

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

IN RE: MAINTENANCE AND REPAIR
MANAGEMENT OF THE GENERATION
UNITS OF THE PUERTO RICO ELECTRIC
POWER AUTHORITY

CASE NO.: NEPR-MI-2021-0014

SUBJECT: Genera Consumables, Spare
Parts, and Capital Spare Parts Listing.

RESOLUTION AND ORDER

I. Introduction

Pursuant to Act 57-2014,¹ the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau") has jurisdiction over the Puerto Rico Electric Power Authority ("PREPA") and other electric service companies. Act 57-2014 clearly states it is public policy that all consumers have the right to a reliable and stable electric service. Act 17-2019² broadened the Energy Bureau's authority and reinforced the foregoing public policy by declaring that "(t)he electric power system should be reliable and accessible, promote industrial, commercial, and community development, improve the quality of life at just and reasonable cost, and promote the economic development of the Island."

For the Energy Bureau to fulfill its statutory authority and duty to the people of Puerto Rico, it is imperative that the electric service companies subject to the jurisdiction of the Energy Bureau keep the Energy Bureau informed as to the operating state of the electric power system. Towards that purpose, the Energy Bureau established this docket for filing certain material related to the maintenance and repair of the Puerto Rico Electric Power Authority's ("PREPA") generation fleet and other reports.

On January 24, 2023, PREPA, the Puerto Rico Public-Private Partnership Authority ("P3 Authority"), and Genera PR, LLC ("Genera") entered into the *Puerto Rico Thermal Generation Facilities Operation and Maintenance Agreement* ("Genera OMA") that provides for the operation and maintenance services ("O&M Services") of certain baseload generation plants and combustion turbine peaking units defined therein as "Legacy Generation."

Genera is required under Section 4.2(j) of the Genera OMA to report on the available inventory of Consumables, Spare Parts and Capital Spare Parts for each Legacy Generation Asset which could be used for offsetting other costs and expenses. Section 4.2(j) specifically states:

(j) Consumables, Spare Parts, and Capital Spare Parts. Promptly (and in any event within sixty (60) days) following the Effective Date, and in accordance with the Mobilization Plan, Operator shall review the inventory of Consumables, Spare Parts and Capital Spare Parts for each Legacy Generation Asset and submit to Administrator and PREB (with copy to Owner), for their review and approval, a recommendation in consultation with the original equipment manufacturers of any additional Consumables, Spare Parts and Capital Spare Parts necessary to provide Operator with a supply of such Consumables, Spare Parts and Capital Spare Parts to allow

¹ Known as *The Puerto Rico Energy Transformation and RELIEF Act*, as amended ("Act 57-2014").

² Known as *The Puerto Rico Energy Public Policy Act* ("Act 17-2019").



Operator to comply with its obligations under this Agreement for twelve (12) months following the Service Commencement Date (with any modifications deemed to be appropriate by Administrator). During the twelve (12) months following the Service Commencement Date, in the event that, following review of the inventory of Consumables, Spare Parts and Capital Spare Parts for a Legacy Generation Asset, Operator determines that additional Consumables, Spare Parts and Capital Spare Parts are necessary to allow Operator to comply with its obligations under this Agreement for the remainder of such twelve (12) month period, Operator may submit to Administrator and PREB (with copy to Owner), for their review and approval, a revision to the initial approved recommendation. After such twelve (12) month period, it shall be Operator's responsibility to procure any additional, necessary Consumables and Spare Parts, and any additional, necessary Capital Spare Parts in accordance with Section 5.6 (*Capital Spare Parts and Capital Improvements*), in each case in accordance with the then-approved Operating Budget.

On June 13, 2023, Genera submitted a to the Energy Bureau a letter alleging its compliance with Section 4.2(j), stating its recommendations of Consumable, Spare Parts, and Capital Spare Parts ("Recommendation Letter") via email to the Energy Bureau and to the P3 Authority. Genera should have known that this email submittal does not constitute a formal filing before the Energy Bureau. Thus, on June 16, 2023, the Energy Bureau issued a Resolution and Order ("June 16 Order") ordering Genera to formally submit its Recommendation Letter in this docket.

On June 19, 2023, pursuant to the June 16 Order, Genera filed a document titled *Motion to Submit Genera PPR LLC's June 13 Recommendation Letter in Compliance with the June 16, 2023 Order* ("June 19 Motion"), in which it formally submitted the Recommendation Letter in this docket.

