

**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 PREPA's Petition to Revise FY 2024 HoldCo (PropertyCo) and HydroCo Budgets and Genera's Petition to Revise FY 2024 GenCo Budgets.

RESOLUTION AND ORDER

I. Introduction and Procedural Background

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* ("May 16 Motion"), 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"). LUMA requested that the Energy Bureau review and approve the Consolidated System Annual Budgets for FY2024, including the T&D Operating and Capital Budgets, the GenCo Budget, the allocation of the HydroCo Budget and HoldCo Budget, as well as other expenditures in the May 16 Motion.

On June 25, 2023, the Energy Bureau issued a Resolution and Order ("June 25 Resolution") through which it modified the proposed FY 2024 Budgets and approved the Budgets as modified, subject to compliance with orders and reporting requirements.

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* ("June 30 Motion"), through which LUMA submitted motions for reconsideration of the June 25 Resolution on behalf of PREPA ("PREPA Reconsideration Motion")¹ and Genera ("Genera Reconsideration Motion")² and provided notice of its intention to request reconsideration on its own behalf. LUMA specified that it had no part in the development of the PREPA Reconsideration Motion or the Genera Reconsideration Motion, made no representation as to their appropriateness and reserved its rights to file its own position under separate cover.

On July 7, 2023, PREPA filed a document titled, *Second Motion to Submit PREPA's Contracts for Professional and Technical Services in Compliance with Portion of the June 25 Order and Urgent Request for Approval* ("July 7 Motion"), through which it submitted a list of 24 contracts that PREPA asserted were executed before submittal to the Energy Bureau for approval, due to error or inadvertence by PREPA.

On July 14, 2023, the Energy Bureau issued a Resolution and Order, through which, it required Genera to respond to several Requests of Information regarding the Genera Reconsideration Motion.

On July 19, 2023 ("July 19 Resolution"), August 3, 2023 ("August 3 Resolution") and August 14, 2023 ("August 14 Resolution"), the Energy Bureau issued Resolutions and Orders through which it ordered PREPA to submit in all future filings, a table reflecting the approved

¹ Motion for Reconsideration of the June 24 resolution and Order on the Determination of the FY24 Annual Budgets for the Electric Utility System-Luma, Genera and PREPA.

² Urgent Motion in Compliance with the Resolution and Order of June 25, 2023, and for Partial Reconsideration.



and proposed contracts, the amounts approved and proposed for those contracts, the line items from the category to which they correspond and the remaining balance for that category.

On July 25, 2023, Genera filed a document titled, *Motion Submitting Information in Compliance with Resolutions and Orders dated June 25, 2023 and July 14, 2023* (“July 25 Motion”), through which, it responded to Energy Bureau Requirements of Information and Directives.

On July 28, 2023, PREPA filed a document titled, *Informative Motion and Request for Remedy* (“July 28 Informative Motion”), through which, PREPA explained that the FY 2024 Budget approved by the Energy Bureau would leave PREPA unable to operate efficiently and manage its day-to-day activities. PREPA related that its Governing Board approved Resolution 5076 granting authorization to use funds deposited into the FEMA reimbursement account to cover budgetary gaps. PREPA included a revised budget and a list of contracts it deems necessary to enable PREPA to operate and comply with all its obligations. PREPA requested that the Energy Bureau approve the amended budget and authorize the use of funds from the FEMA Reimbursement Account.

On August 16, 2023, the Energy Bureau issued a Resolution and Order (“August 16 Order”), through which it required that PREPA file a table including the totality of the approved and proposed contracts for FY 2024, the amounts proposed and approved for those contracts, the line items from the category to which they correspond, and the remaining balance for that category and reminded PREPA that all executed contracts that were not approved by the Energy Bureau nor included in the referenced table must be terminated and that no services pertaining to those contracts could be rendered.³

On September 1, 2023, PREPA filed a document titled, *PREPA’s Motion for Reconsideration of Portions of the August 16 Order and in Compliance with the August 14 Request for Information and the August 16 Order* (“September 1 Motion”), through which, PREPA reiterated its request for funds it asserted were necessary for PREPA to minimally comply with its responsibilities, including specific Environmental obligations. PREPA requested that the August 16 Resolution be stayed and reconsidered regarding the requirement that contracts which were not approved were to be terminated.

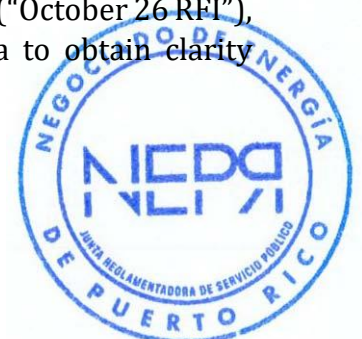
On September 22, 2023, the Energy Bureau issued a Resolution and Order (“September 22 Resolution”), through which, the Energy Bureau increased the HoldCo Operating Budget in the amount of \$3.673MM for certain specific uses, subject to reporting requirements. The Energy Bureau also warned PREPA it must adhere to the approved budgets, and not resubmit without new supportive material, budgets which are essentially the same or similar to budgets that the Energy Bureau has reviewed and for which it has issued a determination. In addition, the Energy Bureau directed Genera to develop and file a Corrective Action Plan (CAP), outlining the steps Genera intends to take to align its labor costs with the Energy Bureau approved budgets.

On September 27, 2023, the Energy Bureau issued a Resolution and Order (“September 27 Order”), through which the Energy Bureau ordered PREPA to submit to the Energy Bureau for review and approval, any contracts for FY 2024 that it had not resubmitted for review and which it intended to execute but were not yet submitted to the Energy Bureau.

On October 30, Genera filed a document titled, *Motion to Submit Corrective Action plan in Compliance with Resolution and Order dated September 22, 2023* (“October 30 Motion”). Through which, Genera submitted the Corrective Action Plan pursuant to the Energy Bureau” directive in the September 22 Resolution, containing ten action items with the timeframe for their completion.

On October 26, 2023, the Energy Bureau issued a Request for Information (“October 26 RFI”), through which the Energy Bureau requested information from Genera to obtain clarity

³ August 16 Order, pp. 5-6.



regarding on the tracking of the NME Budget line items. Among the questions posed to Genera was to provide the status of the NME activities approved in the June 25th Resolution, including actual and projected expenditures in FY 2024 for each maintenance activity.

On November 7, Genera filed a document titled, *Motion to Submit Item 6 of Corrective Action plan in Compliance with Resolution and Order dated September 22* (“Corrective Action Plan” and “Genera November 7 Motion”), through which Genera submitted Item 6 of the CAP, which proposed reapportionments within the FY 2024 Certified Genco Budget, as requested by Genera, containing requests for revised Necessary Maintenance Expenses (NME) and Labor Operating Expenses.

On November 7, 2023, PREPA filed a document titled, *Motion in Compliance with Orders and Request for Approval of Revised Proposed Budget* (“November 7 Motion”), through which, PREPA submitted, “all existing contracts it has executed, plans to execute or plans to amend during FY24 that have not been previously approved by the Energy Bureau,”⁴ purportedly in compliance with the September 27 Resolution. In addition, PREPA requested Energy Bureau approval of a proposed revised budget.

