

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

NEPR

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IN RE: PUERTO RICO ELECTRIC POWER
AUTHORITY RATE REVIEW

CASE NO.: NEPR-AP-2023-0003

**PREPA'S MOTION FOR RECONSIDERATION OF FINAL RESOLUTION AND ORDER ON
ELECTRICITY RATES**

TO THE HONORABLE ENERGY BUREAU,

COMES NOW, the Puerto Rico Electric Power Authority ("PREPA"), through its undersigned legal counsel and, very respectfully, requests reconsideration of the *Final Resolution and Order on Electricity Rates*¹ issued on April 15, 2026 (the "Order"), issued by the Puerto Rico Energy Bureau of the Public Service Regulatory Board (the "Energy Bureau"). In support, PREPA states as follows:

I. INTRODUCTION

1. PREPA respectfully seeks reconsideration of discrete determinations in the Final Resolution and Order on Electricity Rates issued on April 15, 2026 (the "Order") that materially impair its ability to comply with its statutory, regulatory, and fiduciary obligations.

2. At the outset, PREPA emphasizes that **this Motion does not request any increase in the base rate** or any expansion of the overall revenue requirement approved by the Energy Bureau. Rather, **PREPA seeks a targeted and necessary reallocation of resources within the existing revenue requirement** to ensure that

¹ *In re P.R. Elec. Power Auth. Rate Review*, Case No. NEPR-AP-2023-0003 (P.R. Energy Bureau Apr. 15, 2026).

essential functions --particularly those tied to statutory compliance, federal obligations, institutional governance, operational integrity, and public safety-- are adequately funded.

3. The record demonstrates that the current challenges facing PREPA are not the result of insufficient system-wide funding, but rather the consequence of how those funds have been allocated. Accordingly, the relief requested herein is fully consistent with the Energy Bureau's determination to avoid imposing additional burdens on ratepayers, while ensuring that available resources are aligned with legal mandates and operational realities.

4. The determinations challenged in this Motion reflect a pattern of reductions, omissions, and mischaracterizations that are not supported by substantial evidence, are inconsistent with applicable law, and, in several instances, create internal contradictions within the Order itself. These include: (i) the denial of essential operational and non-labor resources required by the Executive Director's Office; (ii) the denial of additional Full-Time Employees ("FTEs") notwithstanding uncontroverted sworn evidence demonstrating material compliance, operational, and public safety risks; (iii) the disallowance of Governing Board compensation necessary to maintain a statutorily compliant governing body; and (iv) the failure to adjudicate PREPA's request for funding required to conduct the statutorily mandated election of the consumer representative to the Governing Board. Each of these determinations independently warrants reconsideration; (v) the reduction of PREPA's "PREPA Restructuring & Title III" revenue requirement despite a fully developed evidentiary record, existing contractual commitments, and the fact that the FY2026 costs are not

an increase over the FY2025 or FY2026 certified budgets, and the FY2027 and FY2028 costs are substantially reduced from those budgets; and (vi) the cap on PREPA's External Audit Services expense based on incorrect factual premises; collectively, they result in a funding framework that is misaligned with PREPA's legal obligations and operational needs.

5. For the reasons set forth more fully below, PREPA respectfully requests that the Order be amended to: (i) approve the non-labor budget of the Executive Director's Office necessary for operational continuity, compliance, and emergency preparedness; (ii) approve the requested additional FTEs necessary to address material compliance deficiencies, operational gaps, and public safety risks; (iii) approve reasonable compensation for non-public Governing Board members to ensure compliance with Act 83-1941; and (iv) adjudicate and approve PREPA's request for funding to conduct the statutorily mandated election of the consumer representative to the Governing Board; (v) approve PREPA's requested PREPA Restructuring & Title III revenue requirement in full (\$18,700,000 / \$11,150,000 / \$7,050,000); (vi) vacate the cap on PREPA's External Audit Services expense and approve PREPA's requested External Audit Services budget; and (vii) grant such other relief as may be just and proper.

II. ARGUMENTS

a. **The Energy Bureau Incorrectly Denied the Entire Non-Labor Budget of the Executive Director's Office**

6. The Energy Bureau's determination to deny the entire non-labor budget of the Executive Director's Office rests on a fundamental mischaracterization of the nature and purpose of that budget and, more critically, reflects a failure to engage with the evidentiary record.

7. As an initial matter, the Energy Bureau inexplicably grouped the budget of the Executive Director's Office and the Water Systems Administration under the category of "Workforce Management," a classification that does not correspond to the functions, responsibilities, or cost drivers of either office. PREPA's request was clearly delineated in scope: \$2,092,988 for the Office of the Executive Director (RESP 002) and \$148,253 for the Water Systems Administration (RESP 287). The record further shows that the Executive Director's Office budget is overwhelmingly composed of non-labor costs necessary to support operations, compliance, and executive functions.

8. Rather than analyzing these functions or the supporting documentation, the Energy Bureau summarily denied the entirety of the non-labor components of the budget without addressing the underlying evidence. This omission is particularly consequential because the denied non-labor budget includes essential expenditures that are directly tied to PREPA's operational resilience, regulatory obligations, and emergency response capabilities.

9. The most consequential component of the Energy Bureau's denial is its rejection of funding for PREPA's membership in the Large Public Power Council

("LPPC") in the amount of \$160,000 and the American Public Power Association ("APPA") in the amount of \$150,000.² These memberships are not discretionary or ancillary. As reflected in the record, they provide PREPA with access to coordinated emergency response assistance, technical expertise, and mutual aid networks that are activated during natural disasters and system emergencies—circumstances that are neither hypothetical nor remote in Puerto Rico.³ The Energy Bureau has previously recognized the importance of these memberships in supporting system emergency preparedness. Its present determination to deny funding for the same memberships, without addressing or distinguishing its prior stance on the matter, reflects an unexplained departure from its own precedent and further underscores the arbitrary and capricious nature of the denial.

10. Through these memberships, PREPA is able to obtain rapid technical and operational support during grid restoration efforts, access industry-wide best practices and crisis management resources, and participate in mutual assistance frameworks that materially reduce restoration time, operational risk, and overall costs.⁴ In their absence, PREPA would be forced to procure such assistance on an *ad hoc* basis, if available at all, at significantly higher cost and with materially greater risk to system reliability and public safety.⁵ The Energy Bureau's failure to acknowledge or evaluate these functions renders its determination arbitrary and capricious and unsupported by substantial evidence.

² See Exhibit 353, HoldCo_2 tab (002 Oficina Director Ejecutivo) (hereinafter, "Exhibit 353").

³ *Id.*

⁴ *Id.*

⁵ *Id.*

11. The Energy Bureau's denial also extended to the rejection of basic operational resources required for the Executive Director's Office to function. Specifically, it denied \$4,000 for office materials and supplies from warehouse inventory (paper, pens, folders, markers, paper clips, and similar items); \$8,000 for non-warehouse office supplies (calculators, erasers, paper, notebooks, and related materials); \$4,000 for materials necessary for minor repairs and office improvements; and \$3,000 for the replacement of essential office equipment such as desks and chairs.⁶

12. Moreover, the Energy Bureau eliminated funding for basic safety and compliance-related items, including first aid kits and the ability to procure safety uniforms on an as-needed basis. The record shows that these items are not intended for bulk acquisition, but rather to ensure that the Executive Director's Office maintains the capacity to obtain required safety equipment when circumstances demand it.⁷ By denying this budget, the Energy Bureau effectively determined that PREPA should operate without essential safety supplies and without the flexibility to procure protective uniforms when needed—an outcome that is incompatible with basic occupational safety standards and prudent administration.

13. In addition, the Energy Bureau denied funding for PREPA's contract with Siemens in the amount of \$1,500,000. This contract provides technical and advisory professional services that are essential to PREPA's operations, including engineering studies and advisory services; response and analysis of regulatory requirements and requests; support for PREPA's review of ongoing core studies and the development

⁶ *Id.*

⁷ *Id.*

of recommendations and expert opinions; support for environmental compliance matters; and other technical advisory and engineering services.⁸ PREPA currently relies on the Siemens contract to perform analyses required by the Legislative Assembly of Puerto Rico or any regulatory agency in its capacity as the public component of the Electric System. The wholesale denial of this contract disregards the uncontroverted evidence of its necessity and deprives PREPA of critical technical capabilities required to meet both regulatory and statutory obligations.

14. These expenditures, taken together, constitute essentially the entirety of the non-labor resources necessary for the Executive Director's Office to operate safely and effectively. By denying them in full, the Energy Bureau has effectively stripped the Office of the tools, resources, and logistical capacity required to perform its core functions. Such a determination is facially unreasonable and further evidences the absence of a rational, evidence-based review of the requested budget.

15. In sum, the Energy Bureau's denial of the entire non-labor budget of the Executive Director's Office and the Water Systems Administration is unsupported by substantial evidence, premised on a clear mischaracterization of the requested budget, and disregards uncontroverted record evidence demonstrating the necessity of the expenditures at the level of system-wide emergency preparedness, technical and regulatory compliance, basic administrative functionality, safety compliance, and operational mobility. The determination should therefore be corrected, and the requested budget approved in full. This denial will certainly result

⁸ See Exhibit 353.

in halting the Executive Director's Office work, which in turn will adversely affect the work of all PREPA's offices.

b. The Energy Bureau should Reconsider its Determination Denying PREPA's Request for 131 Additional FTEs Because the Uncontroverted Sworn Evidence Establishes That Such Positions Are Necessary to Address Material Compliance, Operational, and Public Safety Risks

16. The Energy Bureau's determination denying PREPA's request for 131 additional Full-Time Employees ("FTEs") is inconsistent with the undisputed sworn evidence in the record. The determination should therefore be corrected, as the record affirmatively demonstrates that the requested headcount is not a discretionary expansion of personnel, but a necessary measure to remedy documented deficiencies, ensure regulatory compliance, and protect public safety.

i. The Executive Director's sworn testimony establishes that the requested FTEs are necessary to address identified compliance and operational deficiencies.

17. PREPA's Executive Director, Mary C. Zapata, sworn testimony detailed a comprehensive institutional assessment identifying material operational gaps and areas of elevated compliance risk across PREPA's organizational structure.⁹

18. With respect to HoldCo, the testimony provides a detailed, function-specific justification for the thirty (30) additional FTEs, identifying concrete deficiencies across core corporate service areas that are essential to PREPA's governance and compliance framework.¹⁰ The evidentiary record explains that additional personnel are required within the Finance Directorate to address audit findings related to

⁹ See PREPA Exhibit 32; Energy Bureau Consultant's Exhibit 823 - PREPA Response to ROI No. LUMA-of-PREPA-NONPHYS_OPS-109, pp. 8-11 (hereinafter, "Exhibit 823").

