

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

NEPR

Received:

Jun 6, 2023

8:47 PM

IN RE: REVIEW OF LUMA'S INITIAL
BUDGETS

CASE NO.: NEPR-MI-2021-0004

SUBJECT: Motion to Submit Responses to
the Energy Bureau's Second Request for
Information in Compliance with the May 23,
2023 Order

**MOTION TO SUBMIT RESPONSES TO THE ENERGY BUREAU'S SECOND
REQUEST FOR INFORMATION IN COMPLIANCE WITH
THE MAY 23, 2023 ORDER**

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

1. On May 16, 2023, LUMA ENERGY, LLC and LUMA ServCo, LLC (collectively, "LUMA") filed a document titled *Submission of Consolidated Annual Budget for Fiscal Year 2024 and Annual T&D Projections through Fiscal Year 2026* ("May 16 Motion") before the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau"). The May 16 Motion included the FY2024 Budget Proposal for the Puerto Rico Energy System (the "System").
2. The FY2024 Budget Proposal for the System is comprised of the proposed budget for the Transmission and Distribution System ("Proposed T&D Budgets"), developed by LUMA; the budget proposal for the legacy thermal generation units (the "Proposed GenCo Budget"), developed by Genera PR LLC ("Genera"); the budget proposal for the hydroelectric generating units and the public irrigation facilities¹ (the "Proposed HydroCo Budget"), and the budget proposal for PREPA and its subsidiaries other than GenCo and HydroCo (the, "Proposed HoldCo

¹Hydroelectric generating units and the public irrigation facilities ("Hydroelectric Assets")

Budget"), both developed by PREPA.²

3. On May 23, 2023, the Energy Bureau issued a *Resolution and Order* ("May 23 Order"), whereby the Energy Bureau determined it needed additional information to evaluate the FY 2024 proposed budgets. Accordingly, the May 23 Order included an extensive list of requests of information ("Second ROI"). PREPA herein submits its Responses to the Second ROI in compliance with the May 23 Order. See, Annex A³.

4. Lastly, PREPA respectfully informs that in the review of the May 23 Order, PREPA conferred with counsels for LUMA and Genera, and it was determined that LUMA would provide the responses for ROIs 87-89, except for item 89(b). Meanwhile, Genera informed it would provide the responses to Attachment B of the May 23 Order.

WHEREFORE, PREPA respectfully requests the Energy Bureau to **NOTE** PREPA's submittal, **DETERMINE** PREPA's compliance with the May 23 Order, and **GRANT** confidential designation to Exhibit 1, thus maintaining the information under seal.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 6th day of June 2023.

/s Maralíz Vázquez-Marrero
Maralíz Vázquez-Marrero
TSPR 16,187
mvazquez@diazvaz.law

² Proposed HydroCo Budget and Proposed HoldCo Budget, (together, "PREPA's Proposed Budgets").

³ PREPA is submitting as supporting information to Annex A- Exhibits 1 to 4. Exhibit 1 is a confidential document subject to deliberative process, in compliance with the Energy Bureau's Policy on Management of Confidential Information as established in case CEPR-MI-2016-0009 dated August 31, 2016, PREPA will submit a Memorandum of Law in Support of Confidentiality Request on or before the next ten (10) days.

/s Joannely Marrero-Cruz
Joannely Marrero Cruz
jmarrero@diazvaz.law
TSPR 20,014

DÍAZ & VÁZQUEZ LAW FIRM, P.S.C.
290 Jesús T. Piñero Ave.
Oriental Tower, Suite 803
San Juan, PR 00918
Tel.: (787) 395-7133
Fax. (787) 497-9664

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 ana.rodriguezrivera@us.dlapiper.com and to Genera-PR, LLC through its legal representatives jfr@sbgblaw.com; alopez@sbgblaw.com; legal@genera-pr.com; regulatory@genera-pr.com.

In San Juan, Puerto Rico, this 6th day of June 2023.

