

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

NEPR

Received:

Jun 8, 2023

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IN RE: REVIEW OF LUMA'S INITIAL BUDGETS

CASE NO.: NEPR-MI-2021-0004

SUBJECT: Motion to Submit PREPA's Presentation for the June 9 2023 Virtual Technical Conference

**MOTION TO SUBMIT THE PUERTO RICO POWER AUTHORITY'S
PRESENTATION FOR THE JUNE 9 2023 VIRTUAL TECHNICAL CONFERENCE**

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

1. On May 3, 2023, the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau") issued a procedural calendar to be followed during the case of caption, Thereafter, on May 8, 2023, the procedural calendar was modified whereby the Virtual Technical Conference to discuss the FY2024 Budget Proposal for the Puerto Rico Energy System was scheduled for tomorrow, June 9, 2023.
2. The FY2024 Budget Proposal is comprised of the proposed budget for the Transmission and Distribution System ("Proposed T&D Budgets"), developed by LUMA¹; the budget proposal for the legacy thermal generation units (the "Proposed GenCo Budget"), developed by Genera PR LLC ("Genera"); PREPA's budget proposal for the hydroelectric generating units and the public irrigation facilities² (the "Proposed HydroCo Budget"), and the budget proposal for PREPA's subsidiaries other than GenCo and HydroCo (the, "Proposed HoldCo Budget").

¹ Luma Energy LLC and Luma Energy ServCo ("LUMA").

²Hydroelectric generating units and the public irrigation facilities ("Hydroelectric Assets")

3. PREPA herein submits to the Energy Bureau the presentation to be offered during the June 9 2023 Technical Conference to illustrate PREPA's proposed budgets for HoldCo and HydroCo. Exhibit A.³

WHEREFORE, PREPA respectfully requests the Energy Bureau to take notice of the aforementioned, and **ACCEPT** Exhibit A.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 8th day of June 2023.

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³ The presentation was developed and completed considering PREPA's May 25, June 6, and June 7 2023 Submissions.

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 8th day of June 2023.

/s Joannely Marrero-Cruz
Joannely Marrero Cruz

Exhibit A



**Puerto Rico
Electric Power
Authority**

Puerto Rico Electric Power Authority (PREPA)

PREB Technical Conference on FY2024 Budgets
FY2024 PREPA Proposed Budget
June 9, 2023

Disclaimer

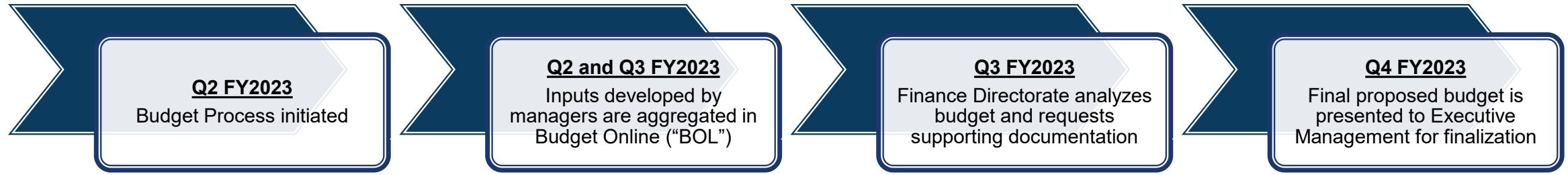
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Future events and actual results may differ materially from any estimates, projections, or statements contained herein. Nothing in this document should be considered as an express or implied commitment to do or take, or to refrain from taking, any action by PREPA, the Government, or any government instrumentality in the Government or an admission of any fact or future event. Nothing in this document shall be considered a solicitation, recommendation or advice to any person to participate, pursue or support a particular course of action or transaction, to purchase or sell any security, or to make any investment decision. By receiving this document, the recipient shall be deemed to have acknowledged and agreed to the terms of these limitations. This document may contain capitalized terms that are not defined herein or may contain terms that are discussed in other documents or that are commonly understood. You should make no assumptions about the meaning of capitalized terms that are not defined, and you should refer questions to PREPA should clarification be required.

