

**GOVERNMENT OF 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: Second Requirement of
Information ("ROI") – Review of LUMA's
Proposed Consolidated FY 2024 Budgets

RESOLUTION AND ORDER

I. Introduction

On February 24, 2021, LUMA Energy, LLC as ManagementCo, and LUMA Energy ServCo, LLC as ServCo (collectively, "LUMA") filed before the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau") a document titled *Petition for Approval of Initial Budgets and Related Terms of Service* ("Initial Budgets Petition"), under Act 57-2014,¹ as amended by Act 17-2019,² and pursuant to LUMA's obligations under Section 4.2 (e) of the *Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement* ("T&D OMA"), dated June 22, 2020, executed by and among the Puerto Rico Electric Power Authority ("PREPA"), the Puerto Rico Public-Private Partnerships Authority ("P3 Authority") and LUMA.

On May 31, 2021, the Energy Bureau issued a Resolution and Order ("May 31 Resolution"), through which it approved LUMA's Initial Budgets corresponding to the budget for Fiscal Year 2022 ("FY22"). The Energy Bureau also directed LUMA to comply with several conditions and filing requirements.

On April 1, 2022, LUMA filed a document titled *Submission of Annual Budget for Fiscal Years 2023 through 2025* ("April 1 Motion"). In the April 1 Motion, LUMA asserted that it was not requesting an increase or revision in the base rate, overall revenue requirements, or a change in the current rate structure.³ The April 1 Motion included the Operating Budgets which include the Capital Budgets (both Federally Funded and Non-Federally Funded) and the Generation Budget, as received by LUMA from PREPA.⁴ LUMA asserted that the Annual Budgets were aligned with the methodologies implemented to develop the PREPA 2021 Fiscal Plan certified by the FOMB⁵ on May 27, 2021.⁶ LUMA stated that it based its estimates on a bottom-up exercise, using an activity-based budgeting approach to support the first three years of operations and informed its estimates based on the first nine (9) months of operations, experience, and market estimates built on existing contracts.⁷ LUMA relied on the FOMB assumption that PREPA is expected to exit Title III by December 31, 2022.⁸ LUMA asserted that its updated load forecast was completed using a consistent methodology

¹ *The Puerto Rico Energy Transformation and RELIEF Act*, as amended ("Act 57-2014").

² *The Puerto Rico Energy Public Policy Act* ("Act 17-2019").

³ April 1 Motion, p. 2.

⁴ *Id.*, p. 6.

⁵ Financial Oversight and Management Board for Puerto Rico ("FOMB") as created under the *Puerto Rico Oversight, Management and Economic Stability Act of 2016* ("PROMESA").

⁶ April 1 Motion, p. 8.

⁷ *Id.*, p. 12.

⁸ *Id.*, p. 13.



approved by the Energy Bureau in the 2017 Rate Order⁹, various dockets, and FOMB certified Fiscal Plans.¹⁰ LUMA suggested that because the proposed Annual Budget was consistent with the 2017 Rate Order, a formal rate proceeding was unnecessary.¹¹

On July 13, 2022, LUMA filed a document titled *Motion Submitting Fiscal Year 2023 Annual Budget as Approved and Certified by the Financial Oversight and Management Board for Puerto Rico* ("July 13 Petition"). Along with the July 13 Petition, LUMA included a resolution from the FOMB certifying the PREPA budget for fiscal year 2023 ("FY23 Certified Budget"). LUMA requested that the Energy Bureau take notice of FY23 Certified Budget.

After several procedural matters, on February 27, 2023, the Energy Bureau issued a Resolution and Order ("February 27 Resolution"), through which, the Energy Bureau approved the Fiscal Year 2023 Budgets proposed by LUMA in its July 13 Petition, subject to significant conditions and requirements for Fiscal Year 2023, Fiscal Year 2024 and subsequent budgets.

On March 20, 2023, LUMA filed a document titled *Motion for Reconsideration and/or Request for Clarification of Resolution and Order of February 27, 2023, on LUMA's Fiscal Year 2023 Budget* and Request for Stay Pending Adjudication of the Motion for Reconsideration ("March 20 Motion"). In the March 20 Motion, LUMA requested that the Energy Bureau reconsider and clarify several of the requirements set forth in the February 27 Resolution, or alternatively, to stay their implementation.

On May 10, 2023, LUMA filed a document titled, *Request for Extension to File FY 2023 Q3 Report* ("May 10 Motion"), through which LUMA requested that the Energy Bureau extend until May 22, 2023 the deadline for LUMA to file its FY 2023 Q3 Report.¹²

On May 15, 2023, PREPA filed a document titled *Puerto Rico Electric Power Authority's Joinder to LUMA's Request for Brief Extension of Time to File FY2023 Q3 Report* ("May 15 Motion"), in which PREPA reviewed and agrees with the May 10 Motion and requests the Energy Bureau to grant PREPA the same relief requested by LUMA in its May 10 Motion.¹³

On May 16, 2023, LUMA filed a document titled *Submission of Consolidated Annual Budgets for Fiscal Year 2024 and Proposed Annual T&D Projections Through Fiscal Year 2026* ("May 16 Motion"), in which, LUMA submits to the Energy Bureau the proposed T&D Budgets developed by LUMA, the proposed GenCo Budgets developed by Genera PR, LLC ("GENERA"), and the proposed HydroCo and HoldCo Budgets developed by PREPA. LUMA also included a Revised Budget Allocation Determination as notified by the P3 Authority. LUMA requested that the Energy Bureau review and approve the Consolidated System Annual Budgets for FY2024, including the T&D Operating and Capital Budgets, the GenCo Budget, the allocation of the HydroCo Budget and HoldCo Budget, as well as other expenditures set forth in the Motion.

