



GOVERNMENT OF PUERTO RICO
PUERTO RICO ELECTRIC POWER AUTHORITY

Executive Director | Josué A. Colón Ortiz | director_ejecutivo@prepa.com

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BY ELECTRONIC MAIL
Letters@promesa.gov

Mr. Robert F. Mujica, Jr.
Executive Director
Financial Oversight and Management
Board for Puerto Rico
PO Box 192018
San Juan, Puerto Rico 00919-2018

Dear Mr. Mujica:

Re.: Retirement Window for Transitioning Employees with 25 Years of Service or more to Genera PR

In compliance with the current public energy policy, established by Laws 120-2018, "Puerto Rico Electric Power System Transformation Act", and 17-2019, "Puerto Rico Energy Public Policy Act", among others, and as part of the transformation of the Puerto Rico Electric Power Authority (PREPA), we are in the transition process of handing over to Genera PR, LLC (Genera PR) the operation and maintenance of the power plants and stations that operate with fossil fuels.

Pursuant to the provisions of the Puerto Rico Thermal Generation Facilities Operation and Maintenance Agreement, dated January 24, 2023, all employees working at such power plants and stations, approximately eight hundred (800), will receive an offer of employment from Genera PR. On the other hand, in accordance with the provisions of Act 120-2018, as amended, employees who do not accept the Genera PR offer will become employees of other entities of the Government of Puerto Rico, through the mobility process that will be carried out by the Office of Administration and Transformation of Human Resources of the Government of Puerto Rico.

The operation and maintenance of the power plants and stations require a high degree of technical expertise and knowledge. In the case of the PREPA's units, experience is essential to carry out these responsibilities since it is a system with more than 60 years and requires particular knowledge in different technologies and unique skills in its operation.



PO Box 364267 San Juan, Puerto Rico 00936-4267 | 787.521.4671

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It is therefore imperative, that the personnel with experience in the operation and maintenance of PREPA's generating units accept the offer of employment with Genera PR, to guarantee the continuity of the generating units' operations. Maintaining these generating units online is essential to provide a reliable and safe power service to the citizens of Puerto Rico. In addition, it is this core team that can provide continuity to the repair and improvement plan of the generating units that will guarantee the availability of the generation system while the transition to renewable energy sources takes place. Among these essential personnel, there are those who have more than 25 years of service at PREPA and who know the challenges of its operation and how to carry it out safely and efficiently.

Of the approximately eight hundred employees (800) who will receive an offer of employment from Genera PR, a group of approximately one hundred (100) employees have 25 years or more of service with PREPA and have expressed concern about accepting employment with Genera PR and losing their retirement benefits. The concerns surrounding retirement benefits were mentioned as one of the main factors by many of PREPA's employees with 25 years or more of service decided whether to be mobilized to other entities of the Government of Puerto Rico, or accept an offer with LUMA Energy, LLC (LUMA). Hence, this prior adverse experience with the transition to LUMA should be taken into account when considering the generation system employees concerns.

To ensure that Genera PR can incorporate this group of specialized and experienced employees into its team, we believe it is important to approve a retirement window to allow this group to retire with a merit pension, eliminating their concerns regarding retirement benefits and facilitating the decision to be part of Genera PR.

In order for these employees to be eligible for a merit pension, with the years of service and age they currently have, PREPA would have to make a monthly contribution to the Retirement System of the Employees of the Puerto Rico Electric Power Authority (Retirement System) to cover the difference between the actuarial pension, to which they will be entitled in accordance with the Regulation of the Retirement System, and the merit pension. In accordance with an actuarial valuation performed by Cavanaugh Macdonald Consulting, LLC, actuaries of the Retirement System, the annual contribution that PREPA would have to make for the one hundred (100) employees would be \$2,179,000.

We understand this economic contribution is less than the fiscal impact that would result from employees choosing to work for other government entities since it would not only increase the government payroll but also result in a double expense since Genera PR will have to recruit resources to perform the work of those who do not accept its offer of employment. Genera PR will need to hire new technical employees in addition to experienced consultants and contractors capable of both, operating the generating units and providing on the job training to the new hires. These logistics increase the operational expenses of operating and maintaining the generation assets.

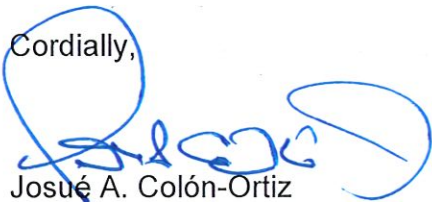
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According to what we have discussed with Genera PR officials, this group of experienced employees is a key asset, especially considering that its takeover concurs with the beginning of the hurricane season and with the time when historically the highest energy demand is registered in Puerto Rico.

We included the information that had been shared with the Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF, for its Spanish acronym), at the end of February 2023, and that they shared with the advisory team of the Financial Oversight and Management Board (Oversight Board).

In summary, we recommend that the Oversight Board approve a retirement window to allow the generation employees to retire with a merit pension, eliminating their concerns about retirement benefits and facilitating the decision to be part of Genera PR. We are available to provide any additional information that may be required to conclude the evaluation and determination on this matter, as the deadline for employees to make their determination is approaching, and we understand that for most of them, this matter will be key to their final decision.

Cordially,



Josué A. Colón-Ortiz
Executive Director

c Mr. Nelson Pérez Méndez, Deputy Executive Director, AAFAF; Nelson.perez@aafaf.pr.gov