UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO

In re:	PROMESA
THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO,	Title III
as representative of	No. 17 BK 3283-LTS
THE COMMONWEALTH OF PUERTO RICO et al.,	(Jointly Administered)
Debtors.[1]	

In re:	PROMESA
THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO,	Title III
as representative of	No. 17 BK 4780-LTS
PUERTO RICO ELECTRIC POWER AUTHORITY,	
Debtor.	

MEMORANDUM ORDER DENYING MOTION FOR MODIFICATION OF AUTOMATIC STAY

Pending before the Court is the *Urgent Motion for Lift of Stay of Recently Filed Consumer Class Action That Contests the Validity of the Provisional Charge That Was Imposed*

[1] The Debtors in these Title III cases, along with each Debtor's respective Title III case number and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the: (i) Commonwealth of Puerto Rico (the "Commonwealth") (Bankruptcy Case No. 17-BK-3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17-BK-3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iii) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17-BK-3566-LTS) (Last Four Digits of Federal Tax ID: 9686); (iv) Puerto Rico Electric Power Authority ("PREPA") (Bankruptcy Case No. 17-BK-4780-LTS) (Last Four Digits of Federal Tax ID: 3747); and (v) Puerto Rico Public Buildings Authority ("PBA", and together with the Commonwealth, HTA, ERS, and PREPA, the "Debtors") (Bankruptcy Case No. 19-BK-5523-LTS) (Last Four Digits of Federal Tax ID: 3801) (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations). On October 30, 2024, the Title III case for the Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17-BK-3284-LTS) was closed.

by the Puerto Rico Energy Bureau to Pay for the Pensions of PREPA's Retirees (Docket Entry No. 6026 in Case No. 17-4780) (the "Motion")[2] filed by Eduardo Horrutiener Socias, Cynthia Boscio Matos, José Alberto Morales Rodríguez, and the Puerto Rico Medical Emergency Group, Inc. (collectively, the "Movants"). Movants seek entry of an order pursuant to 11 U.S.C. § 362(d)(1)[3] to lift the automatic stay to permit a putative consumer class action captioned Eduardo Horrutiener Socias, et al. v. LUMA Energy, LLC et. al., Case No. SJ2025CV11155 (the "Action") to proceed before the Puerto Rico Court of First Instance of San Juan (the "Commonwealth Court").

Movants are plaintiffs in the Action, which was filed on behalf of themselves and a putative class of residential and commercial electricity consumers. The Action asserts claims against LUMA Energy, LLC ("LUMA Energy"), LUMA Energy ServCo, LLC ("LUMA ServCo" and, together with LUMA Energy, "LUMA"), the Puerto Rico Energy Bureau ("PREB"), the PREPA Employees Retirement System ("SREAEE" or "PREPA ERS"), the Puerto Rico Electric Power Authority ("PREPA"), and each of their respective, but unidentified, insurers (collectively, the "Defendants"). Both SREAEE and the Financial Oversight and Management Board for Puerto Rico (the "Oversight Board") oppose the relief sought. (See

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[2] All docket entry references herein are to entries in Case No. 17-4780, unless otherwise specified.

[3] The Puerto Rico Oversight, Management, and Economic Stability Act ("PROMESA") is codified at 48 U.S.C. § 2101 et seq. References to PROMESA section numbers are to the uncodified version of the legislation. References herein to the provisions of Title 11 of the United States Code (the "Bankruptcy Code") are to sections made applicable in these cases by section 301 of PROMESA. 48 U.S.C. § 2161.

Docket Entry No. 6036 (the "SREAEE Response") and Docket Entry No. 6044[4] (the "FOMB Response").)

At its core, the Action challenges the imposition and continued collection of a "provisional charge" set forth in a rate charge rider to monthly electricity bills issued to all residential and commercial consumers in Puerto Rico that PREB approved in connection with its ongoing rate proceeding, imposing an additional charge for the funding of pension payments to PREPA's retirees (the "Pension Charge"). Among other things, Plaintiffs argue in the Action that the Pension Charge is invalid because it is outside of the scope of PREB's ratemaking authority. In addition to the termination of Pension Charge assessments going forward, the Action seeks the return of amounts already collected on account of the Pension Charge since the Pension Charge went into effect on September 1, 2025.