On May 16, 2023, the Energy Bureau issued a Resolution and Order ("May 16 Resolution") through which it granted LUMA's and PREPA's request for extension of time until May 22, 2023 to file their FY 2023 Q3 Reports.

On May 18, 2023, the Energy Bureau issued a Resolution and Order ("May 18 Resolution"), through which, the Energy Bureau ordered PREPA and GENERA to provide, through LUMA,

⁹ Final Resolution and Order, *In Re: Puerto Rico Electric Power Authority Rate Review*, Case No. CEPR-AP-2015-0001, January 10, 2017 ("2017 Rate Order").

¹⁰ April 1 Motion.

¹¹ *Id.*, p. 16.

¹² May 10 Motion, p. 3, ¶ 7.

¹³ May 16 Motion, p. 2, ¶ 6.



the proposed Budgets and supporting information that reflect the LUMA Budget Request in in Schedule 3.1 “Annual Budget Summary” (“First Requirement of Information”).¹⁴

II. Second Requirement of Information

The Energy Bureau **DETERMINES** additional information is required for its review of the Proposed Consolidated FY 2024 Budgets.

The Energy Bureau **ORDERS** LUMA, GENERA, and PREPA (HydroCo and HoldCo) to respond, **on or before June 2, 2023 at 12:00 PM**, to this Second Requirement of Information (“ROI”) set forth in **Attachment A** and **Attachment B**¹⁵ to this Resolution and Order.

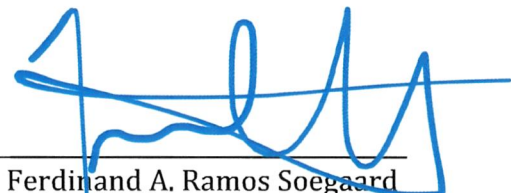
The Energy Bureau **ORDERS** LUMA, GENERA, and PREPA (HydroCo and HoldCo) to file within three (3) days from the Notification of this Resolution and Order, all workpapers and supporting material used to develop their respective FY 2024 Budget Proposals in native form with all formulas and links intact and any Excel spreadsheets provided unlocked.

In view of the extension of time requested by LUMA and PREPA for filing the FY 2023 Q3 Reports additional ROIs related to the information contained therein will be issued after May 23, 2023.

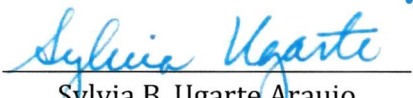
The Energy Bureau **WARNS** LUMA, GENERA, and PREPA (HydroCo and HoldCo) that:

- (i) noncompliance with this Resolution and Order, regulations 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 non-compliance 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.



Ferdinand A. Ramos Soegaard
Associate Commissioner



Sylvia B. Ugarte Araujo
Associate Commissioner



Antonio Torres Miranda
Associate Commissioner

¹⁴ May 18 Resolution, p. 2.

¹⁵ ROI is presented in column titled “PREB EVALUATION”.



CERTIFICATION

I hereby certify that the majority of the members of the Puerto Rico Energy Bureau has so agreed on May 23, 2023. Chairman Edison Avilés Deliz and Associate Commissioner Lillian Mateo Santos did not intervene. I also certify that on May 23, 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.rodriquezrivera@us.dlapiper.com; mvazquez@diazvaz.law; jmarrero@diazvaz.law; brannen@genera-services.com; kbolanos@genera-pr.com; regulatory@genera-pr.com; jfr@sbgblaw.com; alopez@sbgblaw.com; and 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 May 23, 2023.



Sonia Seda Gaztambide
Clerk



ATTACHMENT A

Respondent: LUMA (GridCo)

Compliance with Applicable Rate Order

1. Refer to Table 3.6, Appendix A, LUMA FY 2024 Budget Filing:
 - a. Explain how the Forecast Sales (GWh) for FY 2024, FY 2025, and FY 2026 were derived.
 - b. Explain how the Projected Sales for FY 2024, FY 2025, and FY 2026 were derived.
 - c. Explain how the Total Rate Base Revenue for FY 2024, FY 2025, and FY 2026 was derived.
 - d. Provide the specific Base Rate used in each FY calculation and explain the derivation of each.
 - e. Explain in detail, with component amounts, the derivation of Other Income for FY 2024, FY 2025, and FY 2026.
 - f. Explain in detail, with component amounts, the derivation of Other Cost Recovery Income Directly Allocated for FY 2024, FY 2025, and FY 2026.

Additional Available Funding

2. In the May 16 Motion, Appendix A, p. 20, Table 1-4, LUMA identifies for FY 2024, Other Income of \$42 million, Other Cost Recovery Income Directly Allocated of \$17 million and Additional Available Funding of \$130 million.
 - a. Explain in detail, with component amounts for each, the derivation of Additional Available Funding for FY 2024.
 - b. Other than those funds and income enumerated above, have additional income or excess funds been identified?
 - c. Is there an expectation that additional unallocated funds will become available during FY 2023 or FY 2024?
3. In the May 16 Motion, Exhibit A, p. 11, LUMA states, "As a result of increases in reimbursements for federally funded activities and increased collections on historical past due accounts, additional funds have been identified and authorized for use by the P3A. With approval from the Puerto Rico Energy Bureau, these additional funds will be dedicated to operational and capital expenditures for transmission, distribution generation and other activities."
 - a. What is the specific source breakdown and what are the specific amounts of the referenced funds for which PREB approval will be requested? Provide full details.
 - b. When will formal application be made, with supporting documentation, for approval of the additional funds for use in the FY 2024 Proposed Budgets?

