

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

IN RE: REVIEW OF LUMA'S INITIAL
BUDGETS

CASE NO.: NEPR-MI-2021-0004

SUBJECT: Determination on Request to
Amend PREPA FY2023 Budget.

RESOLUTION AND ORDER

I. Introduction and Procedural Background

On March 14, 2023, the Puerto Rico Electric Power Authority ("PREPA") filed with the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau"), a document titled *Request to Amend FY2023 PREPA Budget for Implementation of FOMB Certified Fiscal Plan Transformation Initiatives* ("March 14 Motion").

In the March 14 Motion, PREPA states it has submitted the motion to address three key and critical issues related to PREPA's budget, including (i) operations, repairs, and maintenance works under the PREPA fiscal plan, (ii) ongoing transformation, and (iii) pension system continuance. PREPA asserts that the proposed amendment does not impact the energy sales rates and does not burden customers as it is based on revenues from reimbursed federal funds that PREPA obtained during the present and past fiscal years. PREPA stresses the urgency of its request for it to comply with its generation related responsibilities.¹ Through the March 14 Motion, PREPA states that during the 2022 calendar year, it was reimbursed more than \$340 million in funds used to complete eligible generation projects and other funds from outstanding reimbursement requests and about \$70 million in calendar year 2023. PREPA asserts that it now needs to use those funds for other accounts in its proposed budget to continue operations during the rest of FY 2023.² PREPA's March 14 Motion addresses four categories of expense for which funds are requested, totaling \$254.4 million.

1. Operating and Necessary Maintenance Expenses ("NME") for \$60 million, comprised of \$40 million for Generation NME and \$20 million for operational expenses.
2. GENERA PR, LLC ("Genera") Mobilization Fee for \$15 million.
3. Voluntary Transition Program ("VTP") for \$29.4 million.
4. Pension System Funding for \$150 million.³

PREPA asserts that it initially requested of the Financial Oversight Management Board ("FOMB") an amendment to its FY 2023 Budget for \$60 million, to add \$20 million to its operating budget and \$40 million to its Necessary Maintenance Expenses ("NME") budget. However, the FOMB directed that the amendment be submitted initially to the Energy Bureau. PREPA notes that the amendment was rejected by the Energy Bureau in its Resolution and Order issued on February 27, 2023 conditionally approving the FY 2023 Budget.⁴ PREPA states it reiterates the request⁵ and that it is simultaneously soliciting approval of the budget amendment request to the Energy Bureau and FOMB.⁶ The Energy Bureau has considered PREPA's request to allocate FEMA reimbursements in accordance

¹ March 14 Motion, pp. 1 – 2.

² *Id.*, p. 9.

³ *Id.*, p. 21.

⁴ See Resolution and Order, *In re: Review of LUMA's Initial Budgets*, Case No.: NEPR-MI-2021-0004, Determination on LUMA's FY23 Annual Budgets and LUMA's FY24 Annual Budgets pre-filing requirements, February 27, 2023 ("FY23 Budgets Determination Order").

⁵ March 14 Motion, p. 8.

⁶ *Id.*, p. 2.



with the directives for Prioritization of FEMA Reimbursements as stated in the FY23 Budgets Determination Order.⁷

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On March 24, 2023, PREPA filed a document titled *Renewed and Reiterated Urgent Request to Amend FY2023 PREPA Budget for Implementation of FOMB Certified Fiscal Plan Transformation Initiatives* ("March 24 Motion") in which PREPA reiterated its request for an amendment to the FY2023 Generation Budget as described in the March 14 Motion. PREPA also clarified and updated the March 14 Motion. PREPA requested the Energy Bureau to authorize an amendment to the FY2023 Generation Budget to allocate: (i) \$15 million to pay for the Genera⁸ mobilization costs; (ii) \$29.4 million to fund the VTP; (iii) \$200 million to fund the Pension System; and (iv) \$81.8 million for NME (\$46.4 million FY2023 and \$35.4 million for FY2024).

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On March 25, 2023, the Energy Bureau issued a Resolution and Order ("March 25 Order") in which required LUMA⁹ to on or before March 29, 2023, state its position on the March 14 Motion, including the requirement for LUMA to notify the Energy Bureau of any budget amendments as stated in Section 7.3(e) (iii)(x) of the OMA¹⁰. The Energy Bureau also ordered PREPA to detail by Fiscal Year the expenditures and budget items that correspond to the \$410 million FEMA reimbursements PREPA states were received during calendar year 2022 and 2023; to identify any operational and/or necessary maintenance expenditures that were modified, cancelled, or postponed to complete the projects for which FEMA reimbursed PREPA and if any operational and/or necessary maintenance expenditures that were modified, cancelled or postponed indicate their status and if they are no longer required, explain why. Finally, the Energy Bureau ordered Genera to share its position regarding the NME activities proposed by PREPA in the March 14 Motion.

