

June 2023

David Skeel, Chairman
Financial Oversight and Management Board

Re: Open Letter regarding PREPA Plan of Adjustment

We write as representatives of diverse sectors of Puerto Rican society, as well as legal, energy and finance experts who have all reached the same conclusion: Puerto Rico cannot afford the electricity rates proposed in the current debt restructuring plan. The plan should be withdrawn or amended in order to substantially reduce the unsustainable debt burden.

Almost six years ago, Hurricane Maria hit and wiped out an already crippled electrical system, leaving residents in darkness for months and thousands of families in mourning and despair.

Today the electrical system remains highly unreliable; prone to frequent outages and voltage fluctuations. Outages can last for hours, days or even weeks. The system depends on expensive fossil fuel imports for 95% of its generation, despite the existing consensus and the approved public policy that recognize the need to rapidly transition to renewable energy to reduce costs.

Five years ago, the FOMB set a target of achieving rates below 20 cents per kilowatt-hour by 2023 to enable Puerto Rico's future economic vitality; average rates over the last year have been above 28 cents, more than double the U.S. average. The median household income in Puerto Rico is less than half that of the poorest U.S. state. Customers that do not leave Puerto Rico are migrating to rooftop solar at rates much faster than the Board has predicted in order to escape a failing grid. Even without additional rate increases, the electrical system is not economically viable.

The Puerto Rico Electric Power Authority (PREPA) remains in bankruptcy, with more than \$9 billion in legacy debt obligations. The plan proposes to extract more than \$13 billion to pay PREPA's legacy creditors, by imposing double-digit rate increases for the next 35 years or more. Combined with ongoing high fuel costs and defection from the grid, these charges will likely keep rates above 30 cents/kWh for decades, accelerating the rate at which customers leave the grid and the island.

This proposal comes at one of the worst moments in Puerto Rico's history: i) the electrical system already lacks sufficient resources to meet basic reliability standards; ii) the system's pension plan - which more than 10,000 retirees and their families depend on for their monthly income - is at the point of running out of money in July; and iii) the FOMB itself projects that Puerto Rico's economy will enter a prolonged period of contraction again beginning in 2027 or 2028.

Imposing an unpayable debt burden will negatively impact the economy and lead to a future electrical system bankruptcy. The current high cost of electricity, combined with unstable

power service, impacts all segments of Puerto Rican society. The proposed debt plan will only weaken an already failing system, in addition to provoking more business closures, layoffs, and outmigration, further imperiling the island's economic recovery.

Any future debt restructuring plan must include, at a minimum: providing for the capital and operational resources needed for Puerto Rico to achieve a stable, reliable and resilient electrical system that complies with Puerto Rico Law 17-2019, including a rapid transition away from fossil fuels and citizen participation in this transformation; the efficient use of available federal funds; and a reduction in debt levels sufficient to achieve affordable and competitive rates below 20 cents/kWh.

The proposed debt restructuring plan will have the opposite effect, all but ensuring that Puerto Rico continues to be shackled to a dysfunctional and expensive system. Puerto Rico's electrical system requires a fresh start. Puerto Rico needs it.

Organizations:

1. AMANESER 2025
2. Alliance of PREPA Employees
3. Alzheimer's Association of Puerto Rico
4. Puerto Rico Association of Renewable Energy Contractors (ACONER)
5. Puerto Rico Private Schools Association
6. Associated General Contractors (AGC - PR)
7. Puerto Rico Retailers Association, Inc. (ACDET)
8. Puerto Rico Association of Gasoline Retailers
9. Puerto Rico Association of Economists
10. Puerto Rico Association of Funeral Homes
11. Puerto Rico Manufacturers Association
12. Puerto Rico Association of Clinical Laboratories
13. Association of Condominium Owners of Puerto Rico
14. Puerto Rico Association of University Professors (APPU)
15. Puerto Rico Restaurants Association (ASORE)
16. AGILA
17. Puerto Rico Chamber of Commerce
18. Puerto Rico Veteran Chamber of Commerce
19. Puerto Rico Chamber of Advertising and Billboard Industries
20. Puerto Rico Chamber of Marketing, Industry, and Distribution of Food (MIDA)
21. CAMBIO PR
22. Puerto Rico Workers' Center (CPT-PR)
23. Puerto Rico United Retailers Association
24. Puerto Rico Bar Association
25. Puerto Rico College of Social Work Professionals
26. Citizen Commission to Audit the Public Debt
27. La Margarita Energy Cooperativa (Abeyno Coop)

28. Hydroelectric Cooperative of the Mountains
29. Coopharma
30. Dialogue for Puerto Rico
31. El Puente Latino Climate Action Network
32. Entrepreneurs for Puerto Rico
33. Environmental Defense Fund
34. Espacios Abiertos
35. Federation of Associations of Management Employees of the Government of Puerto Rico
36. Federation of Dominican Professionals and Business Owners
37. Central Federation of Workers
38. Puerto Rico Federation of Teachers
39. Dominican Sisters of Santa Cruz, Amityville Province, Puerto Rico
40. Institute of Competitiveness and Sustainable Economy of Puerto Rico (ICSE)
41. Puerto Rico League of Cities
42. Puerto Rico League of Cooperatives
43. Martin Luther King dialogue table
44. Union Solidarity Movement (MSS)
45. Sierra Club, Puerto Rico Chapter
46. Puerto Rico Workers' Union (SEIU)
47. Society for Human Resource Management, Puerto Rico Chapter
48. Electrical Industry and Irrigation Workers' Union (UTIER)
49. National Union of Educators and Education Workers (UNETE)
50. VAMOS, Concertación Ciudadana

Individuals:

1. Dr. José Alameda, Professor of Economics, University of Puerto Rico
2. Dr. Ramon Cao, Economist
3. Dr. José Caraballo Cueto, Economist
4. Bishop Lizzette Gabriel-Montalvo, Puerto Rico Methodist Church
5. Roberto Gonzalez Nieves, OFM, Archbishop of San Juan
6. Dr. Agustin Irizarry, Professor of Electrical Engineering, University of Puerto Rico
7. Dr. Daniel Kammen, Class of 1935 Distinguished Professor of Energy at the University of California – Berkeley
8. Bishop Emeritus Felipe Lozada-Montañez, Evangelical Lutheran Church
9. Rev. Heriberto Martinez, General secretary, Puerto Rico Biblical Society
10. Bishop Idalia Negrón Caamaño, Caribbean Synod, Lutheran Church
11. Waleska Rivera, President of Danosa Caribbean, Inc.
12. Rev. Hilda E. Robles Floran, General Pastor, Disciples of Christ Puerto Rico
13. Tom Sanzillo, Director of Financial Analysis, Institute for Energy Economics and Financial Analysis (IEEFA)
14. Carlos Alberto Velazquez, Program Director of the Interstate Renewable Energy Council, Puerto Rico
15. Rev. Zodet S. Zambrana Pérez, Puerto Rico Synod, Presbyterian Church of the United States