

**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:** Post Technical Conference  
Requirement of Information ("ROI") – Review  
of LUMA's Proposed Consolidated FY 2024  
Budgets: PREPA's HoldCo and HydroCo

**RESOLUTION AND ORDER**

**I. Introduction**

On May 16, 2023, LUMA Energy, LLC and LUMA Energy ServCo, LLC (collectively, "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 of the Puerto Rico Public Service Regulatory Board ("Energy Bureau") the proposed Consolidated System Annual Budgets for Fiscal Year 2024 ("FY2024"), which includes the 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 the Puerto Rico Electric Power Authority ("PREPA"). LUMA also included a Revised Budget Allocation Determination as notified by the Puerto Rico Public-Private Partnership Authority ("P3A"). LUMA requested that the Energy Bureau review and approve the Consolidated System Annual Budgets for FY2024, including the T&D Operating and Capital Budgets, the GenCo Budget, the allocation of the HydroCo Budget and HoldCo Budget, as well as other expenditures set forth in the Motion.

On May 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" ("First Requirement of Information").<sup>1</sup>

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

On May 22, 2023, LUMA filed a document titled, *Submission of Information in Compliance with Resolution and Order dated May 18, 2022* ("May 22 Resolution"), 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* ("May 22 LUMA Q3 Motion"), 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* ("MAY 22 PREPA Q3 Motion"), 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 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* ("MAY 26 PREPA Q3 Motion"), through which PREPA requested that the Energy Bureau extend until June 1, 2023 the deadline for PREPA to file its FY 2024 Q3 Report.

<sup>1</sup> May 18 Resolution, p. 2.



LUMA, GENERA and PREPA filed subsequent Motions addressing procedural issues and providing ROI responses.

On June 9, 2023, the Energy Bureau held a Technical Conference to discuss the respective budget filings and ROI responses submitted by LUMA, GENERA and PREPA. The Technical Conference concluded at approximately 7:00 pm, prior to completion of the Energy Bureau’s questioning of PREPA witnesses. Upon conclusion of the Technical Conference, the Energy Bureau indicated it would issue an additional ROI to address remaining questions.

**II. Post – Technical Conference Requirement of Information**

The Energy Bureau **DETERMINES** additional information is required for its review of the Proposed Consolidated FY 2024 Budgets.<sup>2</sup>

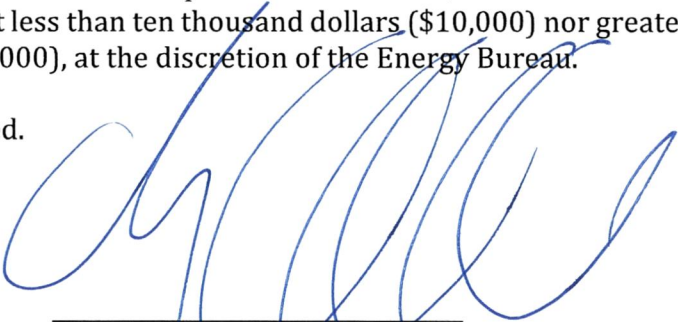
**III. Conclusion**


The Energy Bureau **ORDERS** PREPA to respond, on or before **June 16, 2023 at 12:00 PM**, to the ROIs set forth in **Attachment A** to this Resolution and Order.

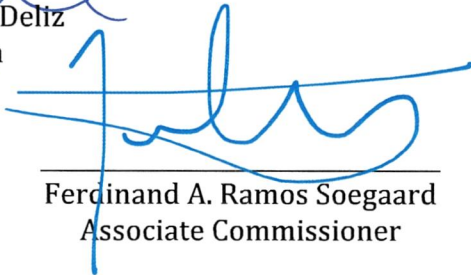
The Energy Bureau **WARNS** PREPA that:

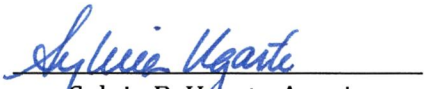
- (i) noncompliance with this Resolution and Order, regulations and/or applicable laws may carry the imposition of fines and administrative sanctions of up to \$25,000 per day;
- (ii) any person who intentionally violates Act 57-2014, as amended, by omitting, disregarding, or refusing to obey, observe, 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.

