

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

IN RE: REVIEW OF LUMA'S INITIAL
BUDGETS

CASE NO.: NEPR-MI-2021-0004

SUBJECT: Determination on the FY24
Annual Budgets for the electric utility
system – LUMA, Genera, and PREPA.

RESOLUTION AND ORDER

I. Introduction

Pursuant to the provisions of Act 57-2014, as amended, known as the *Puerto Rico Energy Transformation and RELIEF Act* ("Act 57-2014") and Act 17-2019, known as the *Puerto Rico Energy Public Policy Act* ("Act 17-2019"), the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau") is responsible for implementing Puerto Rico's energy public policy and ensuring that electric service companies provide services at reasonable and just prices.¹ To fulfill this responsibility, the Energy Bureau is authorized to review and monitor budgets, fiscal and operational practices, and the prudence of spending activities. Consistent with the foregoing, the 2017 Rate Order² established a yearly procedure that enables the Energy Bureau to periodically evaluate the proper and efficient use of the revenues collected from Puerto Rico customers.³ The Energy Bureau's concern is with the quality of the petitioned budgets; that is, the Energy Bureau needs to assure that these budgets accurately reflect required expenditures.

According to the 2017 Rate Order, the overall revenue requirements for proposed annual budgets must not result in a change to the base rates or rate structure approved in the 2017 Rate Order, unless the proposed budget is subject to the rate review process under Section 6.25(c) of the *Puerto Rico Energy Transformation and RELIEF Act*.⁴ Accordingly, the Energy Bureau must determine whether the proposed budgets comply with the rate conditions set forth in the 2017 Rate Order.

On May 16, 2023, LUMA Energy, LLC and LUMA Energy ServCo, LLC (jointly referred to as, "LUMA") filed⁵, for the Energy Bureau's review and approval, 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"). The May 16 Motion included the following budget components: (i) the proposed T&D budget developed by LUMA, (ii) the proposed generation budget developed by Genera PR, LLC ("Genera") on behalf⁶ of the Puerto Rico

¹ See, Act 57-2014, Articles 1.2, 6.3, 6.4 and 6.25 and Act 17-2019, Article 1.5(1)(a).

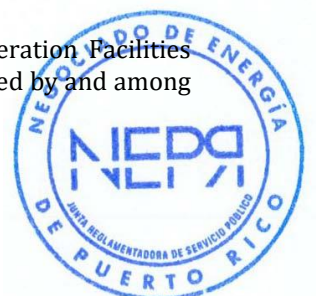
² See *In Re: Puerto Rico Electric Power Authority Rate Review*, Case No. CEPR-AP-2015-0001, Final Resolution and Order, January 10, 2017 ("2017 Rate Order").

³ See, 2017 Rate Order, ¶¶ 439-444, pp. 149-150.

⁴ Section 6.25(c) of Act 57-2014, known as *Puerto Rico Energy Transformation and RELIEF Act*, as amended ("Act 57-2014"), states that any electric service company may request a change in the rate approved by the Energy Bureau or the Energy Bureau may initiate, *motu proprio*, or at the request of the Independent Consumer Protection Office or any other interested party, the rate review process when it is in the best interest of customers.

⁵ Pursuant to LUMA's obligations under Section 4.2 (e) of the Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement ("T&D OMA"), dated June 22, 2020, executed by and among PREPA, the Puerto Rico Public-Private Partnerships Authority ("P3 Authority") and Genera.

⁶ Pursuant to Genera's obligations under Section 7.3(b) of the Puerto Rico Thermal Generation Facilities Operation and Maintenance Agreement ("Generation OMA"), dated January 24, 2023, executed by and among PREPA, the Puerto Rico Public-Private Partnerships Authority ("P3 Authority") and Genera.



Electric Power Authority ("PREPA") for the PREPA subsidiary GENCO LLC⁷ ("GenCo"), and the proposed Budget developed by PREPA for its holding company,⁸ HoldCo,⁹ and its subsidiaries PREPA HydroCo LLC¹⁰ ("HydroCo") and PREPA PropertyCo, LLC¹¹ ("PropertyCo"). The May 16 Motion included a document titled, *Annual Budgets, Fiscal Years 2024 to 2026* ("Proposed Consolidated FY24 Budget") and a Revised Budget Allocation Determination as notified by the P3 Authority¹² identified as Appendix B of the May 16 Motion. LUMA requested that the Energy Bureau review and approve the Proposed Consolidated FY24 Budget, which includes the foregoing budget components, as well as other expenditures set forth in the May 16 Motion.

For the reasons set forth below, the Energy Bureau finds that the Proposed Consolidated FY24 Budget, modified as per this Resolution and Order, does not result in an increase in base rates as set by the 2017 Rate Order.

II. Procedural Background

On May 16, 2023, LUMA filed the May 16 Motion which includes the Proposed Consolidated FY24 Budget.

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 Consolidated FY24 Budget supporting information that reflect the LUMA Budget Request in Schedule 3.1 "Annual Budget Summary" ("First Requirement of Information").

On May 22, 2023, LUMA filed a document titled *Submittal of Quarterly Report for the Third Quarter of Fiscal Year 2023* ("May 22 Motion"), through which it submitted the FY23 Q3 Report.

On May 23, 2023, the Energy Bureau issued a Resolution and Order, through which it issued a Second Requirement of information to LUMA, Genera and PREPA requesting supporting documentation reflecting Submission of Proposed Consolidated FY24 Budget.

On May 31, 2023, the Energy Bureau issued a Resolution and Order, through which it issued a Third Requirement of Information to Genera for information regarding GenCo's Necessary Maintenance Expense (NME).

On June 6, 2023, PREPA filed a document titled *Motion to Submit Responses to the Energy Bureau's Second Request for Information in Compliance with the May 23 Order* ("June 6 Motion"), through which it responded to the Energy Bureau's Second Request for Information.

LUMA, Genera, and PREPA filed many Motions addressing procedural issues, requesting extensions of time to respond to Requests of Information ("ROIs") and provide additional information and providing ROI responses and other information.

⁷ GenCo is a subsidiary of PREPA that owns and operates (or delegates the operation of) PREPA's Thermal Generation Assets.

⁸ Motion to Submit Responses to the Energy Bureau's Second Request for Information in Compliance with the May 23 Order, NEPR-MI-2021-0004, June 6, 2023.

⁹ HoldCo supports the administrative functions of the following subsidiaries: PREPA HYDROCO LLC, PREPA HOLDINGS LLC, and PREPA PROPERTYCO LLC.

¹⁰ HydroCo is a subsidiary of PREPA that owns and operates (or delegates the operation of) the PREPA hydroelectric and irrigation assets.

¹¹ PropertyCo is a subsidiary of PREPA that owns and operates (or delegates the operation of) certain of the PREPA assets not related to the transmission and distribution system or the legacy generation and irrigation facilities.

¹² Public-Private Partnership Authority ("P3 Authority").



On June 9, 2023, the Energy Bureau held a Technical Conference (“June 9 Technical Conference”) to discuss the respective budget filings and ROI responses submitted by LUMA, Genera, and PREPA. The June 9 Technical Conference concluded at approximately 7:00 pm without concluding the Energy Bureau's questioning of PREPA witnesses. The Energy Bureau determined it would issue an additional ROI to address remaining questions and avoid a continuance of the June 9 Technical Conference.

On June 12, 2023, the Energy Bureau issued a Resolution and Order (“June 12 Order”), through which, it issued a Post June 9 Technical Conference ROI reflecting additional information required pursuant to the June 9 Technical Conference.

1 On June 14, 2023, PREPA filed a document titled, *Motion to Submit the Puerto Rico Electric Power Authority's Updated Employee Roster in Compliance with the June 9, 2023 Bench Order*, through which it provided FY2024 HoldCo and HydroCo proposed budget workbooks with updated employee roster in compliance with Bench Orders issued during the June 9 TC.

2 On June 15, 2023, Genera filed a document titled *Motion to Submit Genera PR LLC Responses in Compliance with the June 9 Order*, through which it responded to Bench Orders issued at the June 9 TC.

3 On June 15, 2023, LUMA filed a document titled *Motion Submitting Responses to Requests for Information Issued During Virtual Technical Conference of June 9, 2023* (“LUMA June 15 Motion”), through which it responded to Bench Orders issued during the June 9, 2023 Technical Conference.

4 On June 15, 2023, PREPA filed a document titled, *Request for Extension of Time to Submit Responses to the Energy Bureau's Bench Orders and Third Request for Information in Compliance with the June 12, 2023 Order* (“June 15 Motion”), through which it requested an extension of time within which to comply with remaining Bench Orders and ROIs.

5 On June 16, 2023, Genera filed a document titled *Motion to Submit Genera PR LLC'S Supplemental Response to the June 9 2023 Bench Order* (“June 16 Motion”), through which it responded to Bench Orders issued at the June 9 TC.

6 On June 21, 2023, PREPA filed a document titled, *Motion to Submit Responses to the Energy Bureau's June 9 Bench Orders and Third Request for Information in Compliance with the June 12, 2023 Order* (“June 21 Motion”), through which it responded to Bench Orders and ROIs issued during and following the June 9 TC and the June 12 Order.

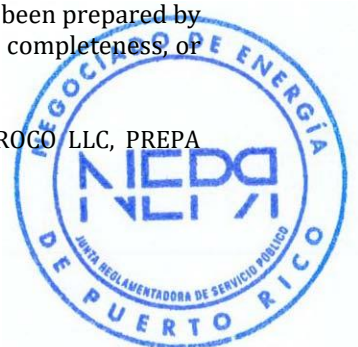
III. The Proposed Consolidated FY24 Budget

The Proposed Consolidated FY24 Budget filed by LUMA includes the proposals for the following components:¹³

- Transmission and Distribution System (“Proposed T&D Budget”);
- Legacy thermal generation units (“Proposed GenCo Budget”);
- Administrative responsibilities (Proposed HoldCo Budget)¹⁴;

¹³ LUMA states that because it prepared only the T&D Budget, with the other budgets having been prepared by the corresponding operation entity, it makes no representations as to the appropriateness, completeness, or adequacy of budgets other than the T&D Budget. See May 16 Motion, p. 2.

¹⁴ HoldCo supports the administrative functions of the following subsidiaries: PREPA HYDROCO LLC, PREPA HOLDINGS LLC, and PREPA PROPERTYCO LLC.



- Hydroelectric generating units and the public irrigation facilities¹⁵ (Proposed HydroCo Budget); and
- FOMB and Bankruptcy Title III Advisor costs.

LUMA states that the Proposed Consolidated FY24 Budget does not increase or change the Base Rate.¹⁶ The proposed budget reflects the determination by P3 Authority as to the proper allocation of available funds among LUMA, Genera and PREPA (HoldCo and HydroCo).¹⁷

LUMA cites several challenges it has faced in the development of the Proposed Consolidated FY24 Budget. These include inflation, declining load, Title III costs, required LUMA Title III support and PREPA Reorganization costs. LUMA also noted that developing the FY24 Budget involved new participants and that the budget allocation process was performed pursuant to Section 7.3 of the Puerto Rico Thermal Generation Facilities Operation and Maintenance Agreement ("Generation OMA").¹⁸ LUMA relates that during the Budget development process, the P3 Authority determined that an additional amount of \$130MM, identified as cash on hand, could be allocated to the proposed budget¹⁹ and that amount was allocated among LUMA, Genera HoldCo and HydroCo.

The Proposed Consolidated FY24 Budget consists of \$560MM for Transmission and Distribution (T&D) Operating Expenses, \$91MM for Non-Federally Funded Capital Expenditures and \$803MM for T&D System Federally Funded Capital Expenses. For Generation, \$301MM is allocated to GenCo Operating and Capital Expenditures and \$15MM for HydroCo Operating and Capital Expenditures. The Proposed Consolidated FY24 Budget allocates \$30MM to HoldCo Operating and Capital Expenditures.²⁰ The total Non-Federally Funded Transmission & Distribution and Generation Expenditures result in a revenue requirement of 0.0731 \$/kWh as compared with the Base Rate Revenue Requirement established in the 2017 Rate Order of \$0.0747 \$/kWh. LUMA estimates Shared Services to be \$69MM in FY24.²¹

IV. Analysis and Discussion

The Energy Bureau's review of the Proposed Consolidated FY24 Budget must include a determination by the Energy Bureau of whether the Proposed Consolidated FY24 Budget complies with the criteria necessary for the Energy Bureau's approval in accordance with Act 57-2014 and the 2017 Rate Order.

The Energy Bureau notes at the outset of this Resolution and Order that it is performing this review pursuant to Paragraph 441 of the 2017 Rate Order, which sets forth the procedure for "one year budget examinations" that are to occur annually within each three-year rate case. The purpose of a one-year budget examination is to enable the Energy Bureau to establish a just and reasonable revenue requirement for the applicable fiscal year.²² However, the Energy Bureau does not have to evaluate in a one-year examination all the factors that are otherwise addressed in a full rate case. While the Energy Bureau's one-year budget examination can be more constrained than a full rate proceeding, the Energy Bureau

¹⁵ Public irrigation facilities do not generate electricity and their main purpose is to serve agriculture. Four irrigation facilities comprise a total of ~67,730 irrigatable acres and over 190 miles of channels throughout the Costa Sur District, Isabela District, and Lajas Valley District.

¹⁶ *Id.*, p. 3.

¹⁷ Proposed Consolidated FY24 Budget, p. 396.

¹⁸ May 16 Petition, p. 7.

¹⁹ *Id.*, p. 8.

²⁰ Proposed Consolidated FY24 Budget, p. 17.

²¹ *Id.*, p. 19.

²² *Id.* ¶ 441.



reserves its powers to address revenue allocation and rate design in the one-year budget examination.

The Energy Bureau must ensure in its review of the Proposed Consolidated FY24 Budget, that the funding allocation is appropriate to meet the needs of the multiple entities to which funding will be allocated for FY24. These entities include T&D Operator (LUMA), GenCo (Genera), HoldCo and two of PREPA's subsidiaries, PropertyCo and HydroCo.²³ The Energy Bureau will make this determination based upon its evaluation of the needs of each entity or operational component on a bottom-up basis, the prudence of the use of ratepayer's monies and compliance with public policy.

The allocation among LUMA, Genera, HoldCo and HydroCo was initially made by the P3 Authority, of which LUMA was notified on May 1, 2023.²⁴ On May 12, 2023, the P3 Authority notified LUMA of a Revised Budget Allocation Determination which identified additional funds for \$130MM, identified as "cash on hand" that could be allocated to the FY24 Budgets.²⁵ In the Consolidated Budget proposal LUMA provided to the Energy Bureau for review on May 16, 2023, LUMA used the Revised Allocation provided by the P3 Authority. Genera (GenCo), and PREPA (HoldCo and HydroCo), however, continue to assert that the allocation as determined by the P3 Authority and utilized by LUMA in development of the Proposed Consolidated FY24 Budget, do not meet their needs in the context of their responsibility to provide safe and reliable service to customers.

The Energy Bureau will ensure the delivery of safe and reliable service to customers at reasonable rates. In fulfilling this responsibility, the Energy Bureau may modify the budget allocation among the concerned entities to provide each with the allocation necessary to fulfill its responsibility and achieve necessary priorities, within the available base rates.

The Energy Bureau's review is based on the administrative record, which includes several ROIs, the production of budget development workpapers, a Technical Conference pursuant to which ROIs were issued from the Bench, a Public Hearing and the evaluation of Public Comments.

A. T&D Budget

1. Vegetation Management

In the Proposed Consolidated FY 24 Budget, LUMA describes its Vegetation management Program as being comprised of a Vegetation Reset Program, which would utilize Federal Funds and complement its previously established Vegetation Management program, funded through Operation and Maintenance funds. LUMA allocates \$179.8MM for FY24²⁶ and cites Q4 FY2027 as the timeframe for achievement of a remediated state.²⁷

The Energy Bureau issued a Resolution and Order²⁸ ("February 27 Resolution")²⁹ in which it emphasized the importance of effective Vegetation Management as the T&D

²³ See, June 6 Motion, Annex A, Response No. 63.

²⁴ May 16 Motion, p. 7.

²⁵ *Id.*, p. 8.

²⁶ Proposed Consolidated FY24 Budget, p. 213.






²⁷ *Id.*, p. 214.

²⁸ See, Resolution, *In re: Review of LUMA's initial Budget*, Case No.: NEPR-MI-2021-0004, February 27, 2023 (February 27 Resolution).