On March 18, 2026, the Court held a final hearing on the Motion.[5] The Court has considered carefully all of the arguments and submissions made in connection with the Motion. The Court has subject matter jurisdiction of this contested matter pursuant to 48 U.S.C. § 2166(a). For the following reasons, the Motion is denied in its entirety.[6]

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[4] The Oversight Board's original response was filed at Docket Entry No. 6040 and contains, as Exhibit A, a certified English translation of the amended complaint (Docket Entry No. 6040-1) (the "Amended Complaint") that was filed in the Action.

[5] The *Twenty-First Amended Notice, Case Management and Administrative Procedures* (Docket Entry No. 30223-1) provides that, unless the affected parties agree or the Court orders otherwise, any hearing on a motion for relief from the automatic stay "shall be scheduled as a final hearing." (Docket Entry No. 30223-1 at 14-15.)

[6] At the Hearing, the Court summarized its determination by stating that the Motion is denied for two principal reasons: (i) Movants, who bear the burden of establishing prima facie eligibility for stay relief, have not satisfied their burden of substantiating their contention that PREPA has no interest in revenues derived from the Pension Charge; and (ii) Movants have not satisfied their burden of showing that cause exists to lift the automatic stay. (See Mar. 18, 2026 Hr'g Tr. 46:7-48:19, Docket Entry No. 30800 in

BACKGROUND

The following facts are undisputed, unless otherwise indicated.

A. PREPA and its Title III Case

PREPA is a public corporation created under the Puerto Rico Electric Power Authority Act, Act No. 83-1941, codified at 22 L.P.R.A. §§ 191-240, to supply electricity to Puerto Rico. (FOMB Resp. ¶ 10.) PREPA's sole source of revenue to fund its operational expenses in accordance with its certified budget is derived from rates PREPA charges to its customers for electricity consumption. (FOMB Resp. ¶ 10.) On July 2, 2017 (the "Petition Date"), the Oversight Board issued a restructuring certification for and filed a voluntary petition for relief on behalf of PREPA, commencing PREPA's Title III case. (FOMB Resp. ¶ 8.)

Under PROMESA, the Oversight Board is tasked with the approval, certification, and enforcement of fiscal plans that are intended to "provide a method [for the covered territorial instrumentality] to achieve fiscal responsibility and access to the capital markets." 48 U.S.C. §§ 2141(a) & (b)(1), 2144. Indeed, the Oversight Board, in its "sole discretion," determines whether a proposed fiscal plan satisfies the requirements set forth in section 201(b) of PROMESA. See 48 U.S.C. § 2141(c)(3). Relevant here, PROMESA requires that fiscal plans, among other things, "provide adequate funding for public pension systems." 48 U.S.C. § 2141(b)(1)(C).

On February 6, 2025, the Oversight Board certified the current fiscal plan for PREPA (Docket Entry No. 5501-1) (the "2025 Fiscal Plan"). (FOMB Resp. ¶ 11.) In connection with PREPA's pension costs, the 2025 Fiscal Plan urged, among others, PREPA,

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Case No. 17-3283 and Docket Entry No. 6079 in Case No. 17-4780.) This Order sets forth the Court's reasoning.

SREAEE, and PREB to "take immediate action to implement a dedicated funding source during [calendar year] 2025" to fund PREPA's monthly pension costs during the pendency of PREPA's Title III case. (2025 Fiscal Plan at 125.) It further noted that PREB "reinitiated the rate review process in December 2024, with [the] expectation of a provisional rate imposition in July 2025" and that "including the pension cost into the revenue requirement as part of the base rate or a rider may be a possible funding source." (2025 Fiscal Plan at 125.)

B. The Pension Charge

On July 31, 2025, PREB issued a Resolution and Order (Docket Entry No. 6026-1) (the "R&O") in connection with its ongoing rate proceeding that provisionally approved the Pension Charge for the payment of PREPA's pension obligations. (Mot. ¶ 1.3; FOMB Resp. ¶¶ 3, 12.) The R&O was issued in response to LUMA's July 3, 2025 petition that sought an order from PREB to adjust rates to provide PREPA with revenue to fund its operations in accordance with the 2025 Fiscal Plan. (FOMB Resp. ¶¶ 11-12; see also Am. Compl. ¶ 3.4.) The Pension Charge, which went into effect on September 1, 2025, currently serves as the "sole source of funding for pension payments to PREPA's retirees." (FOMB Resp. ¶¶ 12, 14; see also Mot. ¶ 1.3 (specifying the effective date of the Pension Charge).) The R&O indicates that the separate pension rider approach ensures "transparent cost recovery, fairness among ratepayers, and compliance with all statutory obligations." (R&O at 37.)