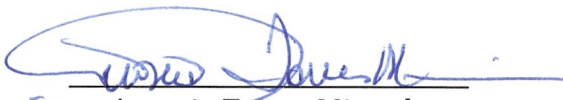
Be it notified and published.

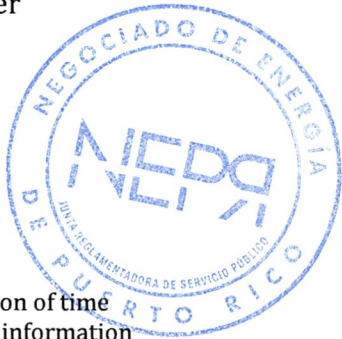
  
\_\_\_\_\_  
Edison Avilés Deliz  
Chairman

  
\_\_\_\_\_  
Lillian Mateo Santos  
Associate Commissioner

  
\_\_\_\_\_  
Ferdinand A. Ramos Soegaard  
Associate Commissioner

  
\_\_\_\_\_  
Sylvia B. Ugarte Araujo  
Associate Commissioner

  
\_\_\_\_\_  
Antonio Torres Miranda  
Associate Commissioner



<sup>2</sup> 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.



## CERTIFICATION

I hereby certify that the majority of the members of the Puerto Rico Energy Bureau has so agreed on June 12, 2023. I also certify that on June 12, 2023, a copy of this Resolution and Order was notified by electronic mail to InfrastructureTeam@promesa.gov; margarita.mercado@us.dlapiper.com; ana.rodriquezrivera@us.dlapiper.com; mvazquez@diazvaz.law; jmarrero@diazvaz.law; brannen@genera-services.com; kbolanos@genera-pr.com; regulatory@genera-pr.com; jfr@sbgblaw.com; alopez@sbgblaw.com; and I have proceeded with the filing of the Resolution and Order issued by the Puerto Rico Energy Bureau.

For the record, I sign this in San Juan, Puerto Rico, on June 12, 2023.

  
\_\_\_\_\_  
Sonia Seda Gaztambide  
Clerk



ATTACHMENT A

HoldCo

Reference: ROI Response, [Submission of Information in Compliance with Resolution and Order Dated May 18, 2023 Subject: 20230525 Annex 2 – PREPA HoldCo FY24 Budget \(2023.05.25\) Rev \(004\)](#) filed with the Energy Bureau on May 25, 2023.

1. Reference: Consolidated HoldCo – Area Tab:

- a. Row 11 of the Consolidated HoldCo – Area Tab shows a total of 82 positions while the Roster tab shows 119 positions. It was explained at the Technical Conference held on June 9, 2023 (“Technical Conference”) that the difference is due to the non-inclusion of Pension Administration Employees in the 82 positions.

Explain why the Pension Administration employees are not included in the 82 positions and from which budget line the Pension Administration employees are paid.

- b. Is the \$0.419 M listed in Column H for the PREPA Board of Directors in Row 10 expected to change in FY 2024?
- c. What other expenses are included in the FY 2024 Budget for activities or expenses of the PREPA Board of Directors?
- d. What Pension Benefits are referenced for the categories in Rows 4 – 10 in Column E?
- e. What Overtime Benefits are referenced for the categories in Rows 4 – 10 in Column G?
- f. The Puerto Rico Power Authority Act No. 83, as amended, Section 4. – Governing Board, (a) states: “Board members shall receive for their services the compensation determined unanimously by the Board. If unanimity cannot be reached, then the Governor shall determine the compensation of the members. Such compensation shall be comparable to that earned by Board Members in energy utility companies of similar size, complexity, and risks as the Authority, taking into account the nature of the Authority as a public corporation of the Government of Puerto Rico and, in any case, that is sufficient to attract qualified candidates.”

