

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

IN RE: DESIGN OF FUEL PROCUREMENT
HEDGING STRATEGY PROGRAM FOR THE
PUERTO RICO ELECTRIC POWER
AUTHORITY

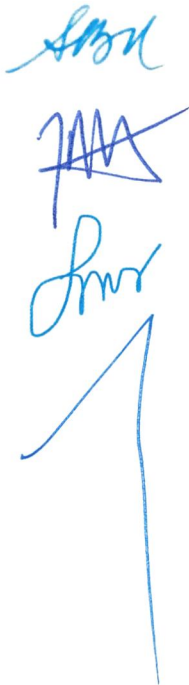
CASE NO.: NEPR-MI-2022-0004

SUBJECT: Second Request for Information
to PREPA. Request for Information to
LUMA.

RESOLUTION AND ORDER

I. Introduction

On October 13, 2022 the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau") issued a Resolution and Order ("October 13 Order")¹ to initiate administrative procedures to develop a methodical and structured Fuel Procurement Hedging Strategy Program ("Fuel Hedging Program") and for Puerto Rico Electric Power Authority's ("PREPA") implementation. As part of the Phase 1 of the Fuel Hedging Program, the Energy Bureau ordered PREPA to respond to the following request for information ("ROI"):

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- (1) What is PREPA's current generation input fuel exposure by fuel source/plant?
 - (a) Current natural gas, fuel oil, and diesel forecasts (volume and per unit price).
 - (b) Renewables portfolio related data.
 - (2) How many suppliers/contract agreements are currently in place to cover this exposure?
 - (a) Current energy commodity supply/sales agreements.
 - (b) Any currently procured positions/confirmations.
 - (3) How are commodity budgets for Input Fuel procurement set?
 - (a) Any documentation tied to natural gas, fuel oil and diesel budgets (volume and per unit price) setting methodology.
 - (4) What type of formal documentation is already in place to manage energy procurement/ hedging?
 - (a) Any Procurement/Hedge Based Policy and Procedural Documentation
 - (b) Documentation that will help the Energy Bureau ascertain PREPA's energy commodity procurement:
 - (i) Objectives
 - (ii) Risk Tolerances
 - (iii) Governance/internal controls
 - (iv) Reporting requirements.
 - (5) What type of reports (and what is the frequency) are in place to manage input fuel procurement/hedge activity?
 - (a) Documentation/reporting that relates to commodity risk management/input fuel source operations.
 - (b) Any pertinent management meeting notes.

On November 4, 2022 PREPA filed before the Energy Bureau a document titled *Motion In Compliance with the October 13 Resolution And Order* ("November 4 Motion"). Through its motion PREPA included the following:

Exhibit A - *Responses to PREB October 13, 2022 Order*

¹ See, *In re: Design of Fuel Procurement Hedging Strategy Program for the Puerto Rico Electric Power Authority*, Case No.: NEPR-MI-2022-0004, October 13, 2022



Annex A - Programa de Conservación. Calderas y Turbogeneradores

Annex B - 20221104 Motion in Compliance Annex B-PROMOD Simulation - Q2 FY2023
rev 10OCT2022 V2 Ankura.xlsx

Annex C - Fuel Purchase Contract 902-09-22. Gasoline and Diesel at Service Stations

Annex D - Evaluación de Seguros Contrato 00090074 (And other related documents)

Annex E - Fuel Purchase Contracts San Juan, Palo Seco, Aguirre, Mayagüez,
Cambalache, and Gas Turbines Generating Stations

Annex F - Amended and Restated Natural Gas Sale and Purchase Agreement [...]

Annex G - Fuel Sale and Purchase Agreement [...]

Annex H - Commonwealth of Puerto Rico Puerto Rico Electric Power Authority. Third
Amendment Fuel Oil Purchase Contract 902-10-21

Annex I - 20221104 Motion in Compliance Annex I-FY2023 Certified Budget
PROMOD.xlsx

Annex J - Prices Forecast Calculation Template

Annex K - 20221104 Motion in Compliance Annex K-PREPA Fuels Office - Master
Payment Schedule.xlsx

Annex L - Oficina de Combustibles. Informe Mensual [...]