/s Joannely Marrero-Cruz
Joannely Marrero Cruz

Annex A



GOVERNMENT OF PUERTO RICO
PUERTO RICO ELECTRIC POWER AUTHORITY

ANNEX A
PREPA'S RESPONSES TO PREB'S SECOND REQUEST OF INFORMATION

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.

Response:

PREPA hereby explains that it used its necessary maintenance expense (NME) budget to pay for the initial cost of the projects that have received FEMA reimbursement. In the case of advance payments received from FEMA PREPA does not have to use any of its own funds. It's for this reason that an excess of cash available doesn't exist.

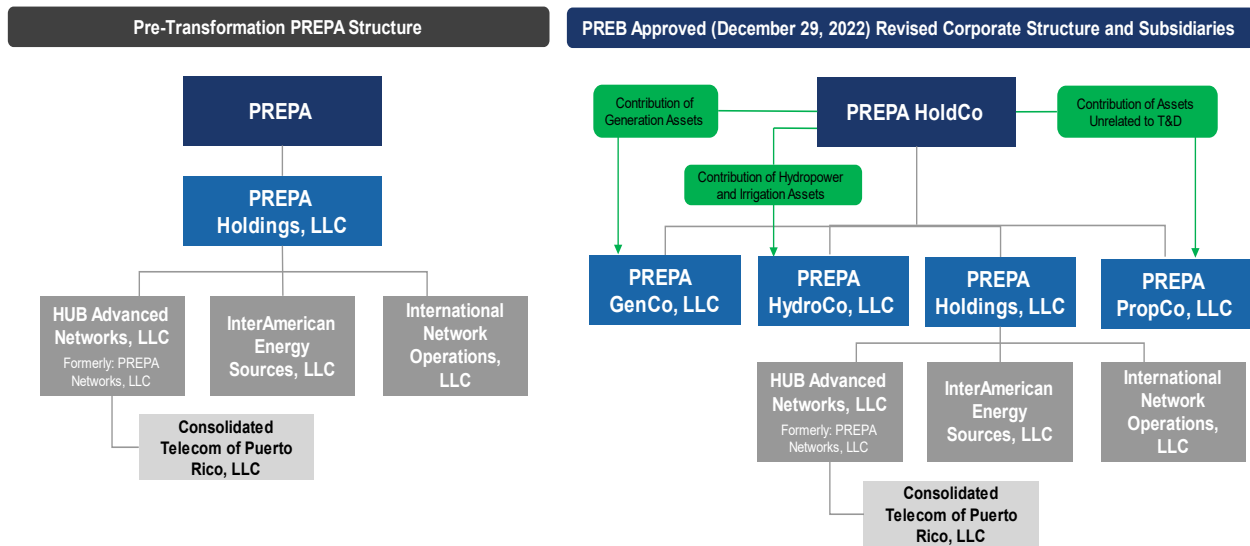
63. What are the specific responsibilities of HoldCo?

Response:

On April 11, 2019, the Governor signed the Puerto Rico Energy Public Policy Act (Act 17-2019) to establish, among other things, the regulatory framework for Puerto Rico's energy sector and PREPA's transformation. Moreover, Act 17-2019 specifically prohibits PREPA from continuing to operate as a vertical monopoly, mandating the unbundling of T&D and generation operations into separate and distinct entities, which will operate under PREPA HoldCo, as illustrate below.



PREPA Reorganization and Transformation



* PREPA-GenCo-HydroCo Operating Agreement ("PGHOA") is designed to coordinate certain matters related to budgets, account funding, operations and other matters among the entities for the Legacy Generation Assets, Hydropower Assets, and T&D System assets.

Even though PREPA has been unbundled to comply with public policy into several subsidiaries, PREPA maintains fiduciary rights and obligations and will continue to have a structure to support the administrative functions of each subsidiary. These responsibilities include various legacy environmental compliance and reporting activities, occupational health and safety compliance, pension fund management and oversight, operation of hydro/irrigation assets, among others. As PREPA's transformation advances toward completion, some activities may be discontinued due to changes in legal requirements, transferred to other government agencies, or permanently outsourced to other private companies. Furthermore, PREPA will keep the structures of the Executive Director, Board of Directors, Employee Retirement Services, Human Resources, Finance, and the Disaster Funding Management Office (DFMO) offices, among others.