¹⁰ *Id.*

segregation of duties, strengthen financial reconciliation processes, support billing and collections, and enable the effective implementation and integration of the Enterprise Resource Planning (“ERP”) system.¹¹ These functions are critical to ensuring the timely preparation of audited financial statements and maintaining compliance with regulatory reporting obligations.¹² PREPA further explained that deficiencies in segregation of duties, financial reconciliations, audit support, and regulatory reporting are not the result of inefficiency, but rather of personnel being required to cover multiple critical functions simultaneously due to understaffing.¹³ LUMA's lack of cooperation in critical tasks, such as the timely compilation of information necessary to complete the audit of its financial statements, has imposed additional burdens on PREPA personnel. As a result, PREPA staff and external contractors are required to engage in repeated follow-ups, issue multiple communications, and attend additional meetings merely to obtain the information necessary to advance the audit process.¹⁴

¹¹ *Id.*

¹² *Id.*

¹³ *Id.*

¹⁴ See Energy Bureau Consultants' Exhibit 768 – PREPA Response to ROI# LUMA-of-PREPA-FIN-29 (“PREPA does, however, rely on external consultants to conduct its financial audits. It is worth noting that, as part of the audit process, PREPA has incurred unnecessary and unbudgeted expenses because its consultants have had to correct material errors and deficiencies in the unaudited financial statements prepared by LUMA.”). PREPA notes that Mr. Juan Carlos Adrover's sworn testimony on this matter, provided through the above-cited response to an ROI, was precluded by the Hearing Examiner in an Order dated Monday, November 24, 2025. In that Order, the Hearing Examiner granted LUMA's objection to Energy Bureau Consultants' Exhibit 768, which LUMA had filed on Saturday, November 22, 2025. The Hearing Examiner afforded PREPA no meaningful opportunity to respond or oppose the objection, granting zero working days to do so. The objection was sustained with the following conclusion: “I sustain LUMA's objection to the portion of LUMA-of-PREPA-FIN-29 that contains what LUMA describes as conclusory and inflammatory. This type of pie-throwing is evidentially useless.” PREPA respectfully moves the Energy Bureau to reconsider this determination as it lacks support in applicable law. The cited response is highly relevant and reflects an undisputed fact attested to under oath by a PREPA witness. Specifically, it demonstrates that LUMA's lack of cooperation has required PREPA to incur additional costs, increase its reliance on contractors, and devote additional personnel resources to address deficiencies in LUMA's unaudited financial statements.

19. The testimony further establishes that additional staffing is required within the office responsible for the administration of federal funds to manage and oversee federally funded programs, (“DFMO”), including those supported by FEMA, HUD, and COR3.¹⁵ The lack of personnel in this area creates a heightened risk of non-compliance with performance metrics, reporting requirements, and federal audit standards, as well as the risk of delays or de-obligation of funds. The requested FTEs are necessary to ensure proper coordination with federal agencies, monitor compliance by private operators, and maintain adherence to grant conditions.¹⁶

20. In addition, the record identifies deficiencies in procurement, contracting, and asset management functions. The current staffing levels are insufficient to support compliant procurement processes or to prepare these functions for integration into the ERP system, and there is a lack of personnel dedicated to the maintenance, conservation, and administration of non-energy-related properties, which exposes PREPA to legal risks and asset deterioration. The requested FTEs would strengthen purchasing operations, ensure compliance with acquisition requirements, and improve the management and preservation of PREPA's non-energy assets.¹⁷

21. The Executive Director’s testimony further demonstrates the need for additional personnel dedicated to regulatory compliance functions.¹⁸ PREPA faces extensive and ongoing obligations before multiple oversight entities, including the Energy Bureau, the Environmental Protection Agency, the Federal Energy Regulatory

¹⁵ See Exhibit 823.

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ *Id.*

Commission ("FERC"), and the U.S. Department of Energy, and current staffing constraints impair PREPA's ability to meet these obligations in a timely and consistent manner.¹⁹ Additional FTEs are necessary to support compliance monitoring, reporting, and coordination with these agencies, which impose regulatory requirements on PREPA and hold it (not the private operators) accountable for compliance.

22. The testimony also identifies material gaps in information technology and cybersecurity capabilities.²⁰ PREPA currently lacks sufficient technical personnel to support the ERP system and other critical platforms, creating vulnerabilities that could affect operational continuity. The requested FTEs would provide dedicated support for ERP implementation, strengthen cybersecurity measures, and ensure the stability and security of PREPA's digital infrastructure.²¹

23. Further, the record establishes that additional personnel are required within Legal Affairs to address delays in contract formalization, ensure compliance with applicable laws and regulations, and provide adequate oversight of litigation and administrative proceedings.²² The testimony explains that current staffing limitations increase PREPA's exposure to legal and contractual risk and impair its ability to supervise external counsel and respond to complex legal matters in a timely manner.²³

24. The Executive Director's testimony also identifies deficiencies in corporate security, noting insufficient personnel to protect facilities, assets, and

¹⁹ *Id.*

²⁰ *Id.*

²¹ *Id.*

²² *Id.*

²³ *Id.*

personnel, including those associated with HydroCo and PropertyCo.²⁴ The requested FTEs would enhance PREPA's ability to monitor and secure its facilities, reduce reliance on external contractors, and strengthen overall security operations, while reducing costs.²⁵

25. Finally, the record establishes the need for additional Human Resources personnel to address delays in recruitment, training, and benefits administration, and to ensure compliance with labor laws and Comptroller recommendations.²⁶ These positions are necessary to support workforce development and facilitate PREPA's transition to its new corporate structure, as the majority of PREPA's current employees currently qualify or will qualify for retirement in the next three years.²⁷

26. In sum, the sworn testimony demonstrates that the requested HoldCo FTEs are distributed across critical operational areas --including finance and ERP implementation, federal funds administration, procurement and asset management, regulatory compliance, information technology, legal affairs, corporate security, and human resources-- and are necessary to remediate identified deficiencies that expose PREPA to financial, regulatory, and operational risk.²⁸

27. The same evidentiary record establishes that the Retirement System is operating under a structural staffing deficiency that directly affects its ability to meet statutory and operational obligations.²⁹ The existing workforce is overworked and overextended, resulting in delays in the processing of pensions and benefits and

²⁴ *Id.*

²⁵ *Id.*

²⁶ *Id.*

²⁷ *Id.*

²⁸ *Id.*

²⁹ *Id.*; Final Evidentiary Hearing Transcript, December 11, 2025, testimony of Brenda Rivera at pp.101-108.

impairing compliance with applicable timelines and regulatory requirements.³⁰ The requested additional personnel are necessary to alleviate excessive workloads, improve processing efficiency, enhance audit responsiveness, and ensure accurate actuarial reconciliation.³¹

28. In the Order, the Energy Bureau concluded that “[a]dding more headcount to [the Retirement System,] a structure where managers outnumber doers suggests that the root cause is process inefficiency, not a lack of personnel. Funding additional internal roles without correcting this inverted hierarchy validates and continues an inefficient operating model.” This conclusion is contradicted by the evidentiary record.

29. In the Energy Bureau's Consultants' Exhibit 789, PREPA specifically explained that “there is no direct correlation between management positions and unionized labor positions [in the Retirement System]. Management roles do not necessarily supervise, or have any hierarchical authority over, union positions.” This evidence was uncontroverted. Accordingly, the Energy Bureau's characterization of the Retirement System as a structure where “managers outnumber doers” lacks evidentiary support and is therefore arbitrary.

30. With respect to HydroCo, the Executive Director's testimony presents a particularly acute situation. The analysis demonstrates that HydroCo is currently unable to fulfill its operational mandate due to significant vacancies in technical and supervisory roles.³² The record establishes that several hydroelectric facilities are

³⁰ See Exhibit 823.

³¹ *Id.*

³² *Id.*

operating without adequate engineering supervision and that existing personnel are insufficient to meet required operational and safety standards.³³ These deficiencies reflect current operational realities that impair PREPA's ability to safely and effectively operate critical infrastructure.³⁴ To cover these deficiencies in HydroCo's structure, PREPA requested one hundred and one (101) additional FTEs.

ii. The denial disregards uncontroverted evidence of public safety risks, particularly with respect to HydroCo operations.

31. The most compelling aspect of the record concerns the public safety implications associated with HydroCo's current staffing levels. The Executive Director's sworn testimony establishes that hydroelectric facilities are operating with significant gaps in technical supervision, including instances where facilities lack supervising engineers and where operational oversight is insufficient to meet established safety standards. The testimony further explains that these conditions are inconsistent with OSHA requirements and dam safety guidelines, thereby creating elevated risks to both infrastructure and public safety.³⁵ Insufficient personnel also adversely affect the operation of the hydroelectric units, as the absence of a single employee can result in a complete halt in generation, even when water resources are available.³⁶

32. These findings are compounded by the absence of sufficient compliance oversight roles across multiple regions and by the anticipated retirement of a significant portion of the workforce, which threatens further erosion of technical

³³ *Id.*

³⁴ *Id.*

³⁵ *Id.*

³⁶ Final Hearing Transcript, December 4, 2025, testimony of Eng. Mary C. Zapata at pp. 151–152.

capacity and institutional knowledge.³⁷ The requested additional personnel are therefore necessary both to remedy current deficiencies and to ensure continuity of safe operations.³⁸

33. The Energy Bureau's determination fails to engage with this evidence. A decision that effectively maintains staffing levels that the record demonstrates are insufficient to meet basic safety and regulatory standards cannot be reconciled with the Energy Bureau's statutory obligation to ensure reliable and safe electric service.

34. The record contains no evidence contradicting PREPA's showing regarding the necessity of the requested FTEs. Nor does the Energy Bureau identify any alternative analysis demonstrating that existing staffing levels are sufficient to address the documented deficiencies, ensure compliance, or mitigate the identified safety risks. In the absence of such evidence, the denial of PREPA's request cannot be sustained.

iii. The Energy Bureau incorrectly concluded that PREPA's request of 30 additional FTEs for HoldCo was for "oversight" and "supervision" of LUMA and Genera.

35. The Energy Bureau's determination that PREPA seeks "30 new FTEs for HoldCo ... for 'oversight' of LUMA and Genera operations" or to "supervise" those entities is predicated on a clear misstatement of the evidentiary record. As set forth in the Order itself, the Energy Bureau attributes to PREPA a request for thirty employees and assigns to those positions a purpose that is neither supported nor reflected in the testimony presented during the Evidentiary Hearing.³⁹

³⁷ See Exhibit 823.

³⁸ *Id.*

³⁹ Order, Chapter Five, p. 554.