C. The Action and the Filing of the Motion

Movants commenced the Action on December 15, 2025,[7] before the Commonwealth Court, initially naming, as defendants, LUMA, PREB, SREAEE, and their respective, but unidentified, insurers (collectively, the "Initial Defendants"). (Mot. ¶¶ 1.1, 2.1.)

On January 30, 2026, the Commonwealth Court held a hearing in the Action. (Mot. ¶ 2.9.) While the hearing was originally scheduled to address the matter of class certification, the Commonwealth Court instead heard oral argument on motions to dismiss filed by SREAEE, LUMA, and PREB. (See Mot. ¶¶ 2.3-2.4, 2.7-2.9; FOMB Resp. ¶ 16.) Each of the motions to dismiss asserted, among other things, that PREPA was an indispensable party to the Action. (Mot. ¶¶ 2.4, 2.7-2.8.) Following oral argument, the Commonwealth Court granted Movants leave to file an amended complaint to join PREPA as a defendant and held the various motions to dismiss in abeyance.[8] (Mot. ¶ 2.9.)

On February 13, 2026, Movants filed the Amended Complaint, naming PREPA as a defendant in the Action (together with the Initial Defendants, the "Defendants"). (Mot. ¶ 2.10.) The Amended Complaint asserts three causes of action against Defendants, alleging that the Pension Charge constitutes (i) an "illegal and ultra vires exercise" of PREB's powers and is, therefore, an unlawful tax, (ii) an "improper charge," and (iii) an unconstitutional taking without

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[7] The Motion indicates that the initial complaint was filed on December 15, 2015. (See Mot. ¶ 2.1.) However, the case number of the Action suggests that it was filed in 2025, which the FOMB Response confirms. (See FOMB Resp. ¶ 14.)

[8] While Movants suggest that they voluntarily amended the complaint to include PREPA, the Oversight Board states that, at the hearing, the Commonwealth Court also "reasoned that complete relief . . . could not be provided without joining PREPA as a party defendant." (FOMB Resp. ¶ 32; see Mot. ¶ 2.9 (indicating that, "[d]uring the hearing, [Movants] announced that they had decided to amend [the initial complaint] in order to include PREPA as a named Defendant").)

just compensation or due process of law under Article II, Sections 7 and 9 of the Puerto Rico Constitution and the Fifth and Fourteenth Amendments of the United States Constitution. (Am. Compl. ¶¶ 4.1-4.28.)

In connection with the foregoing, the Amended Complaint seeks certification of the Action as a "consumer class action" and other declaratory and injunctive relief comprising (i) a declaration that the Pension Charge is "unconstitutional, illegal, void, and unenforceable in law," (ii) a preliminary and permanent injunction "prohibiting" the Pension Charge, (iii) immediate restitution of amounts collected on account of the Pension Charge, (iv) statutory damages from LUMA and PREB and costs and attorneys' fees pursuant to 32 L.P.R.A. § 3343 ("Section 3343"),[9] and (v) other remedies available as a matter of law and equity. (Am. Compl. at 18.)

Following Movants' filing of the Amended Complaint to add PREPA as a defendant to the Action, the Oversight Board, on behalf of PREPA, filed the *Notice of Automatic Stay*, dated February 18, 2026 (Docket Entry No. 6026-3) (the "Stay Notice") in the Action, informing the Commonwealth Court of the applicability of the automatic stay and the Title III Court's jurisdiction over PREPA and its assets. (Mot. ¶ 2.12; FOMB Resp. ¶ 18.) As set forth in the Stay Notice, the Oversight Board maintains that the Action is subject to the automatic stay pursuant to section 362(a)(3) of the Bankruptcy Code which, as it applies to PROMESA,[10] stays

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[9] Section 3343 provides that the Court of First Instance shall have "exclusive primary jurisdiction" over consumer class suits filed pursuant to 32 L.P.R.A. §§ 3341-3344 and outlines the scope of the court's authority and its ability to impose damages plus amounts for attorneys' fees and interest. 32 L.P.R.A. § 3343.

