

**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: Third Requirement of Information ("ROI") – Review of LUMA's Proposed Consolidated FY 2024 Budgets: GENERA's Necessary Maintenance Expenses ("NME")

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* ("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 approved by the Energy Bureau in the 2017 Rate Order, various dockets, and FOMB certified

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.



Fiscal Plans.⁹ LUMA suggested that because the proposed Annual Budget was consistent with the 2017 Rate Order, a formal rate proceeding was unnecessary.¹⁰

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").¹¹ 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 later 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 requirements set forth in the February 27 Resolution, - or 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 in the Motion.

On May 16, 2023, the Energy Bureau issued a Resolution and Order 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, the proposed Budgets and supporting information that reflect the LUMA Budget Request in in Schedule 3.1 "Annual Budget Summary".¹⁴

⁹ April 1 Motion.

¹⁰ *Id.*, p. 16.

¹¹ See, *Motion Submitting Fiscal Year 2023 Annual Budget as Approved and Certified by the Financial Oversight and Management Board for Puerto Rico*, Case No. NEPR-MI-2021-0004, July 13, 2022 ("July 13 Motion").

¹² May 10 Motion, p. 3, ¶ 7

¹³ May 16 Motion, p. 2, ¶ 6.

¹⁴ May 18 Resolution, p. 2.



On May 22, 2023, LUMA filed a document titled, *Submission of Information in Compliance with Resolution and Order dated May 18, 2022*, through which LUMA provided information in response to the ROIs issued by the Energy Bureau in the May 18 Resolution.

On May 22, 2023, LUMA filed a document titled, *Motion to Submit Quarterly Report for the Third Quarter of Fiscal Year 2023*, through which LUMA submitted its Q3 Report.

On May 22, 2023, PREPA filed a document titled, *Puerto Rico Electric Power Authority's Request for Additional Extension of Time to File FY 2023 Q3 Report*, through which PREPA requested that the Energy Bureau extend until May 26, 2023 the deadline for PREPA to file its FY 2024 Q3 Report.

On May 23, 2023, the Energy Bureau issued a Resolution and Order, through which the Energy Bureau ordered LUMA, GENERA, and PREPA (HydroCo and HoldCo) to provide additional information regarding the Proposed Consolidated FY 2024 Budgets.

On May 26, 2023, PREPA filed a document titled, *Puerto Rico Electric Power Authority's Renewed Request for Additional Extension of Time to File FY 2023 Q3 Report*, through which PREPA requested that the Energy Bureau extend until June 1, 2023 the deadline for PREPA to file its FY 2024 Q3 Report.

II. Third Requirement of Information

The Energy Bureau **DETERMINES** additional information is required for its review of the Proposed Consolidated FY 2024 Budgets.¹⁵

III. Conclusion

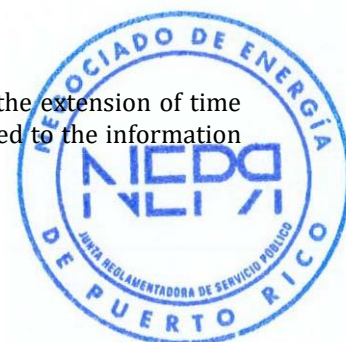
The Energy Bureau **ORDERS** GENERA to respond, on or before **June 7, 2023 at 12:00 p.m.**, to the Requirements of Information ("ROI"s) set forth in **Attachment A** to this Resolution and Order.

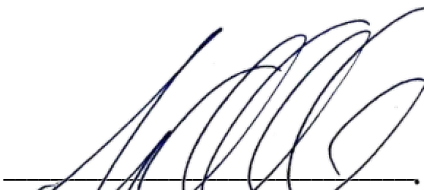
The Energy Bureau **WARNS** GENERA that:

- (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.

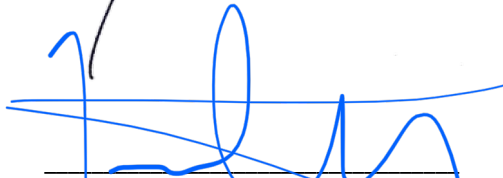
Be it notified and published.

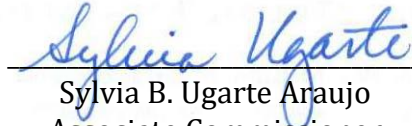
¹⁵ The Energy Bureau noted in its Second Requirement of Information that in view of the extension of time requested by LUMA and PREPA for filing the FY 2023 Q3 Reports additional ROIs related to the information contained therein would be issued after May 23, 2023.