36. The Energy Bureau's characterization of PREPA's thirty HoldCo FTEs is incorrect and must be rectified. PREPA did not request thirty HoldCo employees for "oversight" or "supervision" of LUMA and Genera. Rather, Exhibits 823 and Exhibit 823.2 show that the requested thirty HoldCo FTEs are distributed across multiple institutional functions that PREPA must perform as owner of the assets, public corporation, operator of hydro-electric and other water assets, debtor in the Title III proceeding, regulated utility, and subrecipient of federal funds. These functions include operational and financial management, internal controls, regulatory affairs, legal and governance support, procurement, information technology and cybersecurity, asset management, corporate security, human resources, project administration, and federal funds administration. The record therefore does not support the Energy Bureau's broad conclusion that the thirty HoldCo positions were requested to supervise LUMA or Genera.⁴⁰

37. Properly understood, the thirty HoldCo FTEs are intended to restore minimum institutional capacity across PREPA's core functions after post-transition staffing reductions left PREPA without sufficient personnel to meet its actual legal, regulatory, financial, and operational responsibilities.⁴¹ PREPA's request is therefore remedial and compliance-driven; it is not an attempt to recreate the pre-OMA operating structure or to insert PREPA into the private operators' day-to-day activities. Indeed, the record shows that existing HoldCo staffing is insufficient to satisfy minimum institutional requirements related to financial controls, regulatory compliance, audit

⁴⁰ See Exhibit 823.

⁴¹ See Exhibit 32; Final Hearing Transcript, December 4, 2025, testimony of Eng. Mary C. Zapata at pp. 32-34; 151-152.

readiness, ERP implementation, cybersecurity, procurement, asset management, corporate security, human resources, and federal-funding administration.⁴²

38. Only a narrow subset of the thirty HoldCo positions relates to PREPA's oversight of LUMA's and Genera's performance, and even that oversight exists only **in the federal funds context**. Exhibit 823.2 identifies four positions associated with that area: a Director for Project and Federal Funds Administration, a Director for Regulatory Affairs, a DFMO Project Specialist, and a PMO Manager. Those **four positions** are tied to PREPA's responsibilities for the development, administration, monitoring, and compliance of federally funded projects. They are not general operational oversight positions and are not intended to displace the roles of LUMA, Genera, the Public-Private Partnerships Authority ("P3A"), or the Energy Bureau.⁴³

39. This distinction is critical because PREPA, as subrecipient, bears responsibility for the proper administration, documentation, and compliance of all federally funded PREPA projects, including projects executed by LUMA and Genera. For that reason, the primary purpose of the four federal-funds-related positions is not merely to supervise the operators, but to work on PREPA's own obtention of federal funds and compliance with federal requirements. Any oversight of LUMA and Genera is incidental to, and inseparable from, PREPA's federal-funds obligations as subrecipient.⁴⁴

40. Eng. Mary C. Zapata's testimony confirms this limited scope. She explained that the requested personnel are essential for the management of federal

⁴² See Exhibit 823.

⁴³ See Exhibit 823.2.

⁴⁴ See Exhibit 823.2.

funds and for the administration of funds used in reconstruction projects, and that PREPA's supervisory role over LUMA and Genera is specifically tied to the use of federal funds ("el uso de los fondos federales").⁴⁵ Read in context, that testimony does not support the Energy Bureau's conclusion that PREPA sought thirty employees to supervise LUMA and Genera. It establishes the opposite: PREPA's supervisory role is limited to the federal funds context, where PREPA must ensure, as the subrecipient, proper use, documentation, compliance, and preservation of funding.

41. Accordingly, the Rate Order substantially exaggerates PREPA's request by converting thirty HoldCo positions distributed across multiple departments into a generalized "oversight" proposal directed at LUMA and Genera. That characterization is unsupported by substantial evidence and is contradicted by Exhibit 823, Exhibit 823.2, and Eng. Zapata's testimony. The Energy Bureau should therefore correct its determination to reflect that PREPA requested thirty HoldCo FTEs for various core institutional functions, and that only four of those positions are connected to federal funds work, where PREPA's role as subrecipient requires limited oversight of LUMA's and Genera's performance in the obtention, use, and administration of federal funds.

iv. The Energy Bureau Improperly Conflates Federal Funds Compliance with Operational Supervision

42. The Order's conclusion reflects an improper conflation of two distinct concepts: operational supervision of system operators and compliance oversight

⁴⁵ Final Hearing Transcript, December 4, 2025, testimony of Eng. Mary C. Zapata at pp. 148–149.

associated with federal funding. The evidentiary record makes clear that PREPA's request falls squarely within the latter category.

43. As the subrecipient of federal funds, PREPA bears legal responsibility for ensuring that such funds are properly administered, expended, and documented in accordance with applicable federal requirements. These obligations are non-delegable and require PREPA to maintain internal capacity to oversee financial flows, verify compliance, and support audit and reporting functions. The requested personnel are necessary to fulfill these obligations.

44. Nothing in the record suggests that PREPA seeks to exercise authority over operational decision-making, system dispatch, maintenance activities, or planning functions assigned to LUMA or Genera. To the contrary, Eng. Zapata's testimony consistently frames PREPA's role in terms of visibility, accountability, and compliance, rather than control.⁴⁶

45. By equating PREPA's compliance responsibilities with "oversight of operations," the Energy Bureau attributes to PREPA an intent that is neither expressed nor supported by the evidence. This mischaracterization leads directly to the erroneous conclusion that PREPA's request is duplicative of the roles performed by the P3A or the Energy Bureau.

v. The Erroneous Characterization Leads to an Unsupported Finding of Redundancy

46. The Energy Bureau's denial of PREPA's request is premised on the assertion that the proposed positions would create a redundant oversight function

⁴⁶ Final Hearing Transcript, December 8, 2025, testimony of Eng. Mary C. Zapata at pp. 331–339.

already performed by the P3A and the Energy Bureau.⁴⁷ However, this conclusion is unsustainable once the underlying factual errors are corrected.

47. Neither the P3A nor the Energy Bureau performs PREPA's role as subrecipient of federal funds. Neither entity bears responsibility for compliance with federal grant conditions, nor do they assume liability for audit findings, disallowances, or repayment obligations associated with those funds. These responsibilities rest exclusively with PREPA.

48. Accordingly, the personnel requested by PREPA, as specifically identified in Exhibit 823.2, serve a distinct and legally required function that is not duplicative of any existing oversight role. The Energy Bureau's finding of redundancy is therefore based on an incorrect understanding of both the facts and the applicable legal framework.

c. The Energy Bureau's Disallowance of Governing Board Compensation should be reconsidered as it contravenes applicable law.

49. The Energy Bureau's determination to disallow PREPA's requested Governing Board compensation for non-public members should be reconsidered because it is inconsistent with the statutory framework governing PREPA, reflects a misapplication of prospective ratemaking principles, and rests on an incomplete assessment of the evidentiary record. As a result, the Order adopts a funding structure that impairs PREPA's ability to comply with its organic act and to maintain a properly constituted governing body during the applicable rate period.

50. First, the denial is in conflict with the statutory mandate that PREPA maintain a fully constituted Governing Board. Under Section 4 of Act 83-1941, the

⁴⁷ Order, Chapter Five, p. 554.

Governing Board is the entity through which the powers of PREPA are exercised and its policy and strategic direction are determined.

51. The statute provides for a seven-member Board, supplemented in practice by the participation of the Executive Director of AAFAF pursuant to Article 16 of Act 2-2017, resulting in an eight-member governing body. This composition is not discretionary; it reflects a deliberate legislative design to ensure a balanced and independent governing structure.

52. At present, however, PREPA's Governing Board is operating with only four (4) members, the **minimum** quorum required to conduct business, consisting of three government-affiliated officials and one non-governmental professional. The remaining four positions - three non-public members requiring Senate confirmation and one consumer representative - are vacant, primarily due to lack of funding. Because these positions are statutorily mandated, PREPA included funding for them in its rate review petition filed in the above-captioned case.⁴⁸

53. By denying the requested compensation for these non-public members, the Energy Bureau effectively uses a temporary condition (current vacancies) to justify a permanent budgetary exclusion, thereby defunding positions that the law requires to be filled during the FY26–FY28 rate period. This outcome creates a circular and self-defeating dynamic: compensation is denied because positions are vacant, yet positions remain vacant in part because compensation is unavailable to attract qualified candidates.

⁴⁸ See Exhibit 353, HoldCo_1 tab (001 Junta de Gobierno).

54. Second, the Energy Bureau's determination fails to account for the inherently prospective nature of ratemaking and budgeting. The revenue requirement established in this proceeding governs a multi-year period and must necessarily reflect the anticipated costs of operating a legally compliant and fully functional utility over that horizon.

55. PREPA's request for Governing Board compensation was not predicated on the current occupancy of those positions, but rather on the expectation --indeed, the legal obligation-- that the vacant positions will be filled during the rate period.

56. Denying funding for these positions solely because they are unoccupied at the time of the rate decision contradicts standard ratemaking principles, which require utilities to forecast costs associated with necessary staffing, operations, and compliance over the applicable period. If the Energy Bureau does not allocate funds now, PREPA will lack the budgetary authority to compensate non-public Governing Board members once they are appointed or elected, thereby impairing the Government's ability to recruit qualified individuals and undermining compliance with Act 83.

57. Third, the Energy Bureau's conclusion that the evidentiary record does not support recovery of Governing Board compensation from ratepayers fails to properly consider both the statutory framework and the specific composition of the current Governing Board.

58. Act 83 expressly provides that non-public members of the Governing Board shall receive compensation determined by the Board or, absent unanimity, by

the Governor, and further requires that such compensation be comparable to that received by members of boards of similarly situated utilities and sufficient to attract qualified candidates.⁴⁹

59. This statutory directive constitutes direct evidence that compensation is not merely permissible, but an integral component of the governance structure contemplated by the Legislature. Moreover, the current composition of the Governing Board confirms that the requested \$195,000 is tied exclusively to the five statutorily mandated non-public positions.

60. The entirety of the requested amount is dedicated to compensating the five vacant non-public and consumer positions, calculated conservatively at approximately \$39,000 per member annually. This is a modest and minimum baseline estimate consistent with the statutory requirement to attract qualified candidates considering the complexity, financial exposure, and fiduciary responsibilities associated with overseeing a multi-billion-dollar electric utility undergoing restructuring and transformation.

61. PREPA's request was not speculative but grounded in a defined and formally adopted compensation framework. Specifically, the requested amount reflects the compensation structure established pursuant to Governing Board Resolution 5130, dated April 24, 2024, which sets minimum baseline compensation for non-public members at approximately \$39,000 annually, with additional compensation for members serving in supplemental leadership roles.

⁴⁹ Act 83, Section 4. — Governing Board. (22 L.P.R.A. § 194).

62. The request further reflects the current composition of the Governing Board --three public employees and one non-public member-- and reasonably anticipates the appointment of four additional non-public members, as required by statute. As such, the \$245,000 total request represents a structured and conservative projection of the costs necessary to maintain a legally compliant Governing Board, rather than a speculative or unsupported estimate. This documented framework directly addresses the Energy Bureau's concern regarding evidentiary support and demonstrates that the requested compensation is both reasonable and grounded in established governance policy.

63. The Energy Bureau's approval of only \$50,000 for administrative expenses, limited to travel and meeting-related costs, effectively excludes any provision for compensating non-public members, notwithstanding the statutory framework that contemplates a compensated governing body.