[10] Section 362(a)(3) of the Bankruptcy Code refers to "property of the estate" and "property from the estate," but section 301(c)(5) of PROMESA and case law interpreting PROMESA provide that references to the "estate" or "property of the estate" refer to

"any act to obtain possession of property of the [debtor] or of property from the [debtor] or to exercise control over property of the [debtor]." (Stay Notice ¶ 3 (alterations in original) (quoting 11 U.S.C. § 362(a)(3)).) The Action, the Oversight Board states, seeks relief that would "invalidate or otherwise interfere with PREPA's ability to collect the Pension Charge," which constitutes a portion of PREPA's revenues and is, therefore, PREPA's property. (Stay Notice ¶¶ 4-5.)

On February 19, 2026, the Commonwealth Court entered judgment staying and dismissing the Action for statistical purposes, pending the Title III Court's modification of the automatic stay. (Mot. ¶ 2.13.) Counsel to Movants requested that the Oversight Board stipulate to a modification of the automatic stay with respect to the Action, but the Oversight Board declined the request. (Mot. ¶ 2.14.) On February 24, 2026, Movants filed the Motion.

DISCUSSION

Section 362(d) of the Bankruptcy Code provides that, on "request of a party in interest and after notice and a hearing, the court shall grant relief from the stay" provided under section 362(a) "for cause, including the lack of adequate protection of an interest in property of [a] party in interest," or, "with respect to a stay of an act against property under [section 362(a)], if—(A) the debtor does not have an equity in such property; and (B) such property is not necessary to an effective reorganization[.]" 11 U.S.C.A. § 362(d)(1)-(2) (Westlaw through P.L. 119-74). A movant has the initial burden of establishing prima facie eligibility for relief from the automatic stay. See Gracia-Gracia v. Fin. Oversight & Mgmt. Bd. (In re Fin. Oversight

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property of the debtor. See 48 U.S.C. § 2161(c)(5) (providing that references in Title III of PROMESA to "property of the estate" mean "property of the debtor").

& Mgmt. Bd. for P.R.), 939 F.3d 340, 347 (1st Cir. 2019) ("Gracia-Gracia") (citing Mazzeo v. Lenhart (In re Mazzeo), 167 F.3d 139, 142 (2d Cir. 1999)). After that initial burden is met, the moving party bears the ultimate burden of proof on the issue of the debtor's equity in property, and the party opposing stay relief has the ultimate burden of proof on all other issues. See 11 U.S.C. § 362(g).

Where a movant seeks relief from the automatic stay to pursue remedies with respect to assets allegedly securing obligations, or for an award of adequate protection, the court must determine "whether the party seeking relief has a colorable claim to property of the estate." In re Fin. Oversight & Mgmt. Bd. for P.R., 618 B.R. 642, 655 (D.P.R. 2020) (quoting Grella v. Salem Five Cent Sav. Bank, 42 F.3d 26, 33 (1st Cir. 1994)). "[A] claim is colorable where there is a 'reasonable likelihood that a creditor has a legitimate claim or lien as to a debtor's property.'" Id. (quoting Grella, 42 F.3d at 33). To make this determination, the court will consider "not only the movant's legal and factual contentions, but also defenses raised by the non-moving party, weighing all relevant arguments in determining whether the movant has shown the requisite reasonable likelihood of success." Id. at 656. If a movant satisfies the threshold "colorable claim" standard, the court must then assess whether the movant has shown cause under 11 U.S.C. § 362(d)(1) or otherwise met its burden under 11 U.S.C. § 362(d)(2). Id.

As a general matter, the "reach of the automatic stay is broader in the PROMESA and municipal bankruptcy contexts than it is in the run-of-the-mill bankruptcy case." Gracia-Gracia, 939 F.3d at 349. Indeed, in a case under PROMESA, "[t]he automatic stay encompasses a large universe of creditor actions that might affect the debtor, including not just lawsuits and enforcement actions, but also 'any post-petition collection activities against the debtor.'" Ambac

Assurance Corp. v. Commonwealth of P.R. (In re Fin. Oversight & Mgmt. Bd. for P.R.), 927 F.3d 597, 604 (1st Cir. 2019) (emphasis in original) (quoting S. REP. NO. 100-506, at 11 (1988)).

Here, Movants only seek relief under 11 U.S.C. § 362(d)(1) and they argue that "cause" exists to lift the automatic stay to permit the Action to proceed in Commonwealth Court because (i) PREPA lacks an equitable stake and proprietary interest in the revenues collected on account of the Pension Charge, merely holding such funds as a "fiduciary or conduit" for SREAEE, and (ii) the factors articulated in Sonnax Indus., Inc. v. Tri Component Prods. Corp. (In re Sonnax Indus., Inc.), 907 F.2d 1280, 1286 (2d Cir. 1990) ("Sonnax") weigh in favor of lifting the automatic stay.[11] (Mot. ¶¶ 3.6-3.13.) For the reasons discussed below, the Court disagrees.

