

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

NEPR

Received:

Apr 25, 2023

9:23 PM

IN RE: REVIEW OF LUMA’S INITIAL
BUDGETS

CASE NO.: NEPR-MI-2021-0004

SUBJECT: Informative Motion in Response to
PREB’s Directives and Requests for
Information in Compliance with the April 18
Order

**INFORMATIVE MOTION IN RESPONSE TO PREB’S DIRECTIVES AND REQUESTS
FOR INFORMATION IN COMPLIANCE WITH THE APRIL 18 ORDER**

TO THE HONORABLE PUERTO RICO ENERGY BUREAU:

COMES NOW the Puerto Rico Electric Power Authority (“PREPA”), through its counsel
of record, and respectfully submits and prays as follows:

1. On March 14, 2023, PREPA filed with the Honorable Puerto Rico Energy Bureau of the Public Service Regulatory Board (“Energy Bureau” or “PREB”), a document titled *Request to Amend FY2023 PREPA Budget for Implementation of FOMB Certified Fiscal Plan Transformation Initiatives* (“March 14 Motion”).
2. Through the March 14 Motion, PREPA impressed upon the Energy Bureau the urgent need PREPA has to amend its fiscal year 2022-2023 (“FY2023”) budget to be able to address the Genera PR LLC (“Genera PR”) Mobilization Service Fee for effective transformation efforts, necessary operations, repairs and maintenance works under the PREPA fiscal plan, and the continuance of payments to its pension system. PREPA explicitly stated in the March 14 Motion, that the budget amendment request does not impact the energy sales rates, nor it represents a burden to the customers, as the update is based on revenues from reimbursed federal funds gathered by PREPA during the present and past fiscal years.
3. After several procedural events and iterations of the budget amendment request on April

2, 2023, PREPA submitted to PREB a document 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”). In the April 2 Motion, PREPA requested the Honorable Energy Bureau to approve the Modified FY2023 Budget Amendment Request for the following amounts:

(i) Genera PR Mobilization Funding - \$15 million to pay for Genera PR Mobilization costs as required under the LGA OMA; (ii) VTP Funding - \$29.4 million to fund a VTP consistent with PREPA;s obligations under Act 120-2018 and Act 17-2019; (iii) Pension Funding – \$65M for FY2023 pension funding FY2023 (May and June 2023) while a long-term solution is coordinated and implemented with the Central Government (iv) Generation Necessary Maintenance Expenses (NME) and Operational expenditures - \$46.4 million for FY2023, to ensure stability and continuity of PREPA’s generation assets through necessary maintenance and repair works.

April 2 Motion p. 18

4. In response, on April 5, 2023, the Energy Bureau issued a *Resolution and Order* (“April 5 Order”) requesting additional information as stated in Annex A of the April 5 Order and also determined further responsive information was warranted to evaluate responses to the following Commissioners requests, including information from PREPA in the form of:

- a. Detailed information of the Generation NME expenditures, by year, by project including crow reference to Scope of Works (“SOW’s”) and Project Worksheets (“PW’s”) as well as reimbursement information.
- b. State whether a project was completed or not.
- c. State whether any current NME expenditures caused a deferment to any

previously 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.

April 5 Order p. 4

5. On April 14, 2023, PREPA submitted a document titled *Motion in Compliance with the April 5 Order* (“April 14 Motion”). Through the April 14 Motion, PREPA submitted its responses to PREB’s requirements of information and also an explanation or response to the referenced Commissioners’ requests, PREPA also reiterated its request for the Energy Bureau to grant approval to the Modified FY2023 Budget Amendment Request.

6. On April 18, 2023, the Energy Bureau issued a *Resolution and Order* partially approving PREPA’s Modified FY2023 Budget Amendment Request, subject to the FOMB’s March 24 Resolution¹ in the following manner (“April 18 Order”):

- (i) 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.
- (ii) Genera PR Mobilization Funding of up to \$15 million to pay for Genera PR Mobilization costs as required under the LGA-OMA.
- (iii) 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.
- (iv) Pension Funding needs of up to \$65 million and only for the needs of the current FY2023 (May and June).

7. In regard to the Genera PR Mobilization Funding, the Energy Bureau also directed 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.