II. Analysis and Conclusions

Section 4.2(j) of the Genera OMA envisions Genera submitting its assessment of the inventory of Consumables, Spare Parts, and Capital Spare Parts for each Legacy Generation Asset to the Energy Bureau for "review and approval" during the Mobilization Period, and also envisions Genera, within 12 months of Service Commencement, supplementing its assessment of that inventory, including identification of any additional Consumables, Spare Parts, and Capital Spare Parts, and submitting its supplemental assessment for Energy Bureau review and approval as well. Genera's June 19 Motion and attached Recommendation Letter provides its initial assessment, and reflects its review of the Consumables, Spare Parts, and Capital Spare Parts inventory. In addition, the Energy Bureau **TAKES ADMINISTRATIVE NOTICE** of Genera's *Motion to Submit Genera PR LLC's Supplemental Responses to the June 9 Bench Order* filed in *In re: Review of LUMA's Initial Budget*, Case No. NEPR-MI-2021-0004 on June 15, 2023, detailing its assessment of the timeframe and cost for procuring needed critical spare parts at the legacy generation sites.

The Energy Bureau has reviewed the June 19 Motion regarding Genera's initial assessment and its analysis of critical spare parts needed at the legacy generation sites, including the cost and estimated time schedules for obtaining those spare parts. The Energy Bureau is aware that Genera continues to work on these assessments and expects that Genera will submit a revised assessment of Consumables, Spare Parts, and Capital Spare Parts within coming months, consistent with requirements of the Genera OMA, and consistent with direction from the Energy Bureau.

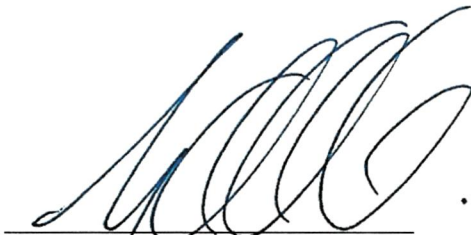


Based on its review, the Energy Bureau **CONDITIONALLY APPROVES** Genera’s initial assessment of the inventory of Consumables, Spare Parts, and Capital Spare Parts at the legacy generation sites as presented in the June 19 Motion subject to Genera’s updating its revised assessment incorporating the revisions required in Attachment A of this Resolution and Order. As Genera is aware, it is critically important to improve the availability and reliability of the legacy generation assets until such time as they are replaced with renewable and energy storage resources, and having adequate spare parts inventory is a key component needed to improve availability and to reduced extended forced outage events.

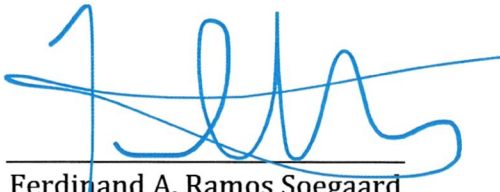
The Energy Bureau **ORDERS** Genera to file its revised assessment of Consumables, Spare Parts, and Capital Spare Parts at the legacy generation units **by no later than September 30, 2023**.

The Energy Bureau **WARNS** Genera that, in accordance Art. 6.36 of Act 57-2014:³ (i) noncompliance with this Resolution and Order, regulations and/or applicable laws may carry the imposition of fines and administrative sanctions of up to twenty-five thousand dollars (\$25,000) per day; (ii) any person who intentionally violates Act 57-2014, as amended, by omitting, disregarding, or refusing to obey, observe, and comply with any rule or decision of the Energy Bureau shall be punished by a fine of not less than five hundred dollars (\$500) nor over five thousand dollars (\$5,000) at the discretion of the Energy Bureau; and (iii) for any recurrence of non-compliance or violation, the established penalty shall increase to a fine of not less than ten thousand dollars (\$10,000) nor greater than twenty thousand dollars (\$20,000), at the discretion of the Energy Bureau.

Be it notified and published.


Edison Avilés Deliz
Chairman


Lillian Mateo Santos
Associate Commissioner


Ferdinand A. Ramos Soegaard
Associate Commissioner


Sylvia B. Ugarte Araujo
Associate Commissioner


Antonio Torres Miranda
Associate Commissioner

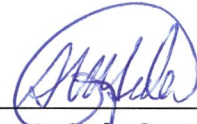
³ Puerto Rico Energy Transformation and RELIEF Act, as amended (“Act 57-2014”).



CERTIFICATION

I hereby certify that the majority of the members of the Puerto Rico Energy Bureau has so agreed on June 30, 2023. I also certify that on June 30, 2023 a copy of this Resolution and Order was notified by electronic mail to jmarrero@diazvaz.law, margarita.mercado@us.dlapiper.com, jfr@sbgblaw.com; alopez@sbgblaw.com; legal@genera-pr.com; regulatory@genera-pr.com. I also certify that on June 30, 2023, I 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 30, 2023.



