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

IN RE: PUERTO RICO ELECTRIC POWER AUTHORITY RATE REVIEW	**CASE NO.: NEPR-AP-2023-003**

REPLY BRIEF ON LEGAL & POLICY ISSUES OF OFFICIAL COMMITTEE OF UNSECURED CREDITORS OF PREPA

TABLE OF CONTENTS

Page

I. PRELIMINARY STATEMENT 1

II. BONDHOLDERS' INITIAL BRIEF RESTS ON HEAVILY CONTESTED ASSUMPTIONS AND UNDETERMINED LEGAL DISPUTES, WHICH ONLY THE TITLE III COURT CAN ADJUDICATE 2

III. IMPLEMENTING A LEGACY DEBT RIDER WILL NOT FACILITATE PREPA'S EXIT FROM TITLE III 4

IV. CONCLUSION 4

TABLE OF AUTHORITIES

Page(s)

Cases

In re Fin. Oversight & Mgmt. Bd. for P.R.,
121 F.4th 280 (1st Cir. 2024).....2

TO THE HONORABLE PUERTO RICO ENERGY BUREAU:

In accordance with the Hearing Examiner's Order,[1] Intervenor the Official Committee of Unsecured Creditors of PREPA (the "Committee")[2] respectfully submits this Reply Brief on Legal & Policy Issues, and states as follows:

I. PRELIMINARY STATEMENT

Throughout this rate case, including the post-hearing briefing, the Committee has demonstrated that imposing, at this time, a Legacy Debt Rider, including the Bondholders' so-called "placeholder," zero-dollar rider: (i) is unsupported by the existing evidentiary record; (ii) offers no efficiencies and would likely create more expense and delay; and (iii) is inconsistent with both the recommendations of PREB's own consultants and the approach adopted by other regulators of electric utilities that were the subject of a bankruptcy.[3]

The Bondholders' recently-filed *Initial Legal and Policy Brief* only further highlights that establishing their proposed "placeholder" Legacy Debt Rider prior to the conclusion of PREPA's Title III Case is imprudent and without legal and factual basis. Indeed, the Bondholders improperly ask PREB to impose a Legacy Debt Rider now without any of the essential inputs and information that PREB will need to properly carry out its duties, not to mention ask PREB to interfere with the Title III Court's exclusive jurisdiction to determine the amount, priority, and treatment of PREPA's Legacy Debt. Without that information and/or determinations by the Title III Court, it is unclear how the Bondholders believe that PREB has the ability or obligation to responsibly deliberate and decide the amount, format, or structure of such a rider.

Yet, the Bondholders' *Initial Legal and Policy Brief* repeatedly advances issues that: (i) are vigorously contested in the Title III Court (including by the Committee); (iii) on which the Title III Court (or the First Circuit, for that matter) has yet to rule; and (iii) the Title III Court, alone, has the authority to determine. The Bondholders' own brief, thus, demonstrates why PREB should not (and cannot) establish any Legacy Debt Rider prior to the final determination of the amount, priority, and treatment of all of PREPA's Legacy Debt.

---

1 *Hearing Examiner's Order on Exhibits, Miscellaneous Post-Hearing Matters, and Legal Issues*, NEPR-AP-2023-0003 (Dec. 22, 2025).

2 The Committee was granted Intervenor status by order dated May 21, 2025.

3 *See, e.g.*, *Committee's Initial and Reply Briefs on Rate Design*; *Committee's Initial Brief on Legal and Policy Issues*, NEPR-AP-2023-0003. Capitalized terms used but note defined herein have the meanings ascribed to such terms in the Committee's prior briefs.

II. BONDHOLDERS' INITIAL BRIEF RESTS ON HEAVILY CONTESTED ASSUMPTIONS AND UNDETERMINED LEGAL DISPUTES, WHICH ONLY THE TITLE III COURT CAN ADJUDICATE

The Bondholders' argument for a "placeholder" Legacy Debt Rider is premised on a series of assumptions, one of which is that the outcome of PREPA's Title III Case would require PREPA to pay approximately $8.5 billion in bond debt—an assumption the Bondholders claim is based on a final ruling issued by the First Circuit Court of Appeals. However, nothing in the Title III Case or the First Circuit's ruling suggests that the Bondholders are entitled to recover $8.5 billion, or anything close to that amount. In fact, the First Circuit (in language the Bondholders conveniently omit) explained that:

