position regarding the request for review or amendment made by any party in such joint motion regardless of whether such party is requesting review or amendment of the approved budget.

## CERTIFICATION

I hereby certify that the majority of the members of the Puerto Rico Energy Bureau has so agreed on January 31, 2025. Associate Commissioner Lillian Mateo Santos did not intervene. I also certify that on January 31, 2025, a copy of this Resolution and Order was notified by electronic mail to RegulatoryPREBOrders@lumapr.com; margarita.mercado@us.dlapiper.com, julian.angladapagan@us.dlapiper.com; Yahaira.delarosa@us.dlapiper.com; mvalle@gmlex.net; arivera@gmlex.net; alopez@sbgbllaw.com, jfr@sbgbllaw.com, hriviera@jrsp.pr.gov, legal@genera-pr.com; regulatory@genera-pr.com; and I have proceeded with the filing of the Resolution and Order issued by the Puerto Rico Energy Bureau.

For the record, I sign this in San Juan, Puerto Rico, on January 31, 2025.



Sonia Seda Gaztambide  
Clerk