Sonia Seda Gaztambide
Clerk



ATTACHMENT A

Revision Requirements to the Consumables, Spare Parts, and Capital Spare Parts Inventory

1. Describe and detail the priority changes that Genera is planning to make to improve the warehouse operations and to control the spare parts, consumables, and equipment inventory in accordance with Prudent Utility Practice.
2. Describe how Genera will implement a Reliability Centered Management Program that prioritizes critical equipment and adjusts spare parts inventory.
3. Detail Genera's plan for managing obsolete spare parts in the short, medium, and long term, and outline steps that will be taken to obtain needed parts that are obsolete or no longer available.
4. Genera indicates it will seek to obtain the "best part price" through competitive processes in procuring needed spare parts. Describe how this measure applies to all spare parts including the supply of critical spare parts.
5. Given that Genera is considering this measure (obtain the "best part price" through a competitive bid process), describe how will Genera make sure it purchases quality parts, and what standards will be included as part of the competitive procurement process. Describe how Genera will establish a qualification or validation procedure for quality assurance of the parts.
6. PREPA has been working with the warehouse management software (Asset Suite). Please explain whether Genera considers that software to meet Genera's expectations or whether it is considering replacing it or extending its applicability?
7. In Genera's June 19 Motion, there are many parts with the "Qty. in stock" and "Required Quantities" both detailed as zero (0). Please explain whether these parts were eliminated or substituted for a new different one and declared obsolete? Please describe Genera's plan to manage obsolete spare parts.
8. Please explain whether Genera's spare parts inventory includes the stocks of parts and main equipment in other private warehouses, such as the Seboruco warehouse, the spare equipment kept in the hot rooms, and some of the tool room stocks that often have spare parts and consumables (Hot room is a storage room with heaters to raise the temperature for storing equipment that requires controlled environmental conditions such as low humidity, dust-free environment, etc.).
9. Describe Genera's plan for procuring the critical parts with "Qty in Stock" listed as zero (0) in the June 19 Motion.
10. Describe Genera's plan to address the major parts with "Qty in Stock" listed as zero (0) in the June 19 Motion. Also describe Genera's plan regarding the minor parts with "Qty in Stock" listed as zero (0).
11. Describe Genera's plan to address the shortage of critical parts requiring long lead time on high criticality items, including projected timelines and procurement procedures, as well as projected cost estimates for procurement of such critical parts.



12. Describe Genera's protocol for expediting the procurement of spare parts that usually require a long lead time. Describe administrative strategies with suppliers that will facilitate the acquisition of equipment and main parts.
13. Describe how Genera will consider synchronizing the spare parts inventory with the legacy power plant's repair schedule to stabilize generation system reliability and describe how Genera's plan and procedures will focus on the critical conditions of the main power plants.
14. Describe how Genera verified that spare parts quantities in the inventory list matched quantities actually found in the warehouses.
15. Considering Aguirre CC, San Juan 5 & 6 and San Juan 7,8,9 and 10 as an example, the list has 1,265 critical and 959 major items without information regarding the "Unit cost", "Qty. in stock", "Required quantities", and "Total cost". The Energy Bureau requires this information to complete its evaluation, and this information must be included by Genera in the revised assessment.
16. Taking Aguirre 1 and 2, San Juan 5 and 6, San Juan 7, 8, 9, 10, and Palo Seco 3 & 4, the number of critical items out of stock is 334. Describe how Genera believes that the identified shortage of critical spare parts could affect the FY 2024 repair schedule and the stabilization of critical units.
17. As for Palo Seco 3 & 4, considering that both units have major repairs (PS4 - environmental repair in September 2023 and Unit 3 has a major repair scheduled for November 2023), out of 128 critical and major turbine parts, 100% are listed as zero (0) in the "Qty in stock" column and 21 parts do not have inventory information. For the item "Turbine and Generator", 100% of the critical and major parts are also zero (0) in the "Qty in stock" column and 21 parts do not have inventory information. Please include an explanation of Genera's plan in the event of a critical turbine failure at these generating plants. Also describe Genera's plan to address the shortage of critical parts that require long lead times for these highly critical items.
18. San Juan 5 & 6 as Combined Cycle generation in San Juan are important due their load capacities and the voltage control provided, but, from 63 critical parts 17 are listed as zero (0) inventory in the column "Qty. in stock" equivalent to 15% of the critical parts out of stock. From 127 major parts, 54 of them are out of stock equivalent to 42% and for minor parts, 6 parts are out of stock from 60, which equals 10%. Describe what acceptable benchmarks Genera will apply for Critical Spare Parts. Also describe how Genera will consider that the quantities for critical and major parts are low in stock and procedures that will ensure adequate spare parts inventories are in place.
19. Describe how Genera will develop and implement Root Cause Analyses to reduce downtime associated with unplanned equipment outages.