²⁹ See, Resolution, *In re: Review of LUMA's Initial Budget*, Case No.: NEPR-MI-2021-0004, February 27, 2023 (February 27 Resolution).



activity which would convey the strongest positive impact on system performance. To improve the Vegetation Management Program, the Energy Bureau ordered LUMA to:

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- a. for FY23, increase the Vegetation Management Program budget by \$2.5MM in Q4 from a corresponding reduction in the non-federally funded Enabling Improvement portfolio;
 - b. allocate a minimum of \$60MM to Vegetation Management in the FY2024 Budget;
 - c. submit in the FY24 Budget a funding plan that maximizes federal funding to clear all 230kV lines and reclaim the ROWs by Q4 FY24, with a detailed Timeline and Milestones;
 - d. submit in the FY24 Budget a funding plan to complete the Vegetation Management Remediation Phase by the First Half ("H1") of 2026 with a detailed Timeline and Milestones and its plans for obtaining and maximizing Federal Funding;
 - e. report Quarterly, beginning in Q3 FY23, the status of its efforts to obtain Federal Funding for Vegetation Clearing;
 - f. provide in the Vegetation Management Docket (Case No.: NEPR-MI-2019-0005) a corresponding detailed implementation plan to complete the Vegetation Management Remediation Phase by H1 2026 with a detailed Timeline and Milestones;
 - g. include in its Q3 FY23 and subsequent Quarterly Budget Reports, the status of expenditures for the Vegetation Management Program with a full explanation of variances;
 - h. report quarterly in the Vegetation Management Docket (Case No.: NEPR-MI-2019-0005) on the number of miles and acres cleared for each T&D voltage level.³⁰

In the Proposed Consolidated FY24 Budget, LUMA introduced "the first island-wide vegetation clearance reset in Puerto Rico history with federal funds."³¹ LUMA explained, that it applied for and received approval for a \$1.2 billion, multi-year, island wide Vegetation Re-set.³² In the June 9 Technical Conference, LUMA clarified that the Vegetation Re-set was a one-time Island wide clearing activity, which qualified for funding under Section 406 of the Public Assistance Program³³, and would complement its existing O&M funded Vegetation Management Program which addresses predominantly corrective and reactive Vegetation Management. The Vegetation Re-set would specifically clear non-compatible vegetation from T&D lines and substations. Once cleared, the O&M funded Vegetation management program would maintain Vegetation Management in accordance with industry standards.

LUMA stated that the Scope of Work (SOW) for the Vegetation Re-set is currently being developed and a Request for Proposals was issued which closes on June 30, 2023. LUMA indicates, the impact of the Vegetation Reset program will begin to be realized in the FY24 time frame budgeted at approximately \$125MM. In addition to the Federal Funding that will be allocated to the Vegetation Re-set, in its FY24 Budget proposal, LUMA allocates O&M Funds to Vegetation Management.³⁴ LUMA combines the O&M and Vegetation Re-set programs into Vegetation Management and Capital

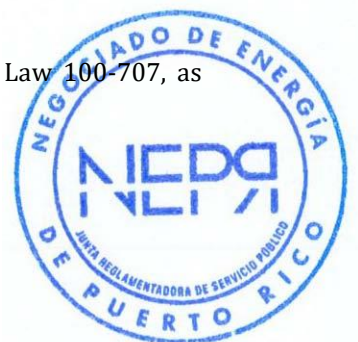
³⁰ February 27 Resolution, p. 13 of 33.

³¹ Proposed Consolidated FY24 Budget, p. 4.

³² *Id.*, p. 12.

³³ Robert T. Stafford Disaster Relief and Emergency Assistance Act. Section 406, Public Law 100-707, as amended.

³⁴ Proposed Consolidated FY24 Budget, Table 3.2, p. 40.



Clearing Implementation and allocates \$55MM in OpEx funding along with the \$125MM in Federal Funding for \$180MM.³⁵ In discussing the Program Funding & Timeline, LUMA more specifically cites \$179.8MM.³⁶ The timeline LUMA sets forth in its FY24 Budget proposal, including both the Federal Funded Vegetation Re-set and O&M Vegetation Management programs, reflects Q4 FY 2027 for a fully remediated state to be achieved.³⁷

The Energy Bureau recognizes LUMA's efforts to secure 406 Public Assistance Program funds for mitigation measures to directly reduce the potential for future outages and impaired electric service that will occur if vegetation is not systematically cleared. It is important to consider, however, that 406 Program Funding approval and rollout is dependent upon several factors that could lead to timeline changes or less than expected federal funding. LUMA cited the potential uncertainties that are associated with the process of obtaining federal funding in the Proposed Consolidated FY24 Budget.³⁸ The Energy Bureau expects LUMA to fully use its resources and those of Innovative Emergency Management, Inc. (IEM)³⁹ to expedite the Environmental and Historic Preservation evaluation process and to use its best efforts, to fully utilize during FY24, the full \$180MM in allocated FY24 Vegetation Management funds.

The Energy Bureau notes that for FY24 LUMA budgeted \$179.8MM for Vegetation Management and Capital Clearing Implementation.⁴⁰ This includes \$55MM in Operation and Maintenance funds and \$125MM in Federally Funded Capital.⁴¹ The Energy Bureau **DETERMINES** that the Operations and Maintenance budgeted amount for Vegetation Management shall be \$50MM with the additional funds that are required to reach the full 179.8MM to be added to the identified \$125MM in Federally Funded Capital from the 2% Reserve for Excess Expenditures, currently budgeted at \$15.737MM.⁴²

i. Compliance with the February 27 Resolution

a. Vegetation budget increase for FY 2023

To improve the Vegetation Management Program, the Energy Bureau ordered LUMA through the February 27 Resolution to for FY23, increase the Vegetation Management Program budget by \$2.5MM in Q4 from a corresponding reduction in the non-federally funded Enabling Improvement portfolio. LUMA asserts that, "LUMA has already increased vegetation clearing activities and spending with federally funded dollars in FY23 to exceed the additional order of \$2.5MM and will include an

³⁵ *Id.*, Table A-8, p. 205.

³⁶ *Id.*, Section 3.1, p. 213.

³⁷ *Id.*, Section 3.4, p. 214.

³⁸ *Id.*, p. 214, fn. 1.

³⁹ IEM is a component of the consortium ("Incorporated as LUMA Energy") selected for the management, operation, maintenance, restoration and replacement of the Puerto Rico power transmission and distribution system, with expertise that includes obtaining, managing and retaining federal funds.

⁴⁰ Proposed Consolidated FY24 Budget, p. 213.

⁴¹ *Id.*, p. 205, Table A-8.

⁴² *See, Id.*, Section 3 LUMA Schedules, Final Version.xlsx, Tab 3.5 – Imp Port – Total Capital.



increased budget for Q4 FY23 as ordered.⁴³ Thus, the Energy Bureau deems this requirement fulfilled.

b. Minimum vegetation budget in FY 2024

The Energy Bureau also ordered LUMA to allocate a minimum of \$60MM to Vegetation Management in the FY2024 Budget. LUMA asserts that the \$60MM is achieved through the combination of the vegetation management budget and from federal funding for the Capital Clearing Improvement Program.⁴⁴ The Energy Bureau deems this satisfactory.

c. Maximization of federal funding in FY 2024

The Energy Bureau ordered LUMA to submit a FY24 Budget funding plan that maximizes federal funding to clear all 230kV lines and reclaim the right-of-ways ("ROW") by Q4 FY24, with a detailed Timeline and Milestones. LUMA states that its timeline contemplates clearing all 230 kV lines by the end of FY24 as ordered.⁴⁵ The Energy Bureau deems this satisfactory. Notwithstanding the foregoing, the Energy Bureau **ORDERS** LUMA to provide comprehensive updates in its FY24 and subsequent Quarterly Reports on the status of: (i) funding, expenditures, and the progress of vegetation management work; (ii) the status of clearing the 230 kV lines.

d. Funding Plan with detailed timeline and milestones

The Energy Bureau required LUMA to submit in the FY24 Budget a funding plan to complete the Vegetation Management Remediation Phase by H1 2026 with a detailed Timeline and Milestones and its plans for obtaining and maximizing Federal Funding. The time frame that LUMA sets forth in its FY24 Budget proposal does not comply with the Energy Bureau ordered timeframe of Q4 FY26. The Energy Bureau finds this particularly perplexing in view of the additional Federal Funding that is being allocated in FY24 for \$125MM. For this, LUMA offers various explanations. In the June 9 Technical Conference, LUMA testified that but for the Federal Funding, the time frame would have been extended beyond the Q4 FY27 and that as experience is gained with the program, timelines can be more accurately established. In addition, in ROI Response: ROI-LUMA-MI-2012-0004-20230523-PREB-017, LUMA states that with the information it has available and considering the uncertain timing of federal funding, it is unable to achieve a remediated state before the Second Half ("H2") of FY27. LUMA asserts that due to physical and technical conditions, it is not realistically possible, despite additional funding, to achieve a fully remediated state in H1 FY26.

e. Detailed implementation plan

The Energy Bureau ordered LUMA to provide in the Vegetation Management Docket (NEPR-MI-2019-0005) a corresponding detailed implementation plan to complete the Vegetation Management Remediation Phase by H1 2026 with a detailed Timeline and Milestones.

The Vegetation Management Program set forth by LUMA in the Proposed Consolidated FY24 Budget does not comply with these requirements. Although LUMA filed a plan and timeline, the timeline does not reflect achievement completion of completion of the Vegetation Management Remediation Phase until Q4 FY 2027. The energy Bureau is still unclear as to why, even with the addition of Federal

⁴³ See, ROI Response: ROI-LUMA-MI-2012-0004-20230523-PREB-090, p. 12.

⁴⁴ See, ROI Response; ROI-LUMA-MI-2012-0004-20230523-PREB-018.

⁴⁵ See, ROI Response: ROI-LUMA-MI-2012-0004-20230523-PREB-017.



Funding, this timeline cannot be complied with. The Energy Bureau will pursue this issue in the Vegetation Management Docket.⁴⁶

f. Pursuing federal funding for vegetation management

The Energy Bureau ordered LUMA to report Quarterly, beginning in Q3 FY23, the status of its efforts to obtain Federal Funding for Vegetation Clearing. The required reporting on the status of LUMA's efforts to obtain federal funding for vegetation clearing is not evident in the Q3 FY23 Report.

g. Status of vegetation management expenditures

The Energy Bureau ordered LUMA to include in its Q3 FY23 and subsequent Quarterly Budget Reports, the status of expenditures for the Vegetation Management Program with a full explanation of variances. The Energy Bureau notes the brief explanation of the \$9.5 MM variance in Vegetation Management expenditures in the Q3 FY23 Report. The cursory explanation of the variance⁴⁷ is not adequate. The Energy Bureau **ORDERS** LUMA to provide the Q4 FY23 and subsequent Quarterly Reports a comprehensive explanation of variances in Vegetation Management expenditures.

h. Number of miles and acres cleared for each T&D voltage level

The Energy Bureau ordered LUMA to report quarterly in the Vegetation Management Docket (Case No.: NEPR-MI-2019-0005) on the number of miles and acres cleared for each T&D voltage level. The Energy Bureau notes the brief recitation of the number of miles and acres cleared in the Q3 FY23 Report. The cursory explanation, which only relates the results for the third quarter,⁴⁸ is not adequate. The Energy Bureau **ORDERS** LUMA to provide in the Q4 FY23 and subsequent Quarterly Reports, a comprehensive explanation of the miles and acres of vegetation cleared for each T&D voltage level for the year cumulatively, as well as for the applicable quarter.

The Energy Bureau **APPROVES** the Vegetation Management budget. To appropriately monitor LUMA's progress with its T&D vegetation management efforts, including both federally and non-federally funded activities, the Energy Bureau **ORDERS** LUMA to report monthly during FY24, and thereafter, on the status of obtaining and utilizing federal funds and on implementation of the Federally Funded and Operation and Maintenance Funded Vegetation Management program, using the DRAFT Templates form provided as **Attachment H**. The Energy Bureau **ORDERS** LUMA to provide comments on Attachment H, within fifteen (15) days of issuance of this Resolution and Order, for consideration by the Energy Bureau.

2. Customer Experience

For FY24, LUMA budgeted \$87.845MM for Customer Experience^[OBJ] (formerly Customer Service in the FY23 budgets). The Energy Bureau notes that in FY23, LUMA budgeted \$81.0MM for Customer Service, that is appropriate and in the public interest^[OBJ] and which was approved by the Energy Bureau.

The Energy Bureau limits the proposed increase in labor and non-labor/other operating expenses for Customer Experience. The Energy Bureau notes that in FY23, LUMA budgeted \$81.0MM for Customer Service, that it is appropriate and in the public interest^[OBJ] which was approved by the Energy Bureau. The Energy Bureau recognizes the improvement that LUMA has achieved in Customer Service and determines that additional expenditures in this area would be disproportionate to the need for further enhancement at this time. Rather than approving LUMA's requested

⁴⁶ See, Docket No. NEPR-MI-2019-0005.

⁴⁷ LUMA Q3 FY23 Report, NEPR-MI-2021-0004, pp. 14 & 25.

⁴⁸ LUMA Q3 FY23 Report, NEPR-MI-2019-0005, pp. 6-7.



increase in funding for Customer Experience, the Energy Bureau finds that it is appropriate and in the public interest, to limit LUMA's proposed funding for Customer Experience to the approved FY23 amount. This will enable increased emphasis on funding to be applied to areas with greater need.

The Energy Bureau, DETERMINES that the proposed increase in Labor and Non-Labor/Other Operating Expenses for Customer Experience will be limited to \$81.0MM, the amount budgeted and approved in FY 2023.

3. Support Services

The Energy Bureau takes a similar view regarding Support Services. LUMA proposed a budget of \$177.715MM for this Department in FY24, whereas in the FY23 Budget, \$158.016MM was budgeted and approved by the Energy Bureau for Support Services. The Energy Bureau finds this proposed increase to be excessive.

The Energy Bureau **DETERMINES** that the proposed increase in Support Services funding for FY24 **will be limited to \$170.015MM, an increase of nearly \$12MM over FY23 funding.**

The Energy Bureau notes, that in making these determinations, it is not prescribing from where, specifically from within the Customer Experience and Support Services Departments, the funds required to adjust the FY24 Budgets as the Energy Bureau requires, are to be allocated. The determination as to how funds should be allocated within those Departments is for LUMA to ascertain.

- a. Efforts to obtain the number of funded Full Time Equivalent ("FTE") Lineworkers budgeted FY23.

In the Proposed Consolidated FY24 Budgets, LUMA does not specifically address the number of Lineworkers that are proposed, or the number currently employed. LUMA does not specify the number of Lineworkers qualified to work on energized lines. Discussion of Lineworkers in the Proposed Consolidated FY24 Budgets is mainly with respect to the training they will receive.

In the February 27 Resolution, the Energy Bureau noted that Lineworkers are an integral part of the provision of electric service. They are essential for day-to-day operation of the electric system and to ensure prompt and effective system restoration after an emergency event and blue-sky outages. The Energy Bureau further recognized the difficulties related by LUMA in obtaining adequate levels of qualified line workers. The Energy Bureau differentiated those workers qualified to work on energized lines from line workers who are not so qualified.

The Energy Bureau **DETERMINES** that the increase in Operations Labor expense is consistent with the actual need to have an adequate number of qualified resources to effectively maintain and restore the T&D system, both during Blue Sky and Emergency Events.

The Energy Bureau ordered LUMA to include, in its Quarterly Budget Reports starting in Q3 FY23, its efforts to obtain the number of funded FTE Lineworkers budgeted FY23, with that number to include at least the FY23 budgeted number of FTE Lineworkers qualified to work on energized lines, the reasons for any variance, and a description of ongoing activities aimed at addressing any difficulties in obtaining those FTE Lineworkers; and to include the number of FTE Lineworkers qualified to work on energized lines as of the day of the Quarterly Budget Report.⁴⁹

⁴⁹ February 27 Resolution, p, 14.



Discussion of LUMA's compliance with these requirements follows:

i. Funded FTE Lineworkers

The Energy Bureau required LUMA to include in its Quarterly Budget Reports starting in Q3 FY23, its efforts to obtain the number of funded FTE Lineworkers budgeted for FY23. LUMA briefly describes its efforts to obtain qualified workers as recruiting internally, engaging recruiting firms and posting jobs worldwide and on LUMA's website.⁵⁰ The success of these efforts, or lack thereof, however, is not described, nor are efforts specific to obtain the number of funded FTE Lineworkers budgeted in FY23. The Energy Bureau **FINDS** this to be unacceptable.

ii. FY23 budgeted number of FTE Lineworkers qualified to work on energized lines

The Energy Bureau required LUMA to include at least the FY23 budgeted number of FTE Lineworkers qualified to work on energized lines. In its Q3 FY23 Report, LUMA provides the Actual Internal Labor FTE Count as of March 31, 2023, the end of Q3, and the Total FTE Count including Contracted Lineworkers as of March 31, 2023, identified by category. Of those numbers, LUMA identifies the categories of Lineworkers qualified to work on Energized lines.⁵¹ LUMA provides the total of FY23 Budget Internal Labor FTE Count and the Internal Labor FTE Count Variance as of March 31, 2023, however, the component categories of Lineworkers are not provided, precluding determination from the report of how the actual number of FTE Lineworkers qualified to work on energized lines compares with the FY23 budgeted number of Lineworkers qualified to work on Energized Lines.

The Energy Bureau, does, however, note the additional information on this subject in LUMA's ROI Responses,⁵² which provided additional clarity regarding the numbers of FY24 proposed Lineworkers as compared with actual numbers from FY23, including numbers of Lineworkers qualified to work on energized lines. The Energy Bureau **FINDS** that the numbers of both categories of Lineworkers budgeted for FY24 exceed actual FY23 numbers, as required by the February 27 Resolution, and deems this to be an adequate level of funding for FY24.

iii. Variance Justification

The Energy Bureau required LUMA to include the reasons for any variance. The Internal Labor FTE Count Variance as of March 31, 2023 is provided, however, only the total variance between FY23 Budget Internal labor FTE Count and Actual Internal labor FTE Count as of March 31, 2023 is provided. This makes it impossible to determine the variances allocable to the individual categories of Lineworkers and the variance allocable to Lineworkers qualified to work on energized lines. The reasons for variances are not provided. The Energy Bureau **FINDS** this to be unacceptable.

iv. Description of ongoing activities

The Energy Bureau required LUMA to include a description of ongoing activities aimed at addressing any difficulties in obtaining those FTE Lineworkers. Whether or not LUMA is experiencing any difficulties and ongoing efforts other than the recruiting efforts related previously, is not adequately described. The Energy Bureau **FINDS** this to be unacceptable.

v. Number of FTE Lineworkers qualified to work on energized lines as of the day of the Quarterly Budget Report

⁵⁰ See, LUMA FY23 Q3 Report, NEPR-MI-2023-0004, filed May 22, 2023 (LUMA FY23 Q3 Report), p. 14.

