

**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 PREPA's FY 2023 Aguirre Power Plant Complex Necessary Maintenance Expenses ("NME")

RESOLUTION AND ORDER

I. Introduction and Background

On May 9, 2023, the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau") issued a Resolution and Order ("May 9 Resolution") which, (i) denied the Puerto Rico Electric Power Authority ("PREPA") request to further increase the Operation and Maintenance Budget and (ii) approved an additional increase of \$2,650,000 for the NME Budget for the budgetary line items and projects as outlined in Annex A of the May 9 Resolution.

The Energy Bureau on the May 9 Resolution also determined that any further request for Operation and Maintenance funds shall be made, (i) as part of the FY2024 Budget Process, (ii) consistent with the updated Generation Stabilization Plan, and (iii) following the Procedural Calendar determined in the Energy Bureau Resolution and Order dated May 8, 2023¹ regarding the "Modification of the Procedural Calendar".

On May 17, 2023, PREPA filed a document titled *Request for Reconsideration of May 9, 2023's Order Related to PREPA's Request to Amend FY2023 PREPA Budget* ("May 17 Motion") in which PREPA states that:

"PREPA reiterates that it is committed to working for the benefit of the People of Puerto Rico, but requests that the Energy Bureau allow for a reliable transformation of the energy sector transformation and grant PREPA the support requested. This support can only be accomplished with a budgeting process that is functional and doable on a daily basis, considering that a utility operation shall be executed uninterrupted. PREPA appeals to the Energy Bureau to allow the use of PREPA's funds to complete its works in its generating fleet, particularly the repairs in Units 1 and 2 of Aguirre Power Plant. The safety of the people of Puerto Rico is in the hands of the Energy Bureau and the Oversight Board"²

On May 23, 2023, the Energy Bureau issued a Resolution and Order ("May 23 Resolution"), through which it ordered PREPA, on or before Noon on Thursday May 25, 2023 to provide a detailed outline of what is the "free cash" or unrestricted and unallocated cash on hand that PREPA has available to date. The Energy Bureau also determined that GENERA PR LLC ("GENERA") position on the May 17 Motion was required and ordered Genera, on or before Noon Thursday May 25, 2023 to provide its (i) position on the May 17 Motion and (ii) certify there is no duplication of request of funds between the LUMA May 16 Motion and the PREPA May 17 Motion.³

¹ Resolution, In re: Review of LUMA's Initial Budget, Case No.: NEPR-MI-2021-0004, May 8, 2023.

² *Id.*, p.31

³ May 23 Resolution, p. 2 of 3.



On May 25, 2023, GENERA filed a document titled *Motion in Compliance with May 23 Order and in Support of the Maintenance Projects for Aguirre Power Plant Units* ("May 25 Motion"), through which GENERA responded to the Energy Bureau's May 23 Resolution.

GENERA stressed in its response, that it supports only PREPA's request regarding the necessary maintenance projects in the Aguirre Power Plant (the "Aguirre Projects") outlined on page 28 to page 29 of the May 17 Motion. GENERA asserts that in the interest of stability and reliability of Puerto Rico's power grid, it considers approval of the repair projects: (i) Aguirre Boiler Improvement U-2 –Aguirre Stream Plant; (ii) Aguirre Boiler Improvement U-1 –Aguirre Stream Plant; and (iii) Aguirre Turbo Generator Improvement Unit 1, as outlined in the May 17 Motion, are of the utmost priority.

GENERA states that it met with PREPA Plant Managers and carried out an independent assessment, and that as a result, it anticipates that approval of these projects could increase the power supply of Puerto Rico's power grid by 800 megawatts, which would enhance resilience and reliability. This would be available during Puerto Rico's peak demand and hurricane season, from June to November, with September and October being most significant.⁴

In addition, GENERA asserts that failure of the Energy Bureau to approve the Aguirre Projects could adversely affect scheduled maintenance work that GENERA has scheduled from the commencement date of July 1, 2023.⁵ GENERA stresses that it takes no position with regard to the remainder of the issues raised in PREPA's May 17 Motion, and that its support is for the three proposed projects at the Aguirre Plant.

