

**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: Requirement of Information
("ROI") to GENERA – Review of LUMA's
Proposed Consolidated FY 2024 Budgets.

RESOLUTION AND ORDER

I. Introduction

On May 16, 2023, LUMA Energy, LLC and LUMA Energy ServCo, LLC (jointly referred to as, "LUMA") filed a document titled *Submission of Consolidated Annual Budgets for Fiscal Year 2024 and Proposed Annual T&D Projections Through Fiscal Year 2026* ("Proposed FY24 Budgets"), pursuant to which, LUMA submitted to the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau") the proposed T&D Budgets developed by LUMA, the proposed GenCo Budgets developed by Genera PR, LLC ("Genera"), and the proposed HydroCo and HoldCo Budgets developed by the Puerto Rico Electric Power Authority ("PREPA").

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 ("May 23 Resolution"), through which it issued a Second Requirement of information to LUMA, Genera, and PREPA requesting supporting documentation reflecting the submission of the Proposed FY24 Budgets.

On May 31, 2023, the Energy Bureau issued a Resolution and Order ("May 31 Resolution"), 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 ("ROI"), provide additional information, providing ROI responses and other information.


On June 9, 2023, the Energy Bureau held a Technical Conference ("June 9 Technical Conference") to discuss the Proposed FY24 Budgets filings and ROI responses submitted by LUMA, Genera, and PREPA. The June 9 Technical Conference concluded at about 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.



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* ("June 14 PREPA Responses"), 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 Technical Conference.

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


 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* ("June 15 LUMA Responses"), through which it responded to Bench Orders issued during the June 9, 2023 Technical Conference.

 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 to comply with remaining Bench Orders and ROIs.

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 supplemented its responses to Bench Orders issued at the June 9 Technical Conference.

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 Technical Conference and the June 12 Order.

 On June 25, 2023, the Energy Bureau issued a Resolution and Order ("June 25 Resolution") in which it made budget determinations for LUMA, Genera, and PREPA.

 On June 30, 2023, LUMA submitted a document titled, *Submission of Motions for Reconsideration by PREPA and Genera and Notice of Intent to Request Reconsideration of Resolution and Order of June 25, 2023* ("June 30 Motion"). Included with the June 30 Motion, LUMA submitted, on behalf of Genera, a document titled *Urgent Motion in Compliance with Resolution and Order of June 25, 2023 and for Partial Reconsideration* ("Genera Request").

On July 10, 2023, LUMA filed a document titled *Motion for Partial Reconsideration of Resolution and Order of June 25, 2023 on Fiscal Year 2024 System Budgets* ("July 10 Motion"), in which LUMA presents its opposition to the \$14.8MM reduction to its Proposed FY24 Budgets determined by the Energy Bureau through the June 25 Resolution.

II. Analysis and Requirement of Information

In the Genera Request, Genera petitions reconsideration of the Energy Bureau's determination to set Genera's FY2024 labor budget at \$55.03 million, based on the number of 502 employees Genera indicated it had hired at the June 9 Technical Conference. Genera states that as of June 28, 2023, it had 114 additional contractually binding offer acceptances for employment, for 634 accepted and binding employment contracts. Genera does not address the discrepancy between those figures and the projected employment roster of 952 employees it provided through the June 15 Genera Response.¹ Though Genera Request, Genera further petitions the Energy Bureau not change the total budget allocated to Genera, but instead allocate a larger portion of the budget to labor expenses, and to forgo a portion of the Necessary Maintenance Expense (NME) budget increased by the Energy Bureau in its June 25 Resolution. In its request, Genera refers to such increased NME expenditures as "important" but "optional." It is not clear to the Energy Bureau how some NME expenditures can be considered "optional" when LUMA continues to rely on rolling blackouts to maintain system stability and Genera has a unique opportunity to perform much generation repairs

¹ See June 15 Genera Response, 20230615-GPR-PREB-Bench-ROI-06-09-3.xlsx, "Roster" worksheet.



of major baseload units given the federal allowance for temporary emergency generation capacity.

Based on the new information provided in the Genera Request, the Energy Bureau **DETERMINES** that supporting material is required for its review. The new information provided lacks the support needed to allow the Energy Bureau to fully assess Genera's Request.

III. Conclusion

The Energy Bureau **ORDERS** Genera to respond, on or before July 25, 2023 at 12:00 PM, to the Requirements of Information set forth in **Attachment A** to this Resolution and Order.