A. Movants Fail to Demonstrate that PREPA Lacks an Interest in Pension Charge Revenues

As a threshold matter, "a preliminary determination of the parties' respective property interests" must be made prior to an analysis of whether stay relief is warranted under the Sonnax factors. Gracia-Gracia, 939 F.3d at 348. Movants, relying on Gracia-Gracia, argue that PREPA lacks an equitable and proprietary interest in the funds collected on account of the Pension Charge and merely holds such funds as a "fiduciary or conduit" for SREAEE because (i) such funds were "earmarked to finance the pensions of PREPA's retirees" and cannot be used by PREPA for any other purpose, (ii) the funds were intended to cover SREAEE's shortfalls in the payment of pension funds as opposed to PREPA's current pension obligations,

[11] Because Movants do not seek relief under section 362(d)(2) of the Bankruptcy Code, which considers a debtor's equity in property and whether such property is necessary to a debtor's reorganization, the Court will address only whether stay relief is warranted under section 362(d)(1). See Gracia-Gracia, 939 F.3d at 349-50.

(iii) PREPA's pension obligations are, in actuality, an obligation of SREAEE as opposed to PREPA, and (iv) the R&O earmarked the funds generated by the Pension Charge for SREAEE in a separate rider. (Mot. ¶¶ 3.7-3.13; see also Omnibus Reply at 16 (arguing that PREPA lacks an equitable interest in Pension Charge revenues that are earmarked for SREAEE and that PREPA is a mere conduit).) Movants contend that, because the Pension Charge is an illegal tax and constitutes a taking without just compensation, the amounts that the Action seeks to recover, like those in Gracia-Gracia, belong to PREPA customers.[12] (Mot. ¶ 3.8.)

Movants' reliance on the First Circuit's ruling in Gracia-Gracia, however, is misplaced. Gracia-Gracia held only that a determination as to the parties' respective property interests should have been made prior to an evaluation of the Sonnax factors and remanded the case to the Title III Court to make such a determination without addressing the property interest question itself. 939 F.3d at 348, 352. Moreover, in Gracia-Gracia, a statute explicitly provided that the funds in question were held by the Secretary of Treasury "in [a] fiduciary capacity" prior to their escheatment to the Commonwealth, which the First Circuit concluded supported a finding that "a prima facie showing of traceability and the existence of a trust relationship" had been made. Id. at 351; see 26 L.P.R.A. § 8055(j) ("The Secretary of the Treasury shall retain the

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[12] To the extent that Movants are arguing that they have a property interest in revenues stemming from the Pension Charge, Movants have not identified an "independent source" that would support a finding that such a property interest exists under applicable law. See Lucas v. S.C. Coastal Council, 505 U.S. 1003, 1030 (1992) (indicating that "existing rules or understandings that stem from an independent source such as state law" will "define the range of interests that qualify for protection as 'property' under the Fifth and Fourteenth Amendments" (quoting Bd. of Regents of State Colleges v. Roth, 408 U.S. 564, 577 (1972))); see also Gracia-Gracia, 939 F.3d at 351 (finding that plaintiffs waived any ability to make a prima facie showing of right of ownership in the disputed funds because they made no effort to demonstrate that such funds were traceable, which was required for plaintiffs to satisfy their initial burden).

funds transferred by the Joint Underwriting Association in its fiduciary capacity for a five (5)-year term counting from the date on which the retained funds are transferred by the Joint Underwriting Association to the Secretary of the Treasury."). Here, Movants point to no basis upon which the Court could conclude that PREPA holds the revenues of the Pension Charge in a similar capacity for SREAEE or any other party, including Movants.[13] And, unlike in Gracia-Gracia, where the Commonwealth asserted no interest in the subject funds that had not yet escheated to the Commonwealth, the Oversight Board maintains here that PREPA has an interest in these revenues. Gracia-Gracia, therefore, does not support Movants' position.