⁵¹ LUMA Q3 FY23 Report, p. 14.

⁵² See, Response: TC-RFI-LUMA-MI-2021-0004-20230609-PREB-0004.



The Energy Bureau required LUMA to include the number of FTE Lineworkers qualified to work on energized lines as of the day of the Quarterly Budget Report. The information provided by LUMA includes the number of FTE Lineworkers qualified to work on energized lines as of the day of the Quarterly Report.

LUMA response to this reporting requirement is acceptable. The Energy Bureau notes the cursory nature of the information provided in the LUMA FY23 Q3 Report with respect to the requirements related to Lineworkers staffing and those Lineworkers qualified to work on energized lines addressed in i. through v. above. Although much of the required information was obtained through the June 9, 2023 Technical Conference and ROI responses, it is necessary for full transparency and to facilitate review by the Energy Bureau, that required information is fully provided in the quarterly reports. The Energy Bureau **DETERMINES** that LUMA's response to this requirement is deficient. Although it appears from additional information provided, that the intent of the requirement was achieved, LUMA is **STERNLY WARNED** that it must fully comply with directives of the Energy Bureau with respect to reporting requirements.

4. FEMA's Fiona Mission Temporary Emergency Generation

On October 6, 2022, LUMA sent a letter to the Energy Bureau where it expressed grave concern in ensuring Resource Adequacy after the impact of Hurricane Fiona.⁵³ On October 7, 2023, the Energy Bureau scheduled a Technical Conference to discuss the Generation Inadequacy concerns exacerbated by Hurricane Fiona. During the Technical Conference LUMA demonstrated how the system operator had to rely on load shedding events to maintain system stability and prevent a total blackout.⁵⁴ Electric customers in Puerto Rico have grown accustomed to service interruptions, this should not be the case. Industry reliability standards establish that adequate supply should exist even under a contingency scenario. Equipment failures occur across all utilities; however, an equipment failure should not lead to a service interruption. Operations that rely on shedding customers to maintain stability under a contingency scenario are not considered secure. A day after LUMA presented the current post-Hurricane Fiona system conditions in the Technical Conference, on October 12, 2022, the Energy Bureau ordered LUMA to develop and submit a Generation Stabilization Plan,

“develop a stabilization plan, as a direct response to the effects of Hurricane Fiona, in coordination with the Federal Emergency Management Agency (“FEMA”) and the Puerto Rico Electric Power Authority (“PREPA”) to address any baseload generation inadequacy or shortfall that affects the dispatch availability and has the potential to cause load shedding or a blackout event of the electric system (“Stabilization Plan”).”⁵⁵

As system operator, LUMA is charged with assessing Resource Adequacy and identifying technically sound mitigation actions to reduce the risk of customer interruptions while the desired generation stabilization end-state is reached. LUMA identified and presented during the Technical Conference of October 11, 2022,

⁵³ See Letter dated October 6, 2022 from LUMA to the Energy Bureau, *In. Re. Luma's Response to Hurricane Fiona*, Case No. NEPR-MI-2022-0003; Available at: <https://energia.pr.gov/wp-content/uploads/sites/7/2022/10/2022-10-06-Generation-Inadequacy-Concerns.pdf> (Last verified June 20, 2023).

⁵⁴ See NEPR-MI-2022-0003, LUMA's October 11, 2022 Technical Conference presentation; Available at: <https://energia.pr.gov/wp-content/uploads/sites/7/2022/10/Motion-Submitting-Presentation-Offered-in-Technical-Conference-of-October-11-2022-NEPR-MI-2022-0003-1.pdf> (Last verified June 20, 2023).

⁵⁵ See October 12, 2022 Resolution and Order, NEPR-MI-2022-0003; Available at: <https://energia.pr.gov/wp-content/uploads/sites/7/2022/10/20221012-MI20220003-Resolution-and-Order.pdf> (Last verified June 20, 2023).



required mitigation actions that centered on the deployment of temporary emergency portable generation.⁵⁶

A core part of the Stabilization Plan includes the deployment of this temporary emergency generation to facilitate critical planned baseload outages to make the facilities more secure and stable and unlikely to change, fail, or decline. The end-state of the Stabilization Plan is achieved when the power system can maintain enough power and reserve to meet the needs of its customers in par with industry reliability standards. Given the criticality of the post-Hurricane Fiona state of the generation fleet, the Energy Bureau ordered LUMA to submit bimonthly updates describing the progress of the Generation Stabilization Plan. On November 15, 2022, LUMA updates included the announcement that:

“FEMA’s power stabilization initiative aims to install between 600 to 700MW of temporary emergency generation capacity through the mobilization of power generation maritime barges and temporary land-based generators”⁵⁷

LUMA’s June 1, 2023, update to the Energy Bureau specifies that 150MW and 200MW of temporary emergency capacity is slated for the Palo Seco and San Juan sites respectively. The Energy Bureau is concerned that the temporary emergency generation in the pipeline is lower from what was specified by LUMA to lower the expectation of having to rely on interrupting customers during peak demand periods while major baseload generators are out because of a planned outage consistent with the stabilization efforts and/or a forced outage while the stabilization efforts are underway. The temporary emergency generation, part of the federally supported Fiona mission, should not be viewed as a handout, but instead a core temporary capability that contributes to lowering the risk of having to resort to interrupting customers (load shedding) due to a lack of dependable reserves while Genera’s planned outages, scheduled to comprehensively repair existing generation are underway. This expectation is comparable with the level of service found in other jurisdictions that also benefit from FEMA’s public assistance.

The Energy Bureau **ORDERS** LUMA, on behalf of PREPA, to formally request from FEMA the temporary emergency generation capacity required to enable Genera to repair the generation fleet to (i) exhibit adequate reserve and frequency response capabilities, (ii) make the facilities more secure, stable and unlikely to change, fail, or decline, and (iii) considerably diminish the reliance on load shedding during the summer 2024. This request is to be informed by LUMA’s daily generation availability reports, the system forecast vs actuals, one-week system outlook, and the Risk and Scenario Analysis presented to the Energy Bureau as part of the Post-Fiona Generation Stabilization Plan. A copy of this request shall be filed with the Energy Bureau in the record of Case No.: NEPR-MI-2022-0002, *In Re LUMA Resource Adequacy Study*.

5. LUMA Efficiencies

The Energy Bureau has been concerned, since its review of LUMA’s Initial Budgets, regarding LUMA’s inadequate identification, implementation, and quantification of efficiencies. In the May 31 Resolution, the Energy Bureau set forth its expectations for certain specific efficiencies LUMA was to provide. These included, more efficient contracting of services, more effective revenue collection from past due bills,

⁵⁶ See NEPR-MI-2022-0003, LUMA’s October 11, 2022 Technical Conference presentation; Available at: <https://energia.pr.gov/wp-content/uploads/sites/7/2022/10/Motion-Submitting-Presentation-Offered-in-Technical-Conference-of-October-11-2022-NEPR-MI-2022-0003-1.pdf> (Last verified June 20, 2023).

⁵⁷ See *In re: LUMA’s Response to Hurricane Fiona*, Case No.: NEPR-MI-2022-0003, *Supplemental Submission*, filed by LUMA on November 15, 2022.



minimizing transmission line losses, reducing energy theft, addressing customers without meters or with malfunctioning meters, and making the electric infrastructure more efficient. LUMA stated that the related savings had not been quantified and would not be known immediately. The Energy Bureau accepted this explanation and ordered LUMA to report annually on implementing improved efficiencies and quantification of resulting savings.⁵⁸

In LUMA's FY 2022 Year End Report, LUMA stated that, "Efficiencies, cost avoidance and cost savings are embedded in LUMA's goals..."⁵⁹ LUMA addressed the six efficiencies and savings identified by the Energy Bureau in its May 31 Resolution. LUMA identified \$203MM in collection of past due bills and explained its continuing efforts. LUMA explained the efforts it was undertaking or planned to undertake in the listed areas, with no quantification of savings. LUMA also enumerated multiple additional efficiencies and avoided costs it asserted provide additional value to customers.⁶⁰

In the Proposed Consolidated FY24 Budget, LUMA addresses efficiencies it asserts it is achieving, and will achieve, however, no quantification is provided. LUMA addresses the Energy Bureau Order that it report annually on efficiencies and cost savings by stating that, "To produce the kind of detailed reporting required by the Energy Bureau, an external consultant is required. The activity is time-consuming, resource intensive and would require a multiyear data collection and analysis effort to prepare each annual Efficiencies and Cost Savings Report. As such, LUMA has not budgeted for this activity at this time."⁶¹

The Energy Bureau finds this level of attention to the identification, implementation and quantification of efficiencies to be unacceptable. Rather than the difficult and seemingly insurmountable burden as to which LUMA seems to treat the identification, implementation, and quantification of efficiencies, this should be viewed as an opportunity to achieve and quantify savings for customers and provide LUMA with identified savings with which to provide better services within budgetary constraints. With the passage of time, establishment of baselines against which efficiencies and savings can be assessed, becomes more difficult.

The Energy Bureau highlights LUMA's declarations from the Technical Conference⁶², in which it expressed difficulty in forecasting efficiencies in the budget and suggested the necessity to hire an external firm to conduct such studies.

LUMA testified in its previous reporting of projected efficiencies, as to its decision to remove that line item from the FY23 budget and on the lack of efficiency forecasting.⁶³ LUMA further testified that previous budget line items reporting efficiencies were merely a "mathematical plug" as a function of the difference between forecasted total revenue and total expected cost.⁶⁴ Previous year budgets were misrepresenting actual projected efficiencies, which in reality were not forecasted. LUMA testifies that

⁵⁸ See, May 31 Resolution, p. 31.

⁵⁹ See, FY 2022 Year End Report, p. 24.

⁶⁰ *Id.*, pp. 24–29.

⁶¹ See, Proposed FY24 Budgets, p. 50.

⁶² See *In re: LUMA's Initial Budget and Related Terms of Service*, Case No.: NEPR-MI-2021-0004, June 9, 2023 Virtual Technical Conference.

⁶³ *Id.* at 6:24:30-6:33:00.

⁶⁴ *Id.* at 6:26:47.



there will not be a line item in its budgets quantifying projected efficiencies, alluding to the need for expensive outside firms to assess potential savings.⁶⁵

In reviewing LUMA's claims, the Energy Bureau recognizes that financial planning may present challenges, particularly in terms of forecasting potential efficiencies. However, forecasting efficiencies and savings is an essential part of the Energy Bureau's requirement for annual budgeting and cost recovery. This aids in the Energy Bureau's ongoing mission to ensure fair pricing for consumers, balanced against the necessary and reasonable expenses of utility providers.

While establishing a baseline may require an in-depth study, it is a fundamental part of an effective forecasting system and should be within the remit of LUMA's financial planning team. LUMA is instructed to forecast efficiencies across all areas of its operations and budget, and to not limit this forecasting to select segments. The Energy Bureau stresses this forecasting process should be viewed as a continuing activity.

The Energy Bureau **ORDERS** LUMA to continuously assess its performance against its forecasted efficiencies, highlighting both successes and areas needing improvement. This will not only support continuous learning and improvement by LUMA but will also provide valuable data for refining future forecasts.

The Energy Bureau **ORDERS** LUMA to submit its efficiency forecasting methodology and projections for the upcoming fiscal year within thirty (30) days from the date of issuance of this order. This report should detail how LUMA has projected potential efficiencies and savings across its operations and should include the process for ongoing performance assessments against these forecasts.

The Energy Bureau **ORDERS** LUMA to develop a comprehensive plan for the development, implementation and quantification of efficiencies and savings, including but not limited to those identified in the May 31 Resolution, for evaluation in the upcoming Rate Case.

6. Emergency Response Plan

In the February 27 Resolution, among the Energy Bureau orders was for LUMA to implement the Outage Management System (OMS) and provide more granular Estimated Times of Restoration, in conformance with the Emergency Response Plan. The Energy Bureau noted that LUMA's response to Hurricane Fiona did not conform with the ERP regarding providing granular ETRs and other reporting requirements.⁶⁶ In addition, LUMA noted that during Hurricane Fiona, it switched off the OMS for more manually intensive processes.⁶⁷ In addition, the Energy Bureau ordered LUMA to enable customers to contact customer service representatives during an emergency event for non-emergency related matters, even if at reduced levels of service.

LUMA asserts in the Proposed Consolidated FY24 Budget that the OMS is implemented but will continue to improve. LUMA states that for it to provide more granular ETRs, the connectivity model needs to be improved. LUMA contends that funding to improve the connectivity model would need to come from the Operating Budget as the funding could not be associated with a Federally Funded project. LUMA states it will continue to pursue asset assessments in line with the implementation of Federally Funded projects. The requirement for consumer contact of Customer

⁶⁵ *Id.* at 6:27:11, 6:31:33.

⁶⁶ February 27 Resolution, p. 24 of 33.

⁶⁷ See, LUMA ROI response RFI-LUMA-MI-2022-0003-20221118-PREB-E001.



Service representatives was apparently not discussed in the FY24 Budgets. LUMA asserts these and other Energy Bureau requirements would be addressed in the upcoming Rate Case.

LUMA has afforded the requirement regarding the ERP, lower priority than directed by the Energy Bureau. The Emergency Response Portfolio alludes to improving GIS data and enhancing the capabilities of the OMS to improve LUMA's responses to emergency related outages, however, the only time frame set forth is in the IT OT Asset Management⁶⁸ Portfolio where it is asserted this activity will be a focus for FY24 Activities. The Energy Bureau expects full conformance by LUMA with its Emergency Response Plan, supported by a fully implemented and functioning OMS, capable of achieving the full capabilities of the version implemented.

The Energy Bureau **ORDERS** LUMA to report in its FY24 Quarterly Reports on its progress in transforming the OMS to full functionality.

The Energy Bureau notes the explanation provided at the June 9 Technical Conference regarding staging a third-party vendor to provide that service. Full details, however, were not provided.

The Energy Bureau **ORDERS** LUMA to report in its FY24 Quarterly Reports on its progress in achieving the ability of customers to contact a Customer Representative relative to non-emergency issues, during an emergency, even if at reduced levels of service.

7. Non-Federally Funded Capital Expenditure

LUMA proposes Non-Federally Funded Capital Budget funding of \$91MM, as compared with the proposed Non-Federally Funded Capital funding proposed and approved for \$80MM for FY23. There is little discussion in the Proposed Consolidated FY24 Budgets to justify this requested increase. It was, however, explained in the June 9 Technical Conference that LUMA is able to predict the Non-Federally Funded capital budgetary needs more accurately due to upgraded financial systems that enable LUMA to more accurately track expenses. In addition, LUMA discusses specific justifications for increasing the proposed Non-Federally Funded Capital Budget in its ROI Responses.⁶⁹ The Energy Bureau notes that in FY22, the approved Non-Federally Funded Capital budget was \$77.3MM and Actual Spending was \$97.8MM. The Energy Bureau expects that LUMA's proposed FY24 Non-Federally Funded Capital Budget will more accurately reflect its Non-Federally Funded Capital expenditures.

B. GenCo Budget

1. Thermal Generation Facilities Maintenance/Repair

Genera identified over 40 high and medium priority NME projects which were not included in its revision to the PREPA proposed FY 24 GenCo Budget. The Genera Revised total for these high and medium priority NME projects is \$49,234,136.00. Given the condition of the Generation Fleet, it is prudent to maximize the use and leverage the benefit of the emergency temporary generation provided by FEMA. The Energy Bureau will increase the NME budget in that amount to facilitate the operation and maintenance of the generation fleet and, thereby, benefit customers through more reliable electric service.

⁶⁸ Proposed FY24 Budgets, p. 299.

⁶⁹ See, LUMA Response: ROI-LUMA-MI-2021-0004-20230523-PREB-008.



The NME budgets address immediate and mid-term repairs for the power plants, considering the priority based on the needs, the faulty equipment, and the potential failure of major equipment.

The Energy Bureau is aware, that extra capacity in the form of temporary emergency generation provided under a Generation Stabilization Mission provided by FEMA to address the impact caused by Hurricane Fiona, will enable planned generation outages for NME to be scheduled and implemented by lowering the risk of service interruption in case of a contingency event. This extra capacity is provided on a temporary basis and the Energy Bureau wants to make sure Genera has adequate funding to perform comprehensive maintenance and repairs during this window of opportunity. The goal is to increase the dependability of the baseload units and address current capacity limitations to reduce reliance on load shedding events currently required to maintain system stability. Increasing the dependability of baseload units will result in a reduction in the number of forced outages. The forced outages plaguing the generation fleet are a major reason driving the need for 700+MVA of reserves to ensure that the system is operated in a secure fashion.