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FY2024 Budget Development Overview

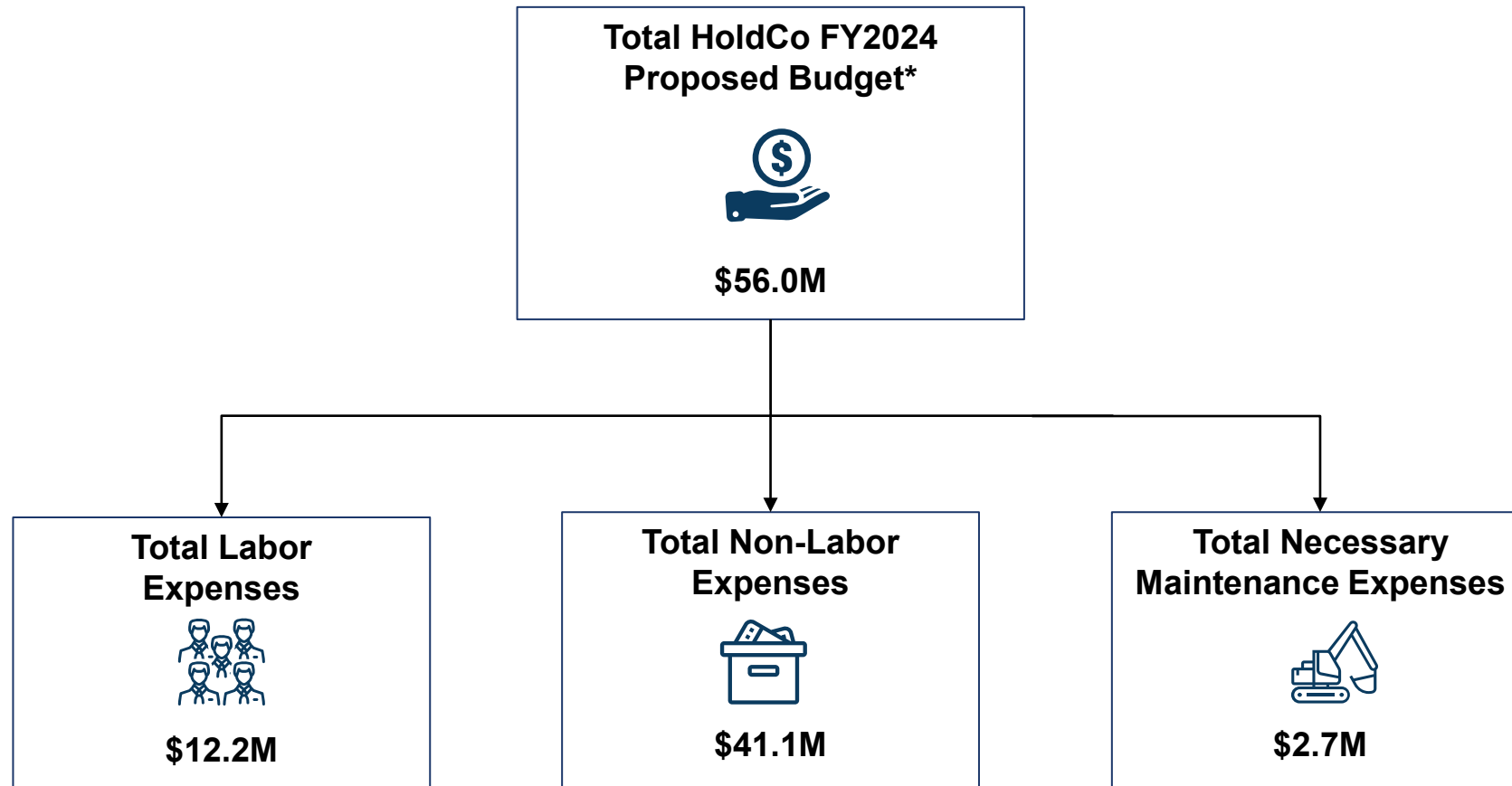


- PREPA utilizes a budgeting tool called Budget Online in which, as part of a bottoms-up process, users enter budget requests to address expected needs in FY2024.
- The Finance Directorate scrutinizes budget requests by reviewing historical operational data, considering expected FY2024 performance, and discussing each request with respective managers.
- Once the preliminary review and due diligence is complete, the Finance Directorate develops budgeting reports by Responsibility and Division.
- These budgeting reports allow PREPA's Finance Directorate to review and analyze budget requests, taking into account expected revenues for the upcoming fiscal year.
- After an interactive process, a recommended budget is presented to Executive Management for review, comment and finalization.
- The budget was presented and discussed with the FOMB, P3A, and LUMA, and revised and resubmitted by PREPA based on comments and feedback received.