General

4. Explain the derivation of LUMA's Fee for FY 2024, projected to be \$129.162 million in Table 3.3 of the May 16 Motion, Appendix A, p. 43.
5. What Title III Exit Date Assumptions were used in the FY 2024 Proposed Budgets. From where were they derived?
6. What is the status of LUMA's Loss Recovery Program? It appears from the Timeline and Milestones in the May 16 Motion, Appendix A, p.90 that no Timelines or Milestones have been achieved.



7. As stated in the May 16 Motion, Appendix A, p. 17, GridCo Operating Expenses are about \$13 million higher than those approved under the July 13, 2022 FY 2023 Budget Filing. Please explain the reasons for the increase.
8. As set forth in the May 16 Motion, Appendix A, p. 17, GridCo Non-Federally Funded Capital Expenditures are approximately \$11 million higher than those approved pursuant to the July 13, 2022 FY 2023 Budget Filing. Please explain the reasons for the increase.
9. As set forth in the May 16 Motion, Appendix A, p. 17, GridCo Federally Funded Capital Expenditures are approximately \$222 million higher than those approved pursuant to the July 13, 2022 FY 2023 Budget Filing. In view of the significant underspending in Federal Funded Capital Expenditures, please explain the reasons for the increase.
10. Provide in one consolidated document, tables comparing FY 2023 budgeted amounts, FY 2023 actual expenditures, and FY 2024 proposed amounts, for all expense categories (this includes Bad Debts, Shares Services) incurred or proposed to be incurred by each entity to which the budgets apply, i.e., LUMA, GENERA, PREPA (HydroCo and HoldCo).

Efficiency Savings

11. In the July 13 FY 2023 Budget Proposal at Exhibit 1, pp. 57 - 58, LUMA projected Future Efficiencies of \$74.709 million for FY 2024 and \$152.274 million for FY 2025
 - a. What is the status of those projected efficiencies for FY 2024?
 - b. Where is the degree of achievement of these efficiencies identified in the FY 2024 Budget Proposal?
 - c. Why are no Future Efficiencies projected in the FY 2024 Budget Proposal for FY 2025 or FY 2026?
12. Where are the results in the FY 2024 Budget of the specific areas of expected efficiency savings identified by the Energy Bureau in its May 31, 2021 Resolution and Order?
13. Have baselines been established from which efficiency savings can be measured? If not, why not?
14. Throughout the FY 2024 Budget proposal, increased efficiencies are alluded to in multiple areas. For one example of the many areas' efficiencies are alluded to, LUMA cites in Section 2.1 at p. 21, "building capabilities to enable efficiencies."
 - a. How are these efficiencies measured and their success assessed?
 - b. Where are these efficiencies measured in the FY 2024 Budget Proposal?
15. Describe how these efforts result in efficiency savings for ratepayers:
 - Making Contracting of services more efficient
 - Revenue collections from past due bills to be more effectively addressed.
 - Transmission line losses will be minimized.
 - Energy theft will be reduced.
 - Customers without meters or with malfunctioning meters will be addressed.
 - The electric distribution infrastructure will become more efficient.
16. When will efficiencies that benefit ratepayers be specifically identified and measured?



Vegetation Management

17. Does the Timeline and Milestones set forth in the May 16 Motion at Appendix A, p. 214 comply with the Vegetation Management Requirements set forth in the Energy Bureau's February 27 Resolution? If not, why not?
18. Where has LUMA incorporated in the FY 2024 Budget Proposal, the \$60 million in funding as ordered by the Energy Bureau in its February 27 Resolution for FY 2024 Vegetation Management?
19. Where has LUMA incorporated in the FY 2024 Budget Proposal, each of the additional requirements with respect to Vegetation Management, as ordered by the Energy Bureau in its February 27 Resolution.
20. Provide the breakdown, in detail, of the \$179.8 million FY 2024 Estimate for Vegetation Management set forth at Appendix A, p. 213 of the May 16 Motion. Include source of funds. For federal funds, include details with respect to the status and expectations of the application process, approvals, availability of funds and commencement of work.
21. In the FY 2023 Budget proposal, LUMA projected an expenditure of \$60 million in FY 2024 and achievement of a Remediated state in H2 FY 2027 for Vegetation Management. Why is LUMA projecting in the FY 2024 Budget proposal, achievement of a remediated state in Q4 2027, three months later, when \$179.8 million, which is considerably more funding than projected in the FY 2023 Budget Proposal, is being allocated for Vegetation Management in FY 2024?
22. What is LUMA doing to expedite reaching a fully remediated state for Vegetation Management in an expedited timeframe?

Emergency Response Plan

23. Explain and identify where LUMA incorporated in the FY 2024 Budget Proposal, each requirement regarding the ERP, as ordered by the Energy Bureau in its February 27 Resolution at p. 24 of 33, including, "(ii) provide funding in the FY 2024 Budget to achieve a completed state for the ERP, with the understanding that the ERP is subject to continual improvement and refinement; (iii) provide funding in the FY 2024 Budget to enable it to effectively conform to the ERP, in particular, with respect to providing timely and granular ETRs; (iv) provide funding in the FY 2024 Budget to install, test and fully implement the OMS so as to avoid the heavy reliance upon manual processes that is cited in the July 13 Petition; and (vi) provide funding in the FY 2024 Budget to enable customers to speak with a Customer Service Representative with regard to subjects other than outage related emergencies during a storm event, albeit this may be at a reduced level of service."

