

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF PUERTO RICO

<p>In re:</p> <p>THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO,</p> <p>as representative of</p> <p>THE COMMONWEALTH OF PUERTO RICO, <i>et al.</i></p> <p>Debtors.¹</p>	<p>PROMESA Title III</p> <p>Case No. 17 BK 3283-LTS (Jointly Administered)</p>
<p>In re:</p> <p>THE FINANCIAL OVERSIGHT AND MANAGEMENT BOARD FOR PUERTO RICO</p> <p>as representative of</p> <p>PUERTO RICO ELECTRIC POWER AUTHORITY,</p> <p>Debtor.</p>	<p>PROMESA Title III</p> <p>Case No. 17 BK 4780-LTS (Jointly Administered)</p>

**JOINDER OF THE INSTITUTO DE COMPETITIVIDAD Y SOSTENIBILIDAD
ECONÓMICA DE PUERTO RICO (ICSE) OBJECTION TO THE CONFIRMATION OF
THE PUERTO RICO ELECTRIC POWER AUTHORITY’S PLAN OF ADJUSTMENT**

¹ The Debtors in these Title III Cases, along with each Debtor’s respective Title III case number and the last four (4) digits of each Debtor’s federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation (“COFINA”) (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority (“HTA”) (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”) (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686); and (v) Puerto Rico Electric Power Authority (“PREPA”) (Bankruptcy Case No. 17 BK 4780-LTS) (Last Four Digits of Federal Tax ID: 3747). (Title III case numbers are listed as Bankruptcy Case numbers due to software limitations.)

TO THE HONORABLE COURT:

COME NOW the Liga de Ciudades de Puerto Rico, the Puerto Rico Marketing, Industry and Food Distribution Chamber (MIDA), the Puerto Rico Gasoline Retailers Association, the Association of Private Colleges and Universities of Puerto Rico, the Puerto Rico Bible Society, and the Association of Clinical Laboratories of Puerto Rico (collectively, “Organizations”), by and through their undersigned attorney, and respectfully join *Instituto de Competitividad y Sostenibilidad Económica de Puerto Rico (ICSE) Objection to the Confirmation of the Puerto Rico Electric Power Authority (PREPA) Plan of Adjustment*, Docket 3676. In support hereof, the Organizations respectfully state as follows:

1. The Liga de Ciudades de Puerto Rico (hereinafter “La Liga”) is a non-profit organization located at 220 Calle Manuel Domenech Unidad #764, San Juan, PR 00918, tel. 787-382-4078 and registered with the Puerto Rico Department of State with Register Number 434525. La Liga unites local governments in a nonpartisan effort to improve the quality of life of the Puerto Rican people. It builds the capacity of municipalities and communities to confront social, physical, fiscal and governance challenges. It has a membership of 31 municipalities. It works for the well-being of all municipalities with the goal of providing support to strengthen their governance models and is part of initiatives to foster transparency, decentralization, training, and citizen participation.

2. MIDA is a non-profit, independent and non-partisan organization chartered under the laws of the Commonwealth of Puerto Rico. Its offices are located at 90 Carr. 165 #501, Guaynabo, P.R. 00968, tel. 787-792-7575, and it is registered with the Puerto Rico Department of State with Register Number 42673. MIDA represents hundreds of entities and sole proprietors, which form a chain of importers, manufacturers, wholesalers, distributors, dealers, retailers, agro-

industrial producers and processors, food suppliers, and related businesses. MIDA is active in protecting the interests of the Food Industry in general, as it is vital for the approximately 3.2 million U.S. citizens and residents of Puerto Rico.

3. The Puerto Rico Gasoline Retailers Association is a non-profit organization located at Urb. Altamesa, 1319 Calle San Alfonso, San Juan, PR 00921, and registered with the Puerto Rico Department of State with Register Number 2451. It has 369 members who are owners or operators of gasoline stations in Puerto Rico. The Association represents and defends the interest of these members before government agencies and the legislature, as well as organizing and coordinating educational events.

4. The Association of Private Colleges and Universities of Puerto Rico is a non-profit organization with address P.O. Box 60327, Bayamon, Puerto Rico 00960, and registered with the Puerto Rico Department of State with Register Number 14815. It is recognized as the most prestigious association of private higher education institutions in Puerto Rico, all accredited by the Middle States Commission on Higher Education. The Association was established in 1984 as an initiative of the presidents of the private college and universities in order to unite efforts to raise awareness of their work and their impact on the development and well-being of Puerto Rican society. The mission of the Association is to promote the development of private higher education. In the last 39 years, the Association has developed a plan of action with vision and leadership to achieve consensus in the face of challenges facing private higher education. The Association participates actively in analyzing proposals of the Puerto Rico legislature, Department of Education, the Board of Post-secondary Institutions, and the Puerto Rico Education Board, among others. Additionally, it has established alliances with public and private organizations to meet the growing demand of professionalization of human resources required by the restructuring of

traditional education and the need for specialized non-traditional services. The member colleges and universities of the Association share the mission of providing their students an environment of academic freedom and intellectual challenge that permits them to develop high ethical and cultural values, self-reflection, intellectual curiosity, linguistic and technical knowledge, as well as the professional and personal skills needed to facilitate a successful entry into the workforce.