In the November 7 Motion, PREPA describes its efforts to identify additional sources of funding for its budgetary needs, including bad debt recoveries, FEMA⁵ reimbursements and insurance claim settlements, which PREPA asserts have resulted in the recovery and accrual of millions of dollars which could be used for annual budgets. PREPA asserts that the budgets approved by the Energy Bureau are insufficient for PREPA’s basic operations and responsibilities.⁶ PREPA explains and requests approval, for allocation of the increased funding of \$3.673MM the Energy Bureau provided through the September 22 Resolution, including PREPA’s proposed expenditure of a portion of the Additional Approved Budget for external contracts and other work it deems necessary and a priority, as referenced in Annex C of the November 7 Motion.

In addition, PREPA requests that the Energy Bureau authorize an increase to the approved budget of \$23.7MM, comprised of \$19.6MM for HoldCo and \$4.1MM for HydroCo, to be funded from the alternative funding sources it identifies.⁷ PREPA includes for review and approval, its proposed HoldCo Non-Labor Operating Budget as Annex A, referencing 53 contracts and subject areas for which approval is requested. PREPA includes its proposed HydroCo Non-Labor Operating Budget as Annex B, referencing 17 contracts and subject areas for which approval is requested. PREPA notes in the November 7 Motion, that full compliance with the September 27 Resolution, requiring that PREPA submit to the Energy Bureau the totality of the contracts it plans to execute in FY 2024, is not feasible because multiple services that will be contracted in FY 2024 require competitive processes that have not been yet completed and that this information will be identified and produced at a later time.⁸

On November 9, Genera filed a document titled, *Motion Submitting Response in Compliance with Resolution and Order Dated October 26, 2023* (“November 9 Motion”), through which Genera said regarding the NME Budget for FY 2024 that they are “... currently updating the Genera Project Master Tracker to reflect the changes and advances in all projects. Once the latest updated version of the Genera Project Master Tracker is final, Genera will promptly file a copy with the PREB”.

⁴ November 7 Motion, p. 7.

⁵ Federal Emergency Management Agency (“FEMA”).

⁶ November 7 Motion, pp. 1-2.

⁷ *Id.*, pp. 2-3.

⁸ *Id.*, p. 7.



II. Analysis

A. HoldCo Budget

The Energy Bureau stated in past Resolutions and Orders, and restates here, that its determination of the budgetary needs for PREPA, LUMA, and Genera is based on its review and analysis of the presentation of identified and supported need by the requesting party, and on the administrative record in this instant proceeding.⁹ Availability of additional funds for budget expenditures does not correspond to nor justify, the expenditure of funds in addition to the approved budget.

In the November 7 Motion, PREPA identifies and seeks approval for contracts and other costs, that correspond to the additional approved budget the Energy Bureau increased in favor of PREPA in its September 22 Resolution and in addition, for contracts and, expenditures that significantly exceed the approved budgets.

PREPA admitted that the identification of FY 2024 contracts and expenses for which PREPA seeks approval in the November 7 Motion is not complete. PREPA asserts that multiple services will be contracted later in FY 2024 and additional information will be provided later. Any determination by the Energy Bureau based on the information PREPA has provided in the November 7 Motion will not accurately reflect the full extent of PREPA's asserted financial need for FY 2024. This failure of PREPA to comply with the Energy Bureau Order is unacceptable and PREPA should have no expectation that any request for additional funding for contracts will be approved.

Many of the contracts PREPA proposes in the November 7 Motion reflect scopes of services that are no longer needed by PREPA due to its reduced responsibilities or scopes of services that reflect responsibilities which are now those of another party, such as Genera or LUMA. PREPA has provided no new information for many of the requested contracts and expenditures, despite the Energy Bureau's admonition that PREPA is not to resubmit the same or similar material with the expectation that, without additional and adequate supporting information, the Energy Bureau will approve requests that have been evaluated and on which a determination has been issued.

PREPA is reminded of the admonition in the 2017 Rate Order, in which the Energy Bureau stated, "PREPA shall have no expectation of readily spending more than its approved revenue requirement, then simply charging ratepayers for the excess."¹⁰ This concept is no less applicable now than in 2017. The Energy Bureau has approved a budget for PREPA based on PREPA's responsibilities and needs, in accordance with the record of this proceeding. PREPA has not provided adequate support to justify the level of additional funding it requests.

The Energy Bureau examined the specific areas for which PREPA requested additional funds and the support provided and discusses significant findings below. In the September 22 Resolution, the Energy Bureau allocated additional budgetary funding to PREPA. In making this allocation, the Energy Bureau assessed the need and support provided for the proposed increases and determined that an increase to PREPA's Non-Labor Budget was justified, however, in making this additional allocation, the Energy Bureau did not prescribe specific uses for the increased funding, apart from funding for reimbursement of Genera for specified environmental remediation work. The Energy Bureau did not prescribe specific allocations, and therefore, **the additional allocations made in this Resolution and Order are based on the approved budget levels reflected in the June 25 Resolution.** PREPA made allocations of the HoldCo Non-Labor funds provided in the September 22 Resolution that did not correspond to Non-Labor. For example, the bulk of the requested funding for Non-Title III activities for the Regulatory Compliance Service Corp. contract pertain to the use of federal funds allocated for disaster relief and any other federal allocation, in connection with

⁹ See, June 25 Resolution, p. 5 and September 22 Resolution, p. 22.

¹⁰ See *In Re: Puerto Rico Electric Power Authority Rate Review*, Case No.: CEPR-AP-2015-0001, Final Resolution and Order, January 10, 2017, Section 442, p. 149.



PREPA's hydro plants, assets and projects. The Energy Bureau expects PREPA to employ the Working Capital Advance Program, approved by FEMA, and implemented by the Central Office for Recovery, Reconstruction, and Resiliency ("COR3"), to cover the expenses associated with this contract.

In the November 7 Motion, PREPA requests an increase of \$17.4MM to the HoldCo Non-Labor Budget. The requested increase is comprised of increases to individual budget lines within the Non-Labor Operating Budget. PREPA provided varying levels of support for its requests and based on examination and analysis of the record in each category, the Energy Bureau makes its determination of the need for the requested increases. Based on an examination of the record, the Energy Bureau **DETERMINES** that PREPA provided adequate support for an increase to the HoldCo Non-Labor budget and therefore, the Energy Bureau **APPROVES an increase, in the amount of \$6.3MM**, to the amount allocated through the June 25 Resolution. **Therefore, the total amount for the HoldCo non-Labor Budget shall be \$6.3MM + \$11.772MM = \$18.072MM.**

1. Labor Budget¹¹

Through the November 7 Motion, PREPA requests an increase of \$2.033MM¹² in the HoldCo Labor Budget.

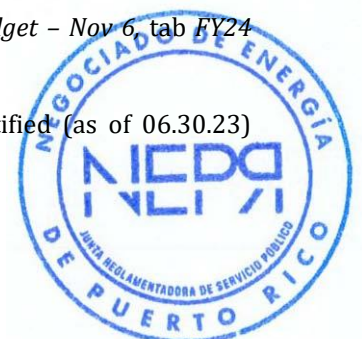
The Energy Bureau underscores the reality that due to recent transfers of responsibilities, PREPA now exists in a different form as compared with its historic operations. Funding requests and assets held, however, seem to be misaligned from present day realities. It is imperative that the PREPA leadership recognize that it is effectively a new organization requiring dramatic restructuring to ensure efficient, focused delivery of reduced functions. Much like large corporations that have had to downsize and reorient operations after spinoffs, mergers, or strategy shifts, transformative change is vital here.