> **[T]his is not to say that the Bondholders must be paid $8.5 billion.** Rather, **it is to say** that the Bondholders' allowed **claim** on PREPA's estate is on the order of $8.5 billion. And **that** allowed **claim** is **only secured "to the extent of the value of [the Bondholders'] interest" in the Net Revenues** and the Sinking and Subordinate Funds. . . . If the value of those liens is less than the allowed claim amount, **then the Bondholders are undersecured**.[4]
>
> ***
>
> We **do not decide** what effect, if any, confirmation of a plan of reorganization will have on the bondholders' security interest, nor do we attempt to estimate the economic **value** of that security interest.[5]

In other words, and contrary to the Bondholders' representations to PREB, the First Circuit has never held that the Bondholders are "fully secured."[6] In fact, just this week, the Title III Court reiterated the very point that the Committee has been stressing to PREB throughout this rate case – that the "**value** of the Net Revenues, **if any**, securing [their claim against PREPA] **is to be determined in the first instance by [the Title III] Court**."[7] Moreover, the First Circuit held that the Bondholders' claim is a nonrecourse claim, such that they may "look **only** to [their] collateral for satisfaction of [PREPA's bond] debt and do[] not have any right to seek payment of any deficiency from [PREPA's] other assets."[8]

In short, what the Bondholders are entitled to receive under any confirmed plan of adjustment is inextricably tied to the value of their security interest. That value has not yet been determined by the Title III Court and **cannot** be determined by any other court or judicial or

---

4 *In re Fin. Oversight & Mgmt. Bd. for P.R.*, 121 F.4th 280, 312-13 (1st Cir. 2024) (internal citation omitted) (emphasis added).

5 *Id.* at 290 (emphasis added).

6 *Bondholders' Initial Post-Hearing Brief on the Revenue Requirement*, NEPR-AP-2023-0003, at 89 (Jan 24, 2026) ("[T]he First Circuit ruled that Bondholders' $8.5B claim is fully secured by PREPA's Net Revenues....").

7 *Opinion and Order Denying PREPA Bondholders' Motion for Allowance of Administrative Expense Claim*, Case No. 17-4780-LTS, Dkt. 6063, at 17 (D.P.R. Mar. 16, 2026) (emphasis added) ("Order Denying Bondholders' Administrative Expense Motion"). In this ruling, the Title III Court denied the Bondholders' motion for a $3.7 billion administrative expense claim against PREPA.

8 *In re Fin. Oversight & Mgmt. Bd. for P.R.*, 121 F.4th at 313-14 (internal citation omitted, emphasis added).

administrative body. Nevertheless, the Bondholders, at best, gloss over this foundational issue, presenting as a *fait accompli* that PREPA will be required to pay them $8.5 billion. But this rate case (and, even more narrowly, the wisdom of a placeholder Legacy Debt Rider) is not the forum to litigate the value of their secured claim. That must be determined exclusively by the Title III Court, and any Legacy Debt Rider should not be based on assumptions about disputed issues that remain unresolved by the Title III Court.

Similarly misplaced is the Bondholders' argument that PREB can and should implement a Legacy Debt Rider now because the Bondholders have priority over other holders of Legacy Debt, such as general unsecured creditors. This argument ignores that, as the Committee previously pointed out, certain General Unsecured Claims are entitled to priority over the Bondholders because they: (i) can and should be paid from assets that are not subject to the Bondholders' liens; (ii) qualify as Current Expenses under the Trust Agreement; or (iii) constitute necessary operating expenses of PREPA or are expenses that preserved the value of PREPA's ability to continue to generate and distribute electricity to its customers. These issues have not yet been decided by the Title III Court, but whatever the ultimate outcome of these disputes, it cannot be disputed that these issues must be resolved by the Title III Court. Yet, the Bondholders offer approximately five pages of argument in support of their interpretation of Current Expenses even though PREB has no authority to resolve it.

Nor should PREB establish a "placeholder" Legacy Debt Rider on the argument that it is **possible** that the Title III Court and/or First Circuit could subsequently decide the Bondholders' legal positions are correct (which the Committee disputes). To the extent PREB establishes a Legacy Debt Rider **in anticipation** of one or more specific outcomes(s) of PREPA's Title III Case—necessarily to the exclusion of all other outcomes—it would have no foundation for that decision.[9] Until the Title III Court has determined the amount, priority, and treatment of all of PREPA's Legacy Debt, and resolved the ongoing, complex disputes regarding the Bondholders' claims and the extent of any repayment on the Bonds, PREB should take no action on the Legacy Debt Rider, in any form.[10]

---

[9] Indeed, it was by design that the record contains no evidence about the possible outcomes in PREPA's Title III Case. PREB's February 10, 2026 *Resolution & Order* specifically excluded any evidence or testimony on the amount of Legacy Debt and the method for determining that debt. Accordingly, the Bondholders' extensive arguments about the amount and priority of their claim against PREPA does not only ask PREB to insert itself into the Title III Court's exclusive jurisdiction—it also runs counter to PREB's directive for the rate case.