On March 26, 2023, PREPA filed a document titled *Petition to the Energy Bureau's March 25 Order Regarding the Revised Request to Amend the FY2023 Budget* ("March 26 Motion"), in which PREPA said FOMB approved and fully funded a modified version of PREPA's amendment request as follows:¹¹

- a) Genera PR Mobilization Funding - \$15 million to pay Genera PR Mobilization costs as required under the LGA OMA.
- b) VTP Funding - \$29.4 million to fund a Voluntary Transition Program (VTP).
- c) Pension Funding - No amounts for person pension funding, subject to further analysis and deliberations with the Government of Puerto Rico.
- d) Generation NME and Operational expenditures - \$46.4 million for FY2023, through a reserve, subject to the Energy Bureau's review and approval.

Through the March 26 Motion, PREPA requested the Energy Bureau to take administrative knowledge of FOMB March 24 Resolution¹² in accordance with Sec 9.03 of Regulation 8593.^{13 14}

⁷ FY23 Budgets Determination Order, p. 18

⁸ Genera PR LLC ("Genera").

⁹ LUMA Energy LLC and LUMA Energy ServCo LLC (collectively, "LUMA").

¹⁰ *Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement* dated as of June 22, 2020, by and among the Puerto Rico Electric Power Authority, the Puerto Rico Public-Private Partnerships Authority, LUMA Energy, LLC and LUMA Energy ServCo.

¹¹ March 26 Motion, p. 3, ¶¶ 8-9.

¹² March 26 Motion, Annex A, Exhibit A ("FOMB March 24 Resolution").

¹³ *Regulation on Adjudicative, Notices of Compliance, Rate Review and Investigation Proceedings*, Regulation No. 8543, December 18, 2014 ("Regulation 8543").

¹⁴ March 26 Motion, p. 4, ¶ 13.



On March 29, 2023, Genera, filed a document in response to the March 25 Order (“Genera March 29 Response”), in which Genera states “...Therefore, Genera supports any activity that can be executed by PREPA during the mobilization period and continued by Genera after Service Commencement Date to secure the continuance of maintenance repairs and stabilize planning and scheduling. Nonetheless, it is respectfully requested that the Energy Bureau, exercising its power of fiscal oversight, evaluates the impact that the execution of the NME activities would have on PREPA’s liquidity.”¹⁵

On March 29, 2023, LUMA filed a document titled *Motion in Compliance with Resolution and Order of March 25, 2023* (“March 29 Motion”). In the March 29 Motion LUMA recognizes its obligation under the OMA to notify the Energy Bureau, PREPA, and the P3A for PREPA to request a budget amendment and states that PREPA did not inform LUMA the need to amend the Generation Budget before seeking this amendment from the FOMB and the Energy Bureau.¹⁶ LUMA expressed that as PREPA is aware, LUMA is concerned with PREPA’s ability to fund the Service Accounts. LUMA is, thus, supportive of any measure taken to ensure PREPA’s compliance with its contractual obligations under the OMA and respectfully requests that any measure taken by the Energy Bureau consider PREPA’s obligations to fund the Service Accounts under the OMA.¹⁷

In the March 29 Motion LUMA stated that pursuant to its initial analysis, some projects included in Exhibit B of Annex C of the March 14 Motion (*i.e.*, the list of projects which expenditures are being reimbursed) are classified as Transmission and Distribution (“T&D”) projects and that further information is needed to identify where the reimbursed funds for those projects should be allocated. It is LUMA’s position that the proposed expenditures need to be explained by PREPA in further detail for the Energy Bureau to determine the proper allocation.¹⁸ It is LUMA’s position that, although the entity in charge of the generation is the one responsible for the development and implementation of generation projects, any infrastructure or operational generation projects should be proven to be the most efficient use of funds consistent to build a more reliable electric system with low outage rates.¹⁹

On April 2, 2023, PREPA filed a motion titled *Modified FY2023 Budget Amendment Request for Implementation of FOMB Certified Fiscal Plan Transformation Initiatives and in Compliance with the March 25 Order* (“April 2 Motion”). PREPA states that on March 28, 2023 it met with Energy Bureau Commissioners to clarify the March 25 Order and lists the five requests the Energy Bureau made during the meeting.²⁰

These requests were:

- a. Detailed information of the Generation NME expenditures, by year, by project including reference to Scope of Works (“SOW’s”) and Project Worksheets (“PW’s”) and reimbursement information.
- b. State whether a project was completed or not.
- c. State whether any current NME expenditures caused a deferment to any approved project.
- d. Detailed information of operational expenditures with a correlation to the Generation NME expenditures.
- e. In the case PREPA understands that projects could cross over to FY2024 PREPA should state so and detail the amounts for FY2023 and FY2024.

¹⁵ Genera March 29 Response, p. 3.

¹⁶ March 29 Motion, ¶ 34.

¹⁷ *Id.*, ¶ 35.

¹⁸ *Id.*, ¶ 36.

¹⁹ *Id.*, ¶ 37.

²⁰ See April 2 Motion at pp. 3-4. (“Commissioner’s Requests”).