Identified⁷⁰ current conditions that jeopardize the generation of the electric system and require high-priority attention include the following:

- i. Hydrogen leak in the Generator (Unit 6, Costa Sur Power Plant).
- ii. Turbine HP / IP / LP rotors exceed operational hours and it's showing significant vibrations (Units 5 and 6, Costa Sur Power Plant).
- iii. HP and IP rotors have exceeded the established manufacturers' run time for major inspections. LP rotors need overhauling (Unit 2, Aguirre Power Plant).
- iv. Condenser Circulating water pumps - operation with a deficiency of pumps that limit the capacity of the plant and with a high potential to have a sudden shutdown of the entire plant (Aguirre and Costa Sur Power Plants).
- vi. Boiler chemical washing / Boiler water-walls in critical conditions, (Unit 2, Aguirre Power Plant).
- vii. Replacement of battery banks / critical conditions (Unit 1 and 2, Aguirre Power Plant / Unit 6, San Juan combined cycle and Units 7 – 10, San Juan Steam Plant / Unit 3, Palo Seco).
- viii. Spare Parts has low inventory to support major repairs.

The critical conditions listed above place the baseload generation system at an increased high risk of a cascading failure that could cause a total blackout. A part of the issues identified above may also pose safety risks that need to be addressed quickly to prevent potentially severe failures that could result in significant unscheduled downtime.

Resource Adequacy deficits must be addressed immediately with an action plan that has aggressive maintenance schedules to reduce this risk.

The goal of the NME activities in FY24 include the completion of critical repairs and maintenance to **make the facilities secure and unlikely to change, fail, or decline**. The Desired-End-State is to stabilize the generation fleet by ensuring the power system's ability to maintain enough power and reserve to meet the needs of its customers.

The Energy Bureau **DETERMINES** that for FY24, due to the availability of temporary emergency generation which will enable planned generation outages for critical NME to occur, the NME budgets shall be increased to \$134.075MM.

⁷⁰ See, Genera filed 20230615-GPR-PREB-Bench-ROI-06-09-3.xlsx.



a. Maintenance Reporting Requirements

The Energy Bureau is imposing stringent reporting requirements to ensure that the approved repair work is on schedule and leverages the capacity enabled by the temporary emergency generation.

The Energy Bureau **ORDERS** Genera to:

- i. In coordination with LUMA, file a revised maintenance schedule that reflects the approved NME budget increase **within ten (10) calendar days of the date of issuance of this Resolution and Order**. The maintenance schedule shall prioritize critical activities, i.e., those activities that address safety issues, and consider an ultimate capacity of 750MVA⁷¹ in temporary emergency generation through the end of calendar year 2024.
- ii. Using the model template in Attachment J using the Aguirre Power Plant as an example, submit monthly reports that show the status of the repairs and maintenance activities planned and underway – Genera may propose modifications to the Reporting Template in Attachment J, however the first monthly report is due on August 1, 2023.

b. Spare Parts Budgets

At the June 9 Technical Conference, Genera indicated that a key element preventing improved availability and Resource Adequacy contributions surrounding the legacy thermal generation plants centers on lack of spare parts inventory to facilitate repairs and performance improvements. Rather than replacing worn out equipment and plant components, Genera indicated that stopgap repairs are often made due to unavailability or long-lead times required to procure replacement parts and due to ongoing NME budget limitations. To address these concerns, the Energy Bureau **ORDERS** Genera to develop a list of needed spare parts not currently in inventory or not included in the approved FY24 GenCo budget as stated in this Resolution and Order, and to develop estimated budget and procurement targets and timelines for establishing a spare parts inventory that will improve overall availability and performance of the legacy thermal generators. This list shall be provided to the Energy Bureau within thirty (30) days of the date of issuance this Resolution and Order, and Genera is further **ORDERED** to address needed spare parts inventory in the upcoming rate case filing.

The Energy Bureau **ORDERS** Genera to address in the upcoming Rate Case, all of the Energy Bureau Orders that have not been fully complied with, in addition to all matters that are necessary to properly establish prospective rates.

2. *Labor Operating Expenses*

The labor operating expenses proposed by Genera, contemplated as a starting point, the number of positions assigned by PREPA to the Generation Directorate, 952 positions.⁷² At that time pension benefits were calculates at 60% of salary and wages. Genera originally calculated the labor operating expenses at \$84.8 MM; this amount

⁷¹ To date FEMA has committed to 350 MW.

⁷² See Genera PR filed 20230615-GPR-PREB-Bench-ROI-06-09-3.xlsx, Tab Roster.



was later reduced to \$81.5 MM⁷³ and ultimately reduced to \$79.5 MM.⁷⁴ The Energy Bureau experienced the transition of the T&D system functions to a private operator. During a transition it is expected that the number of hires will increase gradually. In June 2021 LUMA actual head count was 2,552; this increased to 3,428 in June 2022, and in March 2023 stood at 4,099.⁷⁵ The current head count at Genera is significantly less than the 952 positions used as a starting point to develop the labor operating expenses⁷⁶. The Energy Bureau **DETERMINES** that in order to reflect the actual labor operating expenses, taking into consideration the lower number of employees when compared to the number of positions used in Genera's labor analysis, the labor operating expenses shall be reduced in FY24 to \$55.025 MM. Genera is **ORDERED** to ensure the legacy generation plants are adequately staffed to ensure reliable and efficient operations and to promptly report to the Energy Bureau if there are any staffing shortages or difficulties in maintaining adequate personnel to staff the plants. Genera should consider maintaining in-house those critical positions related to Operations, Chemical and Environmental Laboratories and potentially outsourcing some of the mechanic workshop functions.

The Energy Bureau **ORDERS** Genera to submit, within thirty (30) calendar days of the issuance date of this Resolution and Order, (i) the work structure (shift composition) and philosophy related to the operations of the boilers, turbines, and generators at each power plant operated by Genera; and (ii) work structure and philosophy related to maintenance work that include plans to outsource the general mechanic shops at the Costa Sur and San Juan Power Plant.

3. *Operation and Maintenance of the Bonus Facility in Rincón (Bonus Facility)*⁷⁷

The Energy Bureau recognizes the unique status of the BONUS Facility, a decommissioned reactor site owned and maintained by PREPA and used as a museum.⁷⁸ The BONUS Facility makes no contribution to the safe and reliable operation of the electric system.⁷⁹ The Energy Bureau acknowledges the ongoing safety and security needs of the facility, including periodic monitoring of the radioactive materials remaining at the BONUS Facility site under the custody of the United States Department of Energy (DOE). For the FY24, HoldCo submitted an NME

⁷³ See GPR-PREB ROI 2-05-23 #54.

⁷⁴ See Genera PR filed 20230615-GPR-PREB-Bench-ROI-06-09-3.xlsx, Tab Roster.

⁷⁵ See Submission of Performance Metrics Report for January through March 2023 and in Compliance with Orders of January 12, 2023, and April 3, 2023.

⁷⁶ See June 9 Technical Conference: 4:20:00 to 4:21:48, where Genera PR indicated it has 520 accepted positions, which includes 280 positions in critical roles, with active efforts to recruit an additional 37 employees in critical roles.

⁷⁷ For additional details, see Bonus Facility in Rincon discussion in HoldCo section below.

⁷⁸ See, *Fact Sheet, BONUS, Puerto Rico, Decommissioned Reactor Site*, Legacy Management, US Department of Energy, (May 2020) Available at: <https://www.energy.gov/sites/prod/files/2020/05/f74/BONUSFactSheet.pdf> (Last verified June 20, 2023).

⁷⁹ REFER to ROI PREPA Response filed June 21, 2023.



budget of \$1,200,000,⁸⁰ a security budget \$527,548.15,⁸¹ and a weeding budget of \$43,000⁸² for the BONUS Facility.

The Energy Bureau is unable to justify the requested \$527,548.15 to contract Genesis Security Services, Inc. for patrolling a site that features adequate containment of decaying radioactive material and robust perimeter protection.

However, in the interests of operational efficiency and cost reduction, the Energy Bureau is interested in reassessing the current operational and maintenance structure of the BONUS Facility. Given Genera's prospective responsibility for the operation and maintenance of legacy generation plants, it may be beneficial to consider transferring operational and maintenance duties of BONUS Facility to Genera. Consequently, the Energy Bureau hereby **ORDERS** Genera to initiate discussions with HoldCo to explore this potential transfer of operational and maintenance responsibilities. These discussions should thoroughly evaluate the feasibility of such a transfer noting that a third party, not PREPA, performs annual radiological monitoring and inspections of the facility.⁸³

As part of this process, the Energy Bureau **ORDERS** PREPA to provide detailed information on the current operational and maintenance tasks it is performing on BONUS Facility, including a detailed list of all associated costs to operate this site as a museum and maintain as per the agreement with the US Department of Energy ("DOE"). This data will aid in a comprehensive evaluation of the efficiency gains and potential cost savings that could be realized from the proposed transfer.

The Energy Bureau **ORDERS** Genera to, within sixty (60) calendar days from the date of the issuance of this Resolution and Order, submit a report specifying the outcome of these discussions. This report should include a detailed proposal for how Genera would operate and maintain the BONUS Facility if the transfer is deemed feasible and in the public interest. The report is to include a projected yearly budget for such operations and maintenance as well as any existing or potential revenues associated with the operations museum.

4. Shared Services

LUMA has projected a budget of \$69MM for Shared Services it will provide to PREPA and Genera under terms of the OMA. As discussed at the June 9 Technical Conference, the current Shared Services Agreement is set to expire 6 months following Genera assuming operations of the legacy generation assets. At the June 9 Technical Conference, LUMA indicated the \$69MM Shared Service budget is an estimate of such costs across the full FY 2024, and that upon expiration of the Shared Services Agreement, cost components such as property insurance policies will be allocated and/or assigned between T&D, GenCo, HoldCo and HydroCo business units and operations.

⁸⁰ See File 20230614-PREPA-HoldCo-FY24-Budget-2023.06.14.xlsx, Tab NME; Available at: <https://energia.pr.gov/wp-content/uploads/sites/7/2023/06/20230614-PREPA-HoldCo-FY24-Budget-2023.06.14.xlsx> (Last verified June 20, 2023).

⁸¹ See File 20230614-PREPA-HoldCo-FY24-Budget-2023.06.14, Tab Corp Resp_627; Available at: <https://energia.pr.gov/wp-content/uploads/sites/7/2023/06/20230614-PREPA-HoldCo-FY24-Budget-2023.06.14.xlsx> (Last verified June 20, 2023).

⁸² See Filed 20230614-PREPA-HoldCo-FY24-Budget-2023.06.14.xlsx, Tab Corp Resp_630; Available at: <https://energia.pr.gov/wp-content/uploads/sites/7/2023/06/20230614-PREPA-HoldCo-FY24-Budget-2023.06.14.xlsx> (Last verified June 20, 2023).

⁸³ Plan para la vigilancia y mantenimiento a largo plazo de la Planta Nuclear Decomisada con Reactor de Agua Hirviente Sobrecalentada (BONUS) Rincón, Puerto Rico, August 2016, Legacy Management, US DOE; https://lmpublicsearch.lm.doe.gov/lmsites/5088-ltsp_spanish.pdf.



In its initially proposed Genco budget, Genera listed Shared Services Impact of \$53.96MM, compared to Table 1-3 of LUMA's Proposed Consolidated FY24 Budget which listed \$69MM in Shared Services costs. PREPA's proposed HoldCo and HydroCo budgets included no line items for Shared Services costs allocated to those business units.

At the June 9 Technical Conference, Genera stated it was revisiting its Shared Services cost estimate and indicated that it believed an allocation of Shared Services costs between Genera and PREPA should follow its proposed GenCo budget allocation of assigning 95.4 percent of such costs to GenCo and remaining 4.6% of such costs to HoldCo/HydroCo.

In its response to ROIs issued by the Energy Bureau as a Bench Order during the June 9 Technical Conference, Genera revised its Shared Services cost allocation to \$65.826MM, consistent with the 95.4% cost allocation discussed during the Technical Conference.⁸⁴ In its budget determinations for HoldCo and HydroCo discussed below, the Energy Bureau allocates 4.6 percent of remaining Shared Services costs to HoldCo and HydroCo.

Noting that the Shared Services budget was proposed through its expected expiration date, the Energy Bureau **DETERMINES** that the LUMA Shared Services labor costs shall be reduced by \$2MM, for a total Shared Services budget of \$67MM, and be reflected as an adjustment to the Shared Services in Genera budgets. This effectively reduces Genera's Shared Services cost burden by \$2MM.

5. Service Fee and Potential Incentive Payments

The Energy Bureau views as a good practice the inclusion of the potential maximum incentive payment⁸⁵ to Genera in the budget the Energy Bureau is approving for FY24. The Energy Bureau notes that Genera may not achieve this maximum budgeted incentive in FY24, as the incentives may be achieved fully or may even become penalties. The Energy Bureau also notes that incentive payment will be initially payable in FY25, however, because the nature of the incentive payment is different from the service fee, it should be budgeted differently. The service fee, which contractually amounts to \$22.5 MM annually,⁸⁶ is spread out over 12 months. As contrasted with the service fee, any incentive payment is made as a lump sum that if not adequately budgeted beforehand, could have a detrimental impact on the cash flow of the utility when payable as a lump sum.

C. HoldCo Budget

It is essential that in PREPA's establishment of subsidiaries HoldCo and HydroCo, and development of their budgets, those entities be "rightsized" to reflect the decreased levels of responsibility each has, in view of the assumption of responsibilities by LUMA and Genera for T&D and Generation respectively.

⁸⁴ See, 20230615-GPR-PREB-Bench-ROI-06-09-3.xlsx, Shared Services worksheet.

⁸⁵ Maximum incentive payment other than shared savings (shared savings can be generated through fuel savings and operation cost efficiencies) is \$30.04 MM/annually – see Annex II, Thermal Generation Facilities Operation and Maintenance Agreement, Available at: <https://www.p3.pr.gov/wp-content/uploads/2023/01/230124-LGA-OM-Agreement.pdf> (Last verified June 23, 2023).

⁸⁶ See Section 7.1, Thermal Generation Facilities Operation and Maintenance Agreement, Available at: <https://www.p3.pr.gov/wp-content/uploads/2023/01/230124-LGA-OM-Agreement.pdf> (Last verified June 23, 2023).



1. *HoldCo (including PropertyCo)*

a. Personnel

In explaining the specific responsibilities of HoldCo, PREPA cites the Puerto Rico Public Policy Act (Act 17-2019) as establishing PREPA's transformation and mandating the unbundling of T&D and generation into separate and distinct entities, which will operate under HoldCo.⁸⁷

PREPA asserts that it will maintain fiduciary right and obligations and continue to have the structure to support the administrative functions of each subsidiary.⁸⁸ The responsibilities PREPA cites include legacy environmental compliance and reporting activities; occupational health and safety compliance; pension fund management and oversight and operation of hydro/irrigation assets, among others. PREPA states that as its transformation continues, some activities may be discontinued due to changes in legal requirements, transferred to other governmental entities or permanently outsourced to private companies.⁸⁹ PREPA also cites the Puerto Rico PREPA-Genco-HydroCo Operating Agreement ("PGHOA")⁹⁰ as applicable to the parties' budgets.⁹¹

The Energy Bureau asked PREPA to explain the responsibilities that it would retain, in view of the extensive reorganization and associated diminution of responsibilities that is currently underway. PREPA did not provide a comprehensive explanation and full justification of its remaining responsibilities and for the numbers of employees, necessary Professional Services Contracts and other expenses it sought to include in the FY24 Budget. This required the Energy Bureau to search various sources to obtain the information necessary for it to reach its decision on appropriate budgets, based on among other things, consideration of PREPA's remaining responsibilities.⁹² Although PREPA provided more current information in its response to Bench Orders issued in the June 9 Technical Conference,⁹³ full explanation and justification was not provided.

PREPA provided an employee count for HoldCo of 86 employees including 35 in Pension Administration Capacity. To determine the appropriate employee count, the Energy Bureau evaluated the remaining responsibilities of HoldCo with regard to the number of employees assigned to each category of responsibility as indicated by PREPA.⁹⁴ In considering the appropriate number of employees to enable PREPA to fulfill its remaining responsibilities, the Energy Bureau notes that the Generation OMA provision at Section 6.4 requires Owner, from and after the Service Commencement Date and at all times during the term, to maintain staffing levels in connection with the O&M Services only at those levels strictly

⁸⁷ See, ANNEX A, PREPA's Responses to PREB's Second Request of Information, Response No. 63.

⁸⁸ See, June 6 Motion, Response 63.

⁸⁹ *Id.*

⁹⁰ PREPA GENCO, LLC, PREPA HYDROCO, LLC, LUMA ENERGY SERVCO, LLC and the PUERTO RICO PUBLIC-PRIVATE PARTNERSHIPS AUTHORITY entered into the PGHOA to coordinate matters concerning Legacy Generation Assets, Hydropower assets and T&D System assets.

⁹¹ *Id.*

⁹² See, June 6 Motion.

⁹³ See, June 14 Motion, PREPA Proposed FY24 HoldCo Budget, June 14, 2023, filed June 14, 2023.

⁹⁴ See, ROI Response: 20230614 PREPA HoldCo FY24 Budget (2023.06.14) FY24 Roster Tab.



necessary for Owner to timely and efficiently maintain its responsibilities under this agreement.