A full reorganization including organizational charts, staffing and capital assets, for example, is needed to right-size in accordance with the realities of being a smaller, more targeted entity. Budget excess, unnecessary facilities, excessive inventory, and mismatched resources risk operational inefficiency or fiscal instability if not addressed promptly. Just as evolving corporations must carefully align spending to core priorities, PREPA must streamline to focus only on essential remaining services, eliminating all unnecessary vestiges of its past scale. This requires objectively addressing legacy organizational approaches that are unfit or inappropriate for current needs. Leadership must transform PREPA into a lean, adaptive new entity laser focused on high-value activities within approved budgets.

Notwithstanding the above, PREPA and Genera are in the midst of an ongoing transition process concerning the operation and maintenance of the Legacy Generation Assets. At the same time, LUMA and PREPA (and to the extent applicable, Genera) will engage during Fiscal Year 2024 in an additional transition related to the Share Services (not T&D OMA Services) that LUMA has been providing since it commenced the operation of the T&D System in June 2021. The proper execution of these processes is fundamental for the transformation of the Puerto Rico Electric System envisioned and sanctioned by Act 120-2018 and Act 17-2019. The Energy Bureau recognizes the challenges that all the parties (PREPA/Genera/LUMA), and the regulator itself, face due to the complex implementation of the policies envisioned. Notably are the challenges faced regarding the proper allocation of human resources and the consequent labor costs. However, as it is known, even during the intricate implementation of these transformation processes, the Energy Bureau must ensure the reliability, affordability, and sustainability of the island's energy services. Although the Energy Bureau in this case encouraged in prior resolutions a more frugal allocation of capital for human resources, a particular concession is necessary for the proper operation of the electrical

¹¹ November 7 Motion, Addendum – Exhibits, Annex A, Xcel file *Proposed Revised Budget – Nov 6, tab FY24 HoldCo Budget & Contracts*, line-item no. 1.

¹² See, *Id.*, line-item no. 6. FY2024 PREPA Proposal (11.6) \$9,598,000 – FOMB Certified (as of 06.30.23) \$7,565,000 = \$2,033,000.



system. Therefore, a temporary exception will be granted to deviate from prior specific requirements and mandates to ensure a smoother adaptation to the changing circumstances of PREPA. While acknowledging the unique challenges posed by the transitional phase, this exception aims to facilitate the transition without compromising the overall objectives. Given the foregoing, the Energy Bureau grants certain modifications in the labor costs of PREPA and Genera, as further discussed below. Furthermore, to ensure the protection of the public interest and the continuous improvement in the management of PREPA's and Genera's human resources while keeping labor costs within a prudent range, specific directives shall be provided to PREPA and Genera for short- and medium-term implementation.

M A review of PREPA's latest Budget to Actuals report through August¹³ shows significant deviation from approved labor budgets for the current fiscal year. At current spending levels, allocated funding would be depleted well before year end. Specifically, in the first two months of Q1, over 25% of budgeted Salaries and Wages expenditures were consumed without corresponding evidence of activity reduction. These trajectories point to deeply entrenched operating expenses disconnected from approved labor budgets and downsized responsibilities.

Jm For FY2025, the Energy Bureau urgently prompts PREPA's leadership to execute mandated headcount reductions and activity alignment in accordance with prior orders, statute, and Service Provider agreements which will be analyzed for FY2025 Budgets. Failure to dramatically curb the rate of expenditure in appropriate areas of operation puts the fiscal viability of the entity at risk. Without swift, tangible movement toward rightsizing, systems localization, reduction of reliance on unjustified costly external contractors, and demonstrated commitment to function within budgetary constraints, PREPA may run out of allocated funds well before the end of FY 2024.

Requirements from the Energy Bureau have been clear; however, outcomes remain unacceptably misaligned from fiscal realities and Energy Bureau directives. This trajectory cannot continue and PREPA must take appropriate action.

AM The Energy Bureau **ORDERS** PREPA to reflect in the FY2025 budget an adaptation of both staffing levels and business operations to correctly correspond to its substantially downsized mandate and associated approved budgets as it was originally approved in the June 25 Resolution. The Energy Bureau will require PREPA to reduce its headcount footprint to the FY2025 budget for labor expenses to achieve reasonable and prudent labor costs aligned with the reduced operational obligations by HoldCo. Attachment to legacy approaches must give way to strategic realignment of labor, assets, and activities befitting the new operational reality.

T

he Energy Bureau **ORDERS** PREPA to submit, **on or before 60 days of the issuance of this Resolution and Order**, a Detailed Plan with action items, expected result, responsible party(ies), and due dates needed to achieve the reduced headcount footprint and labor expenses, starting on July 1, 2024, to get the HoldCo Organization in line with both staffing levels and business operations that correctly correspond to its substantially downsized mandate and associated approved budgets as it was originally approved in the June 25 Resolution. A Monthly Status Update on the status of the defined actions and any added corrective actions needed to take to achieve the desired results by July 1, 2024, shall be submitted as well.

Taking in consideration that HoldCo is in a transition phase, as explained above, the Energy Bureau **APPROVES** PREPA's request for additional funding for HoldCo Labor for the amount of \$2,033,000 to increase from its June 25 Resolution. **Therefore, the total amount for the HoldCo Labor Operating Expenses shall be \$2,033,000 + \$7,565,000 = \$9,598,000.**

¹³ Motion to Submit the August 2023 Budget to Actual Reports as Ordered in the June 25 Order, In re: Review of LUMA's Initial Budget, case no. NEPR-MI-2021-0004, October 16, 2023.



2. Materials and Supplies¹⁴

PREPA requests an increase of \$0.446MM¹⁵ to its Materials and Supplies budget. PREPA has not provided adequate support for the significant increase it is requesting, in view of the reduced responsibilities and facilities, for which PREPA should incur reduced expenses for materials and supplies. The Energy Bureau **DENIES** PREPA's request for additional funding for the HoldCo Non-Labor Materials & Supplies budget line.

3. Security¹⁶

PREPA requests an increase of \$0.888MM¹⁷ to its HoldCo Non-Labor Security budget. This requested increase comes when PREPA's responsibilities and the number of essential facilities for which it must provide security have significantly decreased. The Energy Bureau is cognizant of the need for adequate security for the facilities for which PREPA remains responsible, however, PREPA has not provided adequate support for the significant increase it is requesting.

PREPA has provided no new information on specific threats or shifts in risk levels, and the Energy Bureau's past determinations regarding the adequacy of current budget levels to support key protective measures and services, will not be revised. Rather than increased patrolling or manned guarding, the Energy Bureau urges PREPA to focus on enhancing perimeter defenses using effective barriers and surveillance systems suited to repel and detect intrusion attempts. Approved funds in the HydroCo NME budget exist for these purposes and PREPA is expected to prioritize these funds. PREPA did not provide adequate details on any security gaps, that demonstrate an actual elevation in credible risks.

Therefore, Energy Bureau **DENIES** PREPA's request for additional funding for its HoldCo Non-Labor Security budget line **ORDERS** PREPA to ensure the prioritization of technologies and vigilance practices to secure its facilities.