¹ Financial Oversight and Management Board for Puerto Rico (“FOMB”) letter and Resolution dated March 24, 2023, certifying a revised fiscal year 2023 budget for PREPA (“FOMB’s March 24 Resolution”), which the Energy Bureau took administrative notice of in the April 5 Order.

8. PREPA respectfully requests clarification from the Energy Bureau on its direction “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.” Does the Energy Bureau direction suggest that if the actual Bad Debt for FY2023 is lower by \$5 million than the certified budget Bad Debt of \$74.5 million, the \$5 million positive variance may be considered as an additional source of unencumbered funds to cover approved FY2023 budget expenses?

9. Notwithstanding, as part of the certified fiscal plan directives, PREPA informs the Energy Bureau it has been working with the central government and public corporations on the collection of past due accounts, and on February 2023, PREPA and the Puerto Rico Aqueduct and Sewer Authority (PRASA) executed a memorandum of understanding (MOU) whereby PRASA agreed to pay \$42.5 million to PREPA over a 12-month period. These amounts are primarily related to previously disputed invoices for water and energy sales from PREPA to PRASA.

10. In addition, and as part of PREPA’s efforts to collect on past due bills, PREPA received a total of \$32.5 million (\$20 million on January 11, 2023, and \$12.5 million on March 10, 2023) from the Medical Services Administration of Puerto Rico (“ASEM”, for its spanish acronym) for undisputed amounts, after receiving approval from the Office of Management and Budget (OGP, for its Spanish acronym). Furthermore, PREPA is currently engaged in initial conversations with OGP to collect pre-commencement (prior to 6/1/2021) accounts receivables from government agencies and public corporations via a potential Global Settlement Agreement.

11. Furthermore, in relation to Pension Funding, the Energy Bureau also ordered 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. PREPA herein refers the Energy Bureau to a letter sent by PREPA to the Puerto Rico Electric Power Authority

Employees' Retirement System (“SREAEE”, for its spanish acronym) dated April 13, 2023, and subsequent email from the SREAEE to PREPA dated April 19, 2023. PREPA respectfully informs the Energy Bureau it is working together with its counsel, the Puerto Rico Fiscal Agency and Financial Advisory (“AAFAF”, for its spanish acronym) and the FOMB to ensure that the PREPA-ERS utilizes all such funding in accordance with applicable law. *See*, Annex A.

12. Additionally, in the April 18 Order, the Energy Bureau also ordered PREPA to provide supplementary information to further evaluate the appropriateness of the budgetary increase not approved to date. Particularly, the Energy Bureau directed PREPA to respond to the Request for Information as stated in Annex A of the April 18 Order. PREPA herein provides responses to Annex A of the April 18 Order. *See*, Annex B.

WHEREFORE, PREPA respectfully requests the Energy Bureau to **NOTE** the above, Respond to PREPA’s Request for Clarification and **FIND** PREPA in compliance with the April 18 Order.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 25th day of April 2023.

/s Maralíz Vázquez-Marrero

Maralíz Vázquez-Marrero

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/s Joannely Marrero-Cruz

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CERTIFICATE OF SERVICE

It is hereby certified that, on this same date, I have filed the above motion with the Office of the Clerk of the Energy Bureau using its Electronic Filing System at <https://radicacion.energia.pr.gov/login>, and a courtesy copy of the filing was sent to LUMA through its legal representatives at margarita.mercado@us.dlapiper.com and laura.rozas@us.dlapiper.com.

In San Juan, Puerto Rico, this 25th day of April 2023.

/s Joannely Marrero-Cruz

Joannely Marrero Cruz

Annex A



GOBIERNO DE PUERTO RICO
AUTORIDAD DE ENERGÍA ELÉCTRICA

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

13 de abril de 2023

CORREO ELECTRÓNICO
miraflores1811@yahoo.com

Sr. José Rivera Rivera
Presidente
Junta de Síndicos
Sistema de Retiro de los Empleados
de la Autoridad de Energía Eléctrica
PO Box 13978,
San Juan, PR 00908-3978

Estimado señor Rivera Rivera:

Re.: Sistema de Retiro de los Empleados de la Autoridad de Energía Eléctrica

Nos referimos a la crítica situación financiera y de liquidez que confronta el Sistema de Retiro de los Empleados de la Autoridad de Energía Eléctrica ("SREAEE" o "Sistema"). El 10 de marzo de 2023, el SREAEE proveyó una "Certificación de Estimado de Efectivo" (la "Certificación") en la que indicó que "estará imposibilitado de pagar los beneficios de jubilación y otros desembolsos desde mayo de 2023". De igual manera, la Certificación establece que el SREAEE tendrá un déficit de efectivo equivalente a \$9,444,261 para mayo de 2023 y \$27,694,998 para junio de 2023, para un total de \$37,139,259 ("Déficit Certificado"). Véase, **Anejo 1**.