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On April 5, 2023, the Energy Bureau issued a Resolution and Order (“April 5 Resolution”) in which it directed PREPA to provide responses fully and clearly to the Commissioner’s Requests within five (5) business days. In addition, the Energy Bureau issued a Requirement of Information (“ROI”) to both PREPA²¹ and LUMA²² on PREPA’s Motions requesting FY23 Generation Budget Amendment. The Energy Bureau also took administrative notice of the FOMB March 24 Resolution.²³

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On April 11, 2023, PREPA filed a document titled, *Motion Requesting Order on PREPA Request to Amend the Modified Budget for FY2023 for the Purpose of Complying with the April 4 Resolutions and Orders on Tranche 1 Closing Date* (“April 11 Motion”), through which PREPA requested that the Energy Bureau “...approve the Modified Budget Amended Request as soon as possible so that PREPA may be able to continue with the necessary maintenance and operational work necessary for the transition and transformation of PREPA including the Tranche 1 process.”²⁴

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On April 12, 2023 the Energy Bureau issued a Resolution and Order (“April 12 Resolution”), through which the Energy Bureau partially approved PREPA’s budget amendment request for FY2023 intended to fund additional operational and maintenance expenses ONLY related to Legal & Professional Advisors in the amount of \$2.8 million; that is \$2.5 million for King and Spalding fees and \$300,000 for Sargent and Lundy fees and ordered PREPA to justify “Other Legal Advisor Expenditures” totaling \$500,000.²⁵

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On April 14, 2023, LUMA filed with the Energy Bureau, a document titled *Motion in Compliance with Resolution and Order of April 5, 2023* (“LUMA’s April 14 Motion”), through which LUMA responded to the Annex B ROIs issued by the Energy Bureau through the April 5 Resolution.²⁶ LUMA’s April 14 Motion explained that its efforts to more effectively address past due bill collection resulted in collection of more than \$203M in past due bills. LUMA explained that the \$203M collected does not correspond to a specific period and that these funds are not reflected in the FY2023 and FY2024 budgets.²⁷

On April 14, 2023, PREPA filed with the Energy Bureau, a document titled *Motion in Compliance with Resolution and Order of April 5, 2023* (“PREPA’s April 14 Motion”), through which PREPA responded to the Annex A ROIs issued by the Energy Bureau through the April 5 Resolution. These ROIs to PREPA among others were related to improve information on 1) estimates of Genera’s mobilization costs, 2) potential unincumbered funds²⁸ in PREPA’s

²¹ April 5 Resolution, Annex A, pp. 7-8.

²² *Id.*, Annex B, p. 9.

²³ The Oversight board also noted in footnotes to the FOMB March 24 Resolution that:

- 1) The O&M Agreement Mobilization Fee (\$15M) has already been funded through cash on hand.
- 2) Expenses for the Voluntary Transition Program and the Emergency PREPA Employee Retirement System Contribution (\$94.4M) are to be funded through cash available in PREPA’s operating accounts.
- 3) The O&M Reserve (\$46.44M) is to be funded through cash available in the FEMA Reimbursement account. See details in Section 7 of the Enforcement of the Puerto Rico Electric Power Authority FY23 Budget below.

Section 7.- Funds included in the “Operations and Maintenance Reserve” line item include those pertaining to PREPA’s Revised Proposed FY23 Budget Amendment, such funds may only be drawn on after PREPA receives formal authorization of the increased Operating and/or Necessary Maintenance Expense expenditures from the Puerto Rico Energy Bureau and only up to the amount authorized by such.

²⁴ April 11 Motion, p. 10.

²⁵ *Id.*, p. 4.

²⁶ LUMA’s April 14 Motion, p. 4, ¶ 8.

²⁷ April 14 Motion, Response: RFI-LUMA-MI-2021-0004-20230405-OREB-001.

²⁸ Funds that are not subject to any encumbrances/restriction; these funds are available to be transferred lawfully, and the transfer is in accordance with Policies and Regulations in place.



operating accounts, 3) the VTP related to the Genera's transaction approval and budget, 4) Accounting of the 2017's Rate Order's Debt service collection accounting, 5) Accounting of the FEMA reimbursements for FAASt Mobile Generation Units Purchases, 6) PREPA-ERS Pension Funding needs and control mechanism for disbursement of funds, 7) Source of funding for the Genera Mobilization Fee, the VPT and the Emergency ERS Contribution, 8) Explanation of variances between reports that outline FEMA/COR3 Disbursements, 9) Specific NME funds used for the acquisition of facilities during FY19, and its impact to NME activities, and 10) Information on the Mobile Generation Units Purchases reimbursed in FY2023 for expenditures made in FY2019.²⁹

II. Discussion and Analysis

On the April 2 Motion, PREPA requested the Energy Bureau to approve PREPA's Modified Amendment Budget Request including:³⁰

1. Generation NME and Operational expenditures -\$46.4 million for FY2023, to ensure the stability and continuity of the PREPA's generation assets through necessary maintenance and repair work.
2. Genera PR Mobilization Funding - \$15 million to pay for Genera PR Mobilization costs as required under the LGA OMA.
3. VTP Funding - \$29.4 million to fund a VTP program consistent with PREPA's obligations under Act No.120-2018³¹, as amended and Act No. 17-2019³².
4. Pension Funding - \$65 million for FY2023 (May and June of 2023), while a long-term solution is coordinated and implemented with the Central Government.