The Energy Bureau **WARNS** Genera and LUMA that:

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

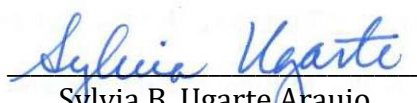
Be it notified and published.



Edison Avilés Deliz
Chairman



Lillian Mateo Santos
Associate Commissioner



Sylvia B. Ugarte Araujo
Associate Commissioner



Antonio Torres Miranda
Associate Commissioner

CERTIFICATION

I certify that the majority of the members of the Puerto Rico Energy Bureau agreed on July 14, 2023. Associate Commissioner Ferdinand A. Ramos Soegaard did not intervene. Also certify that on July 14, 2023, I have proceeded with the filing of this Resolution and Order and was notified by email 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. I also certify that on July 14, 2023, I have -moved forward with filing the Resolution and Order issued by the Puerto Rico Energy Bureau.

For the record, I sign in San Juan, Puerto Rico, today, July 14, 2023.



Sonia Seda Gaztambide
Clerk



ATTACHMENT A

The Energy Bureau hereby requires additional information regarding Genera's labor expenses for Fiscal Year 2024:

1. Detailed Description of Shifts by Plant

Before Genera assumed the operation and maintenance responsibilities of the thermal generation facilities, the Operation Department consisted of two main sections: Operation Shifts and the Process and Environmental Laboratory. The Operation Shifts section operates and oversees boilers, turbines, generators, switch yards, and plant auxiliary equipment, and its personnel works in a structure of eight (8) hours shifts to cover a 24/7 general operation. Depending on the thermoelectric plant, more operation employees will be needed according to available operational units. However, some units can be temporarily unavailable due to maintenance activities, and others have been removed from service. The generation plants have a boiler and turbine control room for every two units and an electrical control room for each plant. A typical two-unit plant requires at least one Shift Engineer, one Supervisor Engineer, Boiler and Turbine Operator, a Switchboard Operator, Auxiliary Equipment Operator, and Fuel Transfer Equipment Operator. The Fuel Transfer Equipment Operator is prescribed by the Facility Response Plan (FRP), approved by the United States Coast Guard, and designated as a Person in Charge (PIC) during fuel transfer operations. If the plant has more units, for each pair of additional units, at least one Auxiliary Equipment Operator would be needed. A performance engineer, air compliance engineer, and a fuel supervisor also support the operations of the thermal generation facilities.

Each plant must be evaluated as described to determine the adequate level of operating personnel required to ensure a safe and reliable power supply over a spectrum of system conditions and probable contingencies.

- (a) Comprehensively describe the composition of a work shift and the distribution of operating personnel by shift in all the generating plants operated and maintained by Genera. This should include any changes to the shift structure, the total number of employees considered necessary for reliable operation, and how variations in staffing configuration for each plant based on their age, technology, unit configuration, and other factors have been accounted for.
- (b) Explain how Genera accounts for periods of lower or higher operational activity in their labor budget and whether it has a mechanism for flexible staffing to accommodate for these periods.

2. Detailed Salary Breakdown

- (a) Provide a detailed salary breakdown including the position title and functions of all Genera employees divided by categories (e.g., Operations; Maintenance; Environmental, Health, and Safety; Clerical) including fringe benefits and projected overtime costs. Genera should also provide information on whether it has consolidated positions based on similar responsibilities (e.g., Environmental – NPDES, and SPCC compliance officials) and provide a detailed breakdown of administrative labor costs including staffing levels, responsibilities, salaries, and any associated overheads.
- (b) Provide the criteria for classifying employee positions as mandatory.
- (c) Provide the number of PREPA employees Genera must hire based on any O&M's contractual obligations.