Proposed FY2024 HoldCo Budget

FOMB Certified FY2024 HoldCo Budget Overview

FY2024 Budget Expenditures for HoldCo have three major components:
1) Labor Expenses, 2) Non-Labor Expenses, and 3) Necessary Maintenance Expenses



* Before considering Shared Services costs intended to cover administrative support and other functions (currently performed by LUMA).

FY24 PREPA Proposed vs. FY23 FOMB Certified HoldCo Budget

(\$'s in Thousands)		FY2023	FY2024	FY23-FY24
#	Description	FOMB CERTIFIED	PREPA PROPOSED	\$-Variance
1	Labor Operating Expenses¹			
12	Salaries & Wages	\$ 7,513	\$ 7,211	\$ (302)
13	Pension and Benefits	4,508	4,343	(165)
14	Overtime Pay	439	604	165
15	Overtime Benefits	53	72	19
16	Total Labor Operating Expenses	\$ 12,513	\$ 12,230	\$ (283)
17	Non-Labor Operating Expenses			
18	Materials & Supplies	\$ 288	\$ 561	\$ 273
19	Transportation, Per Diem, and Mileage	242	501	259
20	Retiree Medical Benefits	9,000	7,950	(1,050)
21	Security ²	1,806	2,662	856
22	Utilities & Rents	36	167	131
23	Legal Services	-	9,720	9,720
24	Communications Expenses	81	116	35
25	Professional & Technical Outsourced Services	2,485	6,232	3,748
26	External Audit Services	2,509	4,485	1,976
27	Regulation & Environmental Expenses	-	3,434	3,434
28	Equipment, Inspections, Repairs & Other O&M	1,825	5,243	3,418
29	Total Non-Labor Operating Expenses	\$ 18,272	\$ 41,071	\$ 22,799
30	Total Operating Expenses	\$ 30,785	\$ 53,301	\$ 22,517
31	Necessary Maintenance Expenses ("NME")	-	2,698	2,698
32	Total HoldCo Operating and Maintenance Expenses	\$ 30,785	\$ 55,999	\$ 25,215

Management Notes

Labor Operating Budgeted Expenses:

- PREPA's proposed spending on labor expenses is consistent with providing administrative support, for example finance, legal, safety, PREB reporting and other services and maintaining fiduciary rights and obligations as well as supporting administrative functions of each subsidiary.

Non-Labor Operating Budgeted Expenses:

- The primary drivers of the Non-Labor Operating expenses are Legal Services (43%) and Regulation & Environmental Expenses (15%), which were not appropriately accounted for in the FY2023 FOMB Certified Budget. These costs are necessary for PREPA to comply with operational, environmental and insurance related requirements.

Necessary Maintenance Expense:

- Funding request related to PropertyCo, for preventive maintenance to reduce the likelihood that an asset will experience unplanned breakdowns, failure, or need major repairs related to facilities maintenance, other property such as PREPA Security System, vegetation management equipment and to fund long-term surveillance and maintenance for the Boiling Nuclear Superheater Plant.

¹ The FY2023 FOMB Certified Labor budget is understated due to a contemplated transfer from HoldCo of 85% of PREPA requested amounts for Finance, HR and Admin Directorates.

² FY2023 FOMB Certified Budget for Security updated to reflect appropriate allocation.