Advanced Metering Infrastructure

24. What is the current status of AMI deployment?
25. The importance of AMI is discussed throughout the FY 2024 Budget Proposal, however, the schedule at p. 84 indicates that the start of Implementation will be H1 FY 2025. Why has implementation taken so long?
26. What is the dependence of AMI initiation on Federal Funding?



27. Regarding federal funds, what are the status and expectations of the application process, approvals, availability of funds, and commencement of work?
28. Explain how the FY 2024 Budget complies with the Energy Bureau's Directive in the February 27 RO, "(iii) include in its FY 2024 Budget proposal, funding for implementing an AMI program in accordance with the detailed SOW specified in No. 12 above" as set forth at page 17 of 33.

Bad Debts

29. Bad Debts are identified in the May 16 Motion, Appendix A, p. 43, Table 3.3 as \$32.822 for FY 2024. Bad Debts are identified in LUMA's FY 2023 Budget Proposal, Appendix A, p. 59, Table 5.3 as \$74.466 for FY 2024. What program(s) does LUMA have in place in FY 2024 for collection of bad debts?
30. What dollar amount of bad debts is projected to be collected in the FY 2024 proposed Budgets from FY 2023 and past years?
31. What is the expected budgetary use of the funds collected in payment of past bad debts?

Labor

32. Provide an updated version of the 20220408 CONFIDENTIAL RFI-LUMA-MI-2021-0004-20220325-PREB-0001 Attachment 2_Operating Expenditures filed for the FY 2023 Budgets containing the same level of specificity.

Load Forecasting

33. Provide all workpapers that support the projected sales forecast of 15,466 GWh for FY2024 found in Table 1.2, page 18 of the proposed Annual Budgets with all formulas and links intact; any Excel spreadsheets are to be provided unlocked. These working papers should reflect how LUMA validated the following load forecast inputs:

- Economic Data
- Weather
- Historical electricity prices
- Load
- Distributed Energy Resources uptake
- Transportation electrification uptake
- Energy Efficiency
- Any price-responsive demand
- The probabilistic assumptions used to project seasonal gross and net peak demand
- Non-Export Distributed Generation



Federal Funding

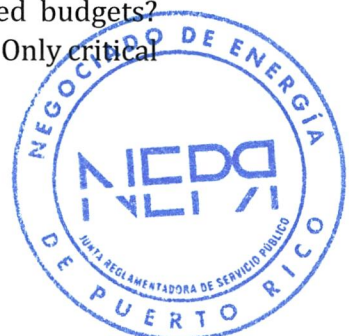
34. Explain and identify where the Energy Bureau's directive regarding Federal Cost Share – FEMA PA Grant DR-4339-PR, set forth beginning on p. 17 of 33 of February 27, 2023 RO is discussed in the FY 2024 Budget.
35. Please reconcile GridCo federal funding cash flow projections for the FY2024, including expected monthly expenditures for federally funded projects, expected FEMA advancements, expected funding advancements from COR3/AFAAF, and monthly expected balances of federal funding reserve accounts. Within this

reconciliation, please list anticipated federal cost-shares and funding source for those cost shares. Please complete this reconciliation separately for 428, 406 and CDBG funding sources/project categories. This reconciliation should cover both FY2023 actual spending and FY2024 forecast spending.

36. Based on actual expenditures for federally funded projects, compared to approved federally funded project expenditures in the Initial Budget, and in the FY2023 budget, actual spending on federally funded projects remains behind and deficient. Please explain federally funded project underspending, and an explanation of how LUMA can ensure that FY2024 budget amounts will actually be spent?
37. Please provide a status update of LUMA's effort to study the deployment of Battery Energy Storage as resources to support the transmission system, and to pursue availability of federal funding to procure storage resources that can function as transmission support assets? Include a breakdown of how such projects are reflected in the proposed FY2024 budget.

Respondent: GENERA (GenCo)

38. Please provide an explanation and justification for the \$21.66 million Materials and Supplies budget, particularly since GENERA is projecting reduced GenCo employee headcounts.
39. What controls and fiscal processes does GENERA/GenCo propose to implement to comply with the budgeted expenditure amounts?
40. Please provide an explanation and justification for the proposed GenCo Security costs. Does GENERA consider the use of security technology such as cameras, drones, and gates with access card readers among others instead of adding more security personnel at the Generation facilities?
41. Please provide an explanation and justification for Materials and Supplies expenditures, and the increment of almost \$7 MM for this budget item when GENERA projects lower the headcount.
42. For Utilities and Rents, why has this cost increased six-fold? Were PREPA's current properties and other assets inventory considered before establishing the rental budget? What type of utilities or rentals are considered to justify this cost increment?
43. Were the legal services integrated like an outsourcing activity or any other budget item? How was the GenCo budget for legal services determined?
44. For Professional and Technical Outsourced Services, is this increase in budget justified by lowering the company professional headcount? Is the goal to rely more on outsourced instead of internal company services? Please provide a list of services anticipated to be provided for this budget category.
45. For the GenCo IT budget, is the purpose of this significant increase to add or to replace obsolete equipment? What are the justifications and the benefits related to the planned expenditures? Will GENERA submit a comprehensive O&M program including repairs, inspections, and equipment replacement?
46. For NME expenditures, how will these expenses be distributed after the amount is doubled in PREPA proposed budget, compared to previously approved budgets? What factors justify this increase? Estimates provided/linked in formula. Only critical NME is included in this exercise.