What energy utility companies were used in this comparison? Explain the applicability with respect to size, complexity and risks.

- i. Explain why it is deemed necessary for a Board Director to accrue pension benefits as reflected in Cell E10.
- ii. Explain why it is deemed necessary for a Board Director to be paid overtime and accrue benefits on top of that overtime as reflected in Cells F10 and G10 respectively.

2. Reference: FY24 HoldCo Tab:

- a. What HoldCo responsibilities do the Legal Services include?
- b. What HoldCo responsibilities do the Professional and Outsourced Services include?
- c. What HoldCo responsibilities do the External Audit Services include?



- d. What HoldCo responsibilities do the Regulation and Environmental Expenses include?
  - e. What HoldCo responsibilities do the Equipment, Inspections, Repair & Other O&M include?
  - f. Is the level of Retiree Medical Benefits subject to change?
    - i. Describe in detail the Retiree Medical Benefits?
    - ii. Are the Retiree Medical Benefits the same as Employee Health Benefits and subject to any changes implemented in Employee Health Benefits?
    - iii. Are PREPA's Retirement System responsibilities set forth in statute? Please identify. If not, where are they set forth?
    - iv. Has a Benefit Cost Analysis been performed with respect to contracting Retirement System Responsibilities to a private firm?
  - g. Provide details of the specific facilities and respective costs for which Security is allocated.
3. Reference: Roster tab:
- a. Fully explain the specific responsibilities of each of the Org Chart Categories listed in Column J.
  - b. Explain the specific responsibilities of the employees listed at Rows 128 and 129
  - c. Are there any other employees included with PROPERTY CO/HydroCo ? If so, what are their responsibilities and salaries?
  - d. Identify the positions classified as management positions.
4. Reference: NME Tab requesting a budget allocation of \$2.7 M.
- a. What Facilities Maintenance is being referred to at Row 8 in the amount of \$1M? Describe the individual facilities, and for each, explain the need for NME and its component cost.
  - b. What Other Property PREPA Security System is being referred to at Row 9 in the amount of \$0.298M?
    - i. Describe the security provided for individual properties, and for each, explain the need for NME and its component cost.
  - c. What Vegetation Management Equipment is being referred to at Row 10 in the amount of \$0.2M?
    - i. Describe where the Vegetation Management is being implemented, and for each specific property, explain the need for NME and its component cost.
  - d. What NME is provided at Planta Bonus? Provide the agreement with the DOE as cited at the Technical Conference.
    - i. Why is NME for Planta Bonus being retained by HoldCo rather than being transferred to GENERA?





- e. Has consideration been given to divesting the properties currently owned and being maintained by HoldCo?

5. Reference: Corp Resp\_2023-24 Summary tab:

- a. Fully explain what Vegetation Management Equipment is being requested at \$200k that supports the safe and reliable delivery of electricity to customers.
- b. Describe what specific activities are included in the \$1.2M request for Planta Bonus.
  - i. Submit the Letter of Agreement (LOA) between the DOE Office of Legacy Management (LM) and PREPA for the use, maintenance, and control of the BONUS facility.
  - ii. DOE is the authorized custodian of the radioactive materials remaining at the BONUS site. Describe what specific BONUS activities and associated costs DOE is responsible for.
  - iii. Describe how the Planta Bonus in Rincón supports the safe and reliable delivery of electricity to customers.

6. Reference: Tab KOE 260 & 300:

- a. Cell H136 specifies \$13,008 as proposed transportation expenses for PREPA's BOD during FY24. Cell H137 proposes \$25,015 for per diem and POV mileage.
  - i. Explain what transportation expenses are.
  - ii. Explain the need to have a paid Board Director receive per diem and POV mileage payments.