5. The Puerto Rico Bible Society is a Christian non-profit organization located at 627 Andalucia Ave., Puerto Nuevo, San Juan, Puerto Rico 00920, tel. 787-754-4460, and registered with the Puerto Rico Department of State with Register Number 7487. Its purpose is the dissemination, promotion, and distribution of the Bible in Puerto Rico with the intent of transforming the lives of people through the Bible with the message of justice and love for all. It is part of a global fellowship of United Bible Societies with more than 200 branches around the world. In Puerto Rico, it has partnerships with churches and religious organizations and serves the Christian community in general. Its three main programs are: education, emotional and mental health, and prison reform. In addition to its main programs, the Bible Society assists churches and faith-based organizations with their educational projects aimed at helping children and youth summer camps. It supplies Bibles and educational material and offers biblical workshops. The Bible Society offers daily services in its administrative office and bookstore (Monday through Saturday). On Sundays, when requested by churches, it promotes the Bible's message of hope and healing through conferences and workshops.

6. The Association of Clinical Laboratories of Puerto Rico (hereinafter "ACLPR") is a non-profit organization located at Ave. Andalucía #437 2do Piso, Urb. Puerto Nuevo, San Juan, PR, 00920, tel. 787-759-6245, and registered with the Puerto Rico Department of State with Register Number 12751. ACLPR remains focused on defending clinical laboratories, their owners,

and employees from serious threats of an operational and economic nature, which put their existence and services to the population at risk. In particular, the ACLPR is focusing on new legislation and regulations that may positively or negatively affect clinical laboratories. It has a membership of 200 clinical laboratories.

7. The Opposition filed by ICSE shows conclusively that the Plan of Adjustment proposed by the Fiscal Oversight and Management Board (FOMB) is not feasible for Puerto Rico for the following reasons:

- a. **The Plan of Adjustment is not economically viable.** It is not supported by reasonable projections and scenarios. Hence, it does not take into consideration the real detrimental impact it would have on the economic and social development of Puerto Rico, such as a reduction on employment and national gross domestic product, as well as a potential increase of the cost of living for all energy consumers. The foregoing will affect the ability of PREPA to generate enough revenue to pay its debt and finance the pension and the modernization of the electric grid.
- b. **The Plan of Adjustment contravenes Puerto Rico's Public Energy Policy regarding reasonable costs, non-discriminatory rates, and renewable energy transition.** The subsidies proposed by FOMB unfairly impose higher and unreasonable burdens on unsubsidized classes such as commercial and industrial sectors, contrary to express statutory provisions that prohibit discrimination in the imposition of rates and fees. Furthermore, the Plan of Adjustment does not include any concrete analysis of the legacy charge's potential impacts on the public policy goals, such as the grid modernization and the transition towards renewable energy.

- c. **The Plan of Adjustment wrongfully interferes with the faculties delegated by state law to the Puerto Rico Energy Bureau (PREB).** The Plan is based on rate increases, rate distribution, and unilateral creation of subsidies by FOMB for which it has no authority neither in PROMESA or in other statutory provisions. Only the PREB can intervene with charges and fees, and only the Legislature can authorize subsidies.

8. La Liga finds that the Plan of Adjustment includes at least three negative impacts on the municipalities of Puerto Rico.

- a. First, the Plan of Adjustment will weaken municipal economies because of its direct impact on residents, business owners and pensioners. The Plan of Adjustment would impose three new charges on electric bills (a fixed charge and two volumetric charges) that will increase bills by more than 10% during the next decades. In the majority of municipalities, the median household in 2022 already spent at least 6% of its income on electricity, a level that FOMB has stated is not affordable. Moreover, the lack of funds in the current PREPA Retirement System threatens to leave nearly 10,000 pensioners around the Island without pension and without income as of July, 2023. This will have a negative impact on social services, government and municipal budgets, and the economy in general.
- b. Second, the Plan of Adjustment will impose more disaster recovery costs on municipalities by impeding the recovery and transformation of the electrical system. The current physical condition of the electrical system is frail and unreliable. The process of recovery and transformation to renewable energy continues to be postponed. An unreliable electrical system will continue imposing economic costs on residents and businesses, worsening the quality of life and the wellbeing of Puerto Ricans, especially

the most vulnerable populations. And it will have a direct impact on municipalities every time that municipalities must use their own resources to respond to emergencies related to the fragility of the system.

- c. Third, the Plan of Adjustment raises the possibility of imposing new charges on municipal electricity consumption. Currently the Plan of Adjustment does not include direct charges on the electrical consumption of municipalities; however, it proposes that, in the future, the PREB will be able to adjust the charges applicable to each sector (residential, commercial, industrial and municipal) as long as this does not affect the bondholders' recovery. Therefore, the Plan of Adjustment opens the door for possible direct charges on municipalities in the future.