4. Utilities and Rents¹⁸

PREPA requests an increase of \$0.186MM¹⁹ to its HoldCo Non-Labor Utilities and Rents budget. PREPA has not provided adequate support for the requested increase. This request is significant because it comes when PREPA's responsibilities and labor have largely decreased. The Energy Bureau notes, for example, the request for 88 units of document handling equipment (e.g., multi-function printers), at a monthly cost of \$17,439.53, in one of its proposed contracts.²⁰ This contract places five units of document handling equipment in the Director's Office and five additional units of document handling equipment next door in the Sub-Director's Office. The justification for the number units of document handling equipment is absent. To achieve cost reductions PREPA is expected to embrace technology, where documents are mainly electronically handled, and seek opportunities to consolidate equipment.

¹⁴ November 7 Motion, Addendum – Exhibits, Annex A, Xcel file *Proposed Revised Budget – Nov 6*, tab *FY24 HoldCo Budget & Contracts*, line-item no. 32.

¹⁵ *Id.*, line-item no. 36.

¹⁶ *Id.*, line-item no. 51.

¹⁷ *Id.*, line-item no. 56.

¹⁸ *Id.*, line-item no. 59.

¹⁹ *Id.*, line-item no. 64.

²⁰ See, Contrato de Arrendamiento Financiero, 2023-P000129, Available at: <https://consultacontratos.ocpr.gov.pr/contract/downloaddocument?code=c3a30df8-a683-43d4-944f-682cd1bda968> (last visit, December 7, 2023).



The Energy Bureau **PARTIALLY APPROVES** PREPA's request for additional funding for the HoldCo Non-Utilities and Rents budget line for \$0.025MM²¹ to increase from the June 25 Resolution. **Therefore, the total amount for the non-Labor Utilities and Rent Budget SHALL be \$25,000 + \$41,000 = \$66,000.**

5. Legal Services²²

M
PREPA requests an increase of \$3.702MM²³ to its HoldCo Non-Labor Legal Services budget approved on June 25, 2023. Although the Energy Bureau continues to believe that PREPA can phase out much of the funding in this area due to its decreased responsibilities, PREPA makes a compelling case for additional funding in this area, most significantly, to adequately fund the orderly and effective transition of its legal responsibilities to others. The Energy Bureau recognizes that many significant legal issues require appropriate legal attention, including existing litigation, insurance claims and regulatory matters. The Energy Bureau determines that PREPA is entitled to an increase to its budget in this area, but of a smaller amount than requested, to supplement its existing Legal contracts of a smaller amount than requested, to supplement its existing Legal contracts.

Jim
While the Energy Bureau recognizes these challenges and has approved additional funds to support these initiatives, there is a pressing need to address the cost-effectiveness of PREPA's current approach. The current cost structure and excessive reliance on external counsel for matters that could be addressed internally, or through more economical means is unsustainable. A part of the increased legal budget must be directed toward expanding alternate capabilities to prudently reduce reliance on costlier third-party legal expenses.

JAE
The Energy Bureau **PARTIALLY APPROVES** PREPA's request for an increase to the HoldCo Non-Labor Legal Services Budget to **\$2.960MM** to the June 25 Resolution amount. **Therefore, the total amount for Non-Labor Legal Services shall be \$728,000 + \$2,960,000 = \$3,688,000.** An allocation of **\$0.250 MM** specific to the González and Martínez Law Office, P.S.C contract **SHALL BE** sourced from the PREPA Restructuring & Title III budget line.

6. Professional and Technical Outsourced Services²⁴

AM
PREPA requests an increase of \$7.772MM²⁵ to the June 25 Resolution to its HoldCo Non-Labor Professional and Technical Outsourced Services budget line. The Energy Bureau examined the proposed contracts and expenses for which PREPA requests this increase and takes issue with several budget line items related to information technology resources that demonstrate a lack of accuracy and responsible reporting. Contrary to PREPA assertions, the responsibility for monitoring facilities resides with the entity operating that facility. LUMA is charged with monitoring the facilities under its operational control and Genera is charged with monitoring the facilities under its operational control. Operational decisions may be made based on this data. The data from each entity should be kept separated as each entity is accountable for its own data. The Energy Bureau also takes issue with the nearly \$2.7MM²⁶

²¹ To be allocated towards the services provided by Ricoh Puerto Rico, Inc.

²² November 7 Motion, Addendum – Exhibits, Annex A, Xcel file *Proposed Revised Budget – Nov 6*, tab *FY24 HoldCo Budget & Contracts*, line-item no. 67.

²³ November 7 Motion, Addendum – Exhibits, Annex A, Xcel file titled "*Proposed Revised Budget – Nov 6*", tab *FY24 HoldCo Budget & Contracts*, line-item no. 79. PREPA Additional Requested Budget - \$2.078MM + Additional Funds Authorized by PREB on 9.22 as Distributed by PREPA \$1.624MM = \$3.702MM.

²⁴ November 7 Motion, Addendum – Exhibits, Annex A, Excel file titled "*Proposed Revised Budget – Nov 6*", tab *FY24 HoldCo Budget & Contracts*, line-item no. 82.

²⁵ *Id.*, line-item no. 117.

²⁶ November 7 Motion, Addendum – Exhibits, Annex A, Excel file titled "*Proposed Revised Budget – Nov 6*", tab *FY24 HoldCo Budget & Contracts*, line-item no. 90.



inadequately supported request for Microsoft Office software as well as a similarly inadequately supported request for Oracle expenditures.

In the case of Microsoft, reference is made to a need for "Office 360" licenses, yet this exceeds any reasonable calculation of licenses needed for the entity's reduced number of employees. As for Oracle, the considerable sums requested lack any substantive documentation or details on services required to remotely justify budgets of this magnitude for the needs at HoldCo. It is the fiduciary duty of PREPA, as steward of public funding, to provide well-substantiated and carefully validated budgets with realistic projections grounded in actual operational headcounts and IT service needs. The current sums requested seem to be grossly detached from prudent analytical processes under which ratepayer funds should be committed.

M
The Energy Bureau urges a comprehensive, earnest reassessment of IT resource budgets based on reasonably expected validated needs. It is not prudent to request the approval of budgets that condone systemic failures in responsible fiscal safeguards for ratepayer funds. IT capabilities are vital but must adhere to processes which ensure prudent use of public resources.

Jim
Therefore, Energy Bureau **PARTIALLY APPROVES** PREPA's request for an increase to the HoldCo Non-Labor Professional & Technical Outsourced Services budget line for \$1.591MM to the June 25 Resolution amount. **Therefore, the total amount for Non-Labor Professional & Technical Outsourced Services SHALL be \$554,000 + \$1,591,000 = \$2,145,000.** An allocation of **\$0.780 MM** is specific to the ORACLE ERP services requested under the HydroCo NME, while PREPA commences to transition out of the Shared Services Agreement.

7. Extension of Shared Services

SSA
The Energy Bureau notes that the current Shared Services Agreement ("SSA") between PREPA and LUMA is imminently expiring at the end of this calendar year on December 31, 2023. This agreement has established certain interdependencies and systems integrations across entities. Given the clear public imperative for continuity of essential service functionality, the Energy Bureau **ENCOURAGES** the negotiation of a temporary extension of critical SSAs to ensure that the most agile and cost-effective solution is embraced. The purpose shall be to allow adequate coordinated timeframes for orderly transitions of all shared services without forcing functionally perilous deadlines or disruptions that could decrease service integrity.