[10] This is also why PREB does not have any statutory duty to impose an empty "placeholder" Legacy Debt Rider prior to the outcome of PREPA's Title III Case. The Bondholders argue that "PREB is charged with ensuring that PREPA can repay its bond obligations." *Bondholders' Initial Legal and Policy Brief*, NEPR-AP-2023-

III. IMPLEMENTING A LEGACY DEBT RIDER WILL NOT FACILITATE PREPA'S EXIT FROM TITLE III

The Bondholders assert that PREB's implementation of a "placeholder" Legacy Debt Rider now will "facilitate[] PREPA's exit from Title III."[11] This is simply not true and there is zero evidence in the record to support that conclusion. As explained in the Committee's prior briefing, every alleged efficiency or benefit the Bondholders predict would materialize from implementation of a "placeholder" Legacy Debt Rider remains speculative argument, unsubstantiated by the evidentiary record or, worse, expressly contradicted by it.[12]

IV. CONCLUSION

The Bondholders' latest brief is 53 pages, much of which is devoted to legal argument (or assumed legal conclusions) related to the amount, priority, and treatment of PREPA's Legacy Debt. But those questions are exclusively within the jurisdiction of the Title III Court, and PREB should not make any decisions based on the Bondholders' self-serving presentations of those highly disputed and complex issues. PREB, however, need not reach any of these legal questions because the Legacy Debt Rider should be dispensed with on much simpler grounds: the inadequacy of the evidentiary record.

Respectfully submitted on March 20, 2026.

Certificate of Service: We hereby certify that, on this date, we have filed this motion through the online filing system of the PREB and sent a copy[13] to the ***PREB Clerk***: secretaria@energia.pr.gov, secretaria@jrsp.pr.gov, legal@jrsp.pr.gov, sseda@jrsp.pr.gov; to the *Hearing Examiner* Scott Hempling: shempling@scotthemplinglaw.com; and to all:

Parties and Intervenors:

mvalle@gmlex.net; alexis.rivera@prepa.pr.gov; jmartinez@gmlex.net; jgonzalez@gmlex.net; nzayas@gmlex.net; Gerard.Gil@ankura.com; Jorge.SanMiguel@ankura.com; Lucas.Porter@ankura.com; mdiconza@omm.com; golivera@omm.com; pfriedman@omm.com; msyassin@omm.com; katiuska.bolanos-lugo@us.dlapiper.com; Yahaira.delarosa@us.dlapiper.com; margarita.mercado@us.dlapiper.com; carolyn.clarkin@us.dlapiper.com; andrea.chambers@us.dlapiper.com; regulatory@genera-pr.com; legal@genera-pr.com; mvazquez@vvlawpr.com; gvilanova@vvlawpr.com; dbilloch@vvlawpr.com; ratecase@genera-pr.com; jfr@sbgblaw.com; hrivera@jrsp.pr.gov; gerardo_cosme@solartekpr.net; contratistas@jrsp.pr.gov; victorluisgonzalez@yahoo.com; Cfl@mcvpr.com; nancy@emmanuelli.law; jrinconlopez@guidehouse.com; Josh.Llamas@fticonsulting.com; Anu.Sen@fticonsulting.com; Ellen.Smith@fticonsulting.com; Intisarul.Islam@weil.com;

0003, at 10 (Mar. 6, 2026). But PREB is not charged and, indeed, is prohibited from, answering any of the predicate questions, including the most basic one: how much money are the Bondholders entitled to receive? PREB has, and can have, no duty until that question is answered—and it can be answered only by the Title III Court.

[11] *Id.* at 2.

[12] *Committee's Reply Brief on Rate Design*, NEPR-AP-2023-0003, at 9 n.37 (Mar. 3, 2026) (noting, prior to submission of the Bondholders' Initial Brief, that "[n]othing in the record … substantiates this assertion."). Nor should it be lost on PREB that the Bondholders oppose confirmation of PREPA's current plan of adjustment and, in doing so, delay (at best) or block (at worst) PREPA's exit from bankruptcy.