64. Governing Board compensation is not a discretionary or ancillary expense subject to efficiency adjustments; it is a core governance cost directly tied to PREPA's ability to function in accordance with law, oversee system operators, approve budgets, and participate meaningfully in the Title III process. Unlike other categories of spending that may be deferred or optimized, the existence of a properly constituted and effective Governing Board is a legal prerequisite for valid corporate action and institutional accountability.

65. Finally, even if there was uncertainty regarding the timing of appointments, existing ratemaking and reconciliation mechanisms adequately address any concern regarding unused funds. If the positions remain vacant for any

portion of the rate period, the corresponding funds will simply remain unspent and subject to reconciliation or reallocation, ensuring that ratepayers are not burdened with unjustified costs.

66. By contrast, the outright denial of these funds guarantees that PREPA will lack the financial capacity to comply with its statutory obligations once the positions are filled.

67. For all of these reasons, PREPA respectfully submits that the Energy Bureau should reconsider its determination and allow recovery of reasonable compensation for non-public Governing Board members within the existing revenue requirement. This adjustment does not require any increase in the base rate, but rather a targeted reallocation of resources consistent with the Government and PREPA's position that available funds must be prioritized toward essential functions. Restoring this funding is necessary to ensure compliance with Act 83, facilitate the appointment of qualified and independent Governing Board members, and preserve the integrity of PREPA's governance structure, all of which are indispensable to the reliable and effective operation of the electric system and accountability of federal funds management.

d. The Energy Bureau did not Adjudicate nor Address PREPA's Statutorily Mandated Funding for the Consumer Representative Election

68. The Order should also be reconsidered because it fails to address PREPA's request for \$1.060 million, as set forth in Exhibit 353, HoldCo_1 tab (001 Junta de Gobierno), to fund the election of the consumer representative to the Governing Board - a cost that arises directly from a statutory mandate and is indispensable to PREPA's compliance with its organic act. While the Order explicitly addresses the

Governing Board budget, denying the \$195,000 requested for member compensation and approving \$50,000 for administrative expenses, it remains entirely silent as to the separate and distinct request reflected in Exhibit 353, HoldCo_1 tab (001 Junta de Gobierno) for funding the consumer representative election. This omission is not merely a matter of incomplete discussion; it reflects a failure to adjudicate a material budget item grounded in a clear legislative obligation.

69. Under Section 4(a) of Act 83-1941, the Governing Board must include a representative of the consumer interest, to be selected through an election process supervised by the Office of the Ombudsman. The statute further imposes an affirmative and non-discretionary obligation on PREPA to facilitate that process, expressly providing that PREPA must supply “the facilities and all necessary economic resources for this purpose.” PREPA’s request for \$1.060 million in Exhibit 353, HoldCo_1 tab (001 Junta de Gobierno) was submitted precisely to comply with this statutory requirement during the FY26–FY28 rate period. The cost is not discretionary, nor does it depend on operational preferences; it is a direct legislative mandate tied to the composition of the Governing Board itself.

70. By omitting any reference to this request in the Order, the Energy Bureau effectively prevents PREPA from complying with this statutory obligation. The absence of approved funding makes it financially impracticable to carry out the election process, which necessarily entails substantial logistical and administrative costs, including ballot preparation and distribution, verification of eligible voters, public notice requirements, coordination with the Ombudsman, and other compliance-related functions. In practical effect, the Energy Bureau’s silence operates as a *de*

facto denial, but without the findings, reasoning, or evidentiary analysis required for such a determination. The result is not only a gap in the revenue requirement, but a direct impairment of both the statutory right of PREPA's customers to elect their representative to the Governing Board and PREPA's corresponding obligation to fund and administer that election.

71. The Energy Bureau's failure to address this request also violates its procedural obligations under Act 57-2014. As recognized in the Order, Sections 6.25(c), (f), and (g) of Act 57-2014 require the Energy Bureau to explicitly approve or deny the costs submitted as part of a rate proposal and to support its determination with record-based findings. The Energy Bureau cannot satisfy this obligation by omission. Where, as here, PREPA submitted a discrete and identifiable budget item - supported by Exhibit 353, HoldCo_1 tab (001 Junta de Gobierno) and tied to a statutory mandate - the Energy Bureau was required to adjudicate that request. Its failure to do so constitutes arbitrary and capricious agency action, as it deprives PREPA of a reasoned determination and precludes meaningful review.

72. Moreover, the nature of the expense reinforces its recoverability. The cost of conducting the consumer representative election is a core governance expense, analogous to other foundational costs necessary to ensure that PREPA operates in accordance with law. The election process is not ancillary to operations; it is the mechanism through which a statutorily required member of the Governing Board is selected. As such, it is an essential component of PREPA's governance framework and must be funded if the statutory scheme is to be given effect.

73. Finally, any concern regarding the magnitude or timing of the expenditure is addressed through existing ratemaking safeguards. To the extent that the election is delayed or the actual costs differ from the estimate, reconciliation mechanisms ensure that only prudently incurred costs are ultimately recovered from ratepayers. By contrast, the complete omission of the \$1.060 million request ensures that PREPA lacks the financial capacity to conduct the election at all, thereby frustrating compliance with Act 83.

74. For these reasons, PREPA respectfully requests that the Energy Bureau reconsider its Order, cure the omission with respect to the election funding request set forth in Exhibit 353, HoldCo_1 tab (001 Junta de Gobierno), and expressly approve the requested \$1.060 million, or such reasonable amount as the Energy Bureau determines is supported by the record. The Energy Bureau cannot, through regulatory silence, effectively nullify a statutory mandate or prevent the implementation of a required democratic process.

e. The Order's Reduction of PREPA's Restructuring & Title III Revenue Requirement Should be Reconsidered.⁵⁰

75. PREPA's revenue requirement included "PREPA Restructuring & Title III" costs of \$18,700,000 for FY2026, \$11,150,000 for FY2027, and \$7,050,000 for FY2028.⁵¹ The FY2026 request consisted of three professional firms: O'Melveny & Myers LLP ("O'Melveny") (\$9,000,000), Ankura Consulting Group, LLC ("Ankura") (\$8,700,000),

⁵⁰ Contemporaneously herewith, PREPA is filing PREPA's Motion in Compliance with Resolution and Order on Electricity Rates (the "Motion in Compliance"), which requests (1) the Motion in Compliance be deemed the Non-Duplication Certification required under the Order, ch. 5, at 24, to certify the non-duplication of PREPA's Restructuring & Title III costs, and (2) the PREPA Restructuring and Title III Costs be approved in the amounts submitted. To ensure a fulsome procedural record, and without prejudice to the Motion in Compliance, PREPA hereby repeats and incorporates the arguments and marshalling of the evidence set forth in the Motion in Compliance.

⁵¹ PREPA Ex. 90.02, at 2.

and González & Martínez Law Offices, P.S.C. ("G&M") (\$1,000,000).⁵² These engagements are separate from and not included in the FOMB Advisor costs or PREPA's Legal Services budget.

76. PREPA's request was supported by record evidence describing the contracting and budget process. Each fiscal year PREPA's professionals submit cost estimates during the contracting and budget preparation process; PREPA reviews those estimates taking into consideration the status of the Title III case, the certified fiscal plan, transformation initiatives, and budget priorities, makes any adjustments it deems necessary, and submits them to its governing board, Puerto Rico Fiscal Agency and Financial Advisory Authority ("AAFAF"), the Governor's Chief of Staff, and the Financial Oversight and Management Board for Puerto Rico (the "Oversight Board") for approval. In FY2026, this process resulted in PREPA awarding initial contracts to O'Melveny and Ankura in amounts that were lower than initial proposals, and lower than the full certified budget amounts.⁵³ Specifically, on August 11, 2025, PREPA entered into Contract No. 2026-P00023 with O'Melveny for services through June 30, 2026, with a \$7 million fee cap.⁵⁴ On July 9, 2025, PREPA entered into Contract No. 2026-P00003 with Ankura for services through July 31, 2025, with a \$500,000 fee cap, and on August 25, 2025, PREPA entered into Contract No. 2026-P00025 with Ankura for services through June 30, 2026, with a \$6.5 million fee cap.⁵⁵

⁵² *Id.*

⁵³ PREPA Ex. 90.01, at 1; see also PREPA Ex. 87.01, at 2–3; PREPA's revenue requirement included the full budgeted amount in the event contract increases became necessary. PREPA does not now believe increases will be necessary above the contracted amount to for FY2026.

⁵⁴ See PREPA Ex. 86.13, at 4, 6.

⁵⁵ See PREPA Ex. 86.29, at 7–8; PREPA Ex. 86.3, at 7–8.

This is a transparent process—all of PREPA's professional contracts are published on the Puerto Rico comptroller's website.⁵⁶

77. During FY2026, PREPA requested that its Title III professionals perform services under the approved and executed contracts and, consistent with the approved and certified budget, perform the work that PROMESA, the Title III Court, the Oversight Board, AAFAF, the PREPA mediators, and the Energy Bureau itself required. Thus, PREPA's Title III professionals have performed legal and financial advisory services under those contracts for approximately ten months.

78. It was projected that Title III costs decline to \$11.15 million in FY2027 and \$7.05 million in FY2028, based on fiscal plan projections, which currently assume confirmation of a PREPA plan of adjustment and wind down of PREPA's Title III case.⁵⁷

79. On December 3, 2025, the Energy Bureau held the Multi-Utility Cost Panel. PREPA's Executive Director, Mary C. Zapata, and PREPA Comptroller, Juan C. Adrover Ramírez, were questioned concerning PREPA's Title III advisor costs. Executive Director Zapata testified that PREPA's separate Title III representation is essential because the Oversight Board does not possess PREPA's operational expertise as an electric utility, and that such representation is necessary to ensure that the Oversight Board advances the best interests of the people of Puerto Rico and the prudent use of public funds.⁵⁸ She further testified that PREPA's Title III work does not duplicate or overlap with the Oversight Board's role, explaining that PREPA's specialized

⁵⁶ See Oficina del Contralor - Estado Libre Asociado de Puerto Rico, Consulta del Registro de Contratos, <https://consultacontratos.ocpr.gov.pr/> (last visited on April 30, 2026).

⁵⁷ PREPA Ex. 90.01, at 1.