The Energy Bureau notes that a similar provision was included in the Long Island Power Authority (LIPA) Reform Act, Section 7 subdivision (c) pursuant to which LIPA staffing would be kept “at levels only necessary to ensure that the Authority is able to meet obligations with respect to its bonds and notes and all applicable statutes and contracts and oversee the activities of the service provider.” LIPA, similar to PREPA, has contracted the operations and maintenance to a private operator, the Public Service Electric & Gas Company (PSEG). The New York Department of Public Service (analogous to the Energy Bureau) provides oversight to implementing the LIPA-PSEG Operations Services Agreement (OSA), where PSEG LI took over operation and maintenance of LIPA’s electric system, similar to the takeover of LUMA over the operation and maintenance of PREPA’s electric system, and on January 1, 2014 became responsible for LIPA’s day-to-day operations, including: budgeting, maintenance, storm preparedness and response, infrastructure improvements, and energy efficiency and renewable activities. The development of the T&D OMA between PREPA and LUMA was modeled after the OSA between LIPA and PSEG. The Amended and Restated OSA (A&R OSA), the Agreement pursuant to which LIPA as Owner contracted with Service Provider to provide T&D Operations services, provided that LIPA would keep its ratemaking authority and manage its financial, debt, payments in lieu of taxes (PILOTs), tax and legal operations, provide support to the LIPA Board’s functions and responsibilities and manage LIPA’s contractual obligations.

LIPA’s response to this requirement is instructive. LIPA reported 100 full and part time general and administrative employees in FY 2014, of which 69% were reported to be in a management role. Under the LIPA Reform Act, LIPA reduced the number of employees to 40 full and part time general and administrative positions, of which 60% were in a management position.⁹⁵ LIPA’s responsibilities included continued oversight of the Service Provider and its performance under the A&R OSA, final ratemaking authority and responsibility to finance LIPA’s legacy debt. These responsibilities are borne in Puerto Rico by the P3 Authority, the Energy Bureau, and other governmental entities, thereby, further reducing PREPA’s need for employees and Professional Services Contracts going forward in FY24 and thereafter. The A&R OSA specified additional rights and responsibilities of LIPA.⁹⁶

In 2021, LIPA and PSEG LI entered into a Second Amended and Restated OSA (Second A&R OSA). The Second A&R OSA addresses reforms, required to address PSEG LI’s deficient performance during and after Tropical Storm Isaias, which significantly increased LIPA oversight of PSEG LI and PSEG LI’s accountability. The significant increase in LIPA’s oversight responsibilities required an increase in LIPA staffing.⁹⁷ PREPA does not have analogous oversight responsibilities and, notwithstanding, the staffing PREPA proposes exceeds that of LIPA. In addition,

⁹⁵ See, Long Island Power Authority by the Numbers, a Public Authority in Transition, July 2015, Prepared by the Office of the New York State Comptroller, p. 8.

⁹⁶ See, Amended and Restated Operations Services Agreement between Long Island Lighting Company d/b/a/LIPA and PSEG Long Island LLC, Dated as of December 31, 2013.

⁹⁷ See, Public Authorities Reporting Information System, Annual Report for Long Island Power Authority, Fiscal Year Ending 21/31/21.



LIPA's Board of Trustees do not receive a salary for their services,⁹⁸ whereas, PREPA's Board of Directors receives a salary and benefits.⁹⁹

HoldCo as opposed to LIPA, has no T&D oversight responsibilities, the same can be said for power supply/wholesale markets responsibilities, debt refinancing responsibilities, and customer experience oversight responsibilities.

The LIPA labor figures in accordance with the LIPA Reform Act directive stand in stark contrast with those of PREPA for HoldCo, which maintains a total of 86 employees, budgeted at proposed Total Labor Operating Expenses of \$9.598 m.¹⁰⁰ The Energy Bureau considered in its review and determination, the appropriate employee count, the appropriate professional services contracts and the appropriate treatment of properties owned and maintained by PREPA through HoldCo. The Energy Bureau determines that PREPA's HoldCo employees should be reduced with the budget allocation reduced accordingly.

b. Non-Labor Operating Expenses

The Energy Bureau has also reviewed PREPA's proposed budget for Non-Labor Operating Expenses. PREPA is requesting \$41.071 MM for these expenses. Most of the purported expenses are allocated to fund capabilities either part of the services being rendered by the T&D Operator, LUMA, or scheduled to be rendered by the Generation Operator, Genera. Proposed budgets to fund contracts with suppliers that focus on the development of Integrated Resource Planning (IRP) are not needed, as the development of the IRP is now LUMA's responsibility. Contracts with suppliers that offer database capabilities to back up data from the generation plant control centers duplicate efforts slated to be the responsibility of the Generation Operator. The majority of the environmental services are now under the purview of the private operators, this includes Environmental and Historic Preservation work which is a component of the FEMA funding process. Execution of quarterly and annual stack emissions testing is slated to be Genera responsibility. The requested regulatory and legal budget amounts are not justified noting that LUMA and Genera function as an agent of PREPA and representative of PREPA before the Energy Bureau, any Governmental Body and any other similar industry or regulatory institutions or organizations having regulatory jurisdiction.

The Energy Bureau **DETERMINES** that Non-Labor Operating Expenses for HoldCo (PropertyCo is included in HoldCo budget) during FY24, as adjusted, amount to \$11.772 MM. This amount includes a \$7.95MM budget for Retiree Medical Benefits that may be reduced in accordance with the PREPA Plan of Adjustment. The Energy Bureau will evaluate the appropriateness of including Retiree Medical Benefits as part of the proposed utility budgets if included in the forthcoming rate revision petition.

c. NME (Necessary Maintenance Expenses)

PREPA is requesting \$2.698MM for HoldCo NME. This amount includes \$1.2MM for the BONUS Facility. As discussed in section B (2) of this Resolution and Order, the remaining radioactive material at the BONUS Facility site is under the custody

⁹⁸ See, NYS Public Authorities Law, Chapter 43-A, Article 5, Title 1-A, Section 1020-d.

⁹⁹ See, File 20230614-PREPA=HoldCo-FY24-Budget-2023.06.14.xlsx, Tab Roster; Available at: <https://energia.pr.gov/wp-content/uploads/sites/7/2023/06/20230614-PREPA-HoldCo-FY24-Budget-2023.06.14.xlsx> (Last verified June 20, 2023).

¹⁰⁰ June 9, 2023 Technical Conference ROI Response, PREPA HoldCo FY23 Budget (2013.06.14) [9819], FY24_HoldCoTab.



of the U. S. Department of Energy (“DOE”). Genera will provide a proposal of what cost savings may result from its assumption of the operation and maintenance of the BONUS Facility site (Museum and Containment of Decaying Residual Radioactive Material). Annual radiological surveys should not be as high as \$1.2 MM, and work associated with damages pertaining to hurricanes Irma, Maria, and Fiona¹⁰¹ should employ funds obligated through available federal public assistance grants. PREPA also includes a request for \$1MM for Facilities Maintenance for the Bonus Facility. In addition, PREPA requested budgets for Maintenance activities under Equipment, Inspections, Repairs & Other O&M.¹⁰² It is also noted that LUMA and Genera have assumed or will assume most of the building maintenance for PREPA.

d. PREPA Owned and Maintained Properties

PREPA lists 82 properties for which a budget is being requested, for both their maintenance and operation, as well as for improvements, however, adequate justification for owning or maintaining these properties and any benefit derived from owning these properties, in view of the reductions in PREPA's responsibilities, is not provided.¹⁰³

The Energy Bureau **ORDERS PREPA**, within ninety (90) days after the issuance of this Resolution and Order, to prepare and file a detailed plan for the divestment of the 82 properties listed in PREPA June 21 Motion, Response to ROI 4. The plan shall contemplate the divestment's compliance with all applicable laws and regulations.

2. *HydroCo*

HydroCo was created to own and operate legacy hydroelectric operation and public irrigation assets. Within the last month, PREPA has submitted three proposed budgets for HydroCo, with the latest submitted through *Motion to Submit the Puerto Rico Electric Power Authority's Updated Employee Roster in Compliance with the June 9 2023 Bench Order (June 9th Motion)* on June 14, 2023, three (3) business days after the Technical Conference¹⁰⁴. None of the three HydroCo budgets submitted by PREPA have followed the budget allocation proposed by P3 Authority and reflected in the Proposed Consolidated FY24 Budget. In the budget submitted with the June 9th Motion, PREPA proposed a total budget for HoldCo – Water Administration of \$18,325,000. This contrasts with the HydroCo allocation submitted in LUMA's proposed budget of \$14,527,000. The PREPA budget submitted with LUMA's FY2024 budget filing was \$25,673,000, and its revision submitted on May 24, 2023 was \$24,075,000.

In addition, in PREPA's initial budget, it projected Hydro-Irrigation Facilities revenue of \$15,014,000, matched by identical expenses, and in its May 24, 2023 revised Hydro-Irrigation Facilities budget, Irrigation revenue was projected at \$15,014,000 with higher expenses projected at \$15,358,000. Each projection included \$7,355,000

¹⁰¹ See PREPA Motion to Submit Responses to the Energy Bureau's June 9 bench Orders and Third Request for Information in Compliance with the June 12, 2023 Order, filed June 6, 2023.

¹⁰² See Tab KOE 500 in Available at: <https://energia.pr.gov/wp-content/uploads/sites/7/2023/06/20230614-PREPA-HoldCo-FY24-Budget-2023.06.14.xlsx> (Last verified June 20, 2023).

¹⁰³ See PREPA June 21 Motion, Response to ROI 4.

¹⁰⁴ See *In re: LUMA's Initial Budget and Terms of Service*, Case No.: NEPR-MI-2021-0004, *Motion to Submit the Puerto Rico Electric Power Authority's Updated Employee Roster in Compliance with the June 9 2023 Bench Order* filed by PREPA on June 14, 2023.



of Subsidies Rate Rider Revenue.¹⁰⁵ In its June 14 Motion, PREPA revised the Hydro-Irrigation Facilities budget to include total revenue of \$11,718,000, due to lower projected Subsidies Rate Rider Revenue of \$4,152,000. Total irrigation expenses were lower, projected at \$14,760,000, but the revised budget leaves a revenue deficit of \$2,949,000.

The PREPA HydroCo budget must reflect PREPA's remaining responsibilities following implementation of the Genera OMA.

The Energy Bureau has reviewed PREPA's proposed HydroCo budget. Given the multiple and widely varying budgets submitted by PREPA in a relatively short-period of time, it is difficult to place high confidence upon the accuracy of its proposed budgets, or to firmly conclude that the budgets were developed based on fundamental "bottoms-up" spending requirements. For example, PREPA is proposing \$5.741 MM in HydroCo NME expenditures, but the three largest projects comprising that estimate each amount to \$1.5 MM each, which suggests the estimates were developed at a high level.

PREPA's proposed HydroCo budget reflects no allocation of Shared Services costs that will be incurred by LUMA and allocated to GenCo, HydroCo and HoldCo pursuant to the T&D OMA. LUMA has budgeted \$69MM of Shared Services costs, which consist primarily of property and other insurance costs across the PREPA asset portfolio. The initial budgets proposed by Genera and PREPA **failed** to be allocated \$15MM of the \$69MM total of Shared Services costs budgeted by LUMA. At the June 9 Technical Conference, Genera indicated it believes that GenCo should be responsible for 95.4 percent of Shared Services costs, with remaining 4.6 percent being allocated to PREPA across HoldCo and HydroCo¹⁰⁶.

The Energy Bureau **DETERMINES** that the appropriate FY24 budget for HydroCo is **\$13.52MM**, which includes an allocation of \$1.181 MM for Shared Services. PREPA is **ORDERED** to maximize the utilization of available federal funding to repair the hydro units and to restore operating capacity at those facilities. To date, the Energy Bureau has approved approximately \$1.8 billion of federally funded expenditures for the hydro facilities, as identified by PREPA.¹⁰⁷ PREPA is further **ORDERED** to file monthly reports with the Energy Bureau detailing federal funding activity during the quarter for hydro facilities, including progress on submitting and advancing Project Worksheets and Scopes of Work, by hydro/dam site, the cumulative amount of federal funding applied for, the incremental amount of federal funding applied for in the reporting quarter and both the cumulative and monthly amount of federal funding received.

a. Personnel

PREPA's revised budget filed with the June 14 Motion reflects lower employee headcounts for HydroCo, than its filed budgets. The Energy Bureau has not specifically determined that lower headcounts are required in the HydroCo operations, but the Energy Bureau encourages PREPA to review its assignment of personnel to smaller generation sites that yield lower generation capacity such as

¹⁰⁵ In the 2017 Rate Order, the Energy Bureau stated: "While the Commission has no choice but to approve the FY2017 subsidy, it will not approve this amount in the future, unless PREPA demonstrates (before the negotiations are complete) that the discount is no greater than necessary and that ICPO and at least one prominent commercial or industrial customer have participated in the negotiations and received all relevant information. The amount approved in the 2017 Rate Order for the Subsidies Rate Rider was \$4,152,000."

¹⁰⁶ See Technical Conference Recording, at 5:26.

¹⁰⁷ See NEPR-MI-2021-0002.



Torre Negro,¹⁰⁸ to ensure assigned personnel are proportionate to work requirements at each site.

b. Non-Labor Operating Expenses

PREPA's revised budget filed with the June 14 Motion included reductions in headcount and in budgeted labor costs, other budgeted items such as Materials & Supplies, Transportation, Equipment, NME, etc., did not change. PREPA provided no analysis or support to justify those budget levels, particularly in the face of lower headcount and labor costs.

In other areas, such as Security services, which are primarily obtained through out-service contracts, the proposed budget seems outsized given the scale of the operation and is not fully or adequately justified. For NME expenditures, PREPA has identified projects that include installation of automated security and monitoring capabilities, yet the overall HydroCo budget proposes substantial increases in overall Security costs relative to budgets approved in the previous fiscal year.

c. NME

PREPA's proposed HydroCo NME budget reflects, among other things, installation of security devices at least one generation site and reflects substantial expenditures for new turbine governors for automation for Toro Negro 1 & 2, Garzas 1, and Dos Bocas and an HMI system for Dos Bocas hydroelectric units. The proposed budget includes substantial additional IT/OT expenditures to enable remote monitoring of reservoir water levels at several hydro-electric sites. While the Energy Bureau has always recognized and highlighted the importance of the renewable energy produced by the hydroelectric plants and their value for compliance with public policy, the Energy Bureau is required to evaluate the prudence and benefit of such budgets for the public interest. This is particularly important in the face of the availability of approved or potential sources of federal funding, which PREPA did not include (as opposed to LUMA and Genera) in its budget. Before impacting the ratepayer, PREPA shall exhaust all potential alternatives for federal funding available. The lack of transparency and information regarding federal funding and detailed information in the PREPA filings precludes the Energy Bureau to validate at this moment that the proposed NME budget is prudent and in the public interest. The Energy Bureau **CONDITIONALLY APPROVES** an NME budget for HydroCo of \$2.471MM, subject to compliance with the documentation requirements of **Attachment I** and this Resolution and Order.

d. PREPA Irrigation Facilities

In the 2017 Rate Order, the Energy Bureau approved a Subsidies Rate Rider, a portion of which is allocated to the PREPA irrigation facilities.¹⁰⁹ This results in a revenue of \$4,152,000. Like the other subsidies included in the 2017 Rate Order this one impacts the ratepayers. As such, the Energy Bureau expects that, to the extent possible, PREPA's Public Irrigation operations be operated on a stand-alone basis and in a manner that matches budgeted revenue and operating costs, Therefore, PREPA **SHALL** take the necessary steps to achieve efficiencies, collect its revenues effectively, revise its irrigation revenue where possible, or scale operations so that operating costs are aligned with operating revenue. It is in the

¹⁰⁸ See Daily Reports for current available capacities of the Hydroelectric Units; Available at: <https://lumapr.com/bps-monitoring/?lang=en> (Last verified June 24, 2023).

¹⁰⁹ The Energy Bureau reserves the right to examine this rider during the next rate case.



public interest that any budget deficiencies should not fall on electric ratepayers to further subsidize revenue shortfalls in irrigation services.

D. FEMA Reimbursements

The Energy Bureau understands that between \$140MM and \$200MM in FEMA reimbursements were currently available to PREPA in FY23. In a letter to the FOMB, dated December 27, 2022, PREPA requested that the FOMB amend and recertify the FY23 PREPA Certified Budget to reflect \$200MM in non-recurring and un-budgeted FEMA Reimbursement Funds as additional available revenue.¹¹⁰ PREPA's stated purpose for its request is to "secure the budget authorization to undertake projects not contemplated under such budget which can be eligible for federal funding."

The Energy Bureau reiterates its responsibility and authority to prioritize and ensure appropriate and timely use of individual expenditures from the FEMA Reimbursement Account and safe and adequate service. A high pressing need currently facing the electric system is the ability to stabilize its generation. Extra generation capacity has been made temporarily available through the Generation Stabilization Plan Project federally funded by FEMA.¹¹¹ Taking advantage of this extra capacity to schedule longer baseload generation outages to address critical issues and accelerate pending maintenance maximizes the benefit derived from the Generation Stabilization Plan part of the Generation Stabilization Plan filed by LUMA with the Energy Bureau, that seeks to reduce reliance on load shedding to maintain system stability, and be in par with industry reliability standards for the bulk power system.