7. Reference: Tab KOE 500:

- a. Reconcile Row 11, requesting \$1.995 M for property maintenance with the NME proposed amount of \$2.6 M cited at the FY24\_HoldCo Tab.
  - i. Are these expenditures redundant? Explain in detail.
  - ii. List the 80 properties proposed to be maintained and for each one specify the requested maintenance amount and describe how the specific property currently supports the safe and reliable delivery of electricity to customers.
- b. With regard to OSHA Compliance cited at Row 12, requesting \$1 M.
  - i. Explain what OSHA compliance is being referred to.
  - ii. Explain the need for some PPE and safety equipment, noting that most of the work is desk related now, rather than fieldwork.
- c. Reference Row 13, requesting \$710k.
  - i. Are these requested funds intended to cover any compensation that Board Members receive?
  - ii. If yes, provide full explanation.
  - iii. If not, explain the purpose of the funds.
- d. Reference Row 15, requesting \$442k for Towing Services.



- i. Describe this activity and explain why towing services are needed.
  - ii. Explain the need for vehicles at HoldCo.
  - iii. How many and what type vehicles are currently owned, leased, operated or maintained by HoldCo.
- e. Reference Row 16, requesting \$300k to support the RETIREMENT SYSTEM.
  - i. What specific Retirement System functions are these services supporting?
- f. Reference Row 21, requesting \$200k to support the acquisition of software licenses for the ProWatch system employed at generation facilities.
  - i. Security for the Thermal Generation Facilities (TGF) is expected to be a responsibility of GENERA. Explain the need for this expenditure as it pertains to the TGF.
- 8. Reference: Tab Corp Resp\_613:
  - a. Explain what specific activities the Siemens Industry contract supports.
  - b. Is development of the Integrated Resource Plan now the responsibility of LUMA?
  - c. If not, what entity is responsible for developing the Integrated Resource Plan?
  - d. What company is Engineering and Design TBD?
    - i. What electric utility engineering and design functions is HoldCo proposing to undertake?
- 9. Reference: Tab Corp Resp\_615:
  - a. Explain what specific activities the requested \$2M under Regulatory Compliance is supporting.
  - b. Will Generation Regulatory Compliance become the responsibility of GENERA upon its Service Commencement Date?
  - c. What legal services are provided by the Diaz & Vazquez Law Firm, P.S.C. Firm under its \$2M contract?
    - i. Describe the level of support that the Diaz & Vazquez Law Firm has provided to PREPA in FY23 while the operation and maintenance of the generation fleet was still its responsibility.
    - ii. Provide the expected total payment amount to the Diaz & Vazquez Law Firm for its services rendered in FY23.
  - d. What services are provided by Baker Donelson Caribe under its \$1M contract?
  - e. What services are provided by the Servicios Legales Locales under its \$1M contract?
  - f. What services are provided by McGuire Woods under its \$1.495 M contract?
- 10. Reference: Tab Corp Resp\_627:
  - a. What are PREPA's continuing responsibilities with regard to Planta Bonus?
  - b. How is the requested \$527k for Genesis Security Services for Planta Bonus Rincón proposed to be utilized?