8. Regulation and Environmental Expenses²⁷

PREPA requests an increase of \$0.861MM²⁸ to its HoldCo Non-Labor Regulation and Environmental Expenses budget for activities related to the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) remediation project.²⁹ The documentation and reasoning provided sufficiently confirm the importance of these mandated environmental mitigation efforts to handle hazardous substances liabilities. The allocation of additional funds is expected to facilitate continued progress toward meeting regulatory standards and restoring affected sites.

²⁷ November 7 Motion, Addendum - Exhibits, Annex A, Xcel file titled "Proposed Revised Budget - Nov 6", tab FY24 HoldCo Budget & Contracts, line-item no. 120.

²⁸ November 7 Motion, Addendum - Exhibits, Annex A, Xcel file titled "Proposed Revised Budget - Nov 6", tab FY24 HoldCo Budget & Contracts, line-item no. 132. PREPA Additional Requested Budget - \$307,000 + Additional Funds Authorized by PREB on 9.22 as Distributed by PREPA \$54,000 + \$500,000 (Reimbursement to Genera for EPA Remedial Actions) = \$861,000.

²⁹ November 7 Motion, Addendum - Exhibits, Annex A, Xcel file titled "Proposed Revised Budget - Nov 6", tab FY24 HoldCo Budget & Contracts, line-item no. 122.



Additionally, the request for expanded funding of the utility's American Public Power Association ("APPA") membership and engagement is justified as an opportunity to collaborate with, assist and learn from other public power peers. The requested budget to integrate and participate in APPA programs is reasonable and aligned with budgetary realities.

The Energy Bureau **PARTIALLY APPROVES** PREPA's request for an increase to the HoldCo Non-Labor Regulation & Environmental Expenses budget line for \$0.848MM³⁰ to the June 25 Resolution amount. **Therefore, the total amount for Non-Labor Regulation & Environment Expenses shall be \$744,000+ \$848,000 = \$1,592,000.**

9. External Audit Services³¹

PREPA requests an increase of \$1.722MM³² to its HoldCo Non-Labor External Audit Services budget. The Energy Bureau notes PREPA requested further budget increases for external audit services in the November 7 Motion. After a review, the Energy Bureau allocates additional funding to account for demonstrated gaps in adequate delivery of these oversight functions for FY 2023 audit work. It is also noted that PREPA is under a collaborative agreement with the Puerto Rico Treasury Department for audit efforts, where additional resources are available for this purpose. PREPA's current request for increased financial allocation for External Audit Services is made absent the required new contract or any form of justification that aligns with earlier directives of the Energy Bureau. This is a concerning disregard for regulatory compliance and fiscal discipline. The allocation of these supplemental funds remains contingent on PREPA finally addressing standing directives issued in the August 14 Resolution, Subject: *Review of PREPA's Contract Cost Controls*. Specifically, submission for review of executed external audit function contracts is still outstanding. As previously ordered, said contracts must detail terms and provisions for improved cost controls, budgetary stewardship, and value delivery commensurate with expenses.

The Energy Bureau expects that any newly funded contract will address observed deficiencies in expenses and oversight issued under earlier ruling in the specific audit support contracts. The burden and responsibility remain with PREPA to demonstrate good faith toward fiscal accountability and judicious use of public funding.

While the Energy Bureau stands ready to support essential functions through prudent funding, compliance with oversight and transparency directives remains vital. The Energy Bureau expects that the conditions attached to the approved budget increase will prompt PREPA to exhibit stringent fiscal accountability and responsibility.

Therefore, the Energy Bureau **CONDITIONALLY APPROVES** PREPA's request for an increase to the HoldCo Non-Labor External Audit budget line **for \$0.751MM** to the June 25 Resolution amount pending the submittal of the renegotiated contracts as stipulated in the August 14, 2023 Resolution and Order.³³ **Therefore, the total amount for Non-Labor External Audit Services shall be \$751,000+ \$357,000 = \$1,108,000.**

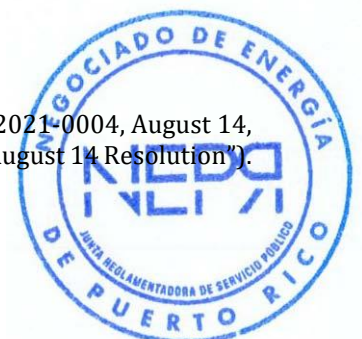
Additionally, the Energy Bureau (i) **REMINDS** PREPA that while additional monies are allocated to this effort, PREPA must adhere strictly to the applicable budgetary constraints and to comply with the stipulations of the Energy Bureau's previous August 14 Resolution; and (ii) **ORDERS** PREPA to submit, on or before January 30, 2024, the new contracts

³⁰ Detail: Hogan Lovell's US LLP \$0.05M; CERCLA Project \$0.158MM; APPA Membership \$0.14MM; Reimbursement to Genera for EPA Remedial Actions \$0.5MM

³¹ November 7 Motion, Addendum – Exhibits, Annex A, Xcel file titled “Proposed Revised Budget – Nov 6”, tab FY24 HoldCo Budget & Contracts, line-item no. 135.

³² *Id.*, line-item no. 142.

³³ See, Resolution and Order, *In re: Review of LUMA's Initial Budgets*, Case No. NEPR-MI-2021-0004, August 14, 2023, p. 4, item f regarding “... negotiating the most cost-effective contract possible...” (“August 14 Resolution”).



pertaining to External Audit Services. These contracts must reflect the renegotiated terms as mandated in the August 14 Resolution and should come with comprehensive documentation justifying the costs involved.

10. Equipment, Inspection, Repairs & Other O&M³⁴

PREPA requests an increase of \$3.892MM³⁵ to its HoldCo Non-Labor Equipment, Inspections, Repairs & Other O&M budget.

The Energy Bureau deems important the establishment of safety operations procedures at all levels. Recognizing that most of the safety risks now reside with the T&D and Generation operators, HoldCo still has a need to adequately employ current OSHA standards and regulations to supplement its targeted safety and health program instituted to prevent or reduce injuries and illnesses in its workplace.

The Energy Bureau **PARTIALLY APPROVES** an increase of \$0.125MM³⁶ to the June 25 Resolution amount to the HoldCo Non-Labor Equipment, Inspection, Repairs & Other O&M budget line to fund targeted safety training. **Therefore, the total amount for Non-Labor Equipment, Inspection, Repairs & Other O&M shall be \$125,000 + \$541,000 = \$666,000.**

11. Necessary Maintenance Expenses ("NME")³⁷

PREPA requests an increase of \$0.227MM³⁸ to its NME budget. PREPA has not provided enough support for its proposed increase regarding NME, and the Energy Bureau maintains the determination it set forth in the June 25 Resolution.

The Energy Bureau again notes that the BONUS Facility does not contribute to the safe and adequate supply of electric service and PREPA is expected to eliminate any obligation it has for the facility upkeep.

The Energy Bureau **DENIES** PREPA's request for additional funding for the HoldCo NME budget line.

B. HydroCo Budget

In the November 7 Motion, PREPA requests an increase of \$2.308MM³⁹ to the HydroCo Non-Labor Budget. The requested increase is comprised of increases to individual budget lines within the Non-Labor Operating Budget. PREPA provided varying levels of support for its [requests](#), and [requests and](#) based on examination and analysis of the record in each category, the Energy Bureau makes its determination of the need for the requested increases.