47. Please provide a detailed listing of NME projects comprising the proposed NME budget of \$84.841million.
48. Please reconcile the projects in the proposed NME budget totaling \$84.841 million, with the projects comprising the estimated NME budget of \$134,074,955 in the worksheet tab NME Pivot in worksheet entitled "GENERA PR FY2024 Revised Budget Model.xlsx", and with the PREPA proposed NME budget totaling \$227.397 million. In this reconciliation identify which activities fall under (1) mandatory environmental outages, (2) preventive maintenance, (3) corrective maintenance, and (4) predictive maintenance.
- a. Knowing that the current lack of adequacy of supply places the system at a high risk of having to load shed and interrupt customers to prevent a system collapse during a contingency, describe those efforts undertaken by GENERA to seek waivers to allow the temporary operation of environmentally noncompliant generation while the generation fleet is stabilized with the assistance of the temporary emergency generation commissioned by FEMA.
49. In completing the reconciliation of NME budget forecasts, please explain the process and review procedures and activities completed by GENERA in determining its proposed NME budget. Please explain NME projects that will not be funded under the proposed NME budget and an assessment of the impact of not funding such projects. Identify those activities primarily targeting increases in plant (1) availability and (2) efficiency.
50. For each proposed NME project over \$1 million, please provide a project schedule including engineering, procurement and construction/installation, and description of lead times needed to facilitate equipment procurement. For projects and equipment requirements with lead-times over 2 months, describe what activities have been completed, and a description of remaining procurement activities and a schedule for completing such activities.
51. Please provide a description, including project status and actual expenditures, for each NME project approved by the Energy Bureau for the FY2022/2023 budget. In developing this description, for any projects deferred, delayed or cancelled, explain the reasons for this deferral, delay or cancellation, and for projects deferred or delayed, please explain how completion of that project is reflected in the proposed FY2023/2024 proposed NME budget.
52. Please explain how the proposed NME budget considers and takes advantage of expected short-term emergency generation under development on the island under FEMA approval and funding.
53. Please define "critical NME" expenditures and provide an explanation and quantification of the impact on generation plant availability from not funding "non-critical" NME expenditures.
54. Please provide a head count and salary breakdown for GenCo employees in the proposed budget, including a comparison to similar data in the approved FY2023 budget. In this breakdown, provide separate analyses for generation plant employees and for other employment categories across Genco functions.
55. Please summarize GENERA's review PREPA's labor costs and comparison of those costs to its assessment of critical roles for operations and support functions, including cost reductions identified by GENERA based on its current evaluation of open positions.



56. Please summarize all other assessments of proposed PREPA costs completed by GENERA during its development of the proposed GenCo budget.
57. Please describe GENERA's proposed approach for determining cost efficiency savings in developing the proposed budget. In developing this description, please describe what expectation there is that ratepayers will benefit from such savings, and GENERA's planned approach to develop cost baseline targets for assessing cost savings and shared savings under the Generation OMA?
58. Explain and identify where the Energy Bureau's directive regarding development of a preventive maintenance program for PREPA's generation portfolio, including the impact of both non-federally funded and federally funded spending initiatives is reflected in the preventive maintenance program.
59. Please provide the preventive maintenance program directed by the Energy Bureau to be included in the FY2024 budgets.
60. Given the historical incidences of unexpected NME requirements occurring due to plant breakdowns, inspections, etc., does the NME budget reflect any contingency funding to ensure fund availability for projects necessary to maintain generation plant availability and operation, but which are not forecastable at the time of budget development? If no contingency funds are included in the budget, please explain why not. If contingency funds are included in the proposed budget, please explain how this contingency funding is reflected and provide a breakdown of contingency funding amounts.

Federal Funding

61. Please reconcile GenCo federal funding cash flow projections for the FY2024, including expected monthly expenditures for federally funded projects, expected FEMA advancements, expected funding advancements from COR3/AFAAF and FEMA's Working Capital Advance (WCA) program, and monthly expected balances of federal funding reserve accounts. Within this reconciliation, please list anticipated federal cost-shares and funding source for those cost shares. Please complete this reconciliation separately for 428, 406, and CDBG funding sources/project categories. This reconciliation should cover both FY2023 actual spending and FY2024 forecast spending.
62. For federal-funding reimbursements received by PREPA during FY2022, and FY2023, please provide a listing of sources of funds used by PREPA to pay for initial costs of projects that have received FEMA reimbursement and/or advance payments, and a reconciliation of any excess cash available.

Respondent: PREPA (HoldCo)

63. What are the specific responsibilities of HoldCo?
64. How do the responsibilities of HoldCo differ from those of P3 Authority?
65. How do the responsibilities of HoldCo coincide with those of P3 Authority?
66. Provide a head count and salary/benefit breakdown for HoldCo employees and Directors in the HoldCo proposed budget.
67. Provide a head count and salary/benefit breakdown for HoldCo employees that corresponds with the LUMA proposed HoldCo budget reflecting the P3A Budget Allocation.



68. What is the current level of HoldCo staffing, including head count and salaries/benefits?
69. Correlate proposed HoldCo employee positions and funding with specific HoldCo responsibilities. How does this reflect the anticipated (HoldCo decrease in responsibilities?
70. Fully describe HoldCo's remaining responsibilities, required staffing levels, organizational structure, job description for required responsibilities consistent with HoldCo's mandated responsibilities going forward.
71. What are the specific responsibilities of the PREPA Board of Directors?
72. Provide a detailed breakdown of the HoldCo Budget allocation for the Board of Directors.
73. The HoldCo Budget provided by LUMA at Appendix E of the FY 2024 Budget Proposal sets forth FY 2024 PREPA Proposed Total HoldCo Operating and Maintenance Expenses of \$60.282 million. The P3 Authority's Revised allocation, set forth in Appendix B at page 400 provided \$29.538 million as the PREPA HoldCo Budget. This figure is used by LUMA in its budget proposal.
- Does this provide adequate funding for HoldCo in FY 2024?
 - What are the specific reductions in HoldCo's originally proposed FY 2024 Budget that will result from this allocation.
 - What is the programmatic/operational impact of the specific reductions?
 - Provide a detailed explanation, including component amounts, of the Other Income reflected in Line 4.
74. In the May 16 Motion, Appendix A, p. 17 Table 1-1, HoldCo Operating and Capital Expenditures are set forth as \$30 Million for 2024 with no projections for FY 2025 and FY 2026.
- Please explain how the FY 2024 figure was derived.
 - Why is there no projection for FY 2025 and FY 2026?
75. When will HoldCo begin operating as a standalone entity?
76. Provide each document and information submitted to the FOMB as specified in the Notice of Violation dated May 19, 2023 relative to the proposed Fiscal Plan Submitted on May 12, 2023 by PREPA.