HoldCo NME Expense

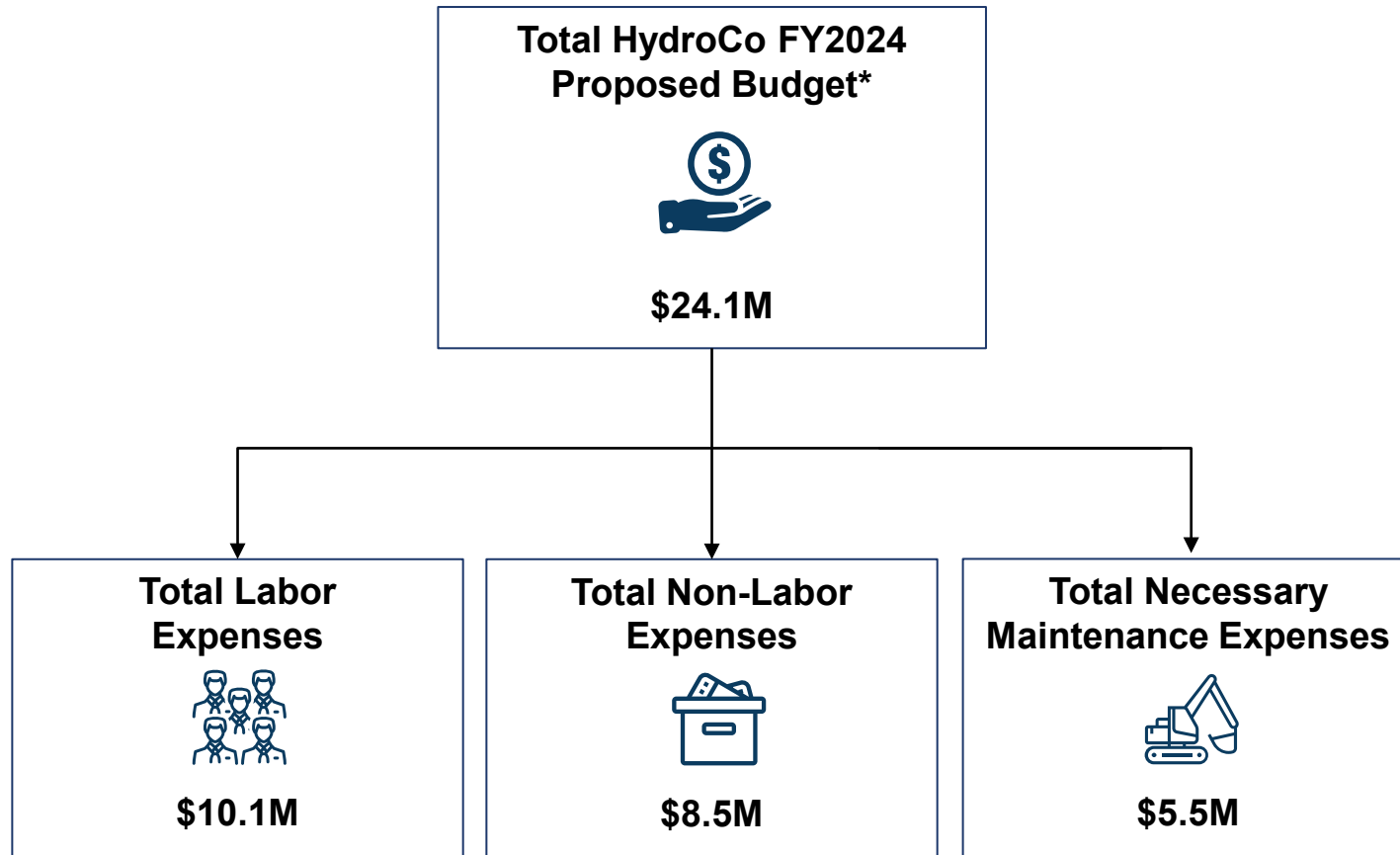
(\$ in Thousands)	Amount	Justification
Facilities Maintenance	\$1,000	Preventative maintenance is to reduce the likelihood that an asset will experience unplanned breakdowns, failure, or need major repairs. It is our responsibility to keep the property clean, in good condition and in compliance with the health and safety laws
Other Property PREPA Security System	\$298	Security system budget included but not limited to the access-control systems and surveillance devices
Vegetation Management Equipment	\$200	It is our responsibility to keep the property clean, in good condition and in compliance with the health and safety laws
Planta BONUS	\$1,200	Necessary to maintain compliance with the long-term surveillance and maintenance plan for the Boiling Nuclear Superheater (BONUS) reactor facility
Total	\$2,698	

* HoldCo NME relates to PropertyCo.

Proposed FY2024 HydroCo Budget

FOMB Certified FY2024 HydroCo Budget Overview

FY2024 Budget Expenditures for HydroCo have three major components:
1) Labor Expenses, 2) Non-Labor Expenses, and 3) Necessary Maintenance Expenses



- HydroCo owns and operates both the hydroelectric generation assets (Water Admin) and the irrigation assets (Irrigation Division / Riego) and is responsible for the associated operating and maintenance expenses.
- PREPA manages 20 of Puerto Rico's 37 dams, which are part of the hydroelectric and public irrigation system that supplies water for human consumption to more than 700,000 families.
- The assigned budgets are for the maintenance of the reservoirs and all the infrastructure used to transport the water from the reservoirs to the delivery point.
- HydroCo provides black start capabilities, provides water to AES, and provides back-up water to EcoEléctrica and Costa Sur. Additionally, HydroCo provides RPS compliant generation.

* Before considering Shared Services costs intended to cover administrative support and other functions (currently performed by LUMA).