A. Generation NME and Operational Expenditures -\$46.4 million for FY2023

PREPA asserts this extra funding for Generation NME and Operational Expenditures are to ensure the stability and continuity of the PREPA's generation assets through necessary maintenance and repair work is urgently needed for improved and additional repairs and maintenance and operating resources for the legacy generation and water facilities, and that it will help PREPA and soon Genera to ensure adequate, reliable, and dependable power generation essential for grid operation. PREPA states that among the critical works for which this budgetary expense is necessary is compliance with federal environmental laws as mandated under an Environmental Protection Agency Consent Decree, which if not performed will incur penalties. PREPA further explains that the upcoming projects for which funding is sought have long lead times or are multi-year projects or for which there needs to be more budgeted funding for a particular year.³³ In the March 24 Motion, PREPA revised the amount needed for FY 2023 to be \$46,440,594, allocated as \$23,100,000 to be allocated in the O&M budget and \$23,340,594 for the NME Budget.³⁴

The Energy Bureau **PARTIALLY APPROVES** PREPA's budget amendment request for FY2023 in regards to the Generation NME and the O&M Expenditure as follows: i) the amount of \$13,920,000³⁵ for operational and maintenance expenditures as detailed in

²⁹ April 5 Resolution, Annex A, pp. 7-8.

³⁰ April 2 Motion, 18.

³¹ *The Puerto Rico Electric Power System Transformation Act*, ("Act 120-2018")

³² *The Puerto Rico Energy Public Policy Act*, ("Act 17-2019").

³³ March 14 Motion, pp. 9 – 13.

³⁴ March 24 Motion, p. 4.

³⁵ This amount already includes the \$2.8 million the Energy Bureau approved for Kings and Spalding and Sargeant and Lundy as per the April 12 Resolution.



Annex A of this Resolution and Order ("Annex A"); and ii) \$3,734,000 for the NME Budget as outlined in Annex A.

Annex A also has a column titled PREB Request of Information for the line items not fully approved. The Energy Bureau **ORDERS** PREPA to provide, **on or before five (5) business days of the notification of this Resolution and Order**, the information requested for each item in Annex A to this Resolution and Order to further consider the appropriateness of the budgetary increase not approved to date.

B. Genera PR Mobilization Funding - \$15 million

PREPA requests FY 2023 budget amendment approval for the Genera Mobilization Fee of \$15 Million in accordance with its obligation under the LGA-OMA³⁶. PREPA states that in accordance with the LGA-OMA, it deposited \$15 million from its operational account into a new and dedicated mobilization account, to fund certain P3A authorized mobilization costs as it transitions to the service commencement date.³⁷

In the March 26 Motion, PREPA asserts that through the FOMB's March 24 Resolution, the FOMB certified and funded \$15 million to pay for Genera PR Mobilization costs as required under the LGA OMA.³⁸ This is partially correct. Although the FOMB certified the amount of the Genera PR Mobilization Funding, it specified that the amount had been funded from cash on hand.³⁹

On PREPA's April 14 Motion, PREPA provided the most recent itemized estimate of Genera's mobilization costs in line with the FOMB March 24 Resolution and in agreement with the LGA-OMA. The Energy Bureau **APPROVES** PREPA's budget amendment request for FY2023 intended to fund the Genera PR Mobilization Funding of up to \$15 million to pay for Genera PR Mobilization costs as required under the LGA-OMA. The Energy Bureau also **DIRECTS** PREPA to plan as an additional source of unencumbered funds the Collection Past Due Bills amounts after LUMA is able to identify potential offsets to the budgeted bad debt expenses.

C. VTP Funding - \$29.4 million

PREPA states that Act 120-2018,⁴⁰ as amended by Act 17-2019,⁴¹ provides safeguards including ongoing employment and certain vested rights for certain PREPA employees. PREPA explains these safeguards as ensuring the availability of government jobs for those employees opting to remain in public service and the option to exit public service and participate in the VTP program. Therefore, the VTP is expected to facilitate the relocation of PREPA employees to Genera and indirectly help ensure the successful continuation of operation of generating facilities after the transition of their operation and maintenance to Genera.

In the March 26 Motion, PREPA asserts that through the FOMB March 24 Resolution, the FOMB certified and funded \$29.4 million to fund a VTP.⁴² This is partially correct. Although the FOMB certified the amount of the VTP funding, it specified that the \$29.4 million is to be funded through cash in PREPA's operating Accounts.

³⁶ Puerto Rico Thermal Generation Facilities Operation and Maintenance Agreement dated January 24, 2023 among the Puerto Rico Electric Power Authority, the Puerto Rico Public-Private Partnership Authority ("P3A") and GENERA PR, LLC. ("LGA-OMA")

³⁷ March 26 Motion, pp. 13 – 14.

³⁸ *Id.*, p. 3.

³⁹ FOMB March 24 Resolution, p. A-4.

⁴⁰ Puerto Rico Electric Power System Transformation Act ("Act 120-2018").

⁴¹ Puerto Rico Public Policy Act ("Act 17-2019").

⁴² FOMB March 24 Resolution, p. A-3.