3. **Comparison of Salaries at PREPA and Genera**
 - (a) Provide a table with a breakdown of employees hired from PREPA that shows their previous and new base salary, fringe benefits, and total salary (base salary + fringe benefits).
4. **Opportunities for Outsourcing**
 - (a) Provide a data table comparing the productivity of work orders performed versus the labor expenses per each power plant's mechanic workshop and a data table projecting the outsourcing costs per each power plant's mechanic workshop. Genera must also provide information on any plans in place for improving efficiency and reducing labor costs while maintaining operational reliability and safety.
5. **Organizational Structure**
 - (a) Describe the organizational structure established to manage thermal generation facilities more efficiently.
6. **Operational Strategy**
 - (a) Describe the operational strategy used to establish the thermal generation facilities maintenance program.
7. **Operational Efficiencies**
 - (a) Explain how Genera has increased operational efficiencies by establishing a centralized Communications Resource to coordinate with the LUMA Energy Control Center (ECC) instead of having the LUMA ECC directly interacting with each individual plant maintained and operated by Genera. How does this approach reduce labor costs?
 - (b) Explain how Genera has increased operational efficiencies by establishing a centralized Maintenance Follow-Up Resource. How does this approach reduce labor costs?
8. **Expenses Associated with Contracting Labor**
 - (a) Provide a table describing which outsourcing services (professional services contracts and budgeted amounts) support the Genera labor force.
 - (b) What executive or management positions are filled by outsourcing or subcontracting? Provide the contract and contract amounts for those positions under those contractual arrangements.
9. **Reconciliation of Submitted Roster**

In its ROI response 20230615-GPR-PREB-Bench-ROI-06-09-3.xlsx, "Roster" worksheet, Genera included a roster of 952 employees. At the June 9 Technical Conference, Genera said it had 502 employees, and in its reconsideration request, Genera said it had 634 accepted employee contracts on June 28, 2023, just before service commencement.

 - (a) Reconcile its employment roster submitted to the Energy Bureau, and its current and expected number of employees during FY2024. This reconciliation shall include an explanation for any discrepancies and changes.
10. **Assessment of NME Expenditures**

In its June 25 Resolution, the Energy Bureau allocated additional funds beyond the amounts requested by Genera, to be used on generation NME projects. In its reconsideration request, Genera describes such additional NME projects as "important" but "optional".



- (a) Provide a listing of NME projects it believes should be foregone if its reconsideration request is granted, and an explanation of why those projects are “optional” and will not adversely affect availability of affected legacy generating units if they are not completed during FY2024.

The Energy Bureau is concerned with ensuring that GeneraPR has adequate levels of funding to perform generation maintenance/repairs that maximize the flexibility afforded by the temporary emergency generation under the federal generation stabilization mission to significantly reduce the number of forced outages by the end of 2024. In its motion for reconsideration of June 30, 2023, GeneraPR states that some of the NME activities approved by the Energy Bureau can be considered “optional”.² However, Genera on July 5, 2023, filed with the Energy Bureau a *Motion to Submit Revised Maintenance Schedule in Compliance with Resolution and Order Dated June 25, 2023* that included the Generation Fleet Outage Schedule for Planned Maintenance and Critical Component Replacement Program through the end of calendar year 2024 that is expected to significantly reduce the number of forced outages. This Generation Fleet Outage Schedule contemplates the use of the Energy Bureau approved \$134.075 million for NME activities.³

- (b) What FY 2024 budget levels are required to complete the Planned Maintenance and Critical Component Replacement Program established in the Generation Fleet Outage Schedule?
- i. What will be the expected forced outage % at the end of calendar year 2024? How does that compare to the current forced outage %?
- (c) Explain which repair/replacement/maintenance activities in the proposed schedule could be considered “optional”.
- (d) Provide the rationale used to establish that an identified planned activity is optional and specify the costs associated with any optional activity.
- (e) In coordination with LUMA, resubmit the Generation Fleet Outage Schedule and just consider Scenario I (ultimate capacity of 350MW) and II (ultimate capacity of 700MW) available from the temporary emergency generators.
- i. What FY 2024 budget levels are required to complete the Planned Maintenance and Critical Component Replacement Program established in this revised Generation Fleet Outage Schedule?
- ii. What will be the expected forced outage % at the end of calendar year 2024? How does that compare to the current forced outage %?
- iii. Explain which repair/replacement/maintenance activities in the proposed revised schedule could be considered optional.
- iv. Provide the rationale used to establish that an identified planned activity is optional and specify the costs associated with any optional activity.



² June 30, 2023 Submission of Motions for Reconsideration by PREPA and GENERA and Notice of Intent to File Motion for Reconsideration of Resolution and Order of June 25, 2023, p. 11.

³ July 5, 2023 Motion to Submit Revised Maintenance Schedule in Compliance with Resolution and Order Dated June 25, 2023, p. 1.