Edison Avilés Deliz
Chairman


Lillian Mateo Santos
Associate Commissioner


Ferdinand A. Ramos Soegaard
Associate Commissioner


Sylvia B. Ugarte Araujo
Associate Commissioner

CERTIFICATION

I hereby certify that the majority of the members of the Puerto Rico Energy Bureau has so agreed on May 31, 2023. Associate Commissioner Antonio Torres Miranda did not intervene. I also certify that on May 31, 2023, a copy of this Resolution was notified by electronic mail to InfrastructureTeam@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@sbglaw.com; alopez@sbglaw.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 31, 2023.


Sonia Seda Gaztambide
Clerk



ATTACHMENT A

Refer to Exhibit 1 of *SUBMISSION OF INFORMATION IN COMPLIANCE WITH RESOLUTION AND ORDER DATED MAY 18, 2023*, prepared by GENERA, and filed by LUMA for GENERA on May 22, 2023.

Questions relate to the activities in the Excel spreadsheet:

GeneraPR-FY2024-Revised-Budget-Model-Post-P3A-Allocation-for-PREB-5.22.2023.xlsx

follow and are arranged by spreadsheet TAB and ROW number.

TAB: **Genera NME Inc in Budget**

Aguirre Power Plant

Row:

3.
 - a. Is this activity required every 18 months as part of the requirements of the Consent Decree (between EPA, DOJ, and PREPA) item for environmental compliance?
 - b. Considering this unit seems to have been under repair from August 7, 2022, to June 2023 due to the failure of the fans attached to the generator rotor, are any maintenance activities required by the Operation & Preventive Maintenance (O&PM) protocol of the Consent Decree between EPA and PREPA being carried out during the repair?
 - c. If activities required by the O&PM protocol are being carried out, explain whether these activities will qualify the unit for an additional 18 months of environmental compliance.
5.
 - a. Is this requirement based on new changes and designs to the existing fire protection system to optimize the system or to bring the existing system back into shape without optimization?
 - b. Has PREPA developed a Fire Protection Systems Damage Assessment or is it requesting the funds based on requests from insurers and underwriters?
 - c. If requesting the funds based on requests from insurers and underwriters, is what are the insurers and underwriters requesting, to keep the existing system in good working condition or specific improvements to the system?
 - d. Why does this requirement include design efforts?
6.
 - a. If this activity is carried out, could GENERA achieve savings by not having to carry out emissions and volatile particulate matter tests quarterly and every year in each of the PREPA units? Refer to the spreadsheet Environmental TAB (Tetrattech Contract).
7.
 - a. Provide a list of the equipment being considered for replacement or repair during the power plants' environmental activities and for NPDES and SPCC compliance in the next fiscal year, including a cost estimate breakdown.
 - b. Is this estimate of \$1,500,000 based on experiences from earlier years?
14.
 - a. Does this requirement address the condensate polishing system?
 - b. Explain how addressing the condensate polishing system may avoid a capacity limitation of the unit.



15.
 - a. How many equivalent operational hours have the mentioned HP and IP rotors accumulated?
16.
 - a. Were some of these activities performed during the Forced Outage of the Unit between the period of April 27, 2023 to May 22, 2023 (Shutdown to fix the Main Steam Line Crack)?
17.
 - a. Are these activities proposed to replace the flame igniters and/or to install the trifecta valves in the burner corners of the boiler?
 - b. Is it recommended to change the existing atomizing steam, air, and fuel valve arrangement by the trifecta system? Explain why.
18.
 - a. Aguirre and Costa Sur Steam Plants share the same Motor Driven Boiler Feed Pumps. The internal bundle (rotor Impeller and diaphragm assembly) is susceptible to damage. Has GENERA found the cause of this internal bundle deficiency? If not, why not? Has a root cause analysis been performed to identify mechanisms that will help avert this damage? If not, why not?

San Juan Steam & Combined Cycle

Row:

8.
 - a. Describe GENERA's maintenance plans for the San Juan 6 steam turbine generator.
9.
 - a. Describe GENERA's maintenance plans for the San Juan 5 steam turbine generator.
11.
 - a. When was the last time a battery discharge test was performed on this battery bank?
 - b. What type of battery technology is being considered?
 - c. How does the proposed battery bank comply with environmental requirements?

Mayagüez Power Plant

Row:

24.
 - a. Describe the plant capacity limitations resulting from the current demineralized water production.
25.
 - a. Describe the suggested OEM inspection interval schedule.
 - b. When was the last time this inspection took place?
 - i. How many operating hours were recorded at that time?
 - c. Describe any work arising from the last inspection.
 - d. How many hours has this unit being operating since the last inspection?
26.
 - a. Submit the contract scope of work and its detailed activities.