PREPA will also be party to the Puerto Rico PREPA-GenCo-HydroCo Operating Agreement (PGHOA). The PGHOA includes mainly the steps and process to be followed by the Parties, GenCo and HydroCo to prepare and amend each of the parties' budgets; how each of the T&D Operator, GenCo and HydroCo's accounts will be funded, the form of Interconnection Agreement to be entered into on or about the effective date between PREPA and GenCo concerning the interconnection of the T&D System and the legacy generation assets, the Agreed Operating Procedures, the interconnection facilities operations and maintenance procedure, dispatch, metering of the electricity delivered or made available by GenCo or HydroCo, and finally the decommissioning of the Legacy Thermal Generation Assets, among other matters. Currently, PREPA is working with all concerning stakeholders to finalize and execute the capital contribution agreements for each subsidiary.



64. How do the responsibilities of HoldCo differ from those of P3 Authority?

Response:

The responsibilities of HoldCo, listed in the response of the item above, differ greatly from the Responsibilities of the Puerto Rico Public-Private Partnerships Authority (P3A). As specifically stated above, PREPA's HoldCo maintains substantial responsibilities not only to its operational structure, assets, and employees but to other governmental entities. These responsibilities have not been transferred to P3A. PREPA HoldCo maintains obligations and responsibilities related to Human Resources, Finance, Legal, regulatory, environmental, and Title III / PROMESA under applicable law. PREPA HoldCo also is responsible for responding to requests for information to the Puerto Rico Legislature, Comptroller's Office, Office of the Inspector General as well as other governmental entities. These responsibilities need funds and personnel for PREPA HoldCo to be able to comply with its responsibilities. As well as all fiduciary responsibilities it maintains as Owner of all the transmission and distribution, generation and hydroelectric assets. Including being the sole member of the PREPA Genco LLC, PREPA HydroCo LLC and PropertyCo LLC.

The P3A is a government agency created through the Public-Private Partnership Act, Act No. 29 (June 8, 2009), as amended ("Act 29-2009"), and is the authorized governmental entity responsible for implementing public policy on public-private partnerships. A Public-Private Partnership or a Partnership is defined as any long-term contractual agreement between a governmental entity and a non-governmental organization, subject to the public policy established by the PPP Act, in which the terms and conditions are provided in a Partnership Contract. A public-private partnership allows the delegation of certain functions, services, or responsibilities of any government entity, as well as the design, development, financing, maintenance, or operation of one or more facilities, or any combination of the foregoing. Act 29-2009, favors and promotes the establishment of public-private partnerships for the delivery of priority projects, and to encourage the development and maintenance of infrastructure facilities, as well as to share the risks of such development between the State and the selected private entity.

In the case of PREPA, P3A is party to the following Operation and Maintenance Agreements:

1. The Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement dated June 22, 2023, between PREPA as Owner, P3A as Administrator and LUMA Energy, LLC as ManagementCo; LUMA Energy ServCo, LLC as ServCo ("ServCo" together with ManagementCo, "Operator"), ("T&D OMA").
2. The Puerto Rico Thermal Generation Facilities Operation and Maintenance Agreement dated January 24, 2023, by and among PREPA as Owner, P3A as Administrator and Genera PR LLC as Operator, ("Generation OMA").

The duties and responsibilities of Owner and Administrator are clearly stated in the T&D OMA, specifically Article 5 and Article 6 of the Generation OMA, respectively.



65. How do the responsibilities of HoldCo coincide with those of P3 Authority?

Response:

The Responsibilities of HoldCo and P3 Authority do not coincide and are clearly delimited in the T&D OMA and the Generation OMA as established in the response for item 64.