Respondent: PREPA (HydroCo)

77. Please provide a head count and salary breakdown for HydroCo employees in the proposed budget, including a comparison to similar data in the approved FY2023 budget.
78. Please provide an explanation and reasoning for the proposed \$974,000 increase in transportation and per diems in the proposed HydroCo budget.
79. Please provide an explanation and reasoning for the proposed \$875,000 increase in security costs in the proposed HydroCo budget, including a description of what security services are included in the budget, and who is providing such services.
80. Please provide an explanation and reasoning for the proposed \$1.13 million increase in Regulation and Environmental Expenses in the proposed HydroCo budget.



81. Please provide an explanation and reasoning for the proposed NME budget for HydroCo, including a listing of projects in the proposed budget?
82. Please explain why NME expenses represent only 21 percent of the total proposed HydroCo budget.
83. Please provide an explanation and breakdown of any flood remediation costs reflected in the proposed HydroCo budget?
84. Please provide an explanation and breakdown of any dam maintenance costs reflected in the proposed HydroCo budget.
85. Please reconcile the filed HydroCo budget totaling \$25.673 million with the HydroCo budget in LUMA's budget filing, totaling \$14.527 million. In completing this reconciliation, please provide a listing of initiatives in PREPA's proposed HydroCo budget that will not be funded based on the LUMA budget filing.
86. On May 12, 2023 PREPA announced it has distributed 13 new pickup trucks for about \$700,000 to certain employees to support HydroCo functions. Explain what functions require the use of this expenditure.

Respondents: LUMA, GENERA, PREPA

Shared Services

87. Please reconcile the increase in Shared Services costs from \$59 million in the FY2023 budget, to a proposed level of \$69 million in the FY2024 budget. Provide an explanation and detailed description of factors and budget components causing the increase in Shared Services costs.
88. Please provide a detailed breakdown of Shared Services expenditures and activities provided by LUMA during FY2023.
89. Table 1-3 of LUMA's proposed budget lists \$69 million in Shared Services costs, and footnote 1 states that of that amount, about \$54 million is included in GENERA's GenCo budget, and the remaining \$15 million "may need to be allocated between GenCo, HydroCo, or HoldCo for FY2024."
 - a. Why has this allocation not been completed in the consolidated budget filed by LUMA?
 - b. There are no Shared Services expenditures listed in either the HydroCo or HoldCo proposed budgets in Appendices D and E. Why are those expenditures not listed?
 - c. Does this mean that a combination of GenCo, HydroCo and HoldCo will have \$15 million of additional expenditures billed by LUMA for Shared Services not currently reflected in the combined budget?
 - d. Please provide a consolidated budget that reflects these Shared Services costs.



Respondents: LUMA, GENERA

Implementation of Energy Bureau Orders of February 27 Resolution into FY 2024 Proposed Budget

90. How and where are the orders of the Energy Bureau in the February 27 Resolution, as summarized in Table 1 below, incorporated in the FY 2024 Proposed Budgets¹⁶¹⁷

Table 1

NEPR-MI-2021-0004
Determination on LUMAs FY23 Annual Budgets and LUMAs FY24 Annual Budgets pre-filing requirements
February 27 2023
Orders by The Energy Bureau

Pg#	Item
12	LUMA to increase its FY 2023 Q4 funding for Veg. Mgmt. by \$2.5M. LUMA directed to reallocate funds from non-federally funded Enabling Improvement Portfolio to provide this increased funding for Vegetation Management.
13	LUMA to submit in the FY 2024 Budget a funding plan that maximizes federal funding to clear all 230kV lines and reclaim the ROWs by Q4 FY 2024, with detailed Timeline and Milestones.
13	LUMA to increase its budgeted funding for Vegetation Management to at least \$60 million for FY 2024.
13	LUMA to submit in the FY 2024 Budget a funding plan to complete the Vegetation Management Remediation Phase by H1 2026 with a detailed Timeline and Milestones and its plans for obtaining and maximizing Federal Funding
14	GENERA to develop an NME plan for FY 2024 that takes effective advantage of FEMA's temporary emergency generation arising from LUMA's Generation Stabilization Plan and prioritizes NME of baseload generation.
17	LUMA to: (i) while the federal funding process is being pursued, to include a specific allocation for Tranche 1 network upgrade funding in its Q4 FY 2023 (4th Quarter) and FY 2024 Budget proposal and identify the priorities it used in determining the impact of reallocating Non -Federal Funds; and (ii) evaluate and determine the prioritization of such allocation in a way with the lowest potential impact on system reliability.
18	LUMA to include, beginning in its FY 2024 Budgets, a line item to reflect Federal Cost Share Matching Funds.
24	LUMA to: (ii) provide funding in the FY 2024 Budget to achieve a completed state for the ERP, understanding that the ERP is subject to continual improvement and refinement; (iii) provide funding in the FY 2024 Budget to enable it to effectively conform to the ERP regarding providing timely and granular ETRs; (iv) provide funding in the FY 2024 Budget to install, test and implement the OMS to avoid the heavy reliance on manual processes cited in the July 13 Petition; and (vi) provide funding in the FY 2024 Budget to enable customers to speak with a Customer Service Representative regarding subjects other than outage related emergencies during a storm event, although this may be at a reduced level of service.
28	GENERA to develop a preventive maintenance program for its generation portfolio and base future NME budgets on such a program.

