

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

NEPR Received: Nov 7, 2023 8:59 PM

IN RE:

REVIEW OF LUMA’S INITIAL BUDGET

CASE NO.: NEPR-MI-2021-0004

SUBJECT: Motion to Submit Corrective Action Plan in Compliance with Resolution and Order dated September 22, 2023

MOTION TO SUBMIT ITEM 6 OF THE CORRECTIVE ACTION PLAN IN COMPLIANCE WITH RESOLUTION AND ORDER DATED SEPTEMBER 22, 2023

TO THE HONORABLE PUERTO RICO ENERGY BUREAU:

COMES NOW GENERA PR LLC (“Genera”), as agent of the Puerto Rico Electric Power Authority (“PREPA”),¹ through its counsels of record, and respectfully state and request the following:

1. On May 16, 2023, LUMA² filed a document with the Energy Bureau of the Puerto Rico Service Regulatory Board (“Energy Bureau”) titled *Submission of Consolidated Annual Budgets for Fiscal Year 2024 and Proposed Annual T&D Projections Through Fiscal Year 2026*, in which LUMA submitted the Proposed Consolidated FY24 Budget, composed of the proposed T&D Budgets developed by LUMA, the proposed GenCo Budgets revised by Genera on behalf of PREPA for the PREPA subsidiary GenCo LLC, and the proposed budget developed by PREPA for its holding company, HoldCo, and its subsidiaries PREPA HydroCo LLC and PREPA PropertyCo LLC.

¹ Pursuant to the *Puerto Rico Thermal Generation Facilities Operation and Maintenance Agreement* (“LGA OMA”), dated January 24, 2023, executed by and among PREPA, Genera, and the Puerto Rico Public-Private Partnerships Authority (“P3 Authority”), Genera is the sole operator and administrator of the Legacy Generation Assets (as defined in the LGA OMA) and the sole entity authorized to represent PREPA before PREB with respect to any matter related to the performance of any of the O&M Services provided by Genera under the LGA OMA.

² LUMA Energy, LLC and LUMA Energy ServCo, LLC (jointly referred to as “LUMA”).

2. On June 25, 2023, the Energy Bureau issued a Resolution and Order titled *Determination on the FY24 Annual Budgets for the Electric Utility System – LUMA, Genera, and PREPA* (“June 25th Motion”). Through this order, the Energy Bureau amended the Proposed Consolidated FY24 Budget submitted by LUMA and approved the revised budgets, provided the orders included in the Resolution and Order were complied with. The June 25th Order, amongst other things, reduced Genera’s proposed labor operating expenses budget for FY2024 from \$79.5 MM to \$55.03 MM.

3. Subsequently, on June 30, 2023, Genera filed a document titled *Urgent Motion in Compliance with Resolution and Order of June 25, 2023, and for Partial Reconsideration* (“Genera’s June 30th Request for Partial Reconsideration”), requesting that the Energy Bureau reconsider the determinations made in the June 25th Order. This was in accordance with the mandates of the June 25th Order, which required Genera to “ensure that the legacy generation plants are adequately staffed to ensure reliable and efficient operations and to promptly report to any staffing shortages or difficulties in maintaining adequate personnel to staff the plants.”³

4. On June 30, 2023, the Energy Bureau issued a Resolution and Order titled *Resolution pertaining Motion for Reconsideration of the June 25 Resolution and Order on the Determination of the FY24 Annual Budgets for the Electric Utility System - LUMA, Genera, and PREPA, filed by the Puerto Rico Electric Power Authority and Urgent Motion in Compliance with Resolution and Order of June 25, 2023 and for Partial Reconsideration, filed by Genera PR, LLC*, through which it stated that it would not consider Genera’s June 30th Request for Partial Reconsideration because its submission did not comply with certain provisions of the T&D OMA⁴.

³ See page 19 of the June 25th Order.

⁴ *Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement* (“T&D OMA”), dated June 22, 2020, executed by and among PREPA, P3 Authority, and LUMA.

5. On June 30, 2023, LUMA filed 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* (“LUMA’s June 30th Motion”), through which LUMA submitted Motions for Reconsideration of the Energy Bureau’s FY2024 Budget Determination on behalf of PREPA and Genera and provided notice of its intention to request reconsideration on its behalf.