66. Provide a head count and salary/benefit breakdown for HoldCo employees and Directors in the HoldCo proposed budget.

Response:

Please refer to the document, titled 'PREPA HoldCo FY24 Budget (2023.05.25) Rev CE', which was submitted to the PREB on May 25, 2023 and includes the requested roster. See also, Exhibit 1 PREPA Structure FY2024 05-30-2023_Rev1.pptx, and Exhibit 2 Excel file Roster FY 23-24.xlsx

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.

Response:

PREPA does not have a roster that reconciles to the P3A Budget Allocation, which PREPA understands was prepared based on a formulaic approach and not a bottoms-up basis, and is insufficient to effectively operate HoldCo.

68. What is the current level of HoldCo staffing, including head count and salaries/benefits?

Response:

See, Exhibit 3 titled ROI supporting responses consolidated ("Exhibit 3"), tab ROI 68, which includes the current roster for PREPA.

69. Correlate proposed HoldCo employee positions and funding with specific HoldCo responsibilities. How does this reflect the anticipated (HoldCo decrease in responsibilities)?

Response:

Each employee included in PREPA's Proposed HoldCo Budget for FY24 is associated with a Directorate (e.g., Asset Management and Regulation, Pension Administration, etc.), which illustrates their roles and responsibilities at PREPA.

PREPA is currently working with AAFAF to finalize an appropriate headcount and budget footprint for HoldCo to responsibly carry out its legacy and new roles and responsibilities – all of which can only be estimated with a limited degree of certainty. If the LUMA transition serves as a reference point, there will be greater needs for Legacy labor support and institutional knowledge than may otherwise seem optimal based on a desktop budgeting exercise. PREPA's Holdco will need sufficient funds to properly address the remaining



legal, environmental, finance, Title III / PROMESA and PREB responsibilities under applicable law as owner of the electric system - and as the party responsible for managing funds to maintain adequate service account funding for LUMA and Genera, among other surviving and legacy responsibilities and liabilities. PREPA estimates based on its proposed revenue allocation that it would need an additional \$25 million of funding from cash on hand.

As soon as the aforementioned information is finalized and available, PREPA will provide it to the PREB.

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.

Response:

Please refer to PREPA's answer for ROI #63 and the answer for ROI #66.

71. What are the specific responsibilities of the PREPA Board of Directors?

Response:

Pursuant to the *Puerto Rico Electric Power Authority Act*, Act no. 83 (May 4, 1941), as amended, ("Act 83-1941") in Section 4, the PREPA's Governing Board is the governing body with the responsibility to exercise all the powers of the public corporation, established by law, its general policy and strategic management. The main role of the Governing Board is to lead the strategic management of PREPA and delegate to the Executive Director the administrative duties and works of the public corporation.

As stated in Section 4 (d) of Act 83-1941, the duties and responsibilities of the Governing Board, among others, are:

- (A) Define, in collaboration with the Executive Director, the strategic management of PREPA, its top priorities and values, and oversee compliance therewith. Each value and goal shall be linked to performance benchmarks and objectives, and mechanisms to oversee compliance therewith.
- (B) Develop, update, and devise policies that are consistent with the duties, roles, and responsibilities of the members of the Board and its support personnel in order to ensure effective governance and oversight of the public corporation, according to the best practices of governance of electric power companies.
- (C) Develop and keep a clear and transparent accountability framework. To such purposes, the Board shall establish the expectations and assess the performance results of its members, the Executive Director, and his/her staff, ensuring that they are consistent with PREPA's mandate policies, goals, and values, and the best industry practices.
- (D) Give instructions to PREPA's officials and employees to ensure compliance with PREPA's mission, policies, goals, and values.



- (E) Establish and maintain an updated participatory and dynamic governance model, for which it shall study and use as reference the best industry practices and the governance models of comparable electric power companies.
- (F) Implement the operational measures and savings specified in the Creditors' Agreement in relation to each one of the items included therein, as well as any other identified savings and opportunities, comply with PREPA's rate as authorized by the Energy Bureau, and achieve operational efficiency, as well as the diversification and modernization needed to provide customers with reliable energy at the lowest reasonable cost.
- (G) The Governing Board appoints and determines the compensation of the Executive Director and other executives of the public corporation.
- (H) The Governing Board appoints the four representatives of the corporate body to the Board of Trustees of the Puerto Rico Electric Power Authority Employees' Retirement System.