Rather, as Movants concede, the Pension Charge was imposed as part of PREPA's revenue stream for the payment of pensions to PREPA retirees and was put in place in accordance with the 2025 Fiscal Plan to pay for PREPA's pension costs.[14] (See Mot. ¶ 1.3

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[13] Movants, instead, assert that SREAEE itself is a trust. (See Mot. ¶ 3.10 (stating that SREAEE is "de facto trust . . . separate and distinct [from] PREPA[]").)

[14] Movants argue, in part, that stay relief is warranted because the Pension Charge itself is not an operational expense of PREPA. (See Omnibus Reply ¶¶ 1.7, 1.12, 2.1-2.4.) However, that argument misconstrues the nature of the Pension Charge, which is a charge imposed on consumers of electricity in Puerto Rico and intended, as Movants concede, to pay for PREPA's pension costs. Movants have not proffered a plausible legal or factual basis for deeming such costs to be non-operational expenses of PREPA. (See Mot. ¶ 3.12 (indicating that the Pension Charge was intended to "collect PREPA's pension cost" (quoting the R&O at 33)).) Movants argue that the Pension Charge was approved in violation of the Puerto Rico Energy Transformation and RELIEF Act, Act No. 57-2014, 22 L.P.R.A. § 1051 et seq. (as amended, the "RELIEF Act"), which provides that PREB should approve rates that allow for the recovery of "all operating and maintenance costs . . . financing costs, statutory costs, as well as any other cost lawfully incurred in the provision of electric power services and that, except for statutory costs, have been determined by [PREB] to be prudent, reasonable, and consistent with the sound fiscal and operating practices." (Omnibus Reply ¶ 2.1 (quoting the RELIEF Act).) The RELIEF Act further provides that rates should "cover[] the costs of the contribution in lieu of taxes and other contributions and statutory subsidies." (Omnibus Reply ¶ 2.1.) While Movants argue that the Pension Charge does not constitute an expense authorized to be taken into account in rate-setting, Movants do not explain why PREPA's pension costs cannot be considered encompassed by the enumerated categories of costs. (See Omnibus

(stating that the Pension Charge was "earmarked for payment of the pensions of PREPA's retirees"); 2025 Fiscal Plan at 125 (stating that immediate action should be taken to "implement a dedicated funding source" for PREPA's monthly pension costs, including possibly incorporating the pension cost into the revenue requirement as part of the base rate or a rider); see also R&O at 3 (indicating that the R&O on provisional rates, which includes the separate pension cost rider, is "necessary to assist PREPA and the two system operators in carrying out their ongoing obligation to ensure reliable service and financial continuity").) The fact that the Pension Charge was included as a rider to customer bills does not alter this reality. Under the 2025 Fiscal Plan—which the Oversight Board certified as compliant with the requirements of PROMESA, including the requirement that a fiscal plan provide for the adequate funding of public pension systems—PREPA is required to make monthly payments to SREAEE for its current pension liabilities.[15] (See FOMB Resp. ¶¶ 37-38.) Indeed, Movants indicate that amounts collected on account of the Pension Charge are first "credited to PREPA" and are "transferred or deposited in[to] PREPA's accounts" before being transferred from PREPA to

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Reply ¶ 2.2.) In fact, PREB characterized PREPA's pension costs as a "high-priority, no[n-]controversial, and non-deferrable expense" of PREPA. (R&O at 26.)

[15] Movants suggest that the Oversight Board, in arguing that the Pension Charge was imposed in accordance with the 2025 Fiscal Plan, is impermissibly "legisla[ting]." (Omnibus Reply ¶¶ 3.1-3.4.) However, Movants' assertion is without merit. The Oversight Board is merely complying with and carrying out its obligation to ensure that fiscal plans "provide adequate funding for public pension systems." See 48 U.S.C. § 2141(b)(1)(C). Accordingly, the Oversight Board is merely complying with Congress's statutory instructions.

Movants also suggest that a distinction between prepetition and postpetition pension costs is relevant here. (See Omnibus Reply ¶ 2.11.) However, PROMESA requires only that PREPA's fiscal plan provide for adequate funding of PREPA's pension obligations without differentiating between obligations that arose prepetition and those that arose postpetition. See 48 U.S.C. § 2141(b)(1)(C).