On PREPA's April 5 Motion, PREPA (i) provided a letter dated March 9, 2023 from the Oversight Board to the Puerto Rico Fiscal Agency and Financial Advisory Authority ("AAFAF") indicating that it had 'Approved with Conditions' a proposed Administrative Order to enact the VTP related to the Genera transaction, subject to an amendment to PREPA's Certified Budget reflecting the VTP's projected expenditure and a proportional cash revenue to allow for the VTP- related disbursement; (ii) clarified that the Administrative Order to enact the VTP related to the Genera transaction was issued by the Puerto Rico Fiscal Agency and Financial Advisory Authority ("AAFAF"), (for its Spanish acronym), through Order OA-2023-001 dated March 14, 2023, and submitted the AAFAF Administrative Order.

The Energy Bureau **APPROVES** PREPA's budget amendment request for FY2023 intended to fund the VTP Funding of up to \$29.4 million to fund a VTP program consistent with PREPA's obligations under Act 120-2018, as amended by Act 17-2019.

D. Pension Funding - \$65 million for FY2023 (May and June 2023)

PREPA asserts that the funded status of the PREPA Employee Retirement System ("PREPA ERS") was strained before it entered bankruptcy and that retirements and resignations have exacerbated the financial condition of the PREPA ERS. PREPA-ERS does not expect to pay full monthly pension benefits during the remainder of FY 2023 and PREPA states that based on recent projections, without financial assistance, plan assets will be depleted by May 2023.⁴³

On PREPA's April 14 Motion, PREPA provided certain supporting documentation that substantiates the need for funding for the PREPA-ERS for FY 2023. In PREPA's effort to substantiate the exact funding for the PREPA-ERS for FY 2023 certain inconsistencies between the information provided by PREPA-ERS are being raised. PREPA has requested information from the PREPA-ERS and at the time of the April 14 Motion PREPA has not received a response from the PREPA-ERS.

The Energy Bureau is committed to support the contractual obligations PREPA has with the PREPA-ERS system without encroaching with the important obligation of ensuring safe and adequate electric service. The Energy Bureau **APPROVES**, PREPA's budget amendment request for FY2023 intended to fund the Pension Funding needs of up to \$65 million for the current FY2023 (May and June), **subject to the FOMB March 24 Resolution**. The Energy Bureau **ORDERS** PREPA to make certain that the PREPA-ERS complies with all applicable laws and regulations and is transparent in its reporting before any disbursement of funds to the system.

III. Conclusion

The Energy Bureau **PARTIALLY APPROVES**, subject to the FOMB March 24 Resolution, PREPA's budget amendment request for FY2023 as follows:

1. Generation NME and Operational expenditures for FY2023 for \$13,920,000 to be allocated for the operation and maintenance budget and \$3,734,000 for the NME Budget for the Budgetary line items and projects as outlined in Annex A.
2. Genera PR Mobilization Funding of up to \$15 million to pay for Genera PR Mobilization costs as required under the LGA-OMA.
3. VTP Funding of up to \$29.4 million to fund a VTP program consistent with PREPA's obligations under Act 120-2018, as amended by Act 17-2019.
4. Pension Funding needs of up to \$65 million and only for the needs of the current FY2023 (May and June).

⁴³ *Id.*, pp. 15 -16.



PREPA shall use unincumbered funds at its disposal, subject to the FOMB March 24 Resolution, as the source of funding for: 1) the O&M Agreement Mobilization Fee, 2) the Voluntary Transition Program and the Emergency PREPA Employee Retirement System Contribution, and 3) the Generation NME and Operational expenditures.⁴⁴

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and
The Energy Bureau notes that the FOMB March 24 Resolution reflects a Budget Deficit Before Debt Obligations of \$155,840,000.⁴⁵ This reflects actions by PREPA that are unacceptable. This is in direct contravention of the Energy Bureau's 2017 Rate order which states, "Only in extraordinary situations, where PREPA proves it had no control of a cost increase (such proof to include testimony from those individuals responsible for the areas that experienced the cost increase), will the Commission permit after-the-fact recovery of costs not pre-approved by the Commission."⁴⁶ An appropriate showing of the necessity of these expenditures prior to their being incurred was not made.

and
As provided for in Act 57-2014,⁴⁷ in view of PREPA's unacceptable and direct contravention of the Energy Bureau's 2017 Rate order, PREPA is **ORDERED**, within ten (10) days of the date of this Resolution and Order, **SHOW CAUSE** why a penalty, as permitted in accordance with Section 6.36(a) of Act 57-2014 as amended, should not be imposed upon PREPA.

and
Considering the Deficit Before Debt Obligations amount, and aware of potential future cash needs for the systems in this current FY2023, the Energy Bureau **ORDERS** PREPA to provide on or before five (5) days from the date of this Resolution and Order: (a) the latest estimate of the funding needs for the Service Accounts as per the LGA-OMA; and (b) the amount of underfunding of the LUMA Service Accounts to date as per the T&D-OMA.

and
The Energy Bureau **ORDERS** PREPA, on or before five (5) days from the date of this Resolution and Order, to respond to the PREB Request for Information as stated in Annex A of this Resolution and Order.

The Energy Bureau **RESERVES** the right to require PREPA to file all documentation related to the procurement process of the NME projects herein approved, or any other projects previously approved by the Energy Bureau.