⁵⁸ Tr. of Evidentiary Hr'g at 412:13–413:12, *In re P.R. Elec. Power Auth. Rate Review*, Case No. NEPR-AP-2023-0003 (P.R. Energy Bureau Dec. 3, 2025).

operational knowledge, which the Oversight Board does not possess, is essential to the plan confirmation process.⁵⁹ Mr. Adrover corroborated this testimony, explaining that AAFAF and the elected Government—PREPA's fiscal agents under Puerto Rico law—“determined that PREPA should have its own representation,”⁶⁰ and that PREPA requires “legal assistance to comply with all . . . PROMESA requirements, [Oversight Board] reporting, and everything else.”⁶¹ Mr. Adrover further testified that PREPA actively reviews its advisors' invoices and has “raised flags in the past for amounts that we are not comfortable with,”⁶² and confirmed that PREPA has “been trying to reduce those costs since day 1.”⁶³

80. PREPA also timely objected to numerous questions asked of Executive Director Zapata and Mr. Adrover, because (i) the questions called for legal conclusions from lay witnesses concerning PREPA's role in the Title III process and (ii) the substantive matters had already been answered in PREPA's formal Responses to ROIs No. 10) NPFGC-of-PREPA-FIN-8 (PREPA Exs. 90.01–90.02), 73) PC-of-PREPA-FIN-96 (PREPA Exs. 86.01–86.39), and 90) LUMA-of-PREPA-RR-52 (PREPA Exs. 87.01–87.03).

81. On December 8, 2025, the Hearing Examiner stated on the record that the involvement of multiple legal teams “remains a mystery” to the Energy Bureau's consultants.⁶⁴

82. On December 19, 2025, to address that stated concern and to establish a clear evidentiary record on PREPA's Title III costs, separate representation,

⁵⁹ See *id.* at 417:1–418:2.

⁶⁰ *Id.* at 418:5–8.

⁶¹ *Id.* at 418:16–19.

⁶² *Id.* at 484:2–4.

⁶³ *Id.* at 479:13–14.

⁶⁴ Tr. of Evidentiary Hr'g at 348:7–10, *In re P.R. Elec. Power Auth. Rate Review*, Case No. NEPR-AP-2023-0003 (P.R. Energy Bureau Dec. 8, 2025).

coordination protocols, internal controls, and cost justification, PREPA filed its *Motion to Admit Late-Filed Exhibits Regarding PREPA's Title III Costs and Legal Services*.⁶⁵ The *Hearing Examiner's Order on Exhibits, Miscellaneous Post-Hearing Matters, and Legal Issues*, dated December 22, 2025, identified PREPA Exhibits 86.01–86.39, 87.01–87.03, and 90.01–90.02 as the relevant materials and set December 29, 2025 as the deadline for objections.⁶⁶ No party objected. On January 8, 2026, in the *Hearing Examiner's Order on Miscellaneous Procedural and Evidentiary Matters*, the Hearing Examiner admitted PREPA Exhibits 86, 87, 89, and 90 into evidence, “[h]aving received no objections.”⁶⁷ Therefore, these exhibits are admitted evidence in this proceeding.

83. On January 24, 2026, the Bondholders filed their *Bondholders' Initial Post-Hearing Brief on the Revenue Requirement*.⁶⁸ They argued that PREPA's retention of separate Title III professionals “results in duplication and needless ratepayer expenses.”⁶⁹ The Bondholders' submission did not include any evidence of this purported duplication.

84. On February 17, 2026, PREPA responded to the Bondholders' arguments in Section G of its *Reply Brief on Revenue Requirement* (the “Revenue Reply”),⁷⁰

⁶⁵ *In re P.R. Elec. Power Auth. Rate Review*, Case No. NEPR-AP-2023-0003 (P.R. Energy Bureau Dec. 19, 2025).

⁶⁶ *Hearing Examiner's Order on Exhibits, Miscellaneous Post-Hearing Matters, and Legal Issues* at 2, *In re P.R. Elec. Power Auth. Rate Review*, Case No. NEPR-AP-2023-0003 (P.R. Energy Bureau Dec. 22, 2025).

⁶⁷ *Hearing Examiner's Order on Miscellaneous Procedural and Evidentiary Matters* at 7, *In re P.R. Elec. Power Auth. Rate Review*, Case No. NEPR-AP-2023-0003 (P.R. Energy Bureau Jan. 8, 2026).

⁶⁸ *Bondholders' Initial Post-Hearing Br. on the Revenue Requirement*, *In re P.R. Elec. Power Auth. Rate Review*, Case No. NEPR-AP-2023-0003 (P.R. Energy Bureau Jan. 24, 2026).

⁶⁹ *Id.* at 68–70. This is ironic considering that the Bondholders are collectively represented by at least 13 law firms in the Title III case—seven national firms and six Puerto Rico firms. See *Joint Informative Mot. of GoldenTree Asset Management LP, Syncora Guarantee, Inc., National Public Finance Guarantee Corporation, the PREPA Ad Hoc Group, and the Paul, Weiss Ad Hoc Group Regarding Second Amendment to Amended & Restated Cooperation Agreement* at 5–10, *In re Fin Oversight & Mgmt. Bd. For P.R.*, Case No. 17-BK-4780-LTS (D.P.R. Apr. 22, 2026), Dkt. No. 6124.

⁷⁰ *PREPA's Reply Br. on Revenue Requirement*, *In re P.R. Elec. Power Auth. Rate Review*, Case No. NEPR-AP-2023-0003 (P.R. Energy Bureau Feb. 17, 2026). The Energy Bureau noted that the *Revenue Reply* was “properly filed.” *Resolution and Order pertaining to Mot. for Recons. and Order of February 9, 2026, filed by the Puerto Rico Electric Power Authority* at 2, *In re P.R. Elec. Power Auth. Rate Review*, Case No. NEPR-AP-2023-0003 (P.R.

explaining—with citations to admitted exhibits—that PREPA's Title III costs are reasonable, non-duplicative, subject to multiple layers of oversight, declining over time, and authorized under PROMESA Section 316.⁷¹

85. On February 23, 2026, PREPA filed its *Motion in Compliance with February 12, 2026 Hearing Examiner Order*, which identified, line by line, the elements of the PREPA revenue requirement and the record references supporting each one.⁷² PREPA listed its requested PREPA Restructuring & Title III amounts (\$18,700,000 / \$11,150,000 / \$7,050,000) and cited PREPA Exhibits 90.01 and 90.02, 86.01–86.39, 87.01–87.03, Bondholder Exhibit 401, and the Revenue Reply at 44–47.⁷³

86. Notwithstanding this fully developed record, the Order conditionally reduced PREPA's requested Title III amounts by two-thirds, citing three reasons: (1) the Oversight Board and its outside counsel “already represent PREPA in the Title III forum as a matter of law under PROMESA”; (2) the request was “derived from the 2025 Certified Fiscal Plan and calculated during the spring budget process—not from an independent cost justification specific to the rate period”; and (3) “no record evidence was adduced . . . specifically demonstrating that the activities of PREPA's Title III advisors are non-duplicative of those performed by the [Oversight Board]'s advisors on PREPA's behalf.”⁷⁴

87. The Order does not cite, discuss, or distinguish PREPA Exhibits 86, 87, or 90; does not address Section G of PREPA's Revenue Reply; and does not

Energy Bureau Apr. 7, 2026).

⁷¹ See Revenue Reply at 44–47.

⁷² *In re P.R. Elec. Power Auth. Rate Review*, Case No. NEPR-AP-2023-0003 (P.R. Energy Bureau Feb. 23, 2026).

⁷³ *Id.* at 3.

⁷⁴ Order, ch. 5, at 23–24.

acknowledge PROMESA Section 316. As shown below, each of the Order's three reasons is either contrary to the admitted record, or contrary to the controlling federal statute, Puerto Rico law, and executive orders.

f. The Order's "No Record Evidence" Finding is Contrary to the Admitted Record.

88. PREPA Exhibit 86.39 is PREPA's response to ROI No. 73) PC-of-PREPA-FIN-96, an information request issued by the Energy Bureau's own consultants. The ROI asked PREPA to address, among other things, the necessity and legal basis for PREPA to retain O'Melveny, Ankura, G&M, and other Title III professionals when the Oversight Board's counsel also represents PREPA; potential conflicts between Oversight Board and PREPA interests; coordination protocols to prevent duplication; minimum Title III costs required for legal compliance and debtor protection; and PREPA's internal controls over Title III expenses.⁷⁵

89. PREPA answered each of those questions in its response to the Energy Bureau consultants' ROI, and those sworn responses were admitted in the record.⁷⁶ Among other things, PREPA explained that its Title III case is the largest U.S. municipal utility bankruptcy in history, with approximately \$8.5 billion of bond principal and pre-petition bond interest, \$3 billion in unfunded pension obligations, \$700 million in fuel-line loans, and billions in other unsecured claims, made still more complex by Hurricanes Irma, Maria, and Fiona, earthquakes, COVID-19, PREPA's transformation, and the overlapping pendency of the Commonwealth's Title III case.⁷⁷

⁷⁵ PREPA Ex. 86.39, at 1–2.

⁷⁶ Hearing Examiner's Order on Miscellaneous Procedural and Evidentiary Matters at 7, *In re P.R. Elec. Power Auth. Rate Review*, Case No. NEPR-AP-2023-0003 (P.R. Energy Bureau Jan. 8, 2026) (admitting PREPA exhibits 86, 87, 89, and 90).

⁷⁷ PREPA Ex. 86.39, at 2.

90. PREPA Exhibit 86.39 then addressed coordination and non-duplication directly. It explained that the “vast majority of Title III-related work is responsive in nature”—either to comply with direct orders or requests from the Title III Court, Oversight Board, AAFAF, the court-appointed mediator, or Energy Bureau, or to defend PREPA from bondholder-initiated proceedings (mediation, litigation, discovery, depositions).⁷⁸ PREPA further explained that (i) “[Oversight Board] Advisors act at the direction of the [Oversight Board]” and “PREPA Advisors act at the direction of PREPA, AAFAF and the Governor’s Chief of Staff,” in many instances to comply with information requests and directives that emanate from the Oversight Board; (ii) that “to the extent of policy overlap, it is common for advisors of both sides to focus and coordinate on particular areas when that is feasible and practical,” and (iii) “[g]iven the difference in roles, responsibilities and subject matter expertise, consolidation is not appropriate.”⁷⁹ There is no evidence in the record that supports a contrary finding.

91. PREPA Exhibit 87.01, PREPA’s response to ROI No. 90) LUMA-of-PREPA-RR-52, addressed overlap and duplication separately. It confirmed that there is “not an overlap in services or work performed” between O’Melveny and the firms providing non-Title III, legal services in the Corporate Responsibilities portion of the budget, and that “PREPA monitors its professionals and reviews invoices to ensure that the services are not duplicative.”⁸⁰

⁷⁸ *Id.* at 2, 6.

⁷⁹ *Id.* at 6.

⁸⁰ PREPA Ex. 87.01, at 3.

92. PREPA Exhibit 90.01 provided the professional-by-professional breakdown that the Order assumes was missing: O'Melveny (\$9,000,000), Ankura (\$8,700,000), and G&M (\$1,000,000) for FY2026, with declining amounts in FY2027 and FY2028 in similar proportions.⁸¹ And PREPA Ex. 86.39 includes links to each of the professionals' current contracts on the Puerto Rico comptroller's website.⁸²

93. None of these admitted exhibits are mentioned in the Order's discussion of PREPA's Title III costs. Nor does the Order address Section G of the Revenue Reply, which marshaled and applied the same evidence.⁸³ The conclusion that "no record evidence was adduced" therefore cannot be reconciled with the very exhibits that the Hearing Examiner admitted on January 8, 2026 without objection from any party.⁸⁴ The "no record evidence" finding is a clear error and is alone sufficient to require reconsideration.

g. PROMESA Section 316 Expressly Authorizes Debtor Professionals Separate from the Oversight Board.