SREAEE.[16] (Mot. ¶ 3.9.) There is also support in analogous case law for the idea that funds that PREPA obtains and uses to pay its pension costs constitute property of PREPA. Cf. Newberry v. City of San Bernardino (In re City of San Bernardino), 558 B.R. 321, 329 (C.D. Cal. 2016) (finding that "the money that [a Chapter 9 debtor] uses to pay its employees' salaries is undeniably the [Chapter 9 debtor's] 'property'" for purposes of section 362(a)(3) of the Bankruptcy Code). (See also Omnibus Reply at 12 (arguing that "PREPA does not retain beneficial ownership" of Pension Charge revenues after they are transferred to SREAEE, suggesting that Movants acknowledge that, at least upon receipt, PREPA has an interest in these funds (emphasis added)).) Therefore, Movants have not shown that PREPA does not hold an interest in revenues generated by the Pension Charge. See Gracia-Gracia, 939 F.3d at 347 (stating that, in meeting its burden of establishing prima facie eligibility for stay relief, a movant must show "a factual and legal right to the relief that it seeks" (internal quotation marks and citation omitted)).

Moreover, Movants' assertion that the pension obligations are SREAEE's as opposed to PREPA's is contradicted by Movants' own allegations in the Amended Complaint. The Amended Complaint makes repeated references to the payment of pension obligations being the responsibility and expense of PREPA. (See, e.g., Am. Compl. ¶ 1.6 (arguing that the Pension Charge was put in place to "illegally transfer[] the inescapable responsibility of [PREPA] to its retired and former employees" and noting that PREPA has reported that it is unable to maintain

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[16] In support of the notion that PREPA lacks an interest in the revenues of the Pension Charge, Movants also suggest in the Omnibus Reply that such funds are only with PREPA "momentarily" before being transferred to SREAEE. (Omnibus Reply at 12.) However, Movants do not explain how the length of time that the funds are with PREPA is determinative of whether PREPA has an interest in such funds.

the necessary capitalization "for [SREAEE] to meet its monthly obligations"); id. ¶ 1.7 (noting that the Pension Charge was sought to "cover PREPA's retirement pension expenses in excess of $300 million for fiscal year 2026"); id. ¶ 3.18 (arguing that the Pension Charge "relates exclusively to pensions for [retirees] who belong to PREPA Retirement, when PREPA is the only entity that has the obligation to cover such costs" (emphasis added)); see also R&O at 26 (recognizing that PREPA's pension costs constitute a "high-priority, no[n-]controversial, and non-deferrable expense" of PREPA).) Movants have not offered any support for the notion that SREAEE's administration of benefits for PREPA retirees divests PREPA of its obligations to its retirees.

Accordingly, the Court determines that Movants have not shown that revenues derived on account of the Pension Charge are not property of PREPA.

B. Movants Fail to Establish that the Sonnax Factors Weigh in Favor of Stay Relief

As Movants have not made a prima facie showing that PREPA lacks an interest in Pension Charge revenues, the Court next turns to Movants' argument that the relevant Sonnax factors weigh in favor of granting the Motion for "cause." To determine whether cause exists to lift the automatic stay under section 362 of the Bankruptcy Code, this Court has regularly analyzed the factors set out by the Second Circuit in Sonnax. The burden of establishing cause rests with Movants. See Gracia-Gracia, 939 F.3d at 347.

The Sonnax factors are: (1) whether relief would result in partial or complete resolution of the issues; (2) the lack of any connection with or interference with the bankruptcy case; (3) whether the foreign proceeding involves the debtor as fiduciary; (4) whether a specialized tribunal has been established to hear the cause of action at issue; (5) whether the debtor's insurance carrier has assumed full financial responsibility for defending the litigation;

(6) whether the action essentially involves third parties rather than the debtor; (7) whether the litigation could prejudice the interests of other creditors; (8) whether a judgment in the foreign action is subject to equitable subordination; (9) whether movant's success in the foreign proceeding would result in a judicial lien avoidable by the debtor; (10) the interests of judicial economy and the expeditious and economical determination of litigation for the parties; (11) whether the foreign proceedings have progressed to the point where the parties are prepared for trial; and (12) the impact of the stay on the parties and the "balance of harms." 907 F.2d at 1286. No one factor is dispositive; instead, courts "engage in an equitable, case-by-case balancing of the various harms at stake" and will lift the stay only if the harm engendered by allowing the stay to remain in place outstrips the harm caused by lifting it. Brigade Leveraged Cap. Structures Fund Ltd. v. Garcia-Padilla, 217 F. Supp. 3d 508, 518, 529 n.12 (D.P.R. 2016). For the reasons explained below, the Court is not persuaded that the Sonnax factors weigh in favor of stay relief.