La protección de los pensionados de la Autoridad de Energía Eléctrica (los "Pensionados") es una de las prioridades en la política pública de la administración del Gobernador de Puerto Rico, Honorable Pedro R. Pierluisi Urrutia, y de la Autoridad de Energía Eléctrica ("Autoridad"). Como es de su conocimiento, el Plan de Ajuste para la Autoridad (el "Plan de Ajuste"), cuya vista de confirmación está programada para julio de 2023, establecerá un mecanismo permanente para el pago puntual de las pensiones a los Pensionados.

La Autoridad y el Gobierno de Puerto Rico están comprometidos en proteger a los Pensionados, proveyendo el apoyo financiero para garantizar el pago puntual de las



pensiones, hasta que se implemente la solución permanente provista en el Plan de Ajuste. En consideración a la crítica situación de liquidez que confronta el SREAEE, la Autoridad recibió aprobación de la Junta de Supervisión y Administración Financiera para Puerto Rico ("JSAF") para transferir al Sistema \$65 millones, para garantizar el pago puntual de las pensiones correspondientes en lo que resta del año fiscal 2023, según el Déficit Certificado que proveyó el SREAEE.

Debemos señalar además que los fondos que se habrán de transferir son única y exclusivamente para el pago de las pensiones y de los gastos administrativos directamente relacionados a dichos pagos. Por tal razón las cantidades solicitadas para cada mes deben ser precisas, ceñirse a dichas obligaciones y no pueden incluir ningún otro gasto del SREAEE.

El 16 de marzo de 2023, la JSAF, la Autoridad de Asesoría Financiera y Agencia Fiscal de Puerto Rico ("AAFAF") y la representación legal de la Autoridad celebraron una reunión con el personal del SREAEE (incluyendo sus representantes legales) en la cual se discutió la situación financiera del SREAEE y la Certificación. Ese mismo día, la JSAF y la AAFAF solicitaron al SREAEE cierta información financiera (la "Información Financiera") sobre la situación que confronta el Sistema, y lamentablemente, no fue hasta dos (2) semanas después que el SREAEE proveyó parcialmente la Información Financiera.

Por otra parte, el 23 de marzo de 2023, los representantes legales del SREAEE enviaron una carta a la JSAF y la AAFAF (la "Carta") en la que indicaron que el déficit mensual del SREAEE era de \$33.5 millones comenzando el 1 de mayo de 2023. Véase el **Anejo 2**. El contenido de la Carta no solo contradice el Déficit Certificado, sino que pone en duda la certeza de la Información Financiera que se entregó a la JSAF, la AAFAF y la Autoridad. La inconsistencia en la información que proveyó el SREAEE y la falta de premura en proveerla dificulta atender la situación precaria del Sistema.

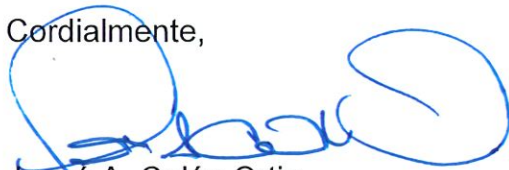
Nos preocupa que el SREAEE no esté atendiendo esta situación con la celeridad que amerita, y que la información que ha provisto al presente en ocasiones no es consistente.

A base de experiencias previas con la JSAF, es de suma importancia que el SREAEE sea completamente transparente, es decir, que haya apertura total de sus finanzas, libros, etc., de manera tal que la JSAF pueda corroborar, evaluar y proveer un remedio adecuado a la situación fiscal por la que atraviesa el SREAEE. En otras instancias, tal apertura ha resultado en determinaciones favorables en situaciones presentadas ante la JSAF. Más aún, porque reconocemos que los gastos del SREAEE pueden variar de mes a mes, recomendamos que se le presenten a la JSAF los desembolsos del SREAEE de los últimos doce (12) meses, para que puedan corroborar la información antes provista.