72. Provide a detailed breakdown of the HoldCo Budget allocation for the Board of Directors.

Response:

See, Exhibit 3, tab ROI 72

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.

- a. Does this provide adequate funding for HoldCo in FY 2024?

Response:

The P3 Authority's Revised revenue allocation amount submitted by LUMA to PREB for the HoldCo Budget for FY24 does not provide adequate funding to address the remaining HoldCo responsibilities. The proposed budget expense amount included by PREPA in Appendix E was revised in its May 25th submittal to PREB and represents a bottoms-up budget total of \$56 million, which was responsibly prepared by PREPA to address the remaining HoldCo functions.

- b. What are the specific reductions in HoldCo's originally proposed FY 2024 Budget that will result from this allocation.

Response:

PREPA recommends no reductions to its Proposed HoldCo Budget for FY2024 as submitted on May 25, 2023.

- c. What is the programmatic/operational impact of the specific reductions?



Response:

Please refer to response 73(B), above.

d. Provide a detailed explanation, including component amounts, of the Other Income reflected in Line 4.

Response:

Please refer this question to LUMA. The historical accounting and projections of Other Income are prepared by LUMA.

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 FY2026.

a. Please explain how the FY 2024 figure was derived.

Response:

The figure presented by LUMA on p. 17 in "Table 1-1. Annual Budgets – Budgets for Approval (\$ millions)" for HoldCo Operating and Capital Expenditures is not PREPA's proposed HoldCo budget. This figure is the revenue allocation amount for HoldCo calculated by P3A from the P3A's May 12, 2023 letter to LUMA, included as "Appendix B: P3A Budget Allocation."

b. Why is there no projection for FY 2025 and FY2026?

Response:

PREPA did not provide projections for FY 2025 and 2026, as this was not required by the Energy Bureau. The current proposed budget for FY2024 falls under the *One Year Budget Examination* as established in 2017 Rate Order Section III A 441, which states: The "one-year budget examinations" occur between each three-year rate case. In these proceedings, the Commission will examine PREPA's proposed departmental budgets for the coming fiscal year, compare them to the prior year's budgets, then use that information to establish a just and reasonable revenue requirement for the fiscal year beginning on the upcoming July 1. The purpose of this procedure will be to update the prior year's revenue requirement. This updated revenue requirement will reflect (a) all feasible cost reductions that have been implemented in the prior year, along with those cost reductions that must be implemented in the next year; and (b) any known and measurable changes that we expect to occur in the upcoming fiscal year.

As established in PREB's February 27 Resolution and Order and PREB's May 31, 2022, Resolution and Order a full rate review under the procedure for a Three-year rate case is scheduled to commence on August 1, 2023, in which a comprehensive review of a utility rate proposal is undertaken, and base rates are set for the upcoming fiscal period for rates effective on July 1, 2024.



75. When will HoldCo begin operating as a standalone entity?

Response:

PREPA HoldCo will begin serving as a standalone entity for budget purposes upon the execution of the PGHOA and the effective date of Genera's Service Commencement date which is currently scheduled for July 1, 2023.

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.

Response:

The FOMB and PREPA have claimed deliberative privilege for all draft work-in-progress materials related to the PREPA fiscal plan. PREPA respectfully requests that PREB request and obtain any draft fiscal plan materials from FOMB.

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.

Response:

Please refer to the document, titled 'PREPA HydroCo FY24 Budget (2023.05.23) Rev (004)', which was submitted to the PREB on May 25, 2023 and includes the requested roster. The FOMB Certified FY23 GenCo Budget (which included HydroCo operations) was adjusted by the FOMB on a top-down basis and PREPA does not have the requested roster. The requested head count and salary breakdown for HydroCo employees in PREPA's proposed budget is included in the document titled 'PREPA HoldCo FY24 Budget (2023.05.25) Rev CE', which was submitted to the PREB on May 25, 2023.