Based on an examination of the record, the Energy Bureau determines that PREPA provided adequate support for an increase to the HydroCo Non-Labor budget for \$0.125 MM. Significant results and determinations will be addressed as explained below and as specified

³⁴ November 7 Motion, Addendum – Exhibits, Annex A, Xcel file titled “Proposed Revised Budget – Nov 6”, tab FY24 HoldCo Budget & Contracts, line-item no. 145.

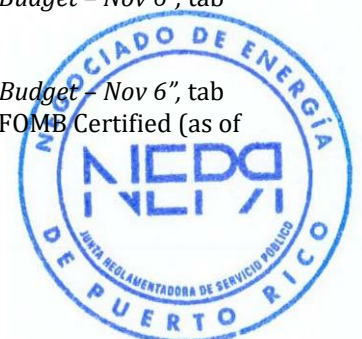
³⁵ *Id.*, line-item no. 153.

³⁶ *Id.*, line-item no. 147 – Seminars & Training.

³⁷ *Id.*, line-item no. 173.

³⁸ November 7 Motion, Addendum – Exhibits, Annex A, Xcel file titled “Proposed Revised Budget – Nov 6”, tab FY24 HoldCo Budget & Contracts, line-item no. 178.

³⁹ November 7 Motion, Addendum – Exhibits, Annex A, Xcel file titled “Proposed Revised Budget – Nov 6”, tab FY24 HydroCo Budget Summary, line-item no. 15. PREPA Proposal (11.06) \$7,778,000 – FOMB Certified (as of 6.30.23) \$5,470,000 = \$2,308,000.



in Attachment B to this Resolution and Order. **The total amount is \$0.125MM + \$13.520MM = \$13.645MM for the Fiscal Year 2024.**

1. Transportation, Per Diem and Mileage⁴⁰

PREPA requests an increase of \$0.300MM⁴¹ to its HydroCo Non-Labor Operating Transportation, Per Diem and Mileage budget. Based on the contract support in the November 7 Motion at Exhibit II of Item 04 Justifications, it appears that the increase is directly attributable to fuel for vehicles, emergency generators and external tanks for PREPA equipment.

The Energy Bureau observes that a majority of the vehicular fleet PREPA maintains is assigned to irrigation. In the 2017 Rate Order, the Energy Bureau approved a Subsidies Rate Rider, a portion of which is allocated to the PREPA irrigation facilities.⁴² 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 be operated on a standalone basis and in a manner that matches budgeted revenue and operating costs.

The Energy Bureau **PARTIALLY APPROVES** PREPA's request for an increase to the HydroCo Non-Labor Transportation, Per Diem and Mileage budget line for \$0.025MM.⁴³ **Therefore, the total amount for Non-Labor Transportation, Per Diem, and Mileage shall be \$25,000+ \$244,000 = \$269,000.**

2. Equipment, Inspections, Repairs & Other O&M⁴⁴

PREPA requests an increase of \$0.352MM⁴⁵ to its HydroCo Non-Labor Equipment, Inspections, Repairs & Other O&M budget. In view of the importance of this area of responsibility, the Energy Bureau recognizes the need for additional funding.

The Energy Bureau **PARTIALLY APPROVES** PREPA's request for an increase to the HydroCo Non-Labor Equipment, Inspections, Repairs & Other O&M budget line for \$0.100MM.⁴⁶ **Therefore, the total amount for Non-Labor Equipment, Inspections, Repairs & Other O&M shall be \$100,000+ \$1,792,000 = \$1,892,000.**

⁴⁰ November 7 Motion, Addendum – Exhibits, Annex A, Xcel file titled “Proposed Revised Budget – Nov 6”, tab FY24 HydroCo Budget & Contracts, line-item no. 32.

⁴¹ *Id.*, line-item no. 36.

⁴² The Energy Bureau reserves the right to examine this rider during the next rate case.

⁴³ November 7 Motion, Addendum – Exhibits, Annex A, Xcel file titled “Proposed Revised Budget – Nov 6”, tab FY24 HydroCo Budget & Contracts, line-item no. 34 – Transportation – Vehicle fuel.

⁴⁴ November 7 Motion, Addendum – Exhibits, Annex A, Xcel file titled “Proposed Revised Budget – Nov 6”, tab FY24 HydroCo Budget & Contracts, line-item no. 78.

⁴⁵ *Id.*, line-item no. 91.

⁴⁶ *Id.*, line-item no. 79, Fuel for Generators and Heavy Equipment.



3. Necessary Maintenance Expenses (“NME”)⁴⁷

PREPA requests an increase of \$1.723MM⁴⁸ to the NME budget. PREPA has not provided adequate information to discern why the request for IT/OT that pertains to ORACLE ERP Services should be considered a HydroCo NME activity. The Energy Bureau **DENIES** PREPA's request for an increase to the HydroCo NME budget. Note that the request for IT/OT funding is evaluated under the Professional & Technical Outsourced Services budget for HoldCo.

C. *GenCo Budget*

M
In the September 22 Resolution, the Energy Bureau ordered Genera to develop a Corrective Action Plan (“CAP”), outlining the steps it intends to take to align its labor costs with the Energy Bureau approved budgets. The Energy Bureau directed that the CAP includes a timeline for each action, responsible parties and expected outlines.⁴⁹ The Energy Bureau ordered Genera to develop and file the CAP in response to Genera's request that the Energy Bureau reconsider the labor expense reduction it ordered in the June 25 Resolution.⁵⁰

Jim
JAE
In the September 22 Resolution, the Energy Bureau discussed at length its dissatisfaction with Genera's Labor Budget.⁵¹ The Energy Bureau noted that Genera hired many former PREPA employees at salaries and with bonuses that significantly exceeded their salary at PREPA, despite salary rosters filed prior to the Energy Bureau's June 25 Budget Determination, that reflected more reasonable salary increases of approximately 10% for prior PREPA employees. Neither the Generation OMA⁵² nor prudent fiscal operation requires the immediate large salary increases Genera granted incoming employees. Genera proposes to cover these increases by requesting that the Energy Bureau decrease the NME funding it approved for Genera and allocate those funds instead to Genera's Labor Budget.⁵³

ABN
The availability of funds in the NME Budget, for NME expenditures that Genera does not believe are a priority, and which Genera contends should be used to fund its labor budget, does not mean those funds are available for Genera to use elsewhere, absent a finding by the Energy Bureau of need.

ABN
AM
This becomes most acute regarding limited labor funding in a transitional environment. Genera proposes that its total Operating Budget remain unchanged at \$324.029MM as approved by the Energy Bureau. Genera proposes no change to the Non-Labor or the Shared Services budget lines, however, Genera proposes a reduction of \$20.729MM to the NME budget line, with an increase of that same amount in the Labor Budget line. Genera's proposal reflects a top-down approach to budgeting.

The Energy Bureau notes Genera's rationale for several budget increase requests relied primarily on proportion calculations from PREPA's prior spending. However, invoking fractions of historic costs yields budgets detached from actual bottom-up necessity. The Energy Bureau requires that need be established on a bottom-up approach, to support any modification to the approved budget.

⁴⁷ *Id.*, line-item no. 94.

⁴⁸ *Id.*, line-item no. 101.