Sr. José Rivera Rivera
Página 3

Los asesores de la JSAF y la Autoridad están evaluando la Información Financiera para poder entender y validar la situación fiscal del SREAEE y determinar su necesidad económica real. Le exhortamos a que el SREAEE y sus asesores compartan la información que se solicite de manera expedita y transparente, para atender este asunto de forma eficiente.

Cordialmente,



Josué A. Colón Ortiz
Director Ejecutivo

c Lcdo. Omar J. Marrero Díaz, Director Ejecutivo, AAFAF; Omar.Marrero@aafaf.pr.gov
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Lcdo. Fernando Gil Enseñat, Presidente Junta de Gobierno, PREPA; fernando.gilensenat@gmail.com
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Sr. Nelson Morales Rivera, Director de Finanzas, PREPA, Nelson.morales@prepa.com
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Anejos

**SISTEMA DE RETIRO DE LOS EMPLEADOS DE LA
AUTORIDAD DE ENERGÍA ELÉCTRICA DE PUERTO RICO**



CERTIFICACIÓN DE ESTIMADO DE EFECTIVO

Certificamos que el Sistema de Retiro de los Empleados de la Autoridad de Energía Eléctrica estará imposibilitado de pagar los beneficios de jubilación y otros desembolsos desde mayo de 2023, según el siguiente estimado de efectivo disponible:

	Febrero	Marzo ¹	Abril ¹	Mayo ¹	Junio ¹	Julio ¹	Agosto ¹	Septiembre ¹	Octubre ¹
Efectivo en Banco Local	\$3,370,296	\$6,847,075	\$3,373,102	\$2,792,704	\$0	\$0	\$0	\$0	\$0
Inversión Liquidable (NT Short-term Gov't Bond Index)	92,964,267	65,493,495	42,446,333	15,446,333	0	0	0	0	0
BALANCE INICIAL EFECTIVO	96,334,563	72,340,570	45,819,435	18,239,037	0	0	0	0	0
Recibos Mensuales de Efectivo									
Aportaciones AEE:									
Aportación Patronal	1,363,085	2,040,000	1,360,000	1,360,000	1,360,000	1,360,000	1,360,000	2,040,000	1,360,000
Descuentos a Miembros:									
Aportaciones	1,923,166	2,025,794	1,784,488	1,784,488	1,784,488	1,784,488	1,784,488	1,784,488	1,784,488
Préstamos Personales	622,370	749,328	622,370	621,470	620,970	618,477	617,370	749,327	617,270
Préstamos Hipotecarios	518,988	131,444	131,444	130,444	129,244	128,144	127,944	125,444	123,944
Otros Recibos de Efectivo	40,278	40,300	40,300	40,300	40,300	40,300	40,300	40,300	40,300
Total Recibos de Efectivo	4,467,887	4,986,865	3,938,602	3,936,702	3,935,002	3,931,409	3,930,102	4,739,559	3,926,002
Desembolsos Mensuales de Efectivo									
Nómina de Jubilados y Bene. Cónyuge Supérstite	(22,780,051)	(22,883,000)	(22,894,000)	(22,995,000)	(23,005,000)	(23,015,000)	(23,025,000)	(23,035,000)	(23,045,000)
Año de Sueldo	(1,147,344)	(1,125,000)	(1,125,000)	(1,125,000)	(1,125,000)	(1,125,000)	(1,125,000)	(1,125,000)	(1,125,000)
Bono de Verano/Aguinaldo Navideño	-	-	-	-	-	-	-	-	-
Pago Otros Beneficios y Otros Pagos	(4,534,485)	(7,500,000)	(7,500,000)	(7,500,000)	(7,500,000)	(7,500,000)	(7,500,000)	(7,500,000)	(7,500,000)
Total Desembolsos de Efectivo	(28,461,880)	(31,508,000)	(31,519,000)	(31,620,000)	(31,630,000)	(31,640,000)	(31,650,000)	(31,660,000)	(31,670,000)
BALANCE FINAL EFECTIVO	\$72,340,570	\$45,819,435	\$18,239,037	(\$9,444,261)	(\$27,694,998)	(\$27,708,591)	(\$27,719,898)	(\$26,920,441)	(\$27,743,998)

¹ Cantidades estimadas

En San Juan, Puerto Rico, hoy 10 de marzo de 2023.