¹⁶ The Energy Bureau notes, that because LUMA's Motion for Reconsideration was not granted, and the orders for which Reconsideration was requested were not stayed, the orders remain in full force and effect.

¹⁷ For the full requirements, see the February 27 Resolution. In case of conflict between the requirements as summarized in Attachment A and the full requirements set forth in the February 27 Resolution, the February 27 Resolution controls.



Attachment B

Plant	All Power and Gas Plants	PREPA Description	Genera Revised Description	PREPA NME Request FY 2024	Genera Comments	Re-Prioritization	Genera NME Request FY 2024	SOW (\$\$M)	R&O Date	FEMA Approval (\$\$M)	Motion FEMA App Date.	PREB Evaluation	Amount
All Power and Gas Plants	Electric System Environmental Projects	This blanket is for environmental projects with equipment purchases that require capitalization.	Several environmental projects with equipment purchases that require capitalization.	\$ 1,500,000.00		Highly Critical - Plant will stop operating if not completed	\$ 1,500,000.00	\$ 0.85	4/13/2022			Approve. Environmental project. There is a SOW approved under the same subject. Verify Scope of work.	\$ 650,000.00
San Juan Steam & Combined Cycle Plant	L TSA SJ6	Unit 6 - Payment for Operational Fire hours necessary for Major Inspection of the Combustion Turbine and Including the Rotor Exchange and Torque Tube. Fire Hours (\$8M), Rotor Exchange and Torque Tube (\$4M)	Payment for operational fire hours necessary for major inspection of the combustion turbine, including the rotor exchange and torque tube.	\$ 8,000,000.00		Highly Critical - Plant will stop operating if not completed	\$ 8,000,000.00	\$ 8.00	4/13/2022			This Subject was approved under a SOW presented to the PREB (as shown). Will this be presented to FEMA for approval?	0
San Juan Steam & Combined Cycle Plant	L TSA SJ5	Unit 5 - Payment for Operational Fire hours necessary for future combustor, turbine and major inspection Unit 5	Payment for operational fire hours necessary for future combustor, turbine and major inspection.	\$ 8,000,000.00		Highly Critical - Plant will stop operating if not completed	\$ 8,000,000.00	\$ 8.00	4/13/2022			This Subject was approved under a SOW presented to the PREB (as shown). Will this be presented to FEMA for approval?	0
San Juan Steam & Combined Cycle Plant	Natural Gas Manufacturing Surcharge - San Juan Steam Plant		Manufacturing surcharge payment of \$833,333.34 monthly pursuant to the FSPA between NFEnergia LLC and PREPA.	\$ 10,000,000.00		Highly Critical - Plant will stop operating if not completed	\$ 10,000,000.00					More information needed on this justification. Are manufacturing surcharges considered under NMEs?	0
Aguirre Combined Cycle	Ciclo Combinado Aguirre Stack 1, Rotores y Rotor de Generador	The Units that require generator rotor repair are: U 1-2, U1-4 and U 2-3. Each project is estimated at \$15 M per unit (\$4.5 M) and it will take approximately 12 weeks for the repaired per unit. Also a spare of a turbine rotor must be repaired and it is estimated in \$17 M. ACC Plant also requires to repair the enclosures of the units - \$12 M, budget to perform any necessary repairs on the HRSG - \$ 1M and budget for repairs on the steam turbine rotors - \$1M. Also \$0.6M for any auxiliary equipment to be repaired.	Generator rotor repairs of units 1-2, 1-4 and 2-3. Also, repair a turbine rotor. ACC plant also requires to repair the enclosures of the units. Necessary repairs on the heat recovery steam generators and repairs of the steam turbine rotors. Auxiliary equipment to be repaired (fuel, water pumps, MCC, compressors, among others).	\$ 16,000,000.00	Revised as per directions of the Plant Manager	Highly Critical - Plant will stop operating if not completed	\$ 9,000,000.00	\$ 0.50	#REF1			More information needed. There are several SOWs associated to the CC.	0
Aguirre Power Plant	Aguirre Unit 1 - Environmental Maintenance Project (Oct - Dec 2023)		Boiler burners, fuel valves and pumps procurement and replacement, repairs to the boiler's refractory and insulation, repairs to water heaters, including safety and online valves, scaffolding services to perform works including valves, etc. Compliance with Title V of the Clean Air Act and other applicable regulations.	\$ 3,000,000.00		Critical - Fined if not completed	\$ 3,000,000.00					This unit was not considered in previous Budget as it is to be retired. Only necessary repairs were considered as to maintain the unit operational. Provide more information.	0
Aguirre Power Plant	Aguirre Unit 2 - Environmental Maintenance Project (Jan - Feb 2024)		Boiler burners, fuel valves and pumps procurement and replacement, repairs to the boiler's refractory and insulation, repairs to water heaters, including safety and online valves, scaffolding services to perform works including valves, etc. Compliance with Title V of the Clean Air Act and other applicable regulations.	\$ 3,000,000.00		Critical - Fined if not completed	\$ 3,000,000.00					This unit was not considered in previous Budget as it is to be retired. Only necessary repairs were considered as to maintain the unit operational. Provide more information.	0