- c. Reconcile this expense with the \$1.2 M requested for Planta Bonus NME at NME Tab, Row 11.
11. Reference: Tab Corp Resp\_644:
  - a. See Rows 3-7. The requested amounts to fund systems to backup data from the generating plants, that include information regarding power plant environmental compliance, totals \$860k. Explain why the requested amounts are needed when GENERA is taking over these functions.
12. Reference Tab Corp Resp\_673:
  - a. Explain what specific activities the O'Melveny contract is supporting under its proposed \$9 M contract.
  - b. Explain what specific activities the Diaz and Vazquez contract is supporting under its proposed \$2 M contract.
  - c. Explain what specific activities the King & Spalding contract is supporting under its proposed \$1.5 M contract.
  - d. Explain what specific activities the Ankura Consulting Group LLC contract is supporting under its proposed \$8 M contract.
  - e. Explain what specific activities the Norton Rose Fulbr contract is supporting under its proposed \$1.325 M contract.
  - f. Refer to Column D Row 11, requesting \$32,821,823.
    - i. Explain what specific activities this budget is supporting.
    - ii. Are these services provided by outside companies?
    - iii. What companies are supporting these activities.
    - iv. Are these companies being contracted by PREPA or FOMB?
    - v. If these services are not being secured by PREPA, provide an opinion as to the reasonableness of the proposed costs.
    - vi. Are these consultants being paid with ratepayer funds?
13. Will the Environmental and Preservation Compliance fall under LUMA/GENERA upon the Service Commencement Date?
  - a. If not, explain fully what entity will be responsible for Environmental and Preservation Compliance and the timeline for its transfer.
  - b. Explain in detail the responsibilities related to Environmental and Preservation Compliance.
14. Given that the FEMA rebuild work is to be performed by LUMA and GENERA, would it be more efficient for these entities to assume full responsibility for obtaining FEMA funds rather than PREPA, although PREPA may be the actual recipient of the funds?
15. Provide specifics, including employee numbers and responsibilities, of how HoldCo will comply with Generation OMA Section 6.4 that requires PREPA, from and after the Service Commencement Date, to maintain staffing in connection with O&M Services, only at levels strictly necessary to timely and effectively perform its obligations under the agreement.





## HydroCo

Reference: [20230525-Annex-1-PREPA-HydroCo-FY24-Budget-2023.05.23-Rev-004.xlsx](#),  
filed with the Energy Bureau on May 25, 2023

16. In the file 20230525-Annex-1-PREPA-HydroCo-FY24-Budget-2023.05.23-Rev-004.xlsx, filed with the Energy Bureau on May 25, 2023, on the FY24\_HydrCo\_WA worksheet, Salaries and Wages expenditures increase by \$921,000, or 20%, compared to the FY2023 budget. What are the drivers for those increases? Please justify why there is a 20 percent increase proposed for Salaries & Wages costs?
17. In that same spreadsheet, under the "Roster" worksheet, there are 28 positions listed that Include a KO flag of O, a Base Salary of 110 and include salary information in the "Negotiation Increase" Column N, and for those positions, the average increase is \$39,317, and the total increase is \$1,100,873. Do these represent planned HydroCo headcount additions, or what is the explanation underlying these costs? If those do represent employee additions, what is the business rationale for such additions?
18. PREPA's proposed HydroCo budget includes \$1.037 million of Overtime Pay and \$124,000 of Overtime Benefits, which in combination represent a 22.6 percent increase of FY2023 Overtime Pay and Overtime Benefits. Please justify this increase and the business rationale for such an increase.
19. Security costs for FY24 are budgeted to increase by \$851 million, or by 47 percent compared to FY23. What is driving this increase? Please justify a 47 percent increase in security costs for hydro facilities that have been in place for many years.
20. PREPA's proposed HydroCo budget includes a reduction of \$946,000 for Professional & Technical Outsourced Services. What is driving this reduction? Does this reflect a shift from outside to inside resources?
21. PREPA's proposed HydroCo budget includes \$1.13 million in expenditures for Regulation and Environmental expenditures, where no such expenditures were included in the FY23 budget. Please explain the need for these expenditures.
22. What resources and budgetary allocation are necessary for HYDROCO's responsibilities related to irrigation? They FY24\_HyrdoCo\_Riego worksheet lists Irrigation Revenue of \$15.014 million and Total Riego Operating and Maintenance Expenses of \$15.358 million. Please confirm these values and that revenues from Irrigation services are approximately equivalent to costs to provide such services.
23. Are fees assessed for water sales?
24. What resources and budgetary allocation are necessary for HYDROCO's responsibilities related to flood control?
25. What resources and budgetary allocation are necessary for HYDROCO's responsibilities related to hydroelectric generation?
26. To what other areas of responsibility are HYDROCO's resources allocated? What is the budgetary allocation?