The Energy Bureau **WARNS** PREPA that (i) noncompliance with this Resolution and Order, regulation and/or applicable laws may carry the imposition of fines and administrative sanctions of up to \$25,000 per day, (ii) any person who intentionally violates Act 57-2014, as amended, by omitting, disregarding, or refusing to obey, observe, and comply with any rule or decision of the Energy Bureau shall be punished by a fine of not less than five hundred dollars (\$500) nor over five thousand dollars (\$5,000) at the discretion of the Energy Bureau, and (iii) for any recurrence of noncompliance or violation, the established penalty shall increase to a fine of not less than ten thousand dollars (\$10,000) nor greater than twenty thousand dollars (\$20,000), at the discretion of the Energy Bureau.

Be it notified and published.

⁴⁴ The Energy Bureau is cognizant that the FOMB Budget Amendment Resolution suggests in its footnotes funding sources for the 1) The O&M Agreement Mobilization Fee, 2) The Voluntary Transition Program and the Emergency PREPA Employee Retirement System Contribution, and 3) The Generation NME and Operational expenditures and PREPA shall make all commercially available efforts to adhere to the suggested funding sources in the FOMB March 24 Resolution without impacting the safe and adequate electric service to the people of Puerto Rico.

⁴⁵ FOMB March 24 Resolution, Annex A, p. A-4.

⁴⁶ 2017 Rate Order, p. 150.

⁴⁷ The Puerto Rico Energy Transformation and RELIEF Act, as amended.



	
Edison Avilés Deliz Chairman	
	
Lillian Mateo Santos Associate Commissioner	Ferdinand A. Ramos Soegaard Associate Commissioner
	
Sylvia B. Ugarte Araujo Associate Commissioner	Antonio Torres Miranda Associate Commissioner

CERTIFICATION

I hereby certify that the majority of the members of the Puerto Rico Energy Bureau has so agreed on April 18, 2023. I also certify that on April 18, 2023, a copy of this Resolution and Order was notified by electronic mail to the following: jaime.elkoury@promesa.gov; margarita.mercado@us.dlapiper.com; ana.rodriguezrivera@us.dlapiper.com; mvazquez@diazvaz.law; jmarrero@diazvaz.law; brannen@genera-services.com; kbolanos@genera-services.com; regulatory@genera-pr.com. I also certify that on April 18, 2023, 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, on April 18, 2023.


Sonia Seda Gaztambide
Clerk

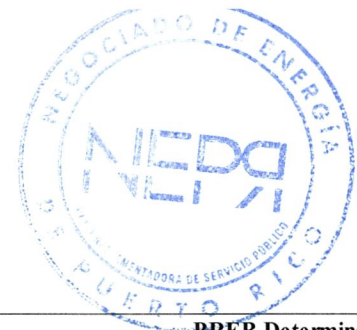


Annex A



Incremental Operation and Maintenance Budget			Exhibit E - Second Review				PREB Determination		
Item	Description	Justification	Additional Needed	FY 2022-23	FY2023-24	Budget	Approval FY23	Amount \$M	PREB Request of Information
1	Legal & Professional Advisors	King and Spalding (\$2.5 million for completed the Tranches 1), Sargent & Lundy (\$300 thousand for update of the ESAs of the Authority's plants include the peak units in Vega Baja, Jobos, Dagua, Yabucoa, Vieques and Culebra) Other Legar Advisor (\$500 thousand)	\$ 3,300,000.00	\$ 3,300,000.00	\$ -	HoldCo	Approved	\$ 2.80	Please refer to April 12 Resolution Case NEPR-MI-2021-0004.
2	Additional Materials and Supplies Gen	Materials, equipment not capitalized and supply chain used for operations and maintenance that included the day-to-day prevent preventative correctivemaintenance and environmental maintenance. The budget for this line was \$19,795,472, at February the expenses are of \$19,908,745.79.	\$ 10,000,000.00	\$ 10,000,000.00	\$ -	Genco	Conditionally Approved	\$ 6.60	Conditionally Approved. Please provide detailed information for the additional budget request and a Plan for this additional budget implementation.
3	Additional Third Party Service for Division Expenses	Costs of labor used for operations and maintenance, that include day-to-day preventative, corrective maintenance and environmental maintenance. For example Non-stamping mechanical work R, Boiler cleaning, refractory rehabilitation and boiler insulation, scaffolding rental, welding and mechanical work of auxiliary equipment and boilers. In addition the service of the technical Advisor, that was the experts in a specific field of knowledge, offering information and advice to those in the field. And for complete the ongoing pro Design and Engineering and Project management,ject we need the service of Design and Engineering and Project management. Design and Engineering and Project management. The budget for this line was \$13,581,226, at February the expenses are of \$12,848,671	\$ 38,381,226.00	\$ 9,800,000.00	\$ 28,581,226.00	Genco	Conditionally Approved	\$ 4.52	Conditionally Approved. Please provide detailed information on the initiatives taken by PREPA to implement the Fiscal Plan efficiencies and to reduced the Additional Third Party Service for Division Expenses down to affordability.
	Total		\$ 51,681,226.00	\$ 23,100,000	\$ 28,581,226			\$ 13.92	