With respect to duplication of funds, GENERA states that, in accordance with the Generation OMA, it is not responsible for any information relating to the duplication of funds and that based on discussions with PREPA, relevant information will be provided by PREPA in due course.⁶

II. Discussion and Analysis

GENERA has been retained as operator of the thermal generation facilities in significant part based upon the expertise and experience it brings. In addition to soliciting and considering the input of plant managers with experience and knowledge with respect to the necessity of the Aguirre projects, GENERA performed an independent evaluation with regard to the necessity and benefits of these projects.

The Energy Bureau, noting that the responsibility for the maintenance of the Aguirre Power Plant Complex is scheduled to fall under GENERA, will rely upon GENERA's assertions of the need for these projects, the benefits that will accrue, and the potential negative ramifications of failure to timely perform this work. The Energy Bureau expects that this NME will rectify the issues that lead to the recent failures at Aguirre and facilitate its return to safe and effective operation.

GENERA limited its support and input to the Aguirre NME and did not address other proposed projects. The Energy Bureau is only approving the requested activities with regard to Aguirre as specified on Attachment A. Other requested activities will be reviewed in conjunction with GENERA's proposed NME which is currently being evaluated by the Energy Bureau.

III. Conclusion

The Energy Bureau **APPROVES** the Aguirre NME Expenditures as specified herein on Attachment A.

⁴ May 25 Motion, p. 2.

⁵ *Id.*, p. 3.

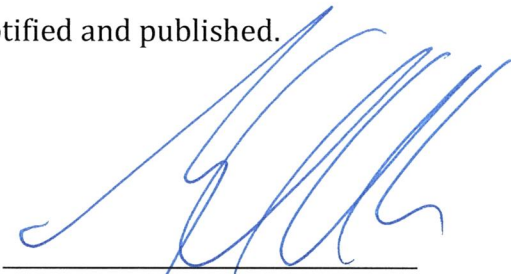
⁶ *Id.*, p. 4.



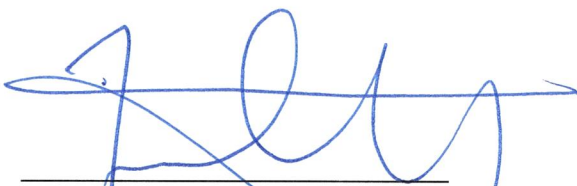
The Energy Bureau **WARNS** GENERA and PREPA that:

- (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.



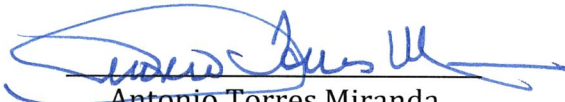
Edison Avilés Deliz
Chairman



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 May 26, 2023. Associate Commissioner Lillian Mateo Santos did not intervene. I also certify that on May 26, 2023, a copy of this Resolution was notified by electronic mail to 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-pr.com; regulatory@genera-pr.com; jfr@sbgblaw.com; alopez@sbgblaw.com; and I have proceeded with the filing of the Resolution issued by the Puerto Rico Energy Bureau.

For the record, I sign this in San Juan, Puerto Rico, on May 26, 2023.



Sonia Seda Gaztambide
Clerk



ATTACHMENT A⁷

Aguirre Power Plant Complex Approved Maintenance Activities

Repair Project	PREPA's Request	Energy Bureau's Remarks	Activity Approved Budget
Aguirre Boiler Improvement Unit 2 – Aguirre Steam Plant	The unit, which is actually limited to 350 MW (from 450MW) requires 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 forced outage of this unit, the procurement process should start in this fiscal year to avoid delay in the materials since, as is happening in the whole industry, the material acquisition lead time is extensive (6 to 12 months).	Also addresses safety issues in the main steam line that led to the unit forced outage of April 2023.	\$743,176.00
Aguirre Boiler Improvement Unit 1 – Aguirre Steam Plant	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.	Repairs being conducted while the disassembly-assembly of the rotor and stator of Unit 1 is taking place.	\$795,594.00
Aguirre Turbo Generator Improvement Unit 1 – Aguirre Steam Plant	Aguirre unit 1 suffered catastrophic damage in the turbogenerator in August 2022. This Unit represents 450 MW loss for the high load and hurricane season.	Activity ensures previous major work performed on the turbine remains sound.	\$3,000,000.00



⁷ Approved budget amounts are to be funded through the GenCo O&M Reserve specified in Appendix A of the FOMB March 24, 2023 Resolution.