Sonnax factors 1, 2, 3, 6, 7, 10, 11, and 12 are of particular relevance to the instant case and do not weigh in favor of granting stay relief.[17] As to the first and second Sonnax factors, Movants do not explain how a determination of the scope of PREB's delegated authority and the constitutionality of the Pension Charge will result in the resolution of a bankruptcy issue in PREPA's Title III case. Movants assert that resolution of these issues will "shed light on the legality and viability of the so called 'legacy charge' that is contemplated in various versions of PREPA's Plan of Adjustment." (Omnibus Reply at 11.) However, the *Fifth Amended Title III Plan of Adjustment of the Puerto Rico Electric Power Authority* (Docket Entry No. 29125 in

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[17] The remaining Sonnax factors 4, 5, 8, and 9 are either irrelevant or do not establish cause.

Case No. 17-3283 and Docket Entry No. 5581 in Case No. 17-4780) (the "Plan"), the current version of PREPA's proposed plan of adjustment, does not include the "legacy charge" for debt service that was contemplated in prior iterations of the plan. (See Docket Entry No. 6064 ¶ 12; see generally Plan (containing no references to a "legacy charge").) Instead, permitting the Action to continue would undoubtedly threaten PREPA's ability to fund pension obligations and meet its operating expenses as required under its 2025 Fiscal Plan and PROMESA and would otherwise be highly disruptive to PREPA's Title III restructuring efforts.

The remaining relevant Sonnax factors do not weigh in favor of granting relief, either. As already discussed, Movants have not established that PREPA is operating in any fiduciary capacity and, while the Action names other third parties as defendants, the Court concludes that the relief sought in the Action, which targets a PREPA revenue stream and PREPA's ability to include the Pension Charge on its bills to fund its pension obligations, is primarily aimed at PREPA. Indeed, Movants amended the initial complaint to join PREPA as a named defendant in the Action. (See Mot. ¶ 2.9 (noting that Movants "announced that they had decided to amend their Complaint . . . to include PREPA as a named Defendant").) A granting of the relief sought would, therefore, prejudice the interests of other creditors, impairing potential creditor recoveries and foreclosing a source of funding for PREPA's pension obligations that would unquestionably harm PREPA's retirees. The Oversight Board submits, and Movants do not dispute, that the Pension Charge serves as the sole source of funding for PREPA's pension costs. (See FOMB Resp. ¶ 12.)

The interests of judicial economy, the current posture of the Action, and the balance of harms also militate against stay relief. Movants argue that the Commonwealth Court has "taken measures to ensure an expeditious resolution of [the Action]," including "preparing to

address class certification and the merits of the claims." (Mot. ¶ 3.6; Omnibus Reply at 15.) However, the Motion makes clear that the Commonwealth Court elected to hear oral argument on the various motions to dismiss instead of addressing the matter of class certification and the pending motions to dismiss were ultimately held in abeyance. (See Mot. ¶ 2.9.) In addition, while Movants indicate that they are in a position to certify the class and proceed to trial in the Action, Movants do not indicate whether this holds true for the other parties involved. See Sonnax, 907 F.2d at 1286 (considering whether the parties, as opposed to merely the movant, are ready for trial). While Movants have a potential alternative means of recourse (i.e., participation in the ongoing PREB rate proceedings),[18] PREPA nonetheless remains obligated to adequately fund its pension obligations in accordance with its 2025 Fiscal Plan that was certified in compliance with PROMESA. Permitting the Action to proceed would be highly disruptive to PREPA's Title III case and its restructuring efforts.

Accordingly, Movants have not demonstrated that there is cause to lift the automatic stay and allow the Action to proceed in Commonwealth Court.

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[18] Movants argue that they are not required to participate in the PREB rate proceeding before seeking judicial relief because exhaustion principles do not apply. (See Omnibus Reply at 13.) True though that might be, Movants have neither shown that they were unable to participate in the PREB rate proceeding, nor shown that they would have been unable to address to PREB the very questions of authority and propriety they seek to litigate in a Commonwealth Court proceeding entirely separate from the PREB proceeding and this Title III case.

CONCLUSION

For the foregoing reasons, the Motion is denied. This Memorandum Order resolves Docket Entry No. 6026.

SO ORDERED.

Dated: March 24, 2026

/s/ Laura Taylor Swain
LAURA TAYLOR SWAIN
United States District Judge