The Energy Bureau's authority over the allocation of non-restricted FEMA reimbursements was exercised in FY23, at which time, \$46.44MM was set aside from the FEMA Reimbursement Account to perform generation maintenance and repairs. From the \$46.44MM, the Energy Bureau approved between April and May 2023, \$24.843MM in expenses. Through this Resolution and Order the Energy Bureau increased Genera budgets for NME by \$49.234MM, taking into consideration the current state of the system, the opportunity afforded by the temporary emergency generation part of the Generation Stabilization Plan, and the recent load shedding events (aka rolling blackouts) experienced on the Island as LUMA predicted in their presentation to the Energy Bureau in October 2022.¹¹²

To fund this increase in NME, the Energy Bureau makes available to Genera is \$21.597MM that remains from the FY23 \$46.44MM allocation of cash available in the FEMA Reimbursement Account.¹¹³

The Energy Bureau also **DETERMINES** that \$129.349MM from cash available in the FEMA Reimbursement account can be considered Additional Funding in FY24¹¹⁴ and that \$16.716MM in Directly Allocated Cost Recovery Income can be employed to raise the Total Non-Federally Funded Electric Utility Expenditures to \$1,300.239MM.

¹¹⁰ See December 27, 2022 correspondence from FOMB to PREPA, Available: <https://drive.google.com/file/d/1XC22orN7Dr0PR3g1mpjLnFny8AHnU3q2/view> (Last verified June 23, 2023).

¹¹¹ See Section A(3) of this Resolution and Order.

¹¹² See October 11, 2022 Technical Conference in NEPR-MI-2022-0003, LUMA's RESPONSE TO HURRICANE FIONA, Available at: <https://youtu.be/3dtcTsO2WB4> (Last verified June 24, 2023).

¹¹³ See NEPR-MI-2021-0004, April 18, 2023 Resolution and Order.

¹¹⁴ See ROI-LUMA-MI-2021-0004-20230523-PREB-002, filed June 6, 2023 with "Submission in Compliance with Resolution and Order dated May 23, 2023."



1. FY 2024 as an Enabling Year

The Energy Bureau recognizes that the transition in the operation and maintenance of PREPA's thermal generation facilities will occur in FY24. Transition, by its nature, involves unknowns. In FY 24, this uncertainty is more acute, because available funds must be appropriately allocated among several entities, each of which is vying for the share they believe they need.

To facilitate the transition of generation functions to a private operator, and to provide the greatest level of funding possible to afford each of the FY 24 budgeted entities the highest level of funding in accordance with their needs, the Energy Bureau **ALLOWS** utility revenues to be increased as described above, thereby, effectively raising the Total Non-Federally Funded Electric Utility Expenditures to \$1,300.239MM without impacting current permanent rates.

The Energy Bureau, accordingly, modifies the Proposed Consolidated FY24 Budget to include appropriate allocation of the increased funds that have been identified. The Energy Bureau will evaluate and determine whether base rates require revision and designate appropriate levels of funding among the various budgeted parties, in the context of the next Rate Revision Petition for rates effective July 1, 2024.

The Energy Bureau **ORDERS** PREPA, within **thirty (30) calendar days** after the issuance date of this Resolution and Order, to adjust its accounting with respect to the FEMA Reimbursement Account, to make available \$129.349MM for the approved utility expenditures in FY24 specified in this Resolution and Order.

E. Energy Bureau Budget Revision

The Energy Bureau considers important priorities for the provision of safe and reliable electric service to customers in Puerto Rico in determining the proper budgets for LUMA, Genera and PREPA. Based on its review, the Energy Bureau finds that the Proposed Consolidated FY24 Budget must be adjusted. The Energy Bureau has evaluated the individual budgetary expenditures proposed by LUMA, Genera and PREPA and has modified the respective Proposed Consolidated FY24 Budget.

As established in Attachments B through F of this Resolution and Order, the Energy Bureau revised the proposed budgets for FY24:

- T&D's budgets (Operating Expenditures plus Non-Federally Funded Capital Expenditures) were reduced from \$651.428 MM as submitted by LUMA to \$636.591 MM.
- GenCo's budgets (Operating and Capital Expenditures) were increased from \$301.274 MM, as submitted by LUMA, to \$324.029 MM.
- HoldCo (which includes PropertyCo) budgets were reduced from the \$29.538 MM submitted by LUMA and the \$53.367 MM¹¹⁵ proposed by PREPA to \$21.975 MM.
- HydroCo's budgets (Operating and Capital Expenditures) were reduced from the \$14.527 MM submitted by LUMA and the \$18.325 MM¹¹⁶ proposed by PREPA to \$13.520 MM.

¹¹⁵ See File20230614-PREPA-HoldCo-FY24-Budget-2023.06.14.xlsx, Tab FY24_HoldCo; Available at: <https://energia.pr.gov/wp-content/uploads/sites/7/2023/06/20230614-PREPA-HoldCo-FY24-Budget-2023.06.14.xlsx> (Last verified June 24, 2023).

¹¹⁶ See File 20230614-PREPA-HydroCo-FY24-Budget.xlsx, Tab FY24_HydroCo_WA; Available at: <https://energia.pr.gov/wp-content/uploads/sites/7/2023/06/20230614-PREPA-HydroCo-FY24-Budget.xlsx> (Last verified June 24, 2023).



F. Upcoming Rate Case

The Energy Bureau is cognizant of LUMA's contention that various constraints have resulted in its inability to fund the activities that would have been funded in the Proposed FY24 Budgets, without those constraints. Some constraints LUMA cites are the limitation imposed by current approved base rates, inflation, Title III expenses and increasing regulatory mandates.

It should not surprise LUMA that as a result of a budget, certain items must be prioritized and possibly re-prioritized to account for available funds. The Energy Bureau has addressed certain of these situations in this Resolution and Order, and others will be considered in the upcoming Rate Revision Petition which filing date shall be determined after the guidelines have been presented by the Energy Bureau.

The Energy Bureau **DETERMINES** that the August 1, 2023 filing date shall be rescheduled to a date that shall be determined through a separate Resolution and Order issued by the Energy Bureau.

V. Determination and Orders

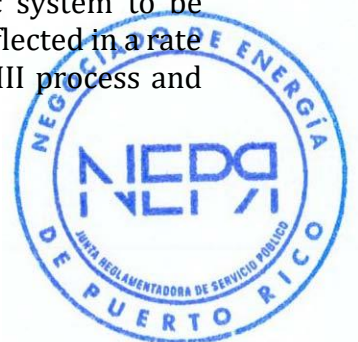
The FY24 Budget review process involves the review of budgets for LUMA, Genera, HoldCo and HydroCo.

The proposed annual budgets submitted for review shall not increase the overall revenue requirements and effectuate a change in the existing base rates or the current rate structure approved in the 2017 Rate Order. As a threshold question, the Energy Bureau **DETERMINES** that the Proposed Consolidated FY24 Budget, comply with the 2017 Rate Order's criteria.

The Energy Bureau must evaluate whether the components of the Proposed Consolidated FY24 Budget have been appropriately identified and prioritized. The Proposed Consolidated FY24 Budget must continue to provide for effective remediation and transformation of Puerto Rico's electric system and reflect and build on the work and activities discussed in prior year's budgets. The Proposed Consolidated FY24 Budget must also comply with the various regulatory requirements set forth in statute, regulation, and policy. After a review of the Parties' submissions and responses to the questions posed in ROIs and in the Technical Conference, the Energy Bureau **MODIFIES** the Proposed Consolidated FY24 Budget submitted by LUMA as specified in Attachments B through F and **APPROVES** the modified budgets **subject to compliance with the orders included in this Resolution and Order and those included in Attachment A and the strict reporting requirements of Attachment I of this Resolution and Order**. Notwithstanding the foregoing, the lack of transparency and information regarding federal funding and detailed information in the PREPA filings precludes the Energy Bureau to validate that the proposed HydroCo NME budget is prudent and in the public interest. As such, the Energy Bureau **CONDITIONALLY APPROVES** the HydroCo NME budget, subject to compliance with the documentation requirements of this Resolution and Order included in Attachment I.

The Energy Bureau **ORDERS** LUMA to continue filing reports in compliance with existing requirements, which shall remain in effect without change, as supplemented by this Resolution and Order.

With the information provided during the comprehensive evaluation portion of the rate revision review expected to take place in early 2024, the Energy Bureau may establish a new revenue requirement, a new cost of service, a new revenue allocation and new rate design. In addition, the efficiencies that LUMA is expected to provide can be more accurately quantified and their impact reflected in future rates. That period will also enable the changing circumstances that accompany LUMA's operation of the electric system to be reflected as part of the process. Other unique circumstances can be better reflected in a rate filing, including the impact of Federal Funding and the results of the Title III process and addition of new entities serving Puerto Rico's Electric customers.



For clarity, the Energy Bureau **ORDERS** LUMA to ensure that the rate revision petition filing complies with the criteria set forth in Section 440 of the 2017 Rate Order, as well as all applicable requirements in law, regulation and as established by the Energy Bureau.

The Energy Bureau **ORDERS** PREPA (HoldCo, HydroCo and PropertyCo) to file with the Energy Bureau for review and approval, any new contract or amendment to an existing contract, prior to executing or making any award of such contract or amendment.

The Energy Bureau **ORDERS** PREPA to file quarterly reports with the Energy Bureau detailing federal funding activity during the quarter for hydro facilities, including progress on submitting and advancing Project Worksheets and Scopes of Work, by hydro/dam site, the cumulative amount of federal funding applied for, the incremental amount of federal funding applied for in the reporting quarter and both the cumulative and monthly amount of federal funding received.

As a final note, in the February 27 Resolution, the Energy Bureau admonished LUMA “that future Budget Filings may not reiterate the language of prior filings without being updated to reflect the current status of projects and programs related to specific budget expenditures. In addition, milestones and completion dates are to be provided for all budget programs, whether or not they are SRP Programs. This will enable the Energy Bureau to determine the extent to which work has been accomplished in accordance with budget expenditures and gain an understanding of the work yet to be accomplished without having to rely on Requirements of Information and Technical Conferences to obtain this basic information.”¹¹⁷

This Energy Bureau requirement was not complied with. There are numerous instances in the FY24 Budget filing where language was not updated from past Budget Proposals resulting in an inaccurate presentation and hampering the Energy Bureau’s budget review. One example is activities identified in Vegetation Management and Capital Clearing Implementation, Section 2.2, Description of Remediated State. The language is the same as that in earlier versions of this description, and does not reflect what components have been accomplished, (for example, creation and staffing of a centralized vegetation management team to establish procedures and practices to eliminate public endangerment and promote a safe and efficient work environment) Testimony at the June 9 Technical Conference stated that the centralized management team has been established.


The Energy Bureau **ORDERS** LUMA to ensure that all documents submitted in the upcoming Rate Revision Petition filing and in subsequent Annual Budget Reviews reflect accurate and up to date information.

The Energy Bureau **WARNS** LUMA, Genera, and PREPA that: (i) noncompliance with this Resolution and Order, regulations and/or applicable laws may carry the imposition of fines and administrative sanctions of up to \$25,000 per day; (ii) any person who intentionally violates Act 57-2014, as amended, by omitting, disregarding, or refusing to obey, observe, and comply with any rule or decision of the Energy Bureau shall be punished by a fine of not less than five hundred dollars (\$500) nor over five thousand dollars (\$5,000) at the discretion of the Energy Bureau; and (iii) for any recurrence of non-compliance or violation, the established penalty shall increase to a fine of not less than ten thousand dollars (\$10,000) nor greater than twenty thousand dollars (\$20,000), at the discretion of the Energy Bureau.

Be it notified and published.

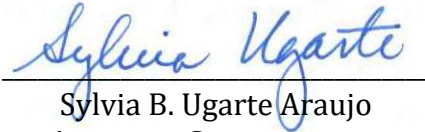
¹¹⁷ February 27 Resolution, p. 30 of 33.




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

CERTIFICATION

I hereby certify that the majority of the members of the Puerto Rico Energy Bureau has so agreed on June 25, 2023. Chairman Edison Avilés Deliz concurred with a Written Opinion. I also certify that on June 25, 2023, a copy of this Resolution and Order was notified by electronic mail to pre@promesa.gov; margarita.mercado@us.dlapiper.com; ana.rodriguezrivera@us.dlapiper.com; mvazquez@diazvaz.law; jmarrero@diazvaz.law; brannen@genera-services.com; kbolanos@genera-pr.com; regulatory@genera-pr.com; jfr@sbgblaw.com; alopez@sbgblaw.com; and I have proceeded with the filing of the Resolution and Order issued by the Puerto Rico Energy Bureau.

For the record, I sign this in San Juan, Puerto Rico, on June 25, 2023.


Sonia Seda Gaztambide
Clerk



ATTACHMENT A

ORDERS

A. The Energy Bureau **ORDERS** LUMA to:

1. Provide comprehensive updates in its FY24 and subsequent Quarterly Reports on the status of funding, expenditures, and the progress of vegetation management work.
2. Provide updates in its FY24 and subsequent Quarterly Reports on the status of clearing the 230 kV lines.
3. Provide the Q4 FY23 and subsequent Quarterly Reports a comprehensive explanation of variances in Vegetation Management expenditures.
4. Provide in the Q4 FY23 and subsequent Quarterly Reports, a comprehensive explanation of the miles and acres of vegetation cleared for each T&D voltage level for the year cumulatively, as well as for the applicable quarter.
5. Report monthly during FY24, and thereafter, on the status of obtaining and using federal funds and on implementation of the Federally Funded and Operation and Maintenance Funded Vegetation Management program, using the DRAFT Template form provided as Attachment H.
6. Comment the DRAFT Template form, for reporting on the status of obtaining and using federal funds and on implementation of the Federally Funded and Operation and Maintenance Funded Vegetation Management program, within thirty (30) calendar days of the issuance of this Resolution and Order, for consideration by the Energy Bureau.
7. Provide the necessary information, as required by the Energy Bureau in its February 27 Resolution regarding numbers of Lineworkers, in its Q4 FY23 and subsequent Reports.
8. On behalf of PREPA, to formally request from FEMA the temporary emergency generation capacity required to enable Genera to repair the generation fleet to (1) exhibit adequate reserve and frequency response capabilities, (2) make the facilities more secure, stable and unlikely to change, fail, or decline, and (3) considerably diminish the reliance on load shedding during the summer 2024. This request is to be informed by LUMA's daily generation availability reports, the system forecast vs actuals, one-week system outlook, and the Risk and Scenario Analysis presented to the Energy Bureau as part of the Post-Fiona Generation Stabilization Plan. A copy of this request shall be filed with the Energy Bureau in NEPR-MI-2022-0002, *In. Re. LUMA Resource Adequacy Study*.
9. Prioritize to earlier in FY 2024, activities to implement the program to realize revenues from third party attachments and to provide a comprehensive plan for the full development of this program in its upcoming Rate Revision Petition.
10. To provide suggested modifications to the draft reporting templates of Attachment I within thirty (30) calendar days of the issuance date of issuance this Resolution and Order.
11. Continuously assess its performance against its forecasted efficiencies, highlighting both successes and areas needing improvement. This will not only support



continuous learning and improvement by LUMA but will also provide valuable data for refining future forecasts.

12. Submit its efficiency forecasting methods and projections for the upcoming fiscal year within sixty (60) days from the date of issuance of this Resolution and Order. This report should detail how LUMA has projected potential efficiencies and savings across its operations and should include the process for ongoing performance assessments against these forecasts.
13. Develop a comprehensive plan for the development, implementation and quantification of efficiencies and savings, including but not limited to those identified in the May 31 Resolution, for evaluation in the upcoming Rate Case.
14. Report in its FY24 Quarterly Reports on its progress in transforming the OMS to full functionality.
15. Report in its FY24 Quarterly Reports on its progress in achieving the ability of customers to contact a Customer Representative relative to non-emergency issues, during an emergency, even if at reduced levels of service.
16. Discuss in the upcoming Rate Case, the Energy Bureau Orders that have not been fully complied with, in addition to all matters that are necessary properly brought before the Energy Bureau in a Rate Case for review and determination.
17. Ensure that all applicable aspects of the 2017 Rate Order regarding rates are complied with in the upcoming rate case and all other requirements of law, regulation and Energy Bureau Orders.
18. Ensure that all documents submitted in the upcoming Rate Filing and in subsequent Annual Budget Reviews reflect accurate and up to date information.

B. The Energy Bureau **ORDERS** Genera to:

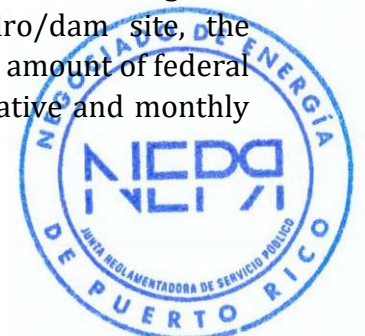
1. In coordination with LUMA, file a revised maintenance schedule that reflects the approved NME budget increase within ten (10) calendar days of the date of issuance this Resolution and Order. The maintenance schedule shall prioritize critical activities, *i.e.*, those activities that address safety issues, and consider an ultimate capacity of 750 MVA in temporary emergency generation through the end of calendar year 2024.
2. Using the model template in Attachment J using the Aguirre Power Plant as an example, submit monthly reports that show the status of the repairs and maintenance activities planned and underway – Genera may propose modifications to the Reporting Template in Attachment J, however the first monthly report is due on August 1, 2023.
3. Submit the work structure (shift composition) and philosophy related to the operations of the boilers, turbines, and generators at each power plant operated by Genera within thirty (30) calendar days of the date of this Resolution and Order.
4. Submit work structure and philosophy related to maintenance work that include plans to outsource the general mechanic shops at the Costa Sur and San Juan Power Plant within thirty (30) calendar days of this Resolution and Order.