27. What are the respective percentages of HYDROCO's total resources and budgetary allocation are required for each?
28. PREPA's proposed HydroCo budget includes NME expenditures of \$5.471 million, which is an increase of \$1.971 million compared to FY23. Please provide the drivers for this increase.
29. The HydroCo NME budget proposed for HydroCo includes \$1.5 million for Units Improvement projects and an additional \$1.5 million for Units Station Protective Coating. Please explain in more detail what those projects consist of, and the business need for those projects?
30. The NME budget proposed for HydroCo includes \$1.5 million for IT/OT projects. Please explain what those projects consist of, and the business need for those projects? Why are IT/OT services not part of Shared Services provided by LUMA?
31. In its proposed HydroCo budget, PREPA does not have a category for Shared Services. In contrast, in Table 1-3 of LUMA's proposed budget, it 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 and HoldCo."
- The Energy Bureau issued an ROI related to the Shared Services allocation, identifying that the submitted HydroCo and HoldCo budgets do not appear to include any Shared Services allocation, and that there is a \$15 million gap between LUMA's budgeted amount and Genera's budgeted amount. Both Genera and PREPA deferred to LUMA to respond to that ROI. What is PREPA's position on the Shared Services cost allocation?
  - Why has PREPA not included any Shared Services costs in its proposed HydroCo budget?
  - In data response to PREB ROI 089 (See ROI-LUMA-MI-2021-0004-20230523-PREB-089), LUMA declines responsibility for allocating shared services costs among GenCo, HoldCo and HydroCo, but outlines an allocation approach it believes to be reasonable. Has PREPA reviewed that allocation methodology, and is it in agreement with it?
  - At the Technical Conference, Genera indicated it believes approximately 5 percent of Shared Services costs should be allocated to PREPA to HydroCo and HoldCo, with 95 percent allocated to Genera. Is PREPA in agreement with that allocation?
  - What is PREPA's recommended approach for allocating the \$15 million of shared services costs that are currently unallocated in the consolidated budget?
32. In its data response, LUMA also states that "[t]he Shared Services Agreement will terminate on or before December 31, 2023." and that "The costs of transitioning existing shared services to Genera PR and PREPA are shared services costs under the agreement; these costs are unknown and unbudgeted in the current FY2024 budget." Does PREPA's HydroCo budget contemplate taking over shared services starting January 1, 2024, or do the budgeted amounts contemplate continued provision of those services through the end of FY24?
33. If PREPA takes over its own Shared Services for HoldCo, how would the proposed FY24 budget change?
34. Please provide the aggregate available generating capacity of HydroCo hydro-electric generation facilities.





35. Please provide annual total energy production produced by the HydroCo hydro-electric generation facilities over each of the last three calendar years.

#### Federal Funding

36. Reference: Annex A PREPA's RESPONSES TO PREB'S SECOND REQUEST OF INFORMATION, No. 62.

- a. In this ROI, the Energy Bureau requested PREPA to provide a listing of funds used by PREPA during FY2022 and FY2023 to pay for initial costs and projects that have received FEMA reimbursement and/or advance payments and a reconciliation of any excess cash available. PREPA stated that it used its necessary maintenance expense (NME) budget to pay for the initial cost of the project and stated that "an excess of cash available doesn't exist."
- b. Please explain why PREPA has used NME funds approved by PREB to fund projects eligible for federal reimbursement.
- c. Please provide a monthly breakdown for FY2022 and FY2023 of funds used to fund projects eligible for federal reimbursement.
- d. Please provide a monthly breakdown of funds received from FEMA and/or other federal agencies for reimbursement of project expenditures for projects eligible for federal reimbursement.
- e. Please explain why PREPA has used NME funds to pay for projects eligible for federal reimbursement, instead of utilizing FEMA advance payment resources.
- f. For the projects identified above, also provide a breakdown of the status of federal reimbursement and expected timing for any project expenditures that have not previously been reimbursed.
- g. If PREPA has used NME funds to pay for projects eligible for federal reimbursement, please explain why funds ultimately received from FEMA and/or other federal agencies as reimbursement, would not become excess cash available at the time reimbursement is received?