6. On September 22, 2023, the Energy Bureau issued a Resolution and Order titled *Determination on the Request for Partial Revision on the FY 2023 Annual Budgets by LUMA, GENERA, and PREPA* (“September 22nd Resolution”), addressing the requests for reconsideration submitted by LUMA, Genera, and PREPA in response to the Energy Bureau’s June 25th Order. Pertinent to this Motion, the September 22nd Resolution denied Genera's June 30th Partial Request for Reconsideration regarding the reduction of Genera’s proposed labor expenses budget for FY2024.

7. Furthermore, in the September 22nd Resolution, the Energy Bureau ordered Genera to submit, within 30 days of issuing the September 22nd Resolution, with the deadline being October 22, 2023, a detailed Corrective Action Plan outlining the steps Genera intends to take to align its labor costs with the approved budgets, including a timeline for each action, responsible parties, and expected outcomes.

8. On October 19, 2023, Genera submitted a document titled *Motion for Brief Extension of Time to Comply with Order to Submit Corrective Action Plan*, in which Genera requested an extension of time until October 30, 2023, to submit the Corrective Action Plan to the Energy Bureau.

9. On October 30, 2023, Genera filed a document titled *Motion to Submit Corrective Action Plan in Compliance with Resolution and Order dated September 22, 2023* (“October 30th Motion”), thereby submitting its corresponding Corrective Action Plan, in partial compliance with the September 22nd Resolution.

10. The Corrective Action Plan submitted with the October 30th Motion outlined a series of actions that Genera has committed to completing within a specific timeline. On what is relevant to this motion and in accordance with Action Item 6 of the Corrective Action Plan, Genera was required to seek approval from the Energy Bureau for the proposed reapportionments within the FY24 Certified GenCo budget, as requested by Genera.

11. As per Action Item 6 of the Corrective Action Plan, Genera submits Exhibit A and Exhibit B with this motion. Exhibit A contains the revised total amount of Necessary Maintenance Expenses (NME) and Exhibit B contains the detailed GenCo FY24 Budget Update and Labor Operating Expenses.

WHEREFORE, Genera respectfully requests that this Honorable Energy Bureau **take notice** of the above for all purposes and **deem** Genera to be in compliance with the September 22nd Resolution in what pertains to the submittal of the Corrective Action Plan.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 7th day of November 2023.

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CERTIFICATE OF SERVICE

We hereby certify that a true and accurate copy of this motion was filed with the Office of the Clerk of the Energy Bureau using its Electronic Filing System and that we will send an electronic copy of this motion to PREPA, through Lionel Santa, at lionel.senta@prepa.com; and to LUMA, through Margarita Mercado Echegaray, at margarita.mercado@us.dlapiper.com; and Ana Margarita Rodríguez Rivera, at ana.rodriguezrivera@us.dlapiper.com.