5. Discuss in the upcoming Rate Case, the Energy Bureau Orders that have not been fully complied with, in addition to all matters necessary to properly establish prospective rates.
6. Within thirty (30) calendar days initiate discussions with HoldCo to explore this potential transfer of operational and maintenance responsibilities. These discussions should evaluate the feasibility of such a transfer noting that a third party, not PREPA, performs annual radiological monitoring and inspections of the facility;
7. Within sixty (60) calendar days from the date of the issuance of this Resolution and Order, submit a report specifying the outcome of these discussions. This report should include a detailed proposal for how Genera would operate and maintain the BONUS facility if the transfer is deemed feasible and in the public interest. The report is to include a projected yearly budget for such operations and maintenance as well as any existing or potential revenues associated with the operations of the museum.

C. The Energy Bureau **ORDERS** PREPA to:

1. File with the Energy Bureau, on or before fifteen (15) days from the issuance of the Resolution and Order, true and exact copies of any documents, information, scopes of works, application packages or petitions (approved or in draft) which are seeking federal funding for works to be conducted by HydroCo (both hydroelectric units or sites and irrigation infrastructure or sites) in order for the Energy Bureau to validate the prudence of the NME budgets hereby **conditionally approved** by the Energy Bureau. This filing shall include, instead of seemingly back of the envelope generic information provided by PREPA, detailed information on the NME works proposed and the associated costs.
2. Provide detailed information on the current operational and maintenance tasks it is performing on BONUS, including a detailed list of all associated costs to operate this site as a museum and maintain as per the agreement with the DOE. This data will aid in a comprehensive evaluation of the efficiency gains and potential cost savings that could be realized from the proposed transfer.
3. Within sixty (60) calendar days after the issuance date of this Resolution and Order, to adjust its accounting with respect to the FEMA Reimbursement Account, to make available \$129.349MM for the approved utility expenditures in FY24 specified in this Resolution and Order.
4. Within ninety (90) calendar days after the issuance of this Resolution and Order, to file a plan for divestment of the 82 properties listed in PREPA's June 21 Motion, Response to ROI 4.
5. To file with the Energy Bureau for review and approval, any new contract or amendment to an existing contract, prior to executing or making any award of such contract or amendment.
6. To maximize the utilization of available federal funding to repair the hydro units and to restore operating capacity at those facilities.
7. To file monthly reports with the Energy Bureau detailing federal funding activity during the quarter for hydro facilities, including progress on submitting and advancing Project Worksheets and Scopes of Work, by hydro/dam site, the cumulative amount of federal funding applied for, the incremental amount of federal funding applied for in the reporting quarter and both the cumulative and monthly amount of federal funding received.



8. To file with the Energy Bureau for review and approval, any new contract or amendment to an existing contract, prior to executing or making any award of such contract or amendment.



ATTACHMENT B
Approved¹¹⁸ FY24 Electric Utility Budgets

FY 2024 Electric Utility Annual Budgets Summary

(\$ in 000s)

		PETITIONED	APPROVED ¹
1	TRANSMISSION AND DISTRIBUTION	\$651,427	\$636,591
2	T&D Operating Expenditures	560,283	545,447
3	T&D Non-Federally Funded Capital Expenditures	91,144	91,144
4	GENERATION	\$319,598	\$337,549
5	GenCo Operating and Capital Expenditures	301,274	324,029
6	HydroCo Operating and Capital Expenditures	18,324	13,520
7	HOLDCO (PROPERTYCO) OPERATING AND CAPITAL EXPENDITURES	\$53,367	\$21,975
8	OPERATION AND MAINTENANCE FEES - PRIVATE OPERATORS	\$181,702	\$181,702
9	LUMA Fees	129,162	129,162
10	Genera Fees ²	52,540	52,540
11	BANKRUPTCY TITLE III ADVISOR COSTS	\$30,150	\$30,150
12	FOMB ADVISOR COSTS	\$32,822	\$32,822
13	BAD DEBTS	\$59,450	\$59,450
14	TOTAL NON-FEDERALLY FUNDED ELECTRIC UTILITY EXPENDITURES	\$1,328,516	\$1,300,239
Notes			
¹ \$146,065 funded outside base rate revenues through directly allocated cost recovery income and additional available funding through surplus cash to maintain current permanent rates as set in the 2017 Rate Order.			
² Includes \$30,040 in potential performance incentive payments.			
FEDERALLY FUNDED CAPITAL EXPENDITURES		APPROVED	
15	T&D FEDERALLY FUNDED CAPITAL EXPENDITURES	\$802,587	
GENERATION FEDERALLY FUNDED CAPITAL EXPENDITURES			
16	GenCo	\$14,190	
17	HydroCo ³	\$1,789,000	
Notes			
³ Total federally funded capital expenditures approved by the Energy Bureau through May 2023 for recovery work in dams and hydroelectric plants related to disasters impacting the Island since 2017.			

¹¹⁸ It is important to note that the HydroCo NME budget was conditionally approved by the Energy Bureau, subject to certain conditions.



ATTACHMENT C
Approved FY24 T&D (LUMA) Budgets

FY 2024 T&D Operating Budget

(\$ in 000s)

		Customer Experience		Operations ¹		Utility Transformation		Support Services		2024	
1	SUBTOTOTAL LABOR AND NON-LABOR EXPENSES (DEPARTMENTS)	PETITIONED APPROVED	87,845 81,000	264,232 264,232		19,505 19,505		177,715 170,015		\$549,297 \$534,752	
2	2% Reserve for Excess Expenditures									PETITIONED APPROVED	\$10,986 \$10,695
3	TOTAL OPERATING BUDGET									PETITIONED APPROVED	\$560,283 \$545,447
		Customer Experience	Distribution	Transmission	Substations	Control Center & Buildings		Enabling	Support Services	2024	
4	SUBTOTOTAL NON-FEDERALLY FUNDED CAPITAL BUDGET (PORTFOLIOS)	PETITIONED APPROVED	11,987 11,987	26,939 26,939	601 601	16,140 16,140	3,694 3,694		23,507 23,507	6,489 6,489	\$89,357 \$89,357
5	2% Reserve for Excess Expenditures									PETITIONED APPROVED	\$1,787 \$1,787
6	TOTAL NON-FEDERALLY FUNDED CAPITAL BUDGET									PETITIONED APPROVED	\$91,144 \$91,144
7	TOTAL T&D OPERATING AND NON-FEDERALLY FUNDED CAPITAL BUDGET									PETITIONED APPROVED	\$651,427 \$636,591
<u>Notes</u>											
¹ Vegetation Management and Capital Clearing Implementation funding: \$179,800 (OpEx portion \$50,000).											



ATTACHMENT D
Approved FY24 GenCo (Genera) Budgets

FY 2024 GenCo Operating Budget

(\$ in 000s)

		PETITIONED	APPROVED
1	LABOR OPERATING EXPENSES	\$79,504	\$55,025
2	NON-LABOR	\$71,103	\$71,103
3	NME	\$84,841	\$134,075
4	SHARED SERVICES	\$65,826	\$63,826
5	TOTAL OPERATING BUDGET	\$301,274	\$324,029



ATTACHMENT E
Approved FY24 HydroCo (PREPA) Budgets¹¹⁹

FY 2024 HydroCo Operating Budget

(\$ in 000s)

		PETITIONED	APPROVED
1	LABOR OPERATING EXPENSES	\$4,398	\$4,398
2	NON-LABOR EXPENSES	\$8,455	\$5,470
3	NME	\$5,471	\$2,471
4	SHARED SERVICES	\$0	\$1,181
5	TOTAL OPERATING BUDGET	\$18,324	\$13,520

¹¹⁹ It is important to note that the HydroCo NME budget was conditionally approved by the Energy Bureau, subject to certain conditions.



ATTACHMENT F
Approved FY24 HoldCo/PropertyCo (PREPA) Budgets

FY 2024 HoldCo (PropertyCo) Operating

(\$ in 000s)

	PETITIONED	APPROVED
1 LABOR OPERATING EXPENSES ¹	\$9,598	\$7,565
2 NON-LABOR ²	\$41,071	\$11,772
3 NME	\$2,698	\$645
4 SHARED SERVICES	\$0	\$1,993
5 TOTAL OPERATING BUDGET	\$53,367	\$21,975



ATTACHMENT G
Approved NME Activities – GenCo (Genera

Plant	All Power and Gas Plants	Activity Description	Genera Portfolio	Budget
Aguirre Power Plant	Aguirre Unit 1 - Environmental Maintenance Project (Oct - Dec 2023)	Boiler burners, fuel valves and pumps procurement and replacement, repairs to the boiler's refractory and insulation, repairs to water heaters, including safety and online valves, scaffolding services to perform works including valves, etc. Compliance with Title V of the Clean Air Act and other applicable regulations.	Environmental Compliance	\$ 3,000,000.00
Aguirre Power Plant	Aguirre Unit 2 - Environmental Maintenance Project (Jan - Feb 2024)	Boiler burners, fuel valves and pumps procurement and replacement, repairs to the boiler's refractory and insulation, repairs to water heaters, including safety and online valves, scaffolding services to perform works including valves, etc. Compliance with Title V of the Clean Air Act and other applicable regulations.	Environmental Compliance	\$ 3,000,000.00
All Power and Gas Plants	Fire Protection Systems	Design and construction of fire protection systems to comply with insurance and other regulatory compliance requirements	Safety	\$ 1,200,000.00
All Power and Gas Plants	CEMS y Metros de Particulado Filtra para Centrales	Purchase and install continuous equipment systems and particulate meters in power plants.	Environmental Compliance	\$ 1,000,000.00
All Power and Gas Plants	Electric System Environmental Projects	Several environmental projects with the purchase of equipment that require capitalization.	Environmental Compliance	\$ 1,500,000.00
San Juan Steam & Combined Cycle Plant	LTSA SJ6	Payment for operational fire hours necessary for major inspection of the combustion turbine, including the rotor exchange and torque tube.	Reliability	\$ 8,000,000.00
San Juan Steam & Combined Cycle Plant	LTSA SJ5	Payment for operational fire hours necessary for the future combustor, turbine and major inspection.	Reliability	\$ 8,000,000.00
San Juan Steam & Combined Cycle Plant	Natural Gas Manufacturing Surcharge - San Juan Steam Plant	Manufacturing surcharge payment of \$833,333.34 monthly pursuant to the JPA between NEEnergía LLC and PREDA.	Efficiency	\$ 10,000,000.00
San Juan Steam & Combined Cycle Plant	Replacement of Battery Banks CT Unit 6	Replacement of Unit 6 CT battery banks to provide DC power to the turbines and boilers protection systems.	Reliability	\$ 175,000.00
San Juan Steam & Combined Cycle Plant	Replacement of the Online Condenser Cleaner Unit 6	Purchase and install a new continue cleaning condenser system for Unit 6.	Efficiency	\$ 750,000.00
Aguirre Combined Cycle	Ciclo Combinado Aguirre Stack 1, Rotores y Rotor de Generador	Generator rotor repairs of units 1-2, 1-4 and 2-3. Also, repair a turbine rotor. ACC plant also requires to repair the enclosures of the units. Necessary repairs on the heat recovery steam generators and repairs of the steam turbine rotors. Auxiliary equipment to be repaired (fuel, water pumps, MCC, compressors, among others).	Reliability	\$ 9,000,000.00
Aguirre Power Plant	Chimenea	Replacement and installation of new polishing system.	Environmental Compliance	\$ 100,000.00
Aguirre Power Plant	Aguirre Unit 2 - Mayor Outage	Turbine HP & IP rotors rehabilitation and trip block. Unit 2 rotors have exceeded the manufacturer's running time between major inspections. Generator excitation system replacement for Unit 2. The current ABB excitation system Unitrol D is obsolete (+25 yrs) with limited or no manufacturer services and no spare parts in the market. It is required to migrate the system to a new and updated system (Unitrol 6000) with the most recent technology, support (+25 yrs), services, spare parts, warranty and training. Low-pressure spare turbine recertification. Low-pressure turbines must be inspected, overhauled and recertified for installation on Unit 2 (Field service report (FSR G033186) shows that the L-0 blading is heavily eroded of leading and trailing edges. Boiler chemical cleaning. Unit 2 boiler hasn't been cleaned in more than 12 years.	Reliability	\$ 5,200,000.00
Aguirre Power Plant	Boiler Improvement U-2 - Aguirre Steam Plant	Replacement of the boiler burners' air and combustion assemblies due to high deterioration found in the last outage, and the replacement parts were unavailable.	Reliability	\$ 743,176.00
Aguirre Power Plant	Fuel Igniters Replacement Units 2	Replace the system that supplies and controls fuel, steam, air and components associated with the effective operation of the corner burners in the boiler, which will reduce the number of components in the loop.	Reliability	\$ 1,000,000.00
Aguirre Power Plant	Motor Driven Boiler Feed Pump (Bundle)	Purchase of bundle replacement for the motor-driven boiler feed pump that serves as a replacement for both units.	Reliability	\$ 1,445,000.00
Aguirre Power Plant	Aguirre Unit 2 ABB Excitation System Replacement	Replacement of the Unit 2 generator's excitation system. The equipment has already been manufactured and will be installed during FY24 environmental outage.	Reliability	\$ 217,642.86
Cambalache Power Plant:	LTSA Units Camb 1-2-3	Long-term service agreements for units 2 and 3 for major inspections, provide the technical advisors and consumables for all the inspections and the scheduled replacement, including hot gas parts and capital parts.	Reliability	\$ 4,000,000.00
Cambalache Power Plant:	Major Inspection - Generator Unit 3	Major inspection of Unit 3 Generator.	Reliability	\$ 500,000.00
Cambalache Power Plant:	Cambalache GT Units & Auxiliaries Repairs	Procurement of parts and repairs to gas ducts, filter houses, cooling towers, water and fuel pump and control valves of Units 2 and 3.	Reliability	\$ 500,000.00
Mayaguez Power Plant:	Waste Water Tanks for Water Treatment Plant	Purchase and install waste water tanks for the water treatment plant. Regulatory (API 653, 650, 570 (American Petroleum Institute)	Environmental Compliance	\$ 500,000.00
Mayaguez Power Plant:	Increase Demi Plant Capacity	Purchase new equipment to replace equipment and parts that have exceeded useful life.	Reliability	\$ 300,000.00
Mayaguez Power Plant:	Hot Section Inspection 4A	OEM schedule maintenance.	Reliability	\$ 6,500,000.00
Mayaguez Power Plant:	Contrato Mantenimiento FT8 Mayaguez-Palo Seco	Technical assistance for programed boroscope inspections and emergency repairs for the Mayaguez and Palo Seco FT8 turbines. Technical assistance for the demi water plant and OEM maintenance schedule.	Reliability	\$ 2,000,000.00
Costa Sur Power Plant:	Unit 6 - Environmental Maintenance	Boiler burners, fuel valves and pumps procurement and replacement, repairs to the boiler's refractory and insulation, repairs to water heaters, including safety and online valves, scaffolding services to perform works including valves, etc. Compliance with Title V of the Clean Air Act and other applicable regulations.	Environmental Compliance	\$ 3,000,000.00
Costa Sur Power Plant:	Auxiliary Equipment	Replacement of water feeding pump, motor, engines, pumps, induced fans, forced fans, bearings, seals, and valves, among other components.	Reliability	\$ 1,500,000.00
Palo Seco Power Plant:	Procurement and Delivery Boiler High Pressure Parts Units 3 and 4	Procurement and delivery of high-pressure boiler parts units 3 and 4.	Reliability	\$ 1,000,000.00
Palo Seco Power Plant:	Palo Seco 4 - Enviromental Maintenance	Boiler burners, fuel valves and pumps procurement and replacement, repairs to the boiler's refractory and insulation, repairs to water heaters, including safety and online valves, scaffolding services to perform works including valves, etc. Compliance with Title V of the Clean Air Act and other applicable regulations.	Environmental Compliance	\$ 3,750,000.00
Palo Seco Power Plant:	New Multimedia Filter Skid Water Treatment Plant	Purchase and install a new multimedia filter skid water treatment plant in compliance with the Clean Water Act (National Pollutant Discharge Elimination System program implementation).	Environmental Compliance	\$ 1,750,000.00
Palo Seco Power Plant:	Battery Bank - PS3	Purchase battery banks and structural racks to provide DC power to the turbines and boilers protection systems.	Reliability	\$ 500,000.00
Palo Seco Power Plant:	Polishing System - PS3	Replacement and installation of new polishing system.	Reliability	\$ 1,000,000.00
Palo Seco Power Plant:	Polishing System - PS4	Replacement and installation of new polishing system.	Reliability	\$ 1,000,000.00
Palo Seco Power Plant:	Rotatory Traveling Screen	Prevent sargassum and other debris in water intake.	Reliability	\$ 1,500,000.00
Palo Seco Power Plant:	Auxiliary Equipment	Replacement of water feeding pump, motor, engines, pumps, induced fans, forced fans, bearings, seals, and valves, among other components.	Reliability	\$ 710,000.00
Peakers (CTs) - Hydrogas Division: (Gas Turbines Peakers)	FT8 Palo Seco OEM Maintenance and Repairs	Original equipment manufacturer scheduled maintenance and repairs.	Reliability	\$ 500,000.00
All Power and Gas Plants	Coating Application Boiler Structures and Chimneys All Power Plants	Materials, equipment and services for the surface preparation and application of paint coating of all structural elements that support all the power plant's boiler components and the exhaust stacks.	Reliability	\$ 1,000,000.00
All Power and Gas Plants	Fuel Storage Tanks Improvement	Rehabilitate, repair, and install fuel tanks and tank farm liners. Structural steel repairs of floor, roof, shell, columns and beams elements of an existing fuel service tank and application of new anti-corrosive coating on the interior and exterior of the tank. Procure and delivery of integrated measurement, recording, control, monitoring, and temperature system for fuel tanks.	Environmental Compliance	\$ 3,000,000.00
All Power and Gas Plants	Vehicle Replacement	Provide transportation between stations and plants for operations, repairs, inspections and maintenance.	Reliability	\$ 250,000.00
All Power and Gas Plants	Battery Bank Replacements	Replacement of battery banks to provide DC power to the turbines and boilers protection systems.	Reliability	\$ 3,500,000.00
All Power and Gas Plants	Equipment for Production Division	Purchase and replacement of engines, pumps, induced fans, forced fans, bearings, seals and valves, among others.	Reliability	\$ 1,500,000.00
All Power and Gas Plants	Small Improvement for Generation Building Facilities	Repairs on walls, roofs, stairs on all sites, including the Palo Seco and Aguirre warehouses.	Safety	\$ 1,000,000.00
All Power and Gas Plants	Electric System Office Automat - IT/OT	Purchase, repairs and upgrades of servers, computers, monitors, cameras speakers etc.	Reliability	\$ 2,500,000.00
All Power and Gas Plants	Security Equipment-Generation	Purchase safety equipment required by federal and state laws and regulations.	Reliability	\$ 2,290,000.00
All Power and Gas Plants	Safety Equipment Generation	Purchase safety equipment required by federal and state laws and regulations.	Safety	\$ 500,000.00
San Juan Steam & Combined Cycle Plant	Liner Rehabilitation Fuel Service Tanks Units 5&6	Repairs secondary liner system of fuel tanks. Compliance with Oil Pollution Act (Spill Prevention, Control, and Countermeasure program implementation).	Environmental Compliance	\$ 475,000.00
San Juan Steam & Combined Cycle Plant	Procurement of BFWP - New RO System San Juan and Water Membranes	Purchase two boiler feed water pumps for Units 5 and 6.	Efficiency	\$ 675,000.00
San Juan Steam & Combined Cycle Plant	Structural Rehabilitation Water Retention Tank 2 Water Treatment Plant	Commission new reverse osmosis plant with new filter membranes. Compliance with Clean Water Act (NPDES program implementation).	Environmental Compliance	\$ 1,325,000.00
San Juan Steam & Combined Cycle Plant	Auxiliary Equipment	Replacement of water feeding pump, motor, engines, pumps, induced fans, forced fans, bearings, seals, and valves, among other components.	Reliability	\$ 1,500,000.00
Aguirre Power Plant	Replace Cable 4/0 AWG/4.16kV/8Kv - BCSP1-1 Pumps	Replacement of the voltage supply cable from the C 1-1 fuel service pump to the AG1 Boiler. This cable has an insulation problem that does not allow the use of this equipment. Ground insulation integrity (Megger) tests on the cable yielded meager results on the 50-year-old line.	Reliability	\$ 200,000.00
Aguirre Power Plant	Structural Rehabilitation Nautilus Water Tank, Water Treatment Plant	Structural repairs of steel shell, bottom and replacement of appurtenances. Surface preparation and coating application interior and exterior. Removal and reinstallation of mechanical equipment and some miscellaneous electrical works. The Nautilus are water clarifier tanks and are an essential component of the process water treatment plant in compliance with the Clean Water Act (National Pollutant Discharge Elimination System program implementation).	Environmental Compliance	\$ 675,000.00
Aguirre Power Plant	Improvements to the pier and replacement of sections of lines for fuel	Compliance with Homeland Security and Coast Guard regulations and programs.	Reliability	\$ 375,000.00
Aguirre Power Plant	Auxiliary Equipment	Replacement of water feeding pump, motor, engines, pumps, induced fans, forced fans, bearings, seals, and valves, among other components.	Reliability	\$ 2,000,000.00
Aguirre Power Plant	Fuel Loading Arms Rehabilitation	State and Federal Regulations, Insurance and Code Compliance / Homeland Security	Environmental Compliance	\$ 150,000.00
Aguirre Power Plant	Turbine Driven Boiler Feed Pumps Bundle Acquisition	Purchase bundle replacement for the turbine-driven boiler feed pump that replaces both units.	Reliability	\$ 2,000,000.00
Aguirre Power Plant	Critical Motor Acquisition for Motor Driven Boiler Feed Pumps	Purchase motor for motor-driven boiler feed to be available in case of running	Reliability	\$ 1,600,000.00
Aguirre Power Plant	Suministro Segundo Nuevo Cedazo Giratorio	Prevent sargassum and other debris in water intake.	Reliability	\$ 620,000.00
Aguirre Power Plant	Fire Protection System Rehabilitation -Design & Phase 1	Underground pipelines must be replaced due to frequent failures, and the fuel tank foam system has significant deterioration. Aerial pipelines are proposed to replace the existing ones. Phase 1 includes pipelines located at the fuel tank farms. State or Federal Regulations.		\$ 4,000,000.00
Aguirre Power Plant	Coating for process water tanks	Coating of processed water tanks to extend useful life.	Reliability	\$ 1,250,000.00
Aguirre Power Plant	Cover structural elements and auxiliary equipment	Cover structural elements and auxiliary equipment to extend useful life	Reliability	\$ 100,000.00
Aguirre Power Plant	Reconstruction of the discharge channel pumping station structure	Structural repairs and construction of new concrete elements to reinforce the existing concrete pool walls. The design has been completed.	Reliability	\$ 1,500,000.00
Aguirre Power Plant	Improvements to Operational Systems in Chemical Laboratory: WTP, RO, DEMI Plant, Boilers chemical control injection & Polishers (Polisher resins , RO's pump, DEMI feed water pipe improvement & new Eq. tank)	Replacement of polishers, cation and anion resins, equalization tank and nautilus water tank.	Reliability	\$ 650,000.00
Cambalache Power Plant:	Control System Plant Maintenance	Maintenance contract for technical assistance and troubleshooting.	Reliability	\$ 1,249,136.00
Mayaguez Power Plant:	Inspection and Maintenance 4 Gen. Brush	The generator has not been removed and inspected since 2008 and is contaminated with oil and dirt. OEM Maintenance schedule.	Reliability	\$ 4,475,000.00
Mayaguez Power Plant:	Structural Rehabilitation Reserve Fuel Oil Tank 1	External and internal inspection of fuel oil tank 1 in compliance with the Oil Pollution Act (SPCC).	Environmental Compliance	\$ 2,625,000.00
Costa Sur Power Plant:	HP/IP/LP Spare Rotor Units 5 & 6	The turbine exceeded the operational hours and its showing significant vibration.	Reliability	\$ 5,500,000.00
Palo Seco Power Plant:	New Water Condensate Tank 1-1	Permitting, demolition, design and construction of a new 173,000 gallons steel storage condensate water tank and appurtenances for units 3 and 4. Also, surface preparation and coating application to the interior roof, bottom and shell, and exterior roof and shells of the tanks. Replacement of valves and some piping of the tank.	Reliability	\$ 750,000.00