78. Please provide an explanation and reasoning for the proposed \$974,000 increase in transportation and per diems in the proposed HydroCo budget.

Response:

Please refer to the document, titled 'PREPA HydroCo FY24 Budget (2023.05.23) Rev (004)', which was submitted to the PREB on May 25, 2023 and now proposes a much lower \$43 thousand increase to 'Transportation, Per Diem, and Mileage'.

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.



Response:

Please refer to the document attached, titled 'PREPA HydroCo FY24 Budget (2023.05.23) Rev (004)', which was submitted to the PREB on May 25, 2023 and now includes a \$851 thousand proposed increase to 'Security'. It is estimated that HydroCo pays 19.8% of total 'Security' services provided to GenCo, HoldCo, and HydroCo, which are proposed to be \$4.3 million higher in FY24 as compared to the FY23 Certified amount (\$13.3 million vs. \$9.0 million).

Refer to Explicative Memorandum from PREPA's Corporate Security Office. See, Exhibit 4.

80. Please provide an explanation and reasoning for the proposed \$1.13 million increase in Regulation and Environmental Expenses in the proposed HydroCo budget.

Response:

The \$1.13 million increase in Regulation and Environmental Expenses was not an increase in budget because the Budget of 2022-2023 didn't include any amount for this kind of Expenses, as the FOMB assigned all of these expenses to the GenCo budget. It is mandatory to comply with all State and Federal Environmental Regulations. PREPA has reviewed and assessed its various regulatory and environmental requirements and has proposed a budget to meet its projected needs.

Please refer to the document attached, titled 'PREPA HydroCo FY24 Budget (2023.05.23) Rev (004)', which was submitted to the PREB on May 25, 2023. Notably, no 'Regulation & Environmental Expenses' costs are reflected in the FY23 FOMB Certified Budget for HydroCo. See, Exhibit 3, tab ROI 80

81. Please provide an explanation and reasoning for the proposed NME budget for HydroCo, including a listing of projects in the proposed budget?

Response:

It is of utmost importance to maintain the Hydroelectric System, and budget constraints during the past years have affected considerably the maintenance, integrity, safety, security, and reliability of the Hydroelectric System. This proposed NME budget considers the beginning of the extensive works that are required on the Hydroelectric System and are NME work items that cannot be further postponed.

Please refer to the document, titled 'PREPA HydroCo FY24 Budget (2023.05.23) Rev (004)', which was submitted to the PREB on May 25, 2023. Specifically, the tab 'NME_Water Admin' includes a detailed list of projects included in the proposed budget. See *also*, Exhibit 3, tab ROI 81



82. Please explain why NME expenses represent only 21 percent of the total proposed HydroCo budget.

Response:

Both NME and operational budgets should be higher than the proposed budget. For example, there are hydroelectric units that are currently due for major overhauls, but as the hydro units could be replaced or retrofitted as part of the possible federal restoration works, the corresponding NME works related to overhauls are being postponed. Nevertheless, it needs to be understood that hydroelectric systems require a considerable operating budget, primarily for labor and then materials, due to the several dams, reservoirs, and thousands of miles of tunnels, channels and easements that need to be maintained for the operation of hydroelectric generation.

Please refer to the document, titled 'PREPA HydroCo FY24 Budget (2023.05.23) Rev (004)', which was submitted to the PREB on May 25, 2023 and includes an allocation of 23%. Due to operational funding constraints and the usual high cost of capital projects on water assets, PREPA is pursuing hydroelectric repairs and improvement projects that are eligible for federal funding.

It is important to note that if the federal restoration works are not approved, the NME budget for future years must include budget amounts for several overhaul work on turbines, generators, main power transformers and balance for each facility, which, in turn, would increase the NME expenses percent of the total budget.

83. Please provide an explanation and breakdown of any flood remediation costs reflected in the proposed HydroCo budget?

Response:

There is a \$371,000 budget item for safety cameras, as well as for audible and visual alarm systems to notify communities of potential flooding events. Also, there is a \$500,000 budget item that includes studies for dam structure stabilization. These studies are directly related to flood prevention/remediation efforts. The \$1,500,000 NME budget item includes telemetry systems to monitor the Aceituna Reservoir.