Annex M - Fuel Consumption Report (And other related documents)

II. November 4 Motion

After the review of PREPA's response, the Energy Bureau found that PREPA did not comply with the October 13 Order and needs to file the following information²:

- (1) Policy and Procedure documents³
- (2) Documentation for the Energy Bureau to ascertain PREPA's energy commodity procurement (Objectives, Risk Tolerances, Governance/internal controls, Reporting requirements)⁴
- (3) Any pertinent management meeting notes for input fuel procurement/hedge activity⁵
- (4) Any Energy Commodity Procurement or Hedge Based Policy and Procedural Documentation available (e.g., Standard Operational Procedures (SOP), Operational Procedures (OP), Guidelines, Protocols, Manuals, Regulations, PREPA's Governing Board Resolutions, etc.)⁶

III. Conclusion

The Energy Bureau **ORDERS** PREPA, **within five (5) days** from the notification of this Resolution and Order to provide an answer to the ROI 4(a) and 4(b) of the October 13 Order and any related documentation, and to be specific on its responses (e.g., if that documentation does not exist the answer could be: *PREPA does not have Energy Commodity Procurement or Hedge Based Policy and Procedural Documentation*).

²PREPA answered questions 1, 2, 3 and 5 outlined in the October 13 Order.

³In response to question 4(a) of the October 13 Order, PREPA **did not** file Policy or Procedural documents. Instead, PREPA filed Forecast Calculations and Payment Schedule.

⁴PREPA filed no type of document in response of question 4(b) of the October 13 Order, or at least did not bring an explanation or any answer to the question.

⁵ PREPA answer the question 5(b) of the October 13 Order with the word "None".

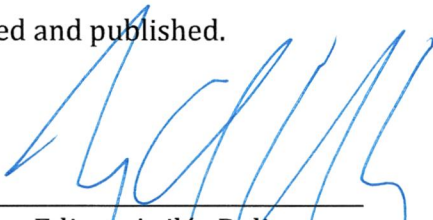
⁶ Question 4(a) of October 13 Order.



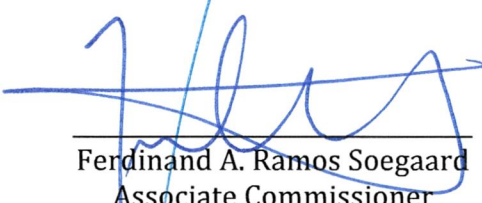
The Energy Bureau **ORDERS** LUMA, **within ten (10) days**, to file any data or any information in its own records about PREPA's Energy Commodity Procurement or Hedge Based Policy and Procedural Documentation (Please, refer to questions 4(a) and 4(b) of October 13 Order), and any pertinent management meeting notes for input fuel procurement or hedge activity (Please, refer to question 5(b) of the October 13 Order).

The Energy Bureau **WARNS** PREPA and LUMA⁷ that, pursuant to Article 6.36 of Act 57-2014⁸, noncompliance with the Energy Bureau's orders or applicable legal requirements may carry the imposition of administrative fines of up to twenty-five thousand dollars (\$25,000) per day, per violation and/or other sanctions that the Energy Bureau may consider appropriate.

Be it notified and published.



Edison Avilés Deliz
Chairman



Ferdinand A. Ramos Soegaard
Associate Commissioner



Lillian Mateo Santos
Associate Commissioner




Sylvia B. Ugarte Araujo
Associate Commissioner

CERTIFICATION

I hereby certify that the majority of the members of the Puerto Rico Energy Bureau has so agreed on December 15, 2022. I also certify that on December 15, 2022, a copy of this Resolution and Order was notified by electronic mail to jmarrero@diazvaz.law; kbolanos@diazvaz.law; mario.hurtado@lumapr.com; wayne.stensby@lumapr.com; Ashley.engbloom@lumapr.com; legal@lumapr.com. I also certify that today, December 15, 2022, I have proceeded with the filing of the Resolution and Order issued by the Puerto Rico Energy Bureau.

For the record, I sign this in San Juan, Puerto Rico, today December 15, 2022.



Sonia Seda Gaztambide
Clerk



⁷ LUMA Energy, LLC (ManagementCo”), and LUMA Energy ServCo LLC (“ServCo”), jointly referred to as “LUMA”)

⁸ Puerto Rico Energy Transformation and RELIEF Act, as amended.