TOTAL BUDGET \$ 134,074,854.00



ATTACHMENT H
LUMA DRAFT Reporting Templates – Vegetation Management

**DRAFT VEGETATION MANAGEMENT PROGRESS SCHEDULE - PREB REQUIREMENT COMPLIANCE
LOW VOLTAGE DISTRIBUTION LINES**

[illegible]

DISTRIBUTION-VM IMPACTED ZONE - REMOVAL/REDUCTION ZONE, EDGE ZONE, STRIKE ZONE
TYPE OF RESPONSE - REACTIVE, CORRECTIVE, PREVENTIVE
TYPE OF VM IMPLEMENTED - BIOLOGICAL, PHYSICAL OR CHEMICAL CONTROL
TYPE OF VM DISPOSAL CLASSIFICATION - CHIP & HAUL, CHIP & BLOW, FILE / WINDOW, LOP & SCATTER, MULCHIN

**DRAFT VEGETATION MANAGEMENT PROGRESS SCHEDULE - PREB REQUIREMENT COMPLIANCE
DISTRIBUTION LINES**

[illegible]

DISTRIBUTION-VMIMPACTED ZONE - REMOVAL/REDUCTION ZONE, EDGE ZONE, STRIKE ZONE
TYPE OF RESPONSE - REACTIVE, CORRECTIVE, PREVENTIVE
TYPE OF VMIMPLEMENTED - BIOLOGICAL, PHYSICAL OR CHEMICAL CONTROL
TYPE OF VMDISPOSAL CLASIFICATION - CHIP & HAUL, CHIP & BLOW, PILE / WINDROW, LOP & SCATTER, MULCHING



TRANSMISSION LINES

TRANSMISSION VM IMPACTED ZONE - WIRE ZONE, BORDER ZONE, STRIKE ZONE
TYPE OF RESPONSE - REACTIVE, CORRECTIVE, PREVENTIVE
TYPE OF VM IMPLEMENTED - BIOLOGICAL, PHYSICAL OR CHEMICAL CONTROL
TYPE OF VM DISPOSAL CLASSIFICATION - CHIP & HAUL, CHIP & BLOW, PILE / WINDROW, LOP & SCATTER, MULCHIN

SUBSTATIONS

SUBSTATION VM IMPACTED ZONE - WIRE ZONE, BORDER ZONE, STRIKE ZONE
TYPE OF RESPONSE - REACTIVE, CORRECTIVE, PREVENTIVE
TYPE OF VM IMPLEMENTED - BIOLOGICAL, PHYSICAL OR CHEMICAL CONTROL
TYPE OF VM DISPOSAL CLASSIFICATION - CHIP & HAUL, CHIP & BLOW, PILE / WINDROW,



ATTACHMENT I
Reporting Requirements¹²⁰

LUMA, Genera, and PREPA (Holdco, HydroCo-PropertyCo) shall:

1. Maintain detailed accounting of annual expenses for each Fiscal Year and report annually within 60 days after the end of each fiscal year, on the use of funds within the budget for that timeframe. In this report explain any differences between accounts expenses and approved budgets.
2. Report quarterly, within forty five (45) days after the end of each quarter, detailing Fiscal Year Budget spending amounts, broken out by spending initiative, and detailing any variances from the approved Budget filing. These reports should also include details allowing the Energy Bureau to assess funding, withdrawals and outstanding balances in Operating Budgets, the Capital Budgets and the Generation Budget.
3. Report quarterly, within forty five (45) days after the end of each quarter, summary reports outlining federal funding activity. These summary reports shall include aggregated information showing the cumulative amount of federal funding applied for, broken out by the source of such funding, the incremental amount of federal funding applied for in the reporting quarter, and both the cumulative and quarterly amount of federal funding received.
4. Report annually, within sixty (60) days after the end of each fiscal year, on the implementation of improved efficiencies and quantification of resulting savings.
5. Not later than April 1 of the year preceding the Fiscal year for which annual rates are requested, for each Fiscal Year for which a Rate Revision Petition is not filed, submit to the Energy Bureau the proposed budgets for that Fiscal Year following the annual budget examination process delineated in the 2017 Rate Order.

Provide each document submitted to the FOMB as specified in the 2023 PREPA Fiscal Plan as Certified by FOMB on June 23, 2023 and shown in Table I-1 below—in accordance with the timeframes thereby established. This should be considered a continuing request for future fiscal years.

Table I-1

Report	Detail	Cadence	Responsible Entity
Implementation of Grid Modernization	Grid modernization plan must provide an overview of the major investment categories and projects that LUMA, Genera and PREPA are considering delivering reliable, resilient power and status of project delivery against milestones.	Bi-monthly	LUMA/Genera/PREPA
Permanent and Emergency Work-Related Federal Funding Report & Infrastructure Plan Updates	Updates on the 10-year infrastructure plan. Updates on FEMA and CDBG-DR funding programs for permanent and emergency work for generation (including hydro) and T&D assets. Provide the following by PW: <ul style="list-style-type: none">• Intended use and description of project portfolio• Obligated amount	Monthly	LUMA/Genera/PREPA

¹²⁰ Reporting requirements are continuing unless specifically indicated to be otherwise.



Report	Detail	Cadence	Responsible Entity
	<ul style="list-style-type: none">Received amountCost-match requirementsCost-match funded (by source)Project timeline and/or milestones		
Budget to Actuals (Reporting requirement is separate from any requirement under Section 203 in PROMESA)	Tracking of certified Budget to Actual for HydroCo and HoldCo based on template to be provided by the Oversight Board, which must include the following: <ul style="list-style-type: none">Explanation for material variances (greater than 10% and \$30 million)Income statement in the reporting packageMonthly budget reporting	Monthly	PREPA
	Tracking of certified Budget to Actual for GridCo, HydroCo, GenCo, and HoldCo based on a consolidated template to be provided by the Oversight Board, which must include the following: <ul style="list-style-type: none">Explanation for material variances (greater than 10% and \$30 million)Income statement in the reporting packageQuarterly budget reporting	Quarterly	LUMA/Genera/PREPA
Accounts Receivable (AR)/Accounts Payable (AP) cash flow reporting	Continued reporting on cash flow, payables and receivables by customer or vendor class.	Monthly	LUMA

PREPA (Holdco, HydroCo-PropertyCo) shall:

1. In the intervening months between quarterly reports, provide monthly¹²¹ reports, within 20 days after the end of each month, detailing Fiscal Year Budget spending amounts, broken out by spending initiative, and detailing any variances from the approved Budget filing. These reports should also include details allowing the Energy Bureau to assess funding, withdrawals and outstanding balances in Operating Budgets, the Capital Budgets and the Generation Budget.
2. In the intervening months between quarterly reports, provide monthly reports, within 20 days after the end of each month, outlining federal funding activity. These summary reports shall include aggregated information showing the cumulative amount of federal funding applied for, broken out by the source of such funding, the incremental amount of federal funding applied for in the reporting quarter, and both the cumulative and quarterly amount of federal funding received.

¹²¹ Monthly reporting is necessary in view of the changes that are occurring with respect to PREPA's responsibilities and the newly formed entities that are included in the FY 24 Budget.



ATTACHMENT J
Genera DRAFT Reporting Template – Generation Maintenance

Thermal Generation Facility Maintenance Report

Aguirre Power Plant Complex

Monthly Status for July 2023

[illegible]

**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: Determination on the FY24
Annual Budgets for the electric utility
system – LUMA, Genera, and PREPA.

Opinión Concurrente del Presidente, Edison Avilés Deliz

Concurro con la totalidad del análisis de la mayoría. Sin embargo, tengo que enfatizar que es sumamente importante para la transformación del sistema eléctrico del país restaurar el sistema de generación a base de energía hidroeléctrica.

Ahora bien, el abandono de décadas de ésta no puede ser subsanado de un día para otro, y mucho menos a expensas del bolsillo del consumidor.

Actualmente están encaminados sobre \$300 millones de dólares en asignaciones federales en el área de generación hidroeléctrica que deben ser primero utilizados, antes de comprometer fondos que provengan del presupuesto basado en el proceso tarifario del 2017.

Una vez encaminados dichos fondos y su efecto en la capacidad y eficiencia de la generación a base de energía hidroeléctrica se puedan evidenciar, el Negociado de Energía estará en mejor posición de determinar si es necesaria la asignación de fondos adicionales provenientes de los recaudos tarifarios por encima de los fondos federales provenientes de las obligaciones de asistencia pública para mejoras permanentes. Es por esa razón que concurro con el análisis y la decisión de la mayoría de redistribuir en este momento los limitados fondos del presupuesto en otras áreas. La disponibilidad y la magnitud de fondos federales adicionales a los incluidos en la petición ante nos, me convence de no conceder la distribución solicitada.

Nótese que los sobre \$300 millones de fondos federales disponibles a los incluidos en la petición presupuestaria bajo análisis, es una asignación histórica, no antes presupuestada para restaurar el sistema de generación a base de energía hidroeléctrica.




Chairman Edison Avilés Deliz Concurring Opinion

I concur with the full analysis made by the majority of the Energy Bureau; however, I must emphasize that it is crucial for the transformation of Puerto Rico's electrical system to restore the hydroelectric generation system.

That said, the abandonment of decades of hydroelectric generation cannot be rectified overnight, especially not at the unrestrained expense of the ratepayer.

Currently, there are approximately \$300 million in federal funds sought for hydroelectric generation activities that should be utilized first before committing ratepayer funds to activities that are eligible for permanent work federal funding. Once these funds and their impact on the capacity and efficiency of the hydroelectric generation are achieved, the Energy Bureau will be in a better position to determine if additional funds from tariff revenues are needed on top of the public assistance federal funds obligated for the rehabilitation of the hydroelectric generation plants. For this reason, I agree with the majority's analysis and decision to redistribute the limited budget funds to other areas at this time. The availability and magnitude of additional federal funds beyond those included in the budget petition before us convince me not to grant the distribution as petitioned.

Please note that the over \$300 million in federal funds available, in addition to those included in the analyzed budget request, represent a historical allocation not previously budgeted for restoring the hydroelectric generation system.



Edison Avilés Deliz
Chairman

In San Juan, Puerto Rico, June 25, 2023.