[13] This service list conforms to the email from Ms. Sonia Seda Gaztambide dated February 6, 2026.

alexis.ramsey@weil.com; kara.smith@weil.com; rafael.ortiz.mendoza@gmail.com; rolando@emmanuelli.law; monica@emmanuelli.law; cristian@emmanuelli.law; luis@emmanuelli.law; jan.albinolopez@us.dlapiper.com; Rachel.Albanese@us.dlapiper.com; varoon.sachdev@whitecase.com; javrua@sesapr.org; Brett.ingerman@us.dlapiper.com; brett.solberg@us.dlapiper.com; agraitfe@agraitlawpr.com; jpouroman@outlook.com; epo@amgprlaw.com; loliver@amgprlaw.com; acasellas@amgprlaw.com; matt.barr@weil.com; Robert.berezin@weil.com; Gabriel.morgan@weil.com; corey.brady@weil.com; lindsay.greenbaum@analysisgroup.com; harrison.holtz@analysisgroup.com; charles.wu@analysisgroup.com; Brian.Gorin@analysisgroup.com; Bhumika.Sharma@analysisgroup.com; Rachel.Anderson@analysisgroup.com; lramos@ramoscruzlegal.com; tlauria@whitecase.com; gkurtz@whitecase.com; ccolumbres@whitecase.com; isaac.glassman@whitecase.com; tmacwright@whitecase.com; jcunningham@whitecase.com; mshepherd@whitecase.com; jgreen@whitecase.com; hburgos@cabprlaw.com; dperez@cabprlaw.com; howard.hawkins@cwt.com; mark.ellenberg@cwt.com; casey.servais@cwt.com; bill.natbony@cwt.com; zack.schrieber@cwt.com; thomas.curtin@cwt.com; escalera@reichardescalera.com; riverac@reichardescalera.com; susheelkirpalani@quinnemanuel.com; erickay@quinnemanuel.com; dmonserrate@msglawpr.com; fgierbolini@msglawpr.com; rschell@msglawpr.com; eric.brunstad@dechert.com; Stephen.zide@dechert.com; David.herman@dechert.com; Isaac.Stevens@dechert.com; James.Moser@dechert.com; michael.doluisio@dechert.com; Kayla.Yoon@dechert.com; mfb@tcm.law; lft@tcm.law; arosenberg@paulweiss.com; pbrachman@paulweiss.com; swintner@paulweiss.com; kzeituni@paulweiss.com; Julia@londoneconomics.com; Brian@londoneconomics.com; luke@londoneconomics.com; juan@londoneconomics.com; mmcgill@gibsondunn.com; LShelfer@gibsondunn.com; jcasillas@cstlawpr.com; jnieves@cstlawpr.com; pedrojimenez@paulhastings.com; ericstolze@paulhastings.com; arrivera@nuenergypr.com; apc@mcvpr.com; ramonluisnieves@rlnlegal.com; kbailey@acciongroup.com; and

PREB Consultants:

rsmithla@aol.com; guy@maxetaenergy.com; jorge@maxetaenergy.com; rafael@maxetaenergy.com; dawn.bisdorf@gmail.com; msdady@gmail.com; mcranston29@gmail.com; ahopkins@synapse-energy.com; clane@synapse-energy.com; kbailey@acciongroup.com; zachary.ming@ethree.com; PREBconsultants@acciongroup.com; carl.pechman@keylogic.com; bernard.neenan@keylogic.com; tara.hamilton@ethree.com; aryeh.goldparker@ethree.com; roger@maxetaenergy.com; Shadi@acciongroup.com; MWhited@synapse-energy.com.

Counsel for the Committee

PAUL HASTINGS LLP
/s/ Pedro A. Jimenez
Pedro A. Jimenez, Esq. *(Pro Hac Vice)*
200 Park Ave.
New York, NY 10166
pedrojimenez@paulhastings.com
Tel.: (212) 318-6970
Fax: (212) 319-4090

/s/ Eric D. Stolze
Eric D. Stolze, Esq. *(Pro Hac Vice)*
1197 Peachtree St., N.E., Ste. 200
Atlanta, GA 30361
ericstolze@paulhastings.com
Tel.: (404) 815-2315
Fax: (404) 685-5315

Local Counsel for the Committee

CST LAW — CASILLAS SANTIAGO TORRES LLC

PO Box 195075
San Juan, PR 00919-5075
Tel.: (787) 523-3434
Fax: (787) 523-3433
jcasillas@cstlawpr.com
jnieves@cstlawpr.com

s/JUAN J. CASILLAS AYALA
RUA Num.: 12145

s/JUAN C. NIEVES GONZÁLEZ
RUA Num.: 19087

Certificate of Compliance: The undersigned certifies, on March 20, 2026, that this brief, exclusive of the portions exempted in the Hearing Examiner's December 22, 2025 Order (*i.e.,* caption, table of contents, signature blocks, and service information) and the Spanish summary required by standing order, contains 1,749 words as counted by Microsoft Word (Office 365)'s word count feature.

/s/ Eric D. Stolze
Eric D. Stolze, Esq. *(Pro Hac Vice*)