Costa Sur Power Plant

Row:

- 28.
- a. Related to the Boiler Feed Pump. PREPA developed a Root Cause Analysis with the OEM to determine the problem that causes the periodic pump rotor bundle breakage.
 - i. Does this damage continue to occur in the rotors? Describe how the recommendations presented by the OEM have been followed during the repairs of the pump.
 - ii. What specific equipment parts are being identified for replacement? Why?
 - iii. Were Induced Draft Fans, Forced Draft Fans, and Gas Recirculating Fans tested using nondestructive techniques to identify their metallurgical integrity?
 - iv. Is GENERA planning to keep the South Coast Steam Plant General Mechanic Shop in operation?

Palo Seco Power Plant

Row:

- 29.
- a. Provide a detailed breakdown for the requested budget.
- 31.
- a. Describe whether this proposed project can be funded through the Clean Water State Revolving Fund (CWSRF-EPA).
 - i. What is the status of PREPA's request for DRNA Wastewater Treatment Plant improvements funds for the Palo Seco Power Plant?
- 32.
- a. When was the last time a battery discharge test was performed on this battery bank?
 - b. What type of battery technology is being considered?
 - c. How does the battery bank comply with environmental requirements?
- 35.
- a. Describe whether this proposed project can be funded through the Clean Water State Revolving Fund (CWSRF-EPA).
 - i. What is the status of PREPA's request for DRNA Wastewater Treatment Plant improvements funds for the Palo Seco Power Plant?
 - b. Describe what preventive measures GENERA is planning to undertake to manage the (1) seasonal sargassum and (2) trash carried by the Bayamón river.
- 36.
- a. Describe GENERA's parts inventory efforts related to this proposed activity.

Peakers (CTs) - Hydrogas Division: (Gas Turbines Peakers)

Row:

- 37.
- a. Describe the suggested OEM inspection interval schedule.
 - b. When was the last time this inspection took place?
 - i. How many operating hours were recorded at that time?



- c. Describe any work arising from the last inspection.
- d. How many hours have these units being operating since the last inspection?

TAB: Genera Additional NME

All Power and Gas Plants

Row:

3.
 - a. Describe whether the water tanks are proposed for new construction or repair of existing infrastructure. If new construction, provide justification.
4.
 - a. Provide a budget breakdown of the proposed activities identifying which generating plants will be affected.
5.
 - a. Describe how the proposed budget will cover all the necessary fuel tanks (Service and Storage).
 - b. Describe how the Clean Water State Revolving Fund (CWSRF), under the Spill Preventive, Control, and Countermeasure Program (SPCC), could cover some of these activities.
 - c. Describe how GENERA is prioritizing the tanks repair.
6.
 - a. Describe how GENERA has evaluated the existing vehicle fleet and efforts to move acceptable vehicles between plants.
 - b. Describe whether the proposed vehicle acquisition contemplates the procurement of electric vehicles and electrification of the transportation fleet.
7.
 - a. When was the last time a battery discharge test was performed on the battery banks?
 - b. What type of battery technology is being considered?
 - i. Describe any consideration to replace flooded type cells with a different technology.
 - c. How does the battery bank comply with environmental requirements?
8.
 - a. What specific equipment parts is GENERA considering replacing? For which power plants?
 - b. Were Induced Draft Fans, Forced Draft Fans and Gas Recirculating Fans tested using nondestructive techniques to identify their integrity?
 - c. Is GENERA planning to keep the San Juan Steam Plant General Mechanic Shop in operation?
 - d. Submit the current parts inventory list for the Production Division Equipment.
9.
 - a. Much of the infrastructure damage is related to Hurricanes Irma, María, and Fiona and the 2020 earthquakes. Is this damage covered by FEMA obligations?
 - b. Describe whether this activity could span multiple fiscal years, and what level of funding is recommended for FY 2024.



10.
 - a. Describe whether this activity could span multiple fiscal years, and what level of funding is recommended for FY 2024.
11.
 - a. Describe whether this activity could span multiple fiscal years, and what level of funding is recommended for FY 2024.
12.
 - a. Describe how this activity supports the GenCo safety program and compliance with OSHA requirements.
 - b. Provide a budget breakdown that shows how this activity covers all employees with duties at the thermal generation facilities.