FY24 Proposed vs. FY23 Certified HydroCo (Water Admin) Budget

(\$'s in Thousands)		FY2023	FY2024	FY23-FY24
#	Description	FOMB CERTIFIED ¹	PREPA PROPOSED	\$-Variance
1	Labor Operating Expenses			
2	Salaries & Wages	\$ 4,688	\$ 5,609	\$ 921
3	Pension and Benefits	2,977	3,378	401
4	Overtime Pay	846	1,037	190
5	Overtime Benefits	101	124	24
6	Total Labor Operating Expenses	\$ 8,612	\$ 10,149	\$ 1,536
7	Non-Labor Operating Expenses			
8	Materials & Supplies	\$ 1,223	\$ 1,119	\$ (104)
9	Transportation, Per Diem, and Mileage	335	378	43
10	Security ²	1,795	2,645	851
11	Utilities & Rents	7	124	117
12	Professional & Technical Outsourced Services	1,235	289	(946)
13	Regulation & Environmental Expenses	-	1,130	1,130
14	Equipment, Inspections, Repairs & Other O&M	2,609	2,771	162
15	Total Non-Labor Operating Expenses	\$ 7,204	\$ 8,455	\$ 1,251
16	Total Operating Expenses	\$ 15,816	\$ 18,604	\$ 2,788
17	Necessary Maintenance Expenses ("NME")	3,500	5,471	1,971
18	Total Water Admin Operating and Maintenance Expenses	\$ 19,316	\$ 24,075	\$ 4,759

¹ The FY23 HydroCo (Water Administration) budget was included in the FY23 FOMB Certified GenCo budget. As shown, HydroCo divests budget expenses from the Generation budget for FY24.

² FY23 FOMB Certified Budget for Security updated to reflect appropriate allocation.

Management Notes

• Labor Operating Budgeted Expenses:

— PREPA's proposed spending on labor expenses is consistent with operating and maintaining the HydroCo assets and is designed to retain and hire/train the necessary employees to allow for the continuous and safe operation and maintenance of the assets.

• Non-Labor Operating Budgeted Expenses:

— The primary driver of Non-Labor Operating expenses are Regulation & Environmental Expenses (90%), which were not appropriately accounted for in the FY2023 FOMB Certified Budget. These costs are necessary for PREPA to comply with operational, environmental and insurance related requirements.

• Necessary Maintenance Expenses:

— 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.

HydroCo (Water Admin) Non-Labor Expense

(\$'s in Thousands)	Materials	Transportation	Security ¹	Utilities & Rents ²	Professional Services ³	Regulation Expenses ⁴	Equipment, Inspections	Total
Inspección Represas y Embalses	\$16	\$25	\$441	\$17	\$171	\$188	\$10	\$867
Hidroeléctrica Dos Bocas y Caonillas	189	49	441	27	23	188	311	1,228
Hidroeléctrica Río Blanco	262	47	441	21	28	188	53	1,040
Hidro Carite y Toro Negro	160	33	441	25	23	188	16	886
Sub. Área Sur Hidro Gas	325	43	441	17	23	188	15	1,052
Jefe de Central Hidro-Eléctrica	168	180	441	17	23	188	2,365	3,382
Total	\$1,119	\$378	\$2,645	\$124	\$289	\$1,130	\$2,771	\$8,455

¹ Assumed Security cost are incurred pro-rata across responsibilities.

² Assumed Water and Light and Office Rent costs incurred pro-rata across responsibilities.

³ Assumed IT costs incurred pro-rata across responsibilities.

⁴ Assumed Regulation Expenses costs incurred pro-rata across responsibilities.

Management Notes

The Non-Labor Expense category includes the purchase of non-capitalizable services, equipment and tools and materials that are essential and critical to carry out technical activities. Non-Labor expenses also include seminars and trainings and permits and licenses to assure a safe and reliable operation and maintenance of the legacy hydroelectric generation and irrigation assets.

The FY2024 HydroCo Budget includes amounts sufficient to ensure that PREPA can undertake the necessary non-capitalizable maintenance and repair activities to comply with operational, environmental and insurance related requirements, which includes but is not limited to the following activities:

- equipment parts and accessories related to the operation and maintenance of the hydroelectric units to assure and maintain their availability;
- herbicides and other chemicals related to vegetation management at both Water Administration and Irrigation facilities (i.e., irrigation channels);
- purchase of repair materials for pipes, canals, and dams;
- electrical test equipment for generators, parts, and spare parts;
- purchase of materials, parts, and equipment in PREPA warehouse as well as those items that are no longer supplied by the warehouse; and,
- minor maintenance, operation and conservation works of Central Hydro Gas units.