94. The Order's first stated reason for reducing PREPA's Title III costs is that the Oversight Board and its outside counsel "already represent PREPA in the Title III forum as a matter of law under PROMESA."⁸⁵ That premise is incomplete. While PROMESA Section 315 designates the Oversight Board as the debtor's representative in Title III, PROMESA Section 316 expressly authorizes both the debtor and the Oversight Board to retain professionals separately, each "in [its] sole discretion."⁸⁶

⁸¹ PREPA Ex. 90.01, at 1.

⁸² PREPA Ex. 86.39, at 4.

⁸³ See Revenue Reply at 44-47.

⁸⁴ Hearing Examiner's Order on Miscellaneous Procedural and Evidentiary Matters at 7, *In re P.R. Elec. Power Auth. Rate Review*, Case No. NEPR-AP-2023-0003 (P.R. Energy Bureau Jan. 8, 2026) (admitting PREPA exhibits 86, 87, 89, and 90).

⁸⁵ Order, ch. 5, at 23.

⁸⁶ PROMESA § 316(a).

95. Section 316 is not accidental. It is the compensation framework Congress drafted for professionals employed by “the debtor (in the debtor’s sole discretion),” “the Oversight Board (in the Oversight Board’s sole discretion),” “a committee,” or “a trustee.”⁸⁷ The statute thus contemplates that both the Oversight Board and PREPA each have their own professionals. The Order’s assumption that Oversight Board representation displaces PREPA’s separate professionals cannot be reconciled with Congress’s express authorization.

96. Section 316 also embeds its own reasonableness and non-duplication safeguards. The Title III Court may award only “reasonable compensation” for “actual, necessary services” and “reimbursement for actual, necessary expenses,” and may award less than the requested amount.⁸⁸ In setting reasonable compensation, the Title III Court must consider the nature, extent, and value of the services, the time spent, the rates charged, whether the services were necessary or beneficial, whether they were performed within a reasonable time given the complexity and importance of the issue, and whether compensation is reasonable compared to customary compensation charged by comparable practitioners.⁸⁹ The Title III Court does exactly that having appointed a fee examiner to review all professional fees.⁹⁰ And critically, Section 316(d) provides that the Title III Court “shall not allow compensation for . . . unnecessary duplication of services.”⁹¹ Thus, PROMESA both provides for separate professionals for the Oversight Board and

⁸⁷ PROMESA § 316(a).

⁸⁸ PROMESA § 316(a), (b).

⁸⁹ PROMESA § 316(c).

⁹⁰ Order Pursuant to PROMESA Sections 316 and 317 and Bankruptcy Code Section 105(a) Appointing a Fee Examiner and Related Relief, *In re Fin Oversight & Mgmt. Bd. For P.R.*, Case No. 17-BK-4780-LTS (D.P.R. Oct. 6, 2017), Dkt. No. 337.

⁹¹ PROMESA § 316(d).

PREPA, and contains a mechanism for ensuring these professionals do not provide duplicate services.

97. Through this statutory structure, Congress authorized separate debtor professionals and charged the Title III Court with policing reasonableness, necessity, and unnecessary duplication. The record confirms that this Section 316 review applies here: PREPA's monthly fee statements are provided to notice parties under the Title III Court's *Third Amended Order Establishing Procedures for Interim Compensation*,⁹² are subject to objection by those notice parties, are reviewed by a court-appointed fee examiner, and ultimately are subject to interim and final fee applications to the Title III Court, which approves only reasonable compensation for actual, necessary services and expenses.⁹³

98. PREPA's separate representation also serves a function the Order does not address: it preserves Governmental public policy and the integrity of the Energy Bureau's ratemaking authority under Act 57. As PREPA explained in its Revenue Reply, "PREPA's retention of separate Title III counsel is necessary to ensure that the energy public policy of the democratically elected Government is independently and properly represented, that electricity rates resulting from a restructured PREPA are feasible and sustainable, and that the independence of the Energy Bureau's rate-making powers under Act 57 is protected."⁹⁴ The Oversight Board's representation of PREPA in Title III cannot substitute for the role of PREPA's independent counsel and

⁹² Third Amended Order Setting Procedures for Interim and Final Compensation and Reimbursement of Expenses of Professionals, *In re Fin. Oversight & Mgmt. Bd. For P.R.*, Case No. 17-BK-3283-LTS (D.P.R. Apr. 12, 2022), Dkt. No. 20546.

⁹³ PREPA Ex. 86.39, at 3–5; PREPA Ex. 87.01, at 2.

⁹⁴ Revenue Reply at 44–45.

advisors in defending the Energy Bureau's statutory role and other Governmental public policy determinations.

99. The Order does not mention PROMESA Section 316. Instead, it treats the Oversight Board's statutory role under Section 315 as if it were exclusive, when Section 316 makes clear that it is not. Reconsideration is required to align the Order with the controlling federal statute—PROMESA.

h. The Energy Bureau Should Not Substitute the Oversight Board's and the Title III Court's Judgment in Evaluating PREPA's Title III Professional Costs.

100. The Oversight Board, with its budget setting authority under PROMESA Title II and its designated role under PROMESA Title III, has worked closely with PREPA and its professionals for nearly nine years. Through that experience, the Oversight Board has come to understand in granular detail what work PREPA's professionals must perform to support PREPA's restructuring, comply with PROMESA, and contribute the operational expertise that PREPA—and not the Oversight Board—possesses. Acting on that knowledge (as well as, of course, its own capacity and the work it does for PREPA), the Oversight Board has approved each of PREPA's Title III professional engagements under PROMESA Sections 202 and 204 (with the Oversight Board's contract-review threshold reduced to \$250,000 specifically for the PREPA Restructuring & Title III line items), and has separately certified the FY2026 budget that funds those engagements. By doing both, the Oversight Board has determined that this work is necessary, consistent with the certified fiscal plan, and non-duplicative of its own work. The Oversight Board is uniquely positioned to make that determination, and the Energy Bureau should defer to that judgment.

101. This deference is also warranted because the Energy Bureau, in setting rates, is not approving any individual payment to PREPA's professionals. It is approving a revenue requirement. The actual fees PREPA's Title III professionals receive are pressure-tested elsewhere—by the Title III Court itself, and by a court-appointed fee examiner. That review evaluates fee statements containing time entries in 0.1-hour (six-minute) increments, against an adversarial record, and alongside the Oversight Board's parallel fee submissions. Therefore, there are two entities—the Oversight Board *ex ante*, and the Title III Court *ex post*—better situated than the Energy Bureau to police the very concerns that animate the Order's reduction.

i. To the Extent the Order Relied on Perceived Dormancy in Title III, the Record and Recent Events Do Not Support Defunding PREPA's Title III Professionals.

102. Although the PREPA-specific Title III section of the Order does not expressly rest on the Title III litigation stay, the Order discusses perceived inactivity in PREPA's Title III proceeding.⁹⁵ To the extent that perception influenced the reduction of PREPA's separate Title III request—for the remainder of FY2026, and for FY2027 and FY2028—it cannot stand.

103. Recent activity in the Title III case dispels any assumption that PREPA's case is winding down. On April 13, 2026, the Title III Court issued an order authorizing further litigation activity in PREPA's Title III case.⁹⁶ The Bondholders are pursuing significant additional discovery and have indicated that the renewed proceedings

⁹⁵ See Order, ch. 3, at 339–41 (describing the Title III proceeding as “largely dormant” and “effectively stayed”).

⁹⁶ Order Concerning Joint Status Report in Resp. to the Title III Court's March 16 and March 18, 2026 Orders at 2, *In re Fin. Oversight & Mgmt. Bd. For P.R.*, Case No. 17-4780-LTS (D.P.R. Apr. 13, 2026), Dkt. No. 6114 (“[T]he Court is inclined to lift the litigation stay to permit prosecution of the Bondholders' accounting counterclaim as well as discovery concerning the counterclaim and certain issues underlying it.”).

will involve substantial litigation.⁹⁷ These proceedings will directly affect what PREPA's ratepayers are ultimately asked to pay: the Bondholders are seeking full repayment on approximately \$8.5 billion in principal plus interest of bond debt, while the elected Government and the Oversight Board agree that PREPA's ratepayers cannot afford the rate increases such recoveries would demand. PREPA's effective participation, including through its professionals, in that litigation, and its ability to advance the public-interest position of the elected Government, is therefore a ratepayer-protection function: the cost of the eventual debt-adjustment outcome will be borne by PREPA's customers.

104. Moreover, PREPA Exhibit 86.39 confirms that Title III-related work is far broader than courtroom litigation. It includes "creditor and court reporting, discovery demands, and statutory requirements arising pursuant to PROMESA"; defense of bondholder-initiated proceedings ("mediation, litigation, associated discovery, depositions, etc."); preparation of "nine (9) certified fiscal plans and associated financial projections (required under PROMESA), weekly cash flow and liquidity reporting to the Title III court and creditors since 2018, and numerous iterations of PREPA's Plan of Adjustment and Disclosure Statement"; and ongoing implementation work.⁹⁸

105. The record identifies the milestones that will eventually reduce advisor needs, but none have occurred yet.⁹⁹ And, in fact, PREPA's revenue requirement

⁹⁷ See generally The PREPA Bondholders' Renewed Mot. to Compel Disc. Pursuant to the Order Concerning Joint Status Report in Resp. to the Title III Court's March 16 and March 18, 2026 Orders, *In re Fin. Oversight & Mgmt. Bd. For P.R.*, Case No. 17-4780-LTS (D.P.R. Apr. 17, 2026), Dkt. No. 6121.

⁹⁸ PREPA Ex. 86.39, at 2, 4-5.

⁹⁹ *Id.* at 5 ("[M]ediation negotiations of PREPA's debt, defensive legal actions, compliance demands, resolution of current and future litigation (either through settlement or final court decision after appeals), and confirmation and effectiveness of a Plan of Adjustment.").

request already includes a decline in Title III costs—a decline that based on the current status may not occur in the relevant period, requiring additional budget in the future to ensure PREPA has effective representation.

j. The Order's Two-Thirds Reduction is Arbitrary and Unsupported by Substantial Evidence.

106. The Order states that one-third of PREPA's requested amount is "sufficient to fund PREPA's legitimate, non-duplicative participation in the Title III proceeding, including operational expertise and PROMESA compliance functions that the [Oversight Board]'s advisors cannot supply."¹⁰⁰ That conclusion confirms that PREPA's separate professionals are necessary, while leaving entirely unexplained why one-third is the right number.