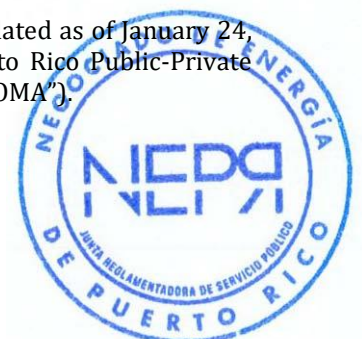
⁴⁹ September 22 Resolution, p. 12.

⁵⁰ *See*, June 30 Motion.

⁵¹ September 22 Resolution, pp. 9 – 12.

⁵² Puerto Rico Thermal Generation Facilities Operation and Maintenance Agreement, dated as of January 24, 2023, by and among The Puerto Rico Electric Power Authority as Owner, The Puerto Rico Public-Private Partnerships Authority as Administrator, and Genera PR LLC as Operator (“Generation OMA”).

⁵³ Genera November 7 Motion, Exhibit B.



1. Labor

When the Energy Bureau evaluates proposed budgets, it examines the need for the budget request and the prudence and reasonableness of the costs associated with securing resources to satisfy the identified need. For example, the need for a General Counsel, presented as a vacant position at this stage, can be established, however the costs associated with securing this resource, by Genera, must be considered and reexamined especially considering that Genera is requesting that the ratepayers cover this item as passthrough costs.

Genera must assure that the labor budget is compatible with public stewardship for a newly streamlined entity. The Energy Bureau therefore echoes prior calls for further justification and planned corrective measures. If Genera chooses to pay bonuses, it could consider making use of earned incentive compensation to cover the performance and productivity bonuses of employees that contributed to earning the incentive.

Ratepayers will continue funding only **reasonable expenses** that ensure baseline functioning of vital infrastructure delivery.

The Energy Bureau **DETERMINES** that the following bonuses are deemed excessive and imprudent. (i) General Counsel bonus - \$150,000.00; (ii) CFO bonus - \$200,000.00 and any other bonus equal to or above \$75,000.00. As such these costs **SHALL NOT** be borne by the ratepayers. Nonetheless, it is Genera's prerogative to obtain other non-public sources to fund such bonuses.

Notwithstanding the foregoing, the Energy Bureau recognizes that Genera, as PREPA, in the midst of an ongoing transition process concerning the determination of the workforce needed as well as implementing recruitment efforts to retain former PREPA personnel for the operation and maintenance of the Legacy Generation Assets.

The Energy Bureau **PARTIALLY APPROVES** Genera's request for an increase to the Labor Budget budget for \$20.379MM. **Therefore, the total amount for Labor shall be \$55.025MM + \$20.379MM = \$75.404MM.**

2. Necessary Maintenance Expenses ("NME")

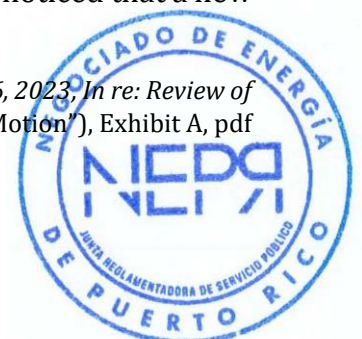
The Energy Bureau views with caution Genera's election to reduce budget allocations for NME. The freed NME funds could be interpreted as a mechanism to increase its labor budget. However, it is recognized that Genera is not proposing to eliminate identified generation maintenance; Genera instead identifies alternative project schedule for FY2025 and funding sources outside base rates to perform this maintenance/repair work.

However, to mitigate potential risks created by a reduced NME budget, the Energy Bureau hereby establishes the Generation Maintenance and Technical Services Contractor for Preventive Maintenance and Repair Works Reserve ("**Generation Maintenance Reserve Fund**") discussed below. This ensures supplementary budget funds to sustainably cover unanticipated needs or shortfalls born of reassigning initial maintenance allocations.

The Energy Bureau reviewed Genera's assertion that NME in the amount of \$20.729MM is not needed given eligibility for federal funds and projected timing of expenses in FY 2024. In view of this assertion, the Energy Bureau **DETERMINES** to decrease the NME budget approved for Genera.

Furthermore, the Energy Bureau, in its review of the NME budget provided in the *Corrective Action Plan* and the November 9 Motion⁵⁴ response to the *October 26 RFI*, noticed that a new

⁵⁴ Motion Submitting Responses in Compliance with Resolution and Order dated October 26, 2023, In re: Review of LUMA's Initial Budget, case no. NEPR-MI-2021-0004, November 9, 2023 ("November 9 Motion"), Exhibit A, pdf page 9 of 11.



NME line item for \$16.7MM, not associated to a particular LGA plant and not approved in the June 25 Resolution, was added to the NME budget by Genera.⁵⁵ This line item, as per the very limited information provided by Genera is allegedly for “All Power and Gas Plants”⁵⁶ and to be used for “General on-demand contracts to provide mechanic, electrician, chemical cleaning, valve maintenance, and scaffolding rental among other services required to provide preventive maintenance and repair works”.⁵⁷ No further information was provided. The exorbitant magnitude of funds requested for such unassigned line item compared to other specific NME project investment for the LGA plants in the NME Budget is the largest amount of all line items.

M
Jmr
In view of this and noting that Genera on the November 9 Motion clearly mentioned that they are “currently updating the Genera Project Master Tracker to reflect the changes and advances in all projects”⁵⁸ including NME, the Energy Bureau **DOES NOT APPROVE** the \$16.7MM added line item in the NME Budget mentioned previously, and in turn creates a Generation Maintenance Reserve Fund for an amount of **\$12.266MM**. This reserve will be made available to Genera for unexpected or emergency repair needs. Genera’s **APPROVED** NME Budget is detailed in Appendix C to this Resolution and Order.

III. Conclusion

JAB
The Energy Bureau emphasizes that its budget determinations are based on utility demonstrated needs required to provide the safe and adequate supply of electricity. The availability of cash, if any at all, does not affect the determination of the essential needs of PREPA at this juncture of its transformation. To expect an increase in budgets because cash may be available, without demonstrating the need and reasonableness of costs associated with securing resources to satisfy the demonstrated need, is flawed.

ABD
PREPA fails to recognize the realities of its reduced responsibilities and size and Genera because its hiring did not reflect a reasoned approach to attaining necessary employees.

AM
The Energy Bureau **ORDERS** PREPA and Genera to comply with the determinations made by the Energy Bureau in Part II of this Resolution and Order. The Energy Bureau’s determinations regarding PREPA’s and Genera’s budget requests are reflected in Attachment A, Attachment B, Attachment C and Attachment D which are made part of this Resolution and Order.

Th Energy Bureau **WARNS** PREPA and Genera 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.

⁵⁵ Motion to Submit Item 6 of the Corrective Action Plan in Compliance with Resolution and Order dated September 22, 2023, In re: Review of LUMA’s Initial Budget, case no. NEPR-MI-2021-0004, November 7, 2023 (“LUMA November 7 item 6”), Exhibit A, pdf page 9 of 11.

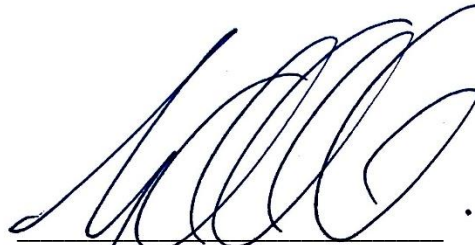
⁵⁶ LUMA November 7 item 6, Exhibit A, pdf page 9 of 11.