In San Juan, Puerto Rico, this 7th day of November 2023

/s/ Joaquín M. Lago González
Joaquín M. Lago González

Exhibit A

NME Expenses



Exhibit A

Plant	All Power and Gas Plants	Genera Portfolio	Original Budget	Revised Budget	Comments
Aguirre Power Plant	Aguirre Unit 1 - Environmental Maintenance Project (Oct - Dec 2023)	Environmental Compliance	\$ 3,000,000.00	\$ -	Unit repairs performed in connection to Forced Outages. As such, unit will enter operations during the month of November/December not requiring to undergo Environmental Maintenance until the year 2025, 15-18 month after entering operations.
Aguirre Power Plant	Aguirre Unit 2 - Environmental Maintenance Project (Jan - Feb 2024)	Environmental Compliance	\$ 3,000,000.00	\$ 3,000,000.00	No Change
All Power and Gas Plants	Fire Protection Systems	Safety	\$ 1,200,000.00	\$ 1,200,000.00	No Change
All Power and Gas Plants	CEMS y Metros de Particulado	Environmental Compliance	\$ 1,000,000.00	\$ -	Qualifies under FEMA Public Assistance Alternative Procedures for Permanent Work (Section 428) FAAST .
All Power and Gas Plants	Electric System Environmental Projects	Environmental Compliance	\$ 1,500,000.00	\$ -	Qualifies under FEMA Public Assistance Alternative Procedures for Permanent Work (Section 428) FAAST .
San Juan Steam & Combined Cycle Plant	L TSA SJ6	Reliability	\$ 8,000,000.00	\$ 8,000,000.00	No Change
San Juan Steam & Combined Cycle Plant	L TSA SJ5	Reliability	\$ 8,000,000.00	\$ 8,000,000.00	No Change
San Juan Steam & Combined Cycle Plant	Natural Gas Manufacturing Surcharge	Efficiency	\$ 10,000,000.00	\$ 10,000,000.00	No Change
San Juan Steam & Combined Cycle Plant	Replacement of Battery Banks CT Unit 6	Reliability	\$ 175,000.00	\$ -	Qualifies under FEMA Public Assistance Alternative Procedures for Permanent Work (Section 428) FAAST .
San Juan Steam & Combined Cycle Plant	Replacement of the Online Condenser Cleaner Unit 6	Efficiency	\$ 750,000.00	\$ 1,200,000.00	Error in initial estimate computation.
Aguirre Combined Cycle	Ciclo Combinado Aguirre Stack 1, Rotores y Rotor de Generador	Reliability	\$ 9,000,000.00	\$ 5,600,000.00	Projected current Fiscal Year expense. Repair high pressure, intermediate pressure and low pressuer rotors.
Aguirre Power Plant	Chimmenie	Environmental Compliance	\$ 100,000.00	\$ -	Not urgently required - work reprogrammed to next Fiscal Year
Aguirre Power Plant	Aguirre Unit 2 - Major Outage	Reliability	\$ 5,200,000.00	\$ 1,000,000.00	Projected current Fiscal Year expense. Repair high pressure, intermediate pressure and low pressuer rotors.
Aguirre Power Plant	Boiler Improvement U-2 - Aguirre Steam Plant	Reliability	\$ 743,176.00	\$ 1,128,176.00	Repair and replacement part cost increase.
Aguirre Power Plant	Fuel Igniters Replacement Units 2	Reliability	\$ 1,000,000.00	\$ -	Not urgently required - work reprogrammed to next Fiscal Year
Aguirre Power Plant	Motor Driven Boiler Feed Pump (Bundle) Acquisition	Reliability	\$ 1,445,000.00	\$ -	Qualifies under FEMA Public Assistance Alternative Procedures for Permanent Work (Section 428) FAAST .
Aguirre Power Plant	Aguirre Unit 2 ABB Excitation System Replacement	Reliability	\$ 217,642.86	\$ 217,642.86	No Change
Cambalache Power Plant	L TSA Units Camb 2-3	Reliability	\$ 4,000,000.00	\$ 4,000,000.00	No Change
Cambalache Power Plant	Major Inspection - Generator Unit 3	Reliability	\$ 500,000.00	\$ 1,000,000.00	Additional work and repairs required.
Cambalache Power Plant	Cambalache GT Units & Auxiliaries Repairs	Reliability	\$ 500,000.00	\$ 500,000.00	No Change
Mayaguez Power Plant	Waste Water Tanks for Water Treatment Plant	Environmental Compliance	\$ 500,000.00	\$ 500,000.00	No Change
Mayaguez Power Plant	Increase Demi Plant Capacity	Reliability	\$ 300,000.00	\$ 1,000,000.00	Too conservative initial estimate.
Mayaguez Power Plant	Hot Section Inspection 4A	Reliability	\$ 6,500,000.00	\$ 6,500,000.00	No Change
Mayaguez Power Plant	Contrato Mantenimiento FT8 Mayagüez-Palo Seco	Reliability	\$ 2,000,000.00	\$ 2,000,000.00	No Change