107. As a preliminary matter, the Order's qualifier—"legitimate"—presupposes that some portion of PREPA's Title III participation is illegitimate.¹⁰¹ No record evidence supports that premise. PREPA's participation in its own Title III case is expressly authorized by federal law: PROMESA Section 316(a) permits a debtor to retain professionals "in [its] sole discretion." The Order identifies no work performed, no invoice paid, and no engagement entered into by PREPA that is asserted—let alone shown—to be illegitimate. The qualifier therefore inserts a finding the record does not support.

108. Moreover, the Order does not explain how the Energy Bureau derived the one-third figure; does not reconcile that figure with the contractual and

¹⁰⁰ Order, ch. 5, at 24.

¹⁰¹ *Id.* ("The Energy Bureau finds that conditionally approving one-third of the requested amounts—\$6,233,000 (FY26), \$3,717,000 (FY27), and \$2,350,000 (FY28)—is sufficient to fund PREPA's legitimate, non-duplicative participation in the Title III proceeding . . .").

budgeted amounts in engagements already approved through the Oversight Board's and Energy Bureau's own oversight processes; and does not address the admitted record evidence on non-duplication, oversight, discounted rates, declining costs, and the Fiscal Plan's separate treatment of Title III costs.

109. Substantial-evidence review requires more. The record contains a professional-by-professional cost breakdown (PREPA Ex. 90.01, at 1); a description of each professional's role and the responsive nature of the work (PREPA Exs. 86.39, 87.01); explanations of separate representation under PROMESA, Act 2-2017, and AAFAF's 2017 determination (PREPA Ex. 86.39, at 5–7); coordination protocols (PREPA Ex. 86.39, at 6); five layers of contract and invoice oversight (PREPA Ex. 86.39, at 3–5; PREPA Ex. 87.01, at 1–2); below-market discounted rates (PREPA Ex. 86.39, at 4); a documented declining cost trajectory (PREPA Ex. 86.39, at 4); the Certified Fiscal Plan's separate treatment of Title III costs (PREPA Ex. 86.39, at 7); and the Title III Court's ongoing fee review under PROMESA Section 316 (PREPA Ex. 86.39, at 3–5).

110. The \$6,233,000 figure is also irreconcilable with the Energy Bureau's own treatment of this line item. Previously, the Energy Bureau issued its FY2026 provisional budget that approved \$27,450,000 for Bankruptcy Title III Advisor Costs (inclusive of LUMA's advisor fees),¹⁰² and a FY2025 budget that approved the same amount.¹⁰³ Even the Energy Bureau's FY2026 temporary default budget, applying a proportional reduction tied to projected base-revenue declines, would have funded this line at

¹⁰² Resolution and Order at 44, *In re P.R. Elec. Power Auth. Rate Review*, Case No. NEPR-AP-2023-0003 (P.R. Energy Bureau July 31, 2025).

¹⁰³ Resolution and Order at 27, *In re LUMA Initial Budgets & Related Terms of Serv.*, Case No. NEPR-MI-2021-0004 (P.R. Energy Bureau June 26, 2024).

\$25,628,000 (inclusive of LUMA's advisor fees).¹⁰⁴ The Order's approval of \$6,233,000, thus, represents an approximately 77% departure from the FY2026 and FY2025 amounts the Energy Bureau previously approved without record explanation reconciling the Order with these prior determinations.

111. The Order's reduction is also irreconcilable with the Energy Bureau's own prior direction. In the FY2025 annual budgets order, the Energy Bureau found that elements of PREPA's Professional and Technical Outsourced Services budget appeared to "duplicate work already covered under the Title III budget line item," and directed that PREPA "leverage existing resources and contracts related to its bankruptcy proceedings rather than creating new, parallel efforts."¹⁰⁵ PREPA complied by consolidating work under the Title III line, which is precisely the structure the Energy Bureau prescribed.¹⁰⁶ The Order now reduces that consolidated line on a duplication theory of its own, effectively penalizing PREPA for the very consolidation the Energy Bureau directed. Reconsideration is therefore required..

k. FY2026 Must Cover PREPA's Current Contracts, Under Which PREPA Has Been Operating for Approximately Ten Months.

112. The Order must at minimum approve a FY2026 amount sufficient to fund PREPA's currently-contracted Title III-related engagements. The Order's reduction is not merely prospective. It leaves PREPA without rate recovery for professional commitments that have already been approved by the Oversight Board and the

¹⁰⁴ Resolution and Order at 4, *In re LUMA Initial Budgets & Related Terms of Serv.*, Case No. NEPR-MI-2021-0004 (P.R. Energy Bureau June 20, 2025).

¹⁰⁵ *Id.* at 16.

¹⁰⁶ The Order reinforces this notion in its determination to cap PREPA's Legal Services expense at the FY2025 approved level of \$3,847,000 per year for each of FY2026, FY2027, and FY2028. See Order, Ch. Five, at 22 ("Absorbing any overlap of PREPA's legal spend with the operators' own legal functions, or with the Title III and FOMB Advisor allocations, into the capped Legal Services line prevents double recovery from ratepayers.").

Energy Bureau, that have already been executed, and that have already been performed throughout most of FY2026.

113. PREPA's FY2026 O'Melveny and Ankura contracts were approved and executed in August 2025.¹⁰⁷ Those agreements alone reflect approximately \$14 million of FY2026 commitments. PREPA has utilized its professionals consistent with these budgets and contracts as there was no way to know that the Energy Bureau would summarily and retroactively seek to reduce its budget ten months through the fiscal year.

114. Each of those contracts was approved through the very oversight regime the Energy Bureau credits elsewhere in the Order. Each was reviewed by PREPA's Governing Board (on which an AAFAF appointee sits), by the Oversight Board under PROMESA Sections 202 and 204 (with the Oversight Board's contract-review threshold reduced to \$250,000 for PREPA Restructuring & Title III line items), by the Puerto Rico Office of Management and Budget, through the Energy Bureau's budget approval process, and, for FY2026, by the Governor's Chief of Staff under Executive Order OE-2025-008.¹⁰⁸ The contracts were also incorporated into the Oversight Board-certified FY2026 budget, in the "PREPA Restructuring & Title III" line.¹⁰⁹

115. PREPA has been performing under those contracts for approximately ten months. The Order's approved amount cannot retroactively unwind work that

¹⁰⁷ Notably, these retained professionals charge rates substantially below market: "OMM provides a discount of approximately 24-50% off its standard hourly rates on average" and "Ankura . . . continues to provide discounts of 19% to 39% versus its standard hourly rates and approximately 30% on average." PREPA Ex. 86.39, at 4; PREPA Ex. 87.01, at 2. Moreover, the Oversight Board-certified PREPA Restructuring and Title III budget line has declined steadily over time—from \$74,530,000 in FY2020 to \$77,443,000 in FY2021, \$38,722,000 in FY2022, \$25,100,000 in FY2023, \$21,400,000 in FY2024, and \$18,700,000 in FY2025—a roughly 75 percent reduction over five fiscal years. PREPA Ex. 86.39, at 4.

¹⁰⁸ PREPA Ex. 86.39, at 3; PREPA Ex. 87.01, at 1–2.

¹⁰⁹ PREPA Ex. 44, at 6.

PREPA required of its professionals in response to Title III Court, Oversight Board, AAFAF, mediator, and Energy Bureau demands during FY2026. The Energy Bureau itself approved the same line item—Bankruptcy Title III Advisor Costs—at \$27,450,000 in the FY2025 annual budgets order and in the FY2026 provisional budget.¹¹⁰

116. The current advisory arrangements “represent the most cost-effective approach, providing continuity of services and accumulated institutional and case-related knowledge that is essential to PREPA’s ongoing Title III bankruptcy proceedings.”¹¹¹ Therefore, reconsideration is required to set FY2026 at an amount sufficient to fund the engagements PREPA contracted for the rate period.

I. The Cap on PREPA’s External Audit Services Expense Should Be Reconsidered.

117. PREPA also seeks reconsideration of the Order’s determination capping PREPA’s External Audit Services expense at the FY2025 approved level for each year of the rate period.¹¹² The Order grounds the cap on the premise that “PREPA’s external auditor (KPMG) is engaged principally to satisfy audited-financial-statement obligations arising from the ongoing PROMESA Title III proceeding,” and that the “PREPA Restructuring & Title III” and “FOMB Advisor Costs allocated to PREPA” line items “already capture PROMESA-driven professional-services costs,” such that approving PREPA’s requested audit budget would constitute “a third, duplicative recovery of audit-related costs whose root cause is PREPA’s Title III status rather than ordinary utility operations.”¹¹³ Each of those predicates is incorrect.

¹¹⁰ Resolution and Order at 2, *In re LUMA Initial Budgets & Related Terms of Serv.*, Case No. NEPR-MI-2021-0004 (P.R. Energy Bureau June 20, 2025); Resolution and Order at 27, *In re LUMA Initial Budgets & Related Terms of Serv.*, Case No. NEPR-MI-2021-0004 (P.R. Energy Bureau June 26, 2024).

¹¹¹ PREPA Ex. 86.39, at 4; PREPA Ex. 87.01, at 2.

¹¹² Order, Ch. Five, at 22–23.

¹¹³ *Id.* at 22 (“On the same rationale, the Energy Bureau CAPS PREPA’s External Audit Services expense at the

118. Although preparation of audited financial statements is important under PROMESA, PREPA's obligation to maintain annual audited financial statements does not solely arise from PROMESA or Title III. It is imposed independently by the auditing standards applicable to PREPA as a Puerto Rico utility and public corporation, and that obligation exists whether or not PREPA were a Title III debtor.¹¹⁴

119. The Order's "duplicative recovery" rationale assumes that KPMG's audit fees are recovered within either the "PREPA Restructuring & Title III" line or the "FOMB Advisor Costs allocated to PREPA" line.¹¹⁵ The record establishes that they are not. As discussed in Section I above, and as PREPA Exhibit 90.01 reflects, the "PREPA Restructuring & Title III" line funds three professional engagements only—O'Melveny (\$9,000,000), Ankura (\$8,700,000), and G&M (\$1,000,000)—and includes no allocation for KPMG. As to the \$51.289 million "FOMB Advisor Costs allocated to PREPA" line,¹¹⁶ PREPA sought a professional-by-professional breakdown directly from the Oversight Board through correspondence from PREPA Executive Director Mary C. Zapata to Oversight Board Executive Director Robert F. Mujica, Jr., which PREPA placed in the record.¹¹⁷ The Oversight Board did not respond. Nothing in the record affirmatively places KPMG within the FOMB allocation, which—based on the engagements PREPA can identify—funds the Oversight Board's own legal and financial advisors and not PREPA's external auditor or CPA firms that support the preparation of PREPA's consolidated audited financial statements. The cap therefore presupposes recovery

FY2025 approved level for each year of the rate period.").

¹¹⁴ See, e.g., Puerto Rico Energy Bureau Regulation No. 8701, § 4.02 (requiring every electric service company in Puerto Rico, including PREPA, to file audited financial statements with the Energy Bureau).