⁵⁷ LUMA November 7 item 6, Exhibit A, pdf page 9 of 11.

⁵⁸ November 9 Motion; GPR – PREB ORDER– 10.26.2023#4 Response.



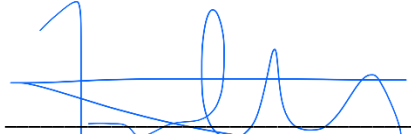
Be it notified and published.



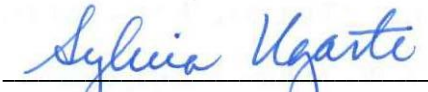
Edison Avilés Deliz
Chairman



Lillian Mateo Santos
Associate Commissioner



Ferdinand A. Ramos Soegaard
Associate Commissioner



Sylvia B. Ugarte Araujo
Associate Commissioner




Antonio Torres Miranda
Associate Commissioner

CERTIFICATION

I certify that the majority of the members of the Puerto Rico Energy Bureau agreed on December 8, 2023. Also certify that on December 8, 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.rodriquezrivera@us.dlapiper.com; julian.angladapagan@us.dlapiper.com; mvalle@gmlex.net; arivera@gmlex.net; legal@genera-pr.com; regulatory@genera-pr.com; jfr@sbgblaw.com; alopez@sbgblaw.com; jlago@sbgblaw.com.

For the record, I sign in San Juan, Puerto Rico, today, December 8, 2023.



Sonia Seda Gaztambide
Clerk



ATTACHMENT A
REVISED FY 2024 HoldCo (PropertyCo) Operating Budget - December 2023

Revised FY 2024 HoldCo (Property Co) Operating Budget

(\$ in 000s)

| | <u>MAY 16 Petition</u> | <u>JUNE 25 R&O</u> | <u>SEPT. 22 R&O</u> | <u>CURRENT R&O</u> |
|-------------------------------|------------------------|------------------------|-------------------------|------------------------|
| LABOR OPERATING EXPENSES | \$ 9,598 | \$ 7,565 | \$ 7,565 | \$ 9,598 |
| NON-LABOR | \$ 41,071 | \$ 11,772 | \$ 15,445 | \$ 18,072 |
| NME | \$ 2,698 | \$ 645 | \$ 645 | \$ 645 |
| SHARED SERVICES | \$ - | \$ 1,993 | \$ 1,993 | \$ 1,993 |
| TOTAL OPERATING BUDGET | \$ 53,367 | \$ 21,975 | \$ 25,648 | \$ 30,308 |



ATTACHMENT B
Revised FY 2024 HydroCo Operating Budget – December 2023

Revised FY 2024 HydroCo Operating Budget

(\$ in 000s)

| | <u>MAY 16 Petition</u> | <u>JUNE 25 R&O</u> | <u>SEPT. 22 R&O</u> | <u>CURRENT R&O</u> |
|-------------------------------|------------------------|------------------------|-------------------------|------------------------|
| LABOR OPERATING EXPENSES | \$ 4,398 | \$ 4,398 | \$ 4,398 | \$ 4,398 |
| NON-LABOR | \$ 8,455 | \$ 5,470 | \$ 5,470 | \$ 5,595 |
| NME | \$ 5,471 | \$ 2,471 | \$ 2,471 | \$ 2,471 |
| SHARED SERVICES | \$ - | \$ 1,181 | \$ 1,181 | \$ 1,181 |
| TOTAL OPERATING BUDGET | \$ 18,324 | \$ 13,520 | \$ 13,520 | \$ 13,645 |



ATTACHMENT C
Revised FY 2024 GenCo Operating Budget – December 2023

Revised FY 2024 GenCo Operating Budget

(\$ in 000s)

| | <u>MAY 16 Petition</u> | <u>JUNE 25 R&O</u> | <u>SEPT. 22 R&O</u> | <u>CURRENT R&O</u> |
|--------------------------------|------------------------|------------------------|-------------------------|------------------------|
| LABOR OPERATING EXPENSES | \$ 79,504 | \$ 55,025 | \$ 55,025 | \$ 75,404 |
| NON-LABOR | \$ 71,103 | \$ 71,103 | \$ 71,103 | \$ 71,103 |
| NME | \$ 84,841 | \$ 134,075 | \$ 134,075 | \$ 96,645 |
| GENERATION MAINTENANCE RESERVE | \$ - | \$ - | \$ - | \$ 12,266 |
| SHARED SERVICES | \$ 65,826 | \$ 63,826 | \$ 63,826 | \$ 63,826 |
| TOTAL OPERATING BUDGET | \$ 301,274 | \$ 324,029 | \$ 324,029 | \$ 319,244 |



ATTACHMENT D
REVISED FY 2024 Electric Utility Budgets - December 2023

Revised FY 2024 Electric Utility Annual Budgets Summary

(\$ in 000s)

| | | APPROVED¹ | September 22 REVISION² | December 8 REVISION² |
|--|---|-----------------------------|--|--|
| 1 | TRANSMISSION AND DISTRIBUTION | \$636,591 | \$662,958 | \$662,958 |
| 2 | T&D Operating Expenditures | 545,447 | 560,283 | 560,283 |
| 3 | T&D Non-Federally Funded Capital Expenditures | 91,144 | 91,144 | 91,144 |
| 4 | Energy Efficiency Programs | 0 | 11,531 | 11,531 |
| 5 | GENERATION | \$337,549 | \$337,549 | \$332,889 |
| 6 | GenCo Operating and Capital Expenditures | 324,029 | 324,029 | 319,244 |
| 7 | HydroCo Operating and Capital Expenditures | 13,520 | 13,520 | 13,645 |
| 8 | HOLDCO (PROPERTYCO) OPERATING AND CAPITAL EXPENDITURES | \$21,975 | \$25,648 | \$30,308 |
| 9 | OPERATION AND MAINTENANCE FEES - PRIVATE OPERATORS | \$181,702 | \$151,662 | \$151,662 |
| 10 | LUMA Fees | 129,162 | 129,162 | 129,162 |
| 11 | Genera Fees | 52,540 | 22,500 | 22,500 |
| 12 | BANKRUPTCY TITLE III ADVISOR COSTS | \$30,150 | \$30,150 | \$30,150 |
| 13 | FOMB ADVISOR COSTS | \$32,822 | \$32,822 | \$32,822 |
| 14 | BAD DEBTS | \$59,450 | \$59,450 | \$59,450 |
| 15 | TOTAL NON-FEDERALLY FUNDED ELECTRIC UTILITY EXPENDITURES | \$1,300,239 | \$1,300,239 | \$1,300,239 |
| Notes | | | | |
| | ¹ June 25, 2023 Resolution and Order | | | |
| | ² \$188,437 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. | | | |
| FEDERALLY FUNDED CAPITAL EXPENDITURES | | APPROVED | | |
| 16 | T&D FEDERALLY FUNDED CAPITAL EXPENDITURES | \$802,587 | | |
| GENERATION FEDERALLY FUNDED CAPITAL EXPENDITURES | | | | |
| 17 | GenCo | \$14,190 | | |
| 18 | HydroCo ³ | \$1,789,000 | | |
| Notes | | | | |
| | ³ Total federally funded capital expenditures approved by the Energy Bureau through May 23 for recovery work in dams and hydroelectric plants related to disasters impacting the Island since 2017. | | | |