Incremental NME				Exhibit E - Second Review				PREB Determination		
Item	Unit	Description	Justification	Project Cost	Additional Need	FY2022-23	FY2023-24	Approval FY23	Amount \$M	PREB Request of Information
1	All Units	Forced Outage - Blanket	Due to the lack of maintenance and delayed maintenance (bankruptcy, hurricanes and remote events) of most of the generation fleet the percentage of forced departures has increased in the last 8 years from 8 percent to 20 percent. The costs of these departures have also been increased by the worldwide situation of availability of spare parts.		\$ 8,000,000.00	\$ 8,000,000.00	\$ -	Not Approved with the info submitted (see comments)	\$ -	Please provide detailed information for this additional budget request. Note: It seems more related to M&O than to NME.
2	All Units	cost of living increase - Blanket	Incremental costs of inflation and others, accidental damage to transportation and delivery infrastructure		\$ 2,000,000.00	\$ 2,000,000.00	\$ -	Not Approved with the info submitted (see comments)	\$ -	Please provide any valid data to justify the request.
3	Palo Seco 3	Auxiliary Equipment	These funds are needed to meet the need for replacement of engines, pumps, induced fans, forced fans, bearings, seals and valves among others.		\$ 2,210,000.00	\$ 1,500,000.00	\$ 710,000.00	Not Approved with the info submitted (see comments)	\$ -	Project approved by FEMA under PW #10606 SOW #4081 associated to this Unit. Please explain the need for additional funds.
4	San Juan 7	Boiler Pressure Parts - Environmental	It is necessary to replace the frontal water wall of the boiler since it is damaged due to overheating. The unit is actually under and environmental outage and it cant return to service without these replacements. Thus, 100mw will belost in the load peak season. In the other hand it is necessary to replace several other pressure parts in the boiler and the procurement process should start in this fiscal year to avoid delay in the materials since, as it is happening in the whole industry, the material acquisition lead time is extensive (6 to 12 months).		\$ 2,600,000.00	\$ 450,000.00	\$ 2,150,000.00	Approved	\$ 0.45	What is described is considered a NME, as it is a repair of a failure caused by usage. Not detected previously.
5	Costa Sur 6	Environmental	The unit shall be retired from service on April 7, 2023 (after the return of Ecoelectrica) to perform an environmental outage. Actually the unit experience combustion problems and opacity issues since the a high fouling condition of the furnace. The environmental outage can not be delayed and the unit shall be retired from service anyway. This unit represent 410 MW of a base load unit that wont be available for the pak load season if the environmental task are not performed.		\$ 1,500,000.00	\$ 1,500,000.00	\$ -	Not Approved with the info submitted (see comments)	\$ -	Please provide detailed information for this additional budget request. Note: It seems more to M&O: cleaning of boiler furnace.
6	Costa Sur 5	Environmental and programed outage	The unit shall be retired from service on May 1, 2023 (after the return of Costa Sur 6) to perform both an environmental and prrammed outage. As it happened in Costa Sur 6,, the furnace is highly fouled and the Air preheater baskets shall be replaced since they are highly corroded. in the other hand, the turbine shall be replaced since the actual one is running with high vibrations since a turbine water induction event. There repairs wall finish by August 2023 just in the beginning of the peak load and hurricane season. This unit represent a load of 410 MW and actually is limited to only 210 MW.		\$ 1,500,000.00	\$ 1,500,000.00	\$ -	Not Approved with the info submitted (see comments)	\$ -	Please provide detailed information for this additional budget request. Note: It seems more to M&O: cleaning of boiler furnace. Also, FEMA Approved Project #672950 PW #10702, SOW's #3050, #3051 and #3058 seems related to this work..
7	Costa Sur 1-1	Bearing 2 Improvement	This unit is the Blackstart of Costa Sur Power Plant		\$ 1,500,000.00	\$ 450,000.00	\$ 1,050,000.00	Not Approved with the info submitted (see comments)	\$ -	Please provide detailed information for this additional budget request. Note: There is an approved SOW by PREB Project #164988 totaling \$45.20M related to this unit.
8	Aguirre	Boiler Improvement U-2 - Aguirre Steam Plant	Theunit, which is actually limited to 350 MW (from 450MW) require the replacement of the boiler burners air and combustion assemblies since high deterioration was found in the last outage and the replacement parts were not available. Thus, to avoid a force outage of this unit, the procurement process should start in this fiscal year to avoid delay in the materials since, as it is happening in the whole industry, the material acquisition lead time is extensive (6 to 12 months).		\$ 743,176.00	\$ -	\$ 743,176.00	Not Approved with the info submitted (see comments)	\$ -	Please provide detailed information for this additional budget request. Note: FEMA Approved Project # 669233 PW #10568 includes subjects associated with the described scope.
9	Aguirre	Boiler Improvement U-1 - Aguirre Steam Plant	Unit is scheduled to return by April 30 2023. There are several pending repairs in the air and gases ducts along with air preheaters repairs. If the repairs are not done the unit will remain out of service in the high load and hurricane season. That means the loss of 450 MW for the peak load and hurricane season.		\$ 795,594.00	\$ 795,594.00	\$ -	Not Approved with the info submitted (see comments)	\$ -	Please provide detailed information for this additional budget request. Note: FEMA Approved Project # 669233 PW #10568 SOW #2029 includes subjects associated with the described scope. (\$5.98M)