9. MIDA has interest in the Plan of Adjustment because food supply is particularly sensitive to energy prices due to its 24 hours refrigeration requirements and extremely low net income of supermarkets. If the energy rate increases proposed in the Plan of Adjustment are imposed, retailers, wholesalers and distributors will have no other recourse than to increase the prices of their products. In the case of local food manufacturers and agro-industrials, who compete with those that operate in low energy cost jurisdictions, they will be put at a further disadvantage and may need to close or migrate production. This will further aggravate the current food insecurity problem caused in part by the fact that less than 15% of food consumed is produced on the Island. In terms of the consumer, food is one of very few items that is truly not discretionary. Every person, in addition to their own electric bill, needs to eat to survive and thus will be impacted by the compounded price increases throughout the supply chain as a consequence of the proposed new charges. Those compounded price increases will be regressive in nature, disproportionately hitting those with lesser income. This in turn will also aggravate the aforementioned food security

issue on an Island with almost half of its population under the national poverty standards and that are currently receiving Nutritional Assistance (NAP).

10. The members of the Association of Gasoline Retailers will see their businesses negatively affected by an additional charge on electric bills. The Association estimates that the average monthly payment that the proposed “legacy charge” will impose on its members would be between \$5,000 and \$8,000, and in some cases greater, which is unbearable to maintain their operations.

11. The Association of Private Colleges and Universities of Puerto Rico groups fourteen (14) of the principal higher education institutions on the island. Private educational institutions served 131,917 students in the academic year 2020-2021, which constituted 71% of the total number of students enrolled in higher education on the island, according to the Board of Post-secondary Institutions’ statistics. Considering the socioeconomic profile of the students enrolled in the private education institutions, the Association fundamentally serves the poor and middle class of Puerto Rico. Thousands of students, professors and administrative employees have been affected by natural disasters, particularly Hurricane Maria in 2017 and the 2020 earthquakes, as well as the pandemic. In spite of the fact that the Association’s member institutions are functioning, they have had to work tirelessly to restore an adequate working and learning environment, essential for instruction as well as for academic and administrative functions. As is well understood, these disasters have done irreparable damage to Puerto Rico, funds have been very slow to be released, and the recuperation efforts have lagged. Secondary education institutions cannot afford another cost increase when they are still in the recovery process. Every increase in electric rates results in higher operational costs, which raises the possibility of imposing higher costs on students, which the Association seeks to avoid.

12. The Puerto Rico Bible Society owns a Christian Books Store that generates capital to financially sustain its operations and organizational development. The debt crisis, hurricanes, earthquakes and the pandemic have severely hit its business operations and threatened its ability to financially sustain its ministry. In order to face the economic crisis, the Bible Society has been forced to reduce its workforce and restructure its commercial operation in order to meet operating costs. The migration of many of its customers, seeking better living conditions, has also caused a significant reduction in income. The cost of electricity is extremely important to maintain the Bible Society's commercial operation and service to the people of Puerto Rico. The proposed Legacy Charge could cause the closure of the Bible Society's commercial operation due to the difficult economic situation that the bookstore is already confronting. This would threaten the Bible Society's ability to continue offering its other services.

13. ACPLR finds that clinical laboratories in Puerto Rico will be seriously affected by the implementation of the Plan of Adjustment and the charges that will increase in the cost of electricity. In general, the impact this will have on health services in Puerto Rico will be a matter of life or death for our people. Many of our associates already face serious economic problems caused by corruption, fraud and misuse of federal and state funds allocated for public health services, an issue that is recognized by the news media and the government. Increases in the cost of electricity will add more expenses to clinical laboratories and other health facilities having the following consequences:

- a. Clinical laboratories that already face economic problems will be shutting down.
- b. Degradation in clinical diagnostic services.
- c. Reduction in service hours, impairing access to services for patients.

- d. Elimination or reduction in laboratory tests carried out, impairing access to fast and quality results and delaying clinical diagnosis by physicians.
- e. Reduction of staff negatively impacting quality of services.
- f. Increase in chronic conditions and early deaths of patients impacted by reduced access to health services.

14. In conclusion, the people of Puerto Rico have a vital interest in PREPA's prompt restructuring. As the Opposition explains, the public interest would be greatly undermined if the Honorable Court were to confirm the Plan of Adjustment. The relevant points of law are comprehensively discussed in the Objection filed by ICSE. Thus, the Organizations file this **Joinder** only to reiterate ICSE's conclusion that FOMB has failed to present a sustainable Plan of Adjustment for PREPA's debt restructuring, hence it must not be confirmed by the Honorable Court.

WHEREFORE, the Organizations respectfully request that the Honorable Court allow them to join ICSE's Objection, Docket 3676, and that, for the reasons stated therein, the confirmation of PREPA's Plan of Adjustment be denied.

I HEREBY CERTIFY: that on this same date I electronically filed the foregoing with the Clerk of the Honorable Court using the CM/ECF system, which will send notification of such filing to all parties and participants.

Respectfully submitted, in San Juan, Puerto Rico, this 12th day of June 2023.

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