Rafael Gómez Irizarry, Administrador

March 23rd, 2023

Paul V. Possinger, Esq.
PROSKAUER ROSE, LLP
Elevent Times Square
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ppossinger@proskauer.com

VIA EMAL

CC: Ehud Barak
ebarak@proskauer.com

RE: *SREAEE near term liquidity preliminary information.*

Greetings,

On March 17, 2023, we met to discuss the near-term liquidity situation of the *Sistema de Retiro de los Empleados de la Autoridad de Energía Eléctrica* ("SREAEE"). The Oversight Board and its advisors requested specific information to address this issue.¹ Currently, the SREAEE team and its advisor, Mr. José Fernández, are working on the detailed information requested. This should be available next week, hopefully by next Wednesday, March 29, 2023. This timeframe is based on the advisor's review of SREAEE's assets and detailed projected income and expenses.

However, given that this matter is time sensitive, we hereby provide the following preliminary information that will serve to advance the Oversight Board's efforts to amend PREPA's budgets.

- Projected income for the next six months, starting May 1st, 2023: \$4 million per month.
- Projected expenses for the next six months, starting May 1st, 2023: \$37.5 million per month.
- Deficit that must be covered as of May 1st, 2023: \$33.5 million per month.

¹ The information requested is as follows:

(1) Current liquid balance (provide bank statements); (2) Current list of non-cash assets (provide bank and other account statements and/or a schedule of outstanding loans, with balances and monthly principal and interest payments, and other non-cash assets); (3) Remaining withdrawals to be paid to LUMA employees; (4) Historical Monthly Payments (at least January and February; all FY 23 if possible), including: (a) Pension benefits, (b) Other benefits, (c) Other outflows, (d) Operational expenses, (e) LUMA rollover/repayment, (f) anything else; (5) Historical Monthly Inflows, including: (a) PREPA Employer contribution; (b) Employee Contribution (including from mobilized employees), (c) Personal Loan Payments, (d) Mortgage Payments, (e) Other income, (f) Liquidation of assets; (6) March/April/May/June – projections for each category above; (7) If available, a timeline to liquidate remaining loans and other assets and the expected proceeds; (8) An updated inactive census listing, i.e. a list of people that are no longer contributing to the system and are either currently receiving a benefit or will be entitled to receive one in the future.

The projected expenses include the monthly benefit payments to members, operating expenses, distributions (roll overs or refunds) of contributions to LUMA Energy, LLC employees and others, pending salary year benefit requests and summer bonuses payable on July 1st, 2023, among others.

Although unlikely, these projections may change once the advisor's analysis is completed. Also, keep in mind that SREAEE's urgent need for funds could increase significantly with the transition of members to Genera PR, which will substantially reduce income from employee contributions to SREAEE and an increase in the payroll of retirees and distribution requests of contributions.

The information provided responds to the urgent request from the Oversight Board to anticipate preliminary numbers. However, as mentioned, a more detailed analysis will be produced according to what was previously requested by the Oversight Board.

Should you need additional information or have any question, please don't hesitate to contact us at your earliest convenience.

Cordially,



Jessica Méndez-Colberg, Esq.

Cc: Rafael Ortiz-Mendoza, Esq.

Annex B



GOVERNMENT OF PUERTO RICO
PUERTO RICO ELECTRIC POWER AUTHORITY

**Puerto Rico Energy Bureau (PREB) Request for Information (RFI)
Annex A of Resolution and Order of April 18, 2023**

Following, the Puerto Rico Electric Power Authority (PREPA) Operations area answers to the PREB RFI regarding PREPA request to update FY2023 Budget:

I. Table Incremental Operation and Maintenance Budget

- Item 2 - Additional Materials and Supplies Gen: *Conditionally Approved. Please provide detailed information for the additional budget request and a Plan for this additional budget implementation.*

See the materials, parts and supplies detailed in the attached Excel file “PREPA's OM Funding Necessities Fy 2023_04252023Final”¹, which includes a summary per power plant.

- Item 3 - Additional Third Party Service for Division of Expenses: *Conditionally Approved. Please provide detailed information on the initiatives taken by PREPA to implement the Fiscal Plan efficiencies and to reduce the Additional Third Party Service for Division Expenses down to affordability.*

See the services detailed in the attached Excel file “PREPA's OM Funding Necessities Fy 2023_04252023Final”, which includes a summary per power plant.