Costa Sur Power Plant	Unit 6 - Environmental Maintenance	Environmental Compliance	\$ 3,000,000.00	\$ 3,000,000.00	No Change
Costa Sur Power Plant	Auxiliary Equipment	Reliability	\$ 1,500,000.00	\$ 4,326,100.00	Increase need of auxiliary equipment and receipt of proir fiscal year inbudgeted orders.
Palo Seco Power Plant	Procurement and Delivery Boiler High Pressure Parts Units 3 and 4	Reliability	\$ 1,000,000.00	\$ -	Qualifies under FEMA Public Assistance Alternative Procedures for Permanent Work (Section 428) FAAST - parts for Unit 3 Unit 5 works reprogrammed to next Fiscal Year.
Palo Seco Power Plant	Palo Seco 4 - Enviromental Maintenance	Environmental Compliance	\$ 3,750,000.00	\$ 3,250,000.00	Recalculated cost
Palo Seco Power Plant	New Multimedia Filter Skid Water Treatment Plant	Environmental Compliance	\$ 1,750,000.00	\$ 1,000,000.00	RFP procedures resulted in better cost.
Palo Seco Power Plant	Battery Bank - PS3	Reliability	\$ 500,000.00	\$ -	Moved to the general Battery Bank Replacement program under Item #39. Projected current Fiscal Year expense.
Palo Seco Power Plant	Polishing System - PS3	Reliability	\$ 1,000,000.00	\$ -	Not urgently required - work reprogrammed to next Fiscal Year
Palo Seco Power Plant	Polishing System - PS4	Reliability	\$ 1,000,000.00	\$ -	Not urgently required - work reprogrammed to next Fiscal Year
Palo Seco Power Plant:	Rotatory Traveling Screen	Reliability	\$ 1,500,000.00	\$ 921,000.00	Direct negotiation with OEM provider resulted in better cost.
Palo Seco Power Plant	Auxiliary Equipment	Reliability	\$ 710,000.00	\$ 1,710,000.00	Increase need of auxiliary equipment and receipt of proir fiscal year inbudgeted orders.
Peakers (CTs) - Hydrogas Division: (Gas Turbines Peakers)	FT8 Palo Seco OEM Maintenance and Repairs	Reliability	\$ 500,000.00	\$ 500,000.00	No Change
All Power and Gas Plants	Coating Application Boiler Structures and Chimneys All Power Plants	Reliability	\$ 1,000,000.00	\$ 386,107.00	Projected current Fiscal Year expense for miscellaneous repairs. Complete project reprogrammed to next Fiscal Year.
All Power and Gas Plants	Fuel Storage Tanks Improvement	Environmental Compliance	\$ 3,000,000.00	\$ 1,000,000.00	RFP procedures resulted in Projected current Fiscal Year expense.
All Power and Gas Plants	Vehicle Replacement	Reliability	\$ 250,000.00	\$ 250,000.00	No Change
All Power and Gas Plants	Battery Bank Replacements	Reliability	\$ 3,500,000.00	\$ 1,132,664.00	Projected current Fiscal Year expense.
All Power and Gas Plants	Equipment for Production Division	Reliability	\$ 1,500,000.00	\$ 1,000,000.00	Projected current Fiscal Year expense.
All Power and Gas Plants	Small Improvement for Generation Building Facilities	Safety	\$ 1,000,000.00	\$ -	Not urgently required - work reprogrammed to next Fiscal Year
All Power and Gas Plants	Electric System Office Automat - IT/OT	Reliability	\$ 2,500,000.00	\$ 1,250,000.00	Projected current Fiscal Year expense.
All Power and Gas Plants	Security Equipment-Generation	Reliability	\$ 2,290,000.00	\$ 500,000.00	Projected current Fiscal Year expense.
All Power and Gas Plants	Safety Equipment Generation	Safety	\$ 500,000.00	\$ 500,000.00	No Change
San Juan Steam & Combined Cycle Plant	Liner Rehabilitation Fuel Service Tanks Units 5&6	Environmental Compliance	\$ 475,000.00	\$ 475,000.00	No Change
San Juan Steam & Combined Cycle Plant	Procurement of BFWP - New RO System San Juan and Water Membranes	Efficiency	\$ 675,000.00	\$ -	Works covered under the State Revolving Fund Program - EPA C7209640
San Juan Steam & Combined Cycle Plant	Structural Rehabilitation Water Retention Tank 2 Water Treatment Plant	Environmental Compliance	\$ 1,325,000.00	\$ 750,000.00	Projected current Fiscal Year expense. Remainder expense reprogrammed to next Fiscal Year.
San Juan Steam & Combined Cycle Plant	Auxiliary Equipment	Reliability	\$ 1,500,000.00	\$ 3,000,000.00	Increase need of auxiliary equipment and receipt of proir fiscal year inbudgeted orders.
Aguirre Power Plant	Replace Cable 4/0 AWG/4.16kv/8kv - BCSP1-1 Pumps	Reliability	\$ 200,000.00	\$ 200,000.00	No Change
Aguirre Power Plant	Structural Rehabilitation Nautilus Water Tank, Water Treatment Plant	Environmental Compliance	\$ 675,000.00	\$ 675,000.00	No Change
Aguirre Power Plant	Improvements to the pier and replacement of sections of lines for fuel	Reliability	\$ 375,000.00	\$ 375,000.00	No Change
Aguirre Power Plant	Auxiliary Equipment	Reliability	\$ 2,000,000.00	\$ 2,000,000.00	No Change