Aguirre Power Plant	Aguirre Unit 2 - Mayor Outage	Turbine HP & IP Rotors Rehabilitation & Trip block. Unit #2 rotors have exceeded manufacturer's running time between mayor inspections. Generator Excitation system replacement for Unit 2. Actual ABB excitation system unitrol D is obsolete (+25 yrs) with limited or no manufacturer services and no spare parts in the market. It is required to migrate the system to a new and updated system (Unitrol 6000) with the latest technology, support (+25 yrs), services, spare parts, warranty and trainings. A failure in the system will lead to shutdown the Unit and acquire new one having higher procurements and replaced generation costs. Aguirre steam plant units are units with the higher frequency regulation capability. Low Pressure Spare Turbines Recertification. Low pressure turbines has to be inspected, overhauled and recertified for installation on Unit 2 (Field service report (FSR G033186) shows that the L-O blading is heavily eroded of leading and trailing edges. It recommended to replace it at the next possible availability... Improve Power Plant's Reliability. Boiler chemical cleaning. Unit's 2 boiler hasn't been performed a chemical cleaning in more than 12 years	Turbine HP & IP rotors rehabilitation and trip block. Unit 2 rotors have exceeded the manufacturer's running time between major inspections. Generator excitation system replacement for Unit 2. The current ABB excitation system Unitrol D is obsolete (+25 yrs) with limited or no manufacturer services and no spare parts in the market. It is required to migrate the system to a new and updated system (Unitrol 6000) with the most recent technology, support (+25 yrs), services, spare parts, warranty and training. Low-pressure spare turbine recertification. Low-pressure turbines must be inspected, overhauled and recertified for installation on Unit 2 (Field service report (FSR G033186) shows that the L-O blading is heavily eroded of leading and trailing edges. Boiler chemical cleaning. Unit 2 boiler hasn't been cleaned in more than 12 years.	\$ 5,200,000.00		Highly Critical - Plant will stop operating if not completed	\$ 5,200,000.00			\$ 20.91	5-Oct-22	Need more information. There are \$20.91 approved by FEMA.	0
Cambalache Power Plant:	L TSA Units Camb 1-2-3	L TSA Units Cambalache 1-2-3. Long Term Service Agreement for the A, B & C (Major) inspections on the Cambalache Units. Provide the technical advisors and consumables for all the inspections and the replacement of the scheduled Hot Gas Path parts (capital parts)	Long-term service agreements for units 2 and 3 for major inspections, provide the technical advisors and consumables for all the inspections and the replacement of the scheduled, including hot gas parts capital parts.	\$ 4,000,000.00		Highly Critical - Plant will stop operating if not completed	\$ 4,000,000.00					Verify retirement plan. Status of each unit might deferred the necessity of expenses.	0
Mayaguez Power Plant:	Waste Water Tanks for Water Treatment Plant	Tanks and valves corroded. Tank not available for service	Purchase and install waste water tanks for water treatment plant. Regulatory - API 653, 650, 570 (American Petroleum Institute)	\$ 500,000.00	Original title (New Soda Caustic and Sulfuric Acid Tanks and Valves) changed.	Highly Critical - Plant will stop operating if not completed	\$ 500,000.00			\$ 18.19	27-May-22	Verify scope of approved FEMA funds. \$18M approved. Is this additional work not included in previous SOW?	0
Mayaguez Power Plant:	Hot Section Inspection 4A	OEM schedule maintenance interval due	OEM schedule maintenance	\$ 6,500,000.00		Highly Critical - Plant will stop operating if not completed	\$ 6,500,000.00					Schedule maintenance. Confirm scope, provide more information.	0
Costa Sur Power Plant:	Unit 6 - Environmental Maintenance		Boiler burners, fuel valves and pumps procurement and replacement, repairs to the boiler's refractory and insulation,	\$ 3,000,000.00		Highly Critical - Plant will stop operating if not completed	\$ 3,000,000.00			\$ 3.44	20-May-22	Verify scope of approved FEMA funds. \$3.44M approved. Additional work not included in previous SOW?	0
Costa Sur Power Plant:	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.	Replacement of water feeding pump, motor, engines, pumps, induced fans, forced fans, bearings, seals, and valves, among other components.	\$ 1,500,000.00		Highly Critical - Plant will stop operating if not completed	\$ 1,500,000.00			\$ 9.00	5-Oct-22	Verify scope of approved FEMA funds. \$9M approved. Additional work not included in previous SOW?	0
Palo Seco Power Plant:	Palo Seco 4 - Environmental Maintenance		Boiler burners, fuel valves and pumps procurement and replacement, repairs to the boiler's refractory and insulation, repairs to water heaters, including safety and online valves, scaffolding services to perform works including valves, etc. Compliance with Title V of the Clean Air Act and other applicable regulations.	\$ 3,750,000.00		Highly Critical - Plant will stop operating if not completed	\$ 3,750,000.00	\$ 2.55	9/8/2021			Verify scope of approved FEMA funds. \$2.55M approved. Additional work not included in previous SOW?	\$ 1,000,000.00
Palo Seco Power Plant:	Polishing System - PS4		Replacement and installation of new polishing system.	\$ 1,000,000.00		Highly Critical - Plant will stop operating if not completed	\$ 1,000,000.00	\$ 2.55	9/8/2021	\$ 0.70	5-Oct-22	Verify scope of approved FEMA funds and status of any additional approval under the same SOW.	\$ 1,000,000.00