¹ See, Exhibit A- Excel file “PREPA's OM Funding Necessities Fy 2023_04252023Final” Native version submitted by e-mail to the Energy Bureau for uploading to their website.



II. Table Incremental NME

- Item 1 – All Units, Forced Outage – Blanket: *Please provide detailed information for this additional budget request. Note: it seems more related to O&M than to NME.*

Generating units forced outages may occur due to different operational conditions of the electrical system, including failures of multiple elements and components of such units. Depending on the damaged part, material, element, or component, its replacement cost may be classified as an operational and maintenance (O&M) expense or a Necessary Maintenance Expense (NME), according to PREPA's financial procedures. Therefore, based on the knowledge and experience of PREPA's employees working with these tasks, especially during the past year, it was proposed a contingency blanket of \$8,000,000 to cover any NME expenses caused by unforeseen forced outages. As this is a contingency fund, it would only be used in case of forced outages and any unused amount of these funds would be returned to the federal reimbursed funds accounts. This, as certified by PREPA in its request to the PREB and the FOMB.

- Item 2 – All Units, Cost of Living Increase – Blanket: *Please provide any valid data to justify the request.*

As it is commonly known, the supply chain of many goods and services have been disrupted due to several reasons, including, without limitation, the COVID

pandemic, the war at Ukraine, and the shortage of raw materials like metals. These conditions, among others, have affected the global market and the inflation has increased significantly during recent years. It is stressed that Puerto Rico and PREPA have also been affected by this inflation situation and, particularly during the last year, PREPA has been forced to approve services contracts with costs much higher than the original estimates, as all the proposals received have higher prices than those historically paid for the same services. Therefore, based on the knowledge and experience of PREPA's employees working with these tasks, especially during the past year, it was proposed a contingency blanket of \$2,000,000 to cover any additional NME expenses caused by unforeseen high costs due to inflation. As this is a contingency fund, it would only be used in case of unforeseen high costs and any unused amount of these funds would be returned to the federal reimbursed funds accounts. This, as certified by PREPA in its request to the PREB and the FOMB.

- Item 3 – Palo Seco, Auxiliary Equipment: *Project approved by FEMA under PW #10606 SOW #4081 associated to this Unit. Please explain the need for additional funds.*

The requested NME funds are intended for conducting the required environmental works and other repairs in the generating unit, which are not included in the above referenced PW. As has been explained previously by PREPA, the generating units' repairs SOWs submitted for FEMA's approval do not consist in a total overhaul of the unit, as they only are intended to repair major components of the

unit to increase its dependability and availability. Hereby, PREPA clarifies that the scope of work of the PW approved for this unit is different from the scope of work of conducting the proposed NME works. This unit must be taken out of service for an environmental work as soon as possible, even if it is to conduct a partial environmental scope of work, which can be executed with at least approximately \$700,000. PREPA has already requested the EPA for two extensions for conducting these works and cannot keep postponing the same.

- Item 5 – Costa Sur 6, Environmental: *Please provide detailed information for this additional budget request. Note: it seems more related to O&M: cleaning of boiler furnace.*

The requested NME funds are intended for conducting the required environmental works and other repairs in the generating unit. It is clarified that “cleaning of boiler furnace” is just one of the works that are required to be executed during an environmental work. Given the generating units’ current conditions, the environmental works require PREPA to replace certain parts and components or to conduct repairs that are classified as an NME expense, according to PREPA’s financial procedures. For example, there are components that shall be replaced during an environmental work that could cost from \$200,000 to \$500,000 for just one generating unit. A typical environmental work in one generating unit has an estimated cost of approximately \$1,500,000. Conditioned to PREB’s approval of the budget amendment, this unit’s environmental work can start the first week of

May 2023 and end by the last week of the same month, before the peak of the hurricane season.