San Juan Steam and Combined Cycle Plant

Row:

13.
 - a. Describe whether the description in Column E regarding the New Fortress LNG delivery contract relates to the proposed Fuel Oil tanks dikes improvements activities.
 - b. Describe whether GENERA has evaluated the possibility of employing the Clean Water State Revolving Fund (CWSRF), under the Spill Preventive, Control and Countermeasure Program (SPCC), to cover all or a part of this activity.
 - c. Is the Liner Rehabilitation activity related to Hurricanes Irma/María/ Fiona?
 - i. If yes, is FEMA funding this project?
 1. If yes, has PREPA submitted the claim for this repair?
18.
 - a. Describe whether this requested budget can be sourced instead from the CWSRF approved Project of the San Juan Treatment Plan Improvements.
19.
 - a. Describe whether this requested budget can be sourced instead from the CWSRF approved Project of the San Juan Treatment Plan Improvements.
20.
 - a. Describe what capacity limitations will result if this activity is not completed.

Aguirre Power Plant

Row:

22.
 - a. Describe whether a spare rotor exists at Aguirre.
 - i. If yes, explain the need to procure a new rotor.
24.
 - a. Describe whether both Aguirre Units are relying on the battery bank of Unit 1.
 - b. What will happen to the operation of Units 1 and 2 if a failure occurs on the operational battery bank?
25.
 - a. Describe whether this requested budget amount can be sourced instead from the CWSRF approved Project of the Aguirre Advance Treatment Plan Improvements.



26.
 - a. Describe whether this requested budget amount can be sourced instead from the CWSRF approved Project of the Aguirre Advance Treatment Plan Improvements.
27.
 - a. Describe whether this requested budget amount can be sourced instead from the CWSRF approved Project of the Aguirre Advance Treatment Plan Improvements.
28.
 - a. Describe whether this requested budget amount can be sourced instead from funds for pier improvements under the US Coast Guard's Port Security Grant Program.
29.
 - a. Specify the "other components" required for replacement.
30.
 - a. Describe whether this requested budget amount can be sourced instead from funds for pier improvements under the US Coast Guard's Port Security Grant Program.
31.
 - a. Describe the system impact of delaying this activity to FY 2025.
32.
 - a. Describe whether this motor is interchangeable between the Aguirre Steam Plant motor driven boiler feed pump (MDBFP) and Costa Sur MDBFP.
 - b. Describe the reliability impact of completing this activity.
33.
 - a. Describe whether this Project can be funded by the Clean Water State Revolving Fund (CWSRF-EPA); PREPA approved project for Section 316 (b) of the Clean Water Act compliance for the Aguirre Power Complex.
 - b. Describe what preventive measures GENERA is planning to undertake to manage the seasonal sargassum.
34.
 - a. Describe whether this activity could span multiple fiscal years, and what level of funding is recommended for FY 2024.
35.
 - a. Describe whether this activity could span multiple fiscal years, and what level of funding is recommended for FY 2024.
37.
 - a. Describe whether this requested budget amount can be sourced instead from the CWSRF approved Project of the Aguirre Cooling Water Structure Improvements under the EPA's National Pollutants Discharge Elimination System (NPDES) Program.
38.
 - a. Describe the system impact of deferring improvements to the Equalization tank & Nautilus water tank.



Mayagüez Power Plant

Row:

- 42.
- a. Describe GENERA negotiation efforts aimed at managing the costs associated with this activity.
- 43.
- a. Describe whether GENERA has sought Clean Water State Revolving Funds (CWSRF), under the Spill Preventive, Control and Countermeasure Program (SPCC) for this activity.
 - b. Describe the expected timeframe for completing this activity.
- 44.
- a. Describe the system impact of not carrying out this activity and potential mitigation measures that could be pursued instead.

Costa Sur Power Plant

Row:

- 45.
- a. Noting that as part of the Hurricane Fiona FEMA mission, the system will benefit from the capacity of temporary emergency generators, describe whether Aguirre Unit 2 can be under repair when one unit from Costa Sur is also out for repairs.
 - i. If 350MVA of temporary emergency generation is available, how many major generating units could be out for maintenance without having to rely on load shedding and customer interruption during a contingency event? Explain your reasoning.
 - ii. If 700MVA of temporary emergency generation is available, how many major generating units could be out for maintenance without having to rely on load shedding and customer interruption during a contingency event? Explain your reasoning.
 - b. Describe the system impact of delaying this activity.

Palo Seco Power Plant

Row:

- 46.
- a. Describe whether this Project can be funded by the Clean Water State Revolving Fund (CWSRF-EPA).
 - b. Describe the status of PREPA's request to DRNA for Wastewater Treatment Plant improvements funds for the Palo Seco Power Plant.