84. Please provide an explanation and breakdown of any dam maintenance costs reflected in the proposed HydroCo budget.

Response:

Due to the budget constraints, for this operational budget, there is no planned operational maintenance budget for the Hydroelectric dams that are part of PREPA's Hydro & Gas Division, other than the limited studies and safety/security/monitoring project that are in the requested NME project.



The operational budget does consider unplanned maintenance based on well-known historical experience of situations that occur on an annual basis. As for Dams, the operational budget is used on currently unplanned maintenance works on dams, such as, but not limited to gate repairs, debris clogging on any opening or entrance to a dam (gates, entrance to penstocks, runways, etc.). It is important to mention that all of the above maintenance work is costly, as it requires expensive machinery and skilled staffing. Failure to perform these works will cause disruption in the service of a specific dam or water conveyance infrastructure. See *also*, Exhibit 3, tab ROI 84

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.

Response:

The \$25.673 million referenced relates to PREPA's proposed HydroCo budget from May 12th, 2023, while the \$14.527 million referenced relates to the P3A's Revenue Allocation determination from May 12th. PREPA's proposed budget was prepared based on a bottoms-up basis, while the P3A's Revenue Allocation determination was prepared based on a formulaic approach. As such, PREPA is unable to reconcile the two.

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.

Response:

PREPA's current portfolio of Hydropower assets consists of 10 hydroelectric power plants around Puerto Rico and four irrigation facilities with two in the Costa Sur District (one in the east and one in the west), Isabela District and Lajas Valley District. The four irrigation facilities comprise of a total of ~67,730 irrigatable acres and over 190 miles of channels. Of the total lake and dam capacity of 60,448 acres, ~57% of the capacity is located at Isabella (34,280 acres), ~33% at Costa Sur East and 10% at Costa Sur West (19,699 acres and 5,761 acres respectively) and the remaining ~1% is located at Lajas (708 acres). PREPA's HydroCo operations require reliable utility vehicles to support and maintain these geographically dispersed assets. Also, the operational fleet was obsolete and needed replacement, since it fulfilled its useful life and did not meet the minimum safety standards for the personnel.



HydroCo Assets



Shared Services- Respondent LUMA/ Genera/ PREPA

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.

Response:

Luma to provide the Response

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?

Response:

Response to be provided 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?

Response:

LUMA has prepared and proposed an overall Shared Services expenditures budget. However, the appropriate allocation of Shared Services expenditures has not been definitively agreed upon and is in ongoing discussions amongst the parties, LUMA, Genera, and PREPA.

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?

Response:

Response to be provided by LUMA.

d. Please provide a consolidated budget that reflects these Shared Services costs.

Response:

Response to be provided by LUMA.



Exhibit 1

[*Submitted under seal*]

Exhibit 2

[Native version emailed to PREB for uploading to their website]

Exhibit 3

[Native version emailed to PREB for uploading to their website]

Exhibit 4



1 de junio de 2023

Carmen Elisa Rodríguez Rodríguez
Gerente Senior
Programa Gobernanza, Calidad y Estándares

**Oficina de Seguridad Corporativa
(Responsabilidad Corporativa 627 – Confección Presupuesto 2023-24)**

La Oficina de Seguridad Corporativa solicitó la asignación de presupuesto y realizó un estimado a base de los contratos a requerimiento aprobados, los proyectos en proceso de implantación para los sistemas de seguridad y los gastos adicionales para mantener la seguridad de las instalaciones.