HydroCo (Water Admin) NME Projects

(\$'s in Thousands)	Amount	Justification
Hydroelectric Units Improvement NME	\$1,500	New Turbine governors for automation for Toro Negro 1 & 2, Garzas 1, and Dos Bocas; HMI system for Dos Bocas hydroelectric units Existing technology is from the 1930's and 1940's
Hydroelectric, Dams and Irrigation Security System	\$371	Implementation of Camera system for remote supervisory for safety and security to Toro Negro Plant 1, Dos Bocas, Yauco Plant 2; Audible and visual alarm system to notify the community when the dam's gates are open.
Hydroelectric Units Station Protective Coating	\$1,500	To extend useful life to the infrastructure against deterioration from corrosion and UV rays' erosion hydroelectric plants: Rio Blanco, Dos Bocas, Caonillas 1, Garzas 2 Yauco 1, Yauco 2
Preliminary Studies - Dams and Reservoirs	\$500	Structure stabilization preliminary studies to comply with Dams and Reservoirs Inspection Programs for Garzas and Luchetti Dams
IT/OT	\$1,500	Implementation of OSCI-PI systems to plants of Dos Bocas, Toro Negro1, Toro Negro 2, Yauco 2, Garzas 1, Garzas 2 and Rio Blanco to monitor operational parameters; implementation of telemetry system to monitor water level at Aceituna reservoir
Vegetation Management Equipment	\$100	Purchase of two ATV's; six cordless trimmers and chain saws; vegetation shredders for the Vegetation Control of reservoirs and canals for four hydroelectric systems
Total	\$5,471	

Management Notes

The proposed FY2024 HydroCo NME Budget is composed primarily of items related to Hydroelectric unit improvements, security systems for hydroelectric, dams and irrigation, hydroelectric preventative maintenance, preliminary studies on dams and reservoirs, IT/OT and vegetation management equipment.

Those activities included in the FY2024 HydroCo NME Budget are designed to achieve the following goals

- Compliance with mandated programmed environmental outages & avoid fines from the U.S. Environmental Protection Agency (EPA)
- Plant, unit, and proactive mitigation management to improve reliability and performance (including hurricane season preparedness)
- Meet peak demand levels by maintaining an adequate reserve capacity

The proposed projects are pertinent and necessary to enable PREPA's implementation and orderly transition to renewable energy, as mandated by Act 17-2019 and the approved Integrated Resource Plan – hydroelectric facilities currently represent 10-20% of total utility renewable generation, which could be increased by up to 20x the current level of generation if facilities are properly maintained and repaired.

FY24 PREPA Proposed HydroCo (Irrigation Division) Budget

(\$'s in Thousands)		FY2024
#	Description	PREPA PROPOSED
1	Revenue	
2	Water Sales Revenues	\$ 7,659
3	Subsidies Rate Rider Revenue for Irrigation	\$ 4,152
4	Total Projected PREPA Irrigation Revenue	\$ 11,811
5	Labor Operating Expenses	
6	Salaries & Wages	\$ 4,646
7	Pension and Benefits	2,798
8	Overtime Pay	1,073
9	Overtime Benefits	129
10	Total Labor Operating Expenses	\$ 8,646
11	Non-Labor Operating Expenses	
12	Materials & Supplies	\$ 1,185
13	Utilities & Rents	278
14	Professional & Technical Outsourced Services	3,468
15	Equipment, Inspections, Repairs & Other O&M	1,280
16	Total Non-Labor Operating Expenses	\$ 6,212
17	Total Operating Expenses	\$ 14,858
18	Necessary Maintenance Expenses ("NME")	500
19	Total Riego Operating and Maintenance Expenses	\$ 15,358
20	Riego Surplus / (Deficit)	\$ (3,546)

Management Notes

- The Irrigation Division has historically operated as its own entity with a separate accounting system
- Irrigation Division revenues are comprised of two components:
 1. Revenues from water sales
 2. Revenues from the Non-Help to Humans ("NHTH") Subsidies Rate Rider
- NHTH subsidies rider revenues have historically contributed approximately 50% to the overall Irrigation Division revenues, with water sales revenues comprising of the other 50%
- The Irrigation Division water system supplies water for human consumption to more than 700,000 families, primarily through water sales to PRASA, along with heavily discounted water sales to small agricultural customers that supports local farms and agricultural communities

Questions & Answers