Aguirre Power Plant	Fuel Loading Arms Rehabilitation	Environmental Compliance	\$ 150,000.00	\$ 150,000.00	No Change
Aguirre Power Plant	Turbine Driven Boiler Feed Pumps Bundle Acquisition	Reliability	\$ 2,000,000.00	\$ 1,000,000.00	Projected current Fiscal Year expense - initial deposit. Remainder expense reprogrammed to next Fiscal Years, two (2) year lead time.
Aguirre Power Plant	Critical Motor Acquisition for Motor Driven Boiler Feed Pumps	Reliability	\$ 1,600,000.00	\$ 1,600,000.00	No Change
Aguirre Power Plant	Suministro Segundo Nuevo Cedazo Giratorio	Reliability	\$ 620,000.00	\$ 620,000.00	No Change
Aguirre Power Plant	Fire Protection System Rehabilitation -Design & Phase 1		\$ 4,000,000.00	\$ 1,000,000.00	Projected current Fiscal Year expense for miscellaneous repairs. Qualifies under FEMA Public Assistance Alternative Procedures for the project design.
Aguirre Power Plant	Coating for process water tanks	Reliability	\$ 1,250,000.00	\$ -	Moved to the general/on demand services program under Item #67. Projected current Fiscal Year expense.
Aguirre Power Plant	Covering of structural elements and auxiliary equipment	Reliability	\$ 100,000.00	\$ -	Moved to the general/on demand services program under Item #67. Projected current Fiscal Year expense.
Aguirre Power Plant	Reconstruction of the discharge channel pumping station structure	Reliability	\$ 1,500,000.00	\$ 1,380,129.00	Projected current Fiscal Year expense.
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)	Reliability	\$ 650,000.00	\$ 650,000.00	No Change
Cambalache Power Plant	Control System Plant Maintenance	Reliability	\$ 1,249,136.00	\$ 1,249,136.00	No Change
Mayaguez Power Plant	Inspection and Maintenance 4 Gen. Brush	Reliability	\$ 4,475,000.00	\$ -	Qualifies under FEMA Public Assistance Alternative Procedures for Permanent Work (Section 428) FAAST .
Mayaguez Power Plant	Structural Rehabilitation Reserve Fuel Oil Tank 1	Environmental Compliance	\$ 2,625,000.00	\$ 1,500,000.00	Projected current Fiscal Year expense.
Costa Sur Power Plant	HP/IP/LP Spare Rotor Units 5 & 6	Reliability	\$ 5,500,000.00	\$ 1,100,000.00	Projected current Fiscal Year expense. Repair high pressure, intermediate pressure and low pressuer rotors.
Palo Seco Power Plant	New Water Condensate Tank 1-1	Reliability	\$ 750,000.00	\$ 850,000.00	Repair and replacement part cost increase.
All Power and Gas Plants	Technical Services Contractor for Preventive Maintenance and Repair Works	Reliability, Environmental Compliance and Safety	\$ -	\$ 16,700,000.00	General on-demand contracts to provide mechanic, electrician, chemical cleaning, valve maintainmance, and scaffolding rental among other services required to provide preventive maintenance and repair works.
San Juan Steam & Combined Cycle Plant	Unit 9, Boiler, Turbogenerator, Auxiliary Equipment Repairs		\$ -	\$ 2,500,000.00	Procurement of materials, parts, equipment, services of high pressure components, inspection and repairs of turbine-generator components and other unit's auxiliary equipment.
		TOTAL NME BUDGET	\$ 134,074,954.86		
		TOTAL REVISED NME BUDGET		\$ 113,345,954.86	

Exhibit B
Budget Update



Exhibit B

(\$-thousands)	GeneraPR FY2024 Budget
GenCo FY24 Budget	
Labor Operating Expenses	\$ 75,754
Non-Labor Operating Expenses:	
Materials & Supplies	\$ 21,094
Transportation, Per Diem, and Mileage	\$ 1,192
Security	\$ 8,021
Utilities & Rents	\$ 3,616
Legal Services	\$ 13,000
Professional & Technical Outsourced Services	\$ 12,176
Regulation & Environmental Expenses	\$ 6,536
Equipment, Inspections, Repairs & Other O&M	\$ 5,468
Total Non-Labor Operating Expenses	\$ 71,103
Shared Services Agreement Impact	\$ 63,826
Necessary Maintenance Expenses ("NME")	\$ 113,345
Total GenCo Operating and Maintenance Expenses	\$ 324,029

Commentary

Pursuant to the requirements set forth by PREB, and proposed by Genera in the Corrective Action Plan, Genera revisited the assessment of critical roles for operations and support functions performed during the budget formulation period. As a result of this effort, and through corporate restructuring in alignment with PREB's requirements, Genera was able to partially adjust the roster.

The NME budget was reviewed and reallocated to account for current pricing adjustments, FEMA funding eligibility, priorities, and fiscal year expenditures, among others.