En la distribución de gastos se ha identificado que surge aumento en los costos de seguridad en los siguientes renglones:

1. Aumento en la tarifa conforme la cláusula 12 del contrato para los servicios de vigilancia y protección para el año fiscal 2023-24.
 - Las tarifas sufrieron cambios por varias razones, a saber; la subasta original fue otorgada a la compañía Bridge Security Services, Inc., durante el proceso de ejecución la compañía Génesis Security Services, Inc., impugnó la adjudicación y el Tribunal determinó cancelar la misma y ordenó a la Autoridad a celebrar una nueva subasta bajo los mismos términos de la original. En la nueva adjudicación prevaleció Génesis Security y con el nuevo contrato aumentaron las tarifas toda vez que fueron el segundo postor en términos económicos.
 - Por otro lado, a partir del 1 de julio de 2023 entrará en vigor el aumento en salario por disposición federal, lo que encarece el monto de la contratación para el presupuesto 2023-2024.
 - Durante el año fiscal y de manera natural surgen peticiones de servicios especiales debido a fenómenos atmosféricos, situaciones especiales de seguridad, actividades adicionales y de emergencias que también incrementan los costos del contrato.
2. La activación de los servicios de seguridad adicionales en otras instalaciones que han sido incluidas a solicitud de los usuarios de acuerdo con las necesidades actuales, como, por ejemplo:
 - Bechara (Equipos y materiales, además del archivo general de expedientes inactivos)
 - Corozal (Nuevo Almacén)



- Guaynabo (COE)
 - Baños portátiles y casetas de seguridad requeridas por OSHA
 - Estacionamientos
 - Actividades Oficiales del Director Ejecutivo, Junta de Gobierno y otros.
3. Proyectos de construcción de sistemas de seguridad que están en proceso de completar y que serán incluidos en el contrato de servicios de mantenimiento de dichos equipos.
- Por instrucciones del Director Ejecutivo nos dimos a la tarea de visitar todas y cada una de las instalaciones pertenecientes a la Autoridad. Estas visitas fueron enfocadas principalmente a las facilidades que quedarán bajo la responsabilidad de la AEE y que necesitan ajustes en la seguridad. Otras no poseen ningún tipo de seguridad y hemos recomendado instalar elementos de seguridad tales como; postes solares, cámaras, vallas de seguridad, lectores electrónicos de tarjetas de acceso, sirenas en represas, rotulación de seguridad y hasta guardias de seguridad.
 - Encontramos predios que han sido invadidos por la comunidad, daños a la propiedad, depósitos de basura, talleres de mecánica clandestinos, lugares con crianza de animales, veredas para los turistas hacer excursiones y otros.
 - Hemos coordinado y realizado visitas con la Policía de Puerto Rico, Departamento de Recursos Naturales y cualquier agencia que deba intervenir en la situación para realizar las querellas pertinentes para el desalojo o cese y desista de las referidas actividades.
 - Visitamos los canales de riego y los embalses y se detectó aquellas personas que disponen de la basura en los mismos. También se realizaron las querellas pertinentes y se orientó a los vecinos sobre el daño ambiental y la violación de ley a la que se exponen. Los abogados de la Jurídica y Asesores Externos se encuentran trabajando en estos temas.
4. La proyección de lo pendiente de facturar al cierre del año fiscal. Específicamente la facturación de la compañía Bridge Security, deberá ser pagada en su totalidad al 30 de junio de 2023. De no ser posible por las distintas razones, debemos asegurar una cantidad del nuevo presupuesto para completar el pago según estipulado por el Tribunal.
5. Servicios de consultoría de seguridad.

Hemos resumido a grandes rasgos varias de las responsabilidades inherentes y adicionales que día a día atendemos en la Oficina de Seguridad Corporativa. A la vez entendemos los ajustes económicos que todos venimos obligados a realizar, sin embargo, no es menos cierto que la seguridad es parte integral de cualquier empresa para el mayor rendimiento en todos los aspectos.

Para ofrecer al pueblo de Puerto Rico un servicio de excelencia es imperativo asegurar los recursos económicos mínimos para administrar las instalaciones críticas de la Autoridad de Energía Eléctrica que aseguran los servicios que ofrecemos.

Nos encontramos disponibles para explicar o ampliar cualquier detalle que entienda necesario.

Cordialmente,


Maria D. Santiago Rodríguez
Administradora


Roberto Rosario Noriega
Administrador Alterno