Incremental NME				Exhibit E - Second Review				PREB Determination		
Item	Unit	Description	Justification	Project Cost	Additional Need	FY2022-23	FY2023-24	Approval FY23	Amount \$M	PREB Request of Information
10	Aguirre	Turbo Generator Improvement Unit 1	Aguirre unit 1 suffered a catastrophic damage in the turbogenerator on August 2022. after a huge effort to identify the spare parts and to refurbish the generator, the unit is scheduled to return by April 30 2023. this unit represents 450 MW loss for the high load and hurricane season.		\$ 3,000,000.00	\$ 3,000,000.00	\$ -	Not Approved with the info submitted (see comments)	\$ -	Please provide detailed information for this additional budget request. Note: Project # 669233, PW #10568 SOW #2042 was approved by FEMA for this work (\$11.16M)
11	Aguirre Cycle Combined	Unit 1 - 2 - Generator Rotor Rewind	Force outage; During the month of December this unit had a Force outage by field ground. After testing, it was determined that the generator rotor is grounded. The cost of rewinding this rotor is approximately \$1,600,000. This includes removal work with a crane of 240 tons capacity, transportation to the United States and return to Puerto Rico of the equipment, ring inspection, rotor rewinding, high speed balancing and electrical tests as main works. When these work is carried out, 50 MW are returned to service to the country's electrical system. This represents a capacity for over 10,000 residential customers and gives us the opportunity to continue with the maintenance program of other units.		\$ 1,600,000.00	\$ 1,600,000.00	\$ -	Approved	\$ 1.60	Not presented previously. There is no SOW associated, as these damages were reported in December 2022 and not associated with Hurricane Maria or any other disaster.
12	Aguirre Cycle Combined	Unit 1 - 4 - Generator Rotor Rewind	During the month of December this unit as well as unit 1-2 had a forced outage by field ground. After testing, it was determined that the generator rotor is grounded. The cost of rewinding this rotor is approximately \$1,600,000. This includes removal work with a crane of 240 tons capacity, transportation to the United States and return to Puerto Rico of the equipment, ring inspection, rotor rewinding, high speed balancing and electrical tests as main works. When these work is carried out, 50 MW are returned to service to the country's electrical system. This represents a capacity for over 10,000 residential customers and gives us the opportunity to continue with the maintenance program of other units.		\$ 1,600,000.00	\$ 1,600,000.00	\$ -	Approved	\$ 1.60	Not presented previously. There is no SOW associated, as these damages were reported in December 2022 and not associated with Hurricane Maria or any other disaster.
13	Hydrogas	Spare Generator Breakers for Frame 5000 Hitachi Gas Turbines	Generator breaker replacement for some of the 15 Hitachi Frame 5000 drives		\$ 750,000.00	\$ 225,000.00	\$ 525,000.00	Already Approved (see comments)	\$ -	SOW #5082 for the amount of \$650K, was approved by PREB on 04/13/2022 for this work. Please indicate if this SOW was presented to FEMA/ COR3?
14	Hydrogas	Procurement of Turbo-Compressor for Frame 5000 Gas Turbines	To reduce the repair time of the Gas units it is recommended to have a backup turbocharger that works on the 15 Frame 5000 units. This turbocharger will give reliability and reduces the time of outage forced of the units.		\$ 1,550,000.00	\$ 465,000.00	\$ 1,085,000.00	Already Approved (see comments)	\$ -	SOW #5083 for the amount of \$7.8M was approved by PREB on 04/13/2022 for this work. Please indicate if this SOW was presented to FEMA/ COR3?
15	Hydrogas	Procurement of Speed Reduction Gear for Frame 5000 Gas Turbines	Necessary supply chain to reduce the time of outforce of the units		\$ 330,000.00	\$ 99,000.00	\$ 231,000.00	Already Approved (see comments)	\$ -	SOW #5084 for the amount of \$1.56M was approved by PREB on 04/13/2022 for this work. Please indicate if this SOW was presented to FEMA/ COR3?
16	Hydrogas	Exhaust Plenums for Frame 5000 Gas Turbines	Necessary supply chain to reduce the time of outforce of the units		\$ 130,000.00	\$ 39,000.00	\$ 91,000.00	Already Approved (see comments)	\$ -	SOW #5085 for the amount of \$780K was approved by PREB on 04/13/2022 for this work. Please indicate if this SOW was presented to FEMA/ COR3?
17	Hydrogas	Inlet Duct & Silencer Frame 5000 Gas Turbines	Necessary supply chain to reduce the time of outforce of the units		\$ 280,000.00	\$ 84,000.00	\$ 196,000.00	Approved	\$ 0.084	Not presented previously. There is no SOW associated with these parts.
18	Hydrogas	Exhaust Gas Diffusion (Deflector) for Frame 5000 Gas Turbines	Necessary supply chain to reduce the time of outforce of the units		\$ 110,000.00	\$ 33,000.00	\$ 77,000.00	Already Approved (see comments)	\$ -	SOW #5086 for the amount of \$390K was approved by PREB on 04/13/2022 for this work. Please indicate if this SOW was presented to FEMA/ COR3?
		Total			\$ 30,198,770.00	\$ 23,340,594.00	\$ 6,858,176.00	Total Approved FY23	\$ 3.734	