¹¹⁵ Order, Ch. Five, at 22.

¹¹⁶ *Id.*

¹¹⁷ See PREPA Exhibit 90.01

in two line-items where, on the record before the Energy Bureau, no such recovery exists.

120. The Order denied External Audit Services in their entirety from the LUMA and Genera revenue requirements on the express ground that those costs belong, if anywhere, in PREPA's "PREPA Restructuring & Title III" line.¹¹⁸ The Order then reduced that very line by two-thirds.¹¹⁹ The combined effect is that no approved funding for PREPA's external audit work remains in any of the three budgets: the costs were excluded from LUMA and Genera as recoverable through PREPA's Title III line, capped within PREPA's own External Audit line as already captured by the Title III and FOMB Advisor lines, and never appropriated within the Title III line itself. The denial of LUMA's and Genera's audit-related costs is not just a LUMA or Genera issue—it directly affects PREPA. As PREPA's principal operators, LUMA and Genera supply much of the underlying financial information and support on which PREPA's external auditor relies to complete PREPA's audit. Stripping audit-support costs from the operators' budgets while simultaneously capping PREPA's own External Audit line will further delay PREPA's already delayed financial statement and hinder its ability to produce timely audited financial statements going forward.

¹¹⁸ Order, Ch. Three, at 161 ("approving "\$0 for external audit services for the Capital Programs Department for FY26, FY27, and FY28"); *id.* Ch. Three, at 193–194 ("No funding is approved or required for external audit services under the Operations Department."); *id.* Ch. Four, at 119 ("The Energy Bureau denies External Audit Services in their entirety. The revenue requirement already contains two dedicated line items that fund costs driven by PREPA's Title III proceeding: PREPA Restructuring and Title III at approximately \$18.7 million in FY2026, and FOMB Advisor Costs allocated to PREPA at approximately \$32.9 million in FY2026. A separate charge for External Audit Services—associated with the same Title III proceeding and KPMG's engagement as PREPA's bankruptcy-context auditor—constitutes duplicative cost recovery that the Energy Bureau will not impose on ratepayers.").

¹¹⁹ Order, Ch. Five, at 23.

121. For these reasons, the Energy Bureau should reconsider the cap on PREPA's External Audit Services expense and approve PREPA's requested External Audit Services budget.

III. CONCLUSION

122. The determinations challenged in the Order cannot be reconciled with the evidentiary record, the governing statutory framework, or the fundamental principles of reasoned ratemaking. As demonstrated throughout this Motion, the Energy Bureau's determination undermines PREPA's ability to comply with its legal obligations, including federal regulations, maintain institutional and operational integrity, and ensure the safe and reliable operation of the electric system.

123. At the same time, PREPA reiterates that **the relief requested herein does not seek to increase the overall revenue requirement or impose any additional burden on ratepayers**. The issue before the Energy Bureau is not one of insufficient funding, but rather one of allocation, prioritization, and execution of existing resources. The record demonstrates that sufficient funds exist within the system to support PREPA's essential functions, provided that those funds are allocated in a manner consistent with statutory mandates, operational realities, and system reliability needs.

124. In this respect, the Order's current allocation framework produces outcomes that are inconsistent with those principles. It reduces or eliminates funding for core governance functions mandated by law, including the constitution of the Governing Board and the election of the consumer representative; constrains PREPA's ability to comply with federal obligations and financial reporting

requirements; and disregards uncontroverted evidence of operational and public safety risks associated with inadequate staffing and institutional capacity. These determinations are not accompanied by a reasoned and evidence-based analysis demonstrating that the affected functions are unnecessary, duplicative, or capable of being deferred without consequence.

125. At the same time, the record reflects that the redistribution of resources effected by the Order results in a substantial net increase to LUMA - approximately \$322 million above the FY26 Initial Budget - while funding for critical functions associated with generation, governance, compliance, and institutional capacity has been reduced or eliminated. This reallocation is not supported by a corresponding showing of improved execution, compliance, or performance outcomes. To the contrary, the record reflects persistent deficiencies by LUMA in federal fund execution, reliability metrics, and compliance with federal requirements.

126. Moreover, the composition of LUMA's approved budget further illustrates the misalignment in resource prioritization. For example, the Order authorizes approximately \$9.7 million within LUMA's Corporate Communications function, a significant portion of which is allocated to external consultants, media campaigns, website design services, and other third-party expenditures. These costs --particularly those associated with branding, public messaging, and other public-facing initiatives-- are not essential to the provision of electric service and do not directly contribute to system reliability, safety, or compliance. As such, they represent a clear and immediate area where cost discipline and internal reallocation can be achieved without any adverse impact on service delivery.

127. This contrast underscores the central issue presented in this Motion: the need to realign the allocation of approved resources to ensure that funding is directed toward functions that are legally required, operationally indispensable, and directly tied to the safe and reliable operation of the system. A targeted redistribution of resources within the existing revenue requirement would allow the Energy Bureau to restore funding for critical governance, compliance, and operational functions -- such as Title III representation, audit services, staffing, and statutory Governing Board requirements-- while preserving rate stability and reinforcing incentives for efficiency and accountability across all system operators.

128. Reconsideration provides the Energy Bureau with the opportunity to correct these deficiencies without altering its core determination on rates. A disciplined reallocation of resources would allow the Energy Bureau to ensure that essential, legally mandated, and safety-critical functions are adequately funded, while maintaining the existing tariff structure. Such a rebalancing is fully consistent with the Energy Bureau's statutory obligation to ensure reliable service at the lowest reasonable cost and reflects the principle that financial discipline must be achieved through efficient allocation of resources --not through the elimination of indispensable functions.

129. For these reasons, PREPA respectfully submits that the Order should be amended to restore funding for the categories identified in this Motion, correct the evidentiary and legal errors underlying the challenged determinations, and realign the approved budget with the requirements of applicable law and the operational needs of the electric system, all within the existing revenue requirement and without

any increase to the base tariff. PREPA submits that a reallocation of funds from LUMA's approved budget to PREPA's budget should be performed. Considering PREPA's needs, a reallocation from LUMA's budget to cover PREPA's budget deficiencies will still result in a net increase of LUMA's budget. Therefore, the impact on LUMA's should be minimal, especially if the reallocation is performed from non-essential budget items like LUMA's Corporate Communications.

WHEREFORE, PREPA respectfully requests that the Energy Bureau reconsider and amend the Order to: (i) approve the non-labor budget of the Executive Director's Office necessary for operational continuity, compliance, emergency preparedness, and institutional functionality; (ii) approve the requested additional Full-Time Employees necessary to address material compliance deficiencies, operational gaps, and public safety risks; (iii) approve reasonable compensation for non-public Governing Board members to ensure compliance with Act 83-1941; (iv) adjudicate and approve PREPA's request for funding to conduct the statutorily mandated election of the consumer representative to the Governing Board; (v) approve PREPA's PREPA Restructuring & Title III revenue requirement in the amounts of \$18,700,000 for FY2026, \$11,150,000 for FY2027, and \$7,050,000 for FY2028; (vi) reconsider the cap on PREPA's External Audit Services expense and approve PREPA's requested External Audit Services budget; and (vii) grant such other relief as may be just and proper, all within the existing approved revenue requirement and without any increase to the base tariff, reallocating part of LUMA's approved budget to cover PREPA's budget deficiencies

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 5th day of May 2026.

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CERTIFICATE OF SERVICE

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>, and notified via e-mail to the Hearing Examiner, Scott Hempling, shempling@scotthemplinglaw.com; and to the attorneys of the parties of record, attorneys of the intervenors of record, and others: LUMA Energy, LLC and LUMA Energy ServCo, LLC; Margarita Mercado margarita.mercado@us.dlapiper.com; Jan Albino, Jan.AlbinoLopez@us.dlapiper.com; Andrea Chambers, andrea.chambers@us.dlapiper.com; Carolyn Clarkin, carolyn.clarkin@us.dlapiper.com; Katiuska Bolanos, katiuska.bolanos-lugo@us.dlapiper.com; Yahaira De La Rosa, Yahaira.delarosa@us.dlapiper.com; Genera PR, LLC, through: Jorge Fernández-Reboredo, jfr@sbgblaw.com; Gabriela Castrodad, gcastrodad@sbgblaw.com; José J. Díaz Alonso, jdiaz@sbgblaw.com; Stephen Romero Valle, sromero@sbgblaw.com; Giuliano Vilanova-Feliberti, gvilanova@vvlawpr.com; Maraliz Vázquez-Marrero, mvazquez@vvlawpr.com; ratecase@genera-pr.com; regulatory@genera-pr.com; and legal@genera-pr.com; Oficina Independiente de Protección al Consumidor, hrivera@jrsp.pr.gov; contratistas@jrsp.pr.gov; pvazquez.oipc@avlawpr.com; Instituto de Competitividad y Sustentabilidad Económica, jpouroman@outlook.com; agraitfe@agraitlawpr.com; National Public Finance Guarantee Corporation, 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; GoldenTree Asset Management LP, lramos@ramoscruzlegal.com; tloria@whitecase.com; gkurtz@whitecase.com; ccolumbres@whitecase.com; iglassman@whitecase.com; tmacwright@whitecase.com; jcunningham@whitecase.com; mshepherd@whitecase.com; jgreen@whitecase.com; Assured Guaranty, Inc., hburgos@cabprlaw.com; dperez@cabprlaw.com; mmcgill@gibsondunn.com; lshelfer@gibsondunn.com; howard.hawkins@cwt.com; mark.ellenberg@cwt.com; casey.servais@cwt.com; bill.natbony@cwt.com; thomas.curtin@cwt.com; Syncora Guarantee, Inc., escalera@reichardescalera.com; arizmendis@reichardescalera.com; riverac@reichardescalera.com; susheelkirpalani@quinnemanuel.com; erickay@quinnemanuel.com; PREPA Ad Hoc Group, dmonserrate@msglawpr.com; fgierbolini@msglawpr.com; rschell@msglawpr.com; eric.brunstad@dechert.com; Stephen.zide@dechert.com; david.herman@dechert.com; michael.doluisio@dechert.com; stuart.steinberg@dechert.com; Sistema de Retiro de los Empleados de la Autoridad de Energía Eléctrica, nancy@emmanuelli.law; rafael.ortiz.mendoza@gmail.com; rolando@emmanuelli.law; monica@emmanuelli.law; cristian@emmanuelli.law; lgna2021@gmail.com; Official Committee of Unsecured Creditors of PREPA, jcasillas@cstlawpr.com; jnieves@cstlawpr.com; Solar and Energy Storage Association of Puerto Rico, Cfl@mcvpr.com; apc@mcvpr.com; javrua@sesapr.org; mrios@arroyorioslaw.com; ccordero@arroyorioslaw.com; Wal-Mart Puerto Rico, Inc., Cfl@mcvpr.com;

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s/ Mirelis Valle Cancel

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