- Item 6 – Costa Sur 5, Environmental and Programmed Outage: *Please provide detailed information for this additional budget request. Note: it seems more related to O&M: cleaning of boiler furnace. Also, FEMA Approved Project #672950 PW#10702, SOW's #3050, #3051 and #3058 seems related to this work.*

The requested NME funds are intended for conducting the required environmental works and other repairs in the generating unit. It is clarified that “cleaning of boiler furnace” is just one of the works that are required to be executed during an environmental work. Given the generating units’ current conditions, the environmental works require PREPA to replace certain parts and components or to conduct repairs that are classified as an NME expense, according to PREPA’s financial procedures. The requested NME funds are not included in the above referenced PW. As has been explained previously by PREPA, the generating units’ repairs SOWs submitted for FEMA’s approval do not consist in a total overhaul of the unit, as they only are intended to repair major components of the unit to increase its dependability and availability. Hereby, PREPA clarifies that the scope of work of the PW approved for this unit is different from the scope of work of conducting the proposed NME works. Conditioned to PREB’s approval of the budget amendment, this unit’s environmental work can start the last week of May 2023 and end by the last week of June 2023, before the peak of the hurricane season.

- Item 7 – Costa Sur 1-1, Bearing 2 Improvement: *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.*

The requested NME funds are intended for conducting repairs to this generating unit and are not included in any PW approved by FEMA. In the case of existing peaking and black-start units, FEMA will not approve funds for both, repairing and replacing these units. Using the available FEMA funds more effectively, PREPA decided to submit for FEMA's approval, the replacement of the eleven peaking and black-start units approved by the PREB. However, as it is expected that the procurement and installation of the new peaking and black-start units will take approximately twenty-four to thirty months, PREPA determined that repairing several peaking units will support the reliable and safe operation of the electrical system while the new units are installed. Therefore, as FEMA will not approve funds to repair units where the new peaking and black-start units will be installed, PREPA needs to use its own NME funds to conduct such repairs.

- Item 8 – Aguirre, Boiler Improvement U-2 - Aguirre Steam Plant: *Please provide detailed information for this additional budget request. Note: FEMA Approved Project #669233 PW #10568 includes subjects associated with the described scope.*

The requested NME funds are intended for conducting repairs to the generating unit that are not included in the above referenced PW. As has been explained previously by PREPA, the generating units' repairs SOWs submitted for FEMA's

approval do not consist in a total overhaul of the unit, as they only are intended to repair major components of the unit to increase its dependability and availability. It is stressed that each one of the major components of a steam generating unit consists of multiple parts that can be replaced or repaired separately. Hence, even though the same major component could be addressed in different requests, the scopes of work differ from each other. Hereby, PREPA clarifies that the scope of work of the PW approved for this unit is different from the scope of work of conducting the proposed NME works, which only include repairs to the main steam and air heater components.

- Item 9 – Aguirre, Boiler Improvement U-1 - Aguirre Steam Plant: *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)*

The requested NME funds are intended for conducting repairs to the generating unit that are not included in the above referenced PW. As has been explained previously by PREPA, the generating units' repairs SOWs submitted for FEMA's approval do not consist in a total overhaul of the unit, as they only are intended to repair major components of the unit to increase its dependability and availability. It is stressed that each one of the major components of a steam generating unit consists of multiple parts that can be replaced or repaired separately. Hence, even though the same major component could be addressed in different requests, the scopes of work differ from each other. Hereby, PREPA clarifies that the scope of

work of the PW approved for this unit is different from the scope of work of conducting the proposed NME works, which only include repairs to the unit's generator. On the other hand, the PW works did not include the generator, as they only included the unit's steam turbine. It is explained that PREPA's operational staff usually refer to both, the turbine and generator, as the turbogenerator, as the latter term really refers to the bundle of the turbine plus the generator. PREPA is aware that the interchangeable use of the term "turbogenerator" may cause confusion, so it will use the specific terms in next documents.

- Item 13 to Item 18 – Hydrogas: *SOWs were previously approved by PREB for these works, except Item 17, which was approved in the Resolution and Order of April 18, 2023. Please indicated if these SOWs were presented to FEMA/COR3?*
These SOWs were not submitted for FEMA's approval. The requested NME funds are intended for conducting repairs to the peaking generating units and are not included in any PW approved by FEMA. In the case of existing peaking and black-start units, FEMA will not approve funds for both, repairing and replacing these units. Using the available FEMA funds more effectively, PREPA decided to submit for FEMA's approval, the replacement of the eleven peaking and black-start units approved by the PREB. However, as it is expected that the procurement and installation of the new peaking and black-start units will take approximately twenty-four to thirty months, PREPA determined that repairing several peaking units will support the reliable and safe operation of the electrical system while the new units are installed. Therefore, as FEMA will not approve funds to repair units where the

new peaking and black-start units will be installed, PREPA needs to use its own
NME funds to conduct such repairs.