

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

NEPR
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IN RE:

GENERA PR LLC FUEL OPTIMIZATION
PLAN

CASE NO.: NEPR-MI-2023-0004

SUBJECT: Motion Submitting Response to Request for Information in Compliance with Resolution and Order Dated December 20, 2023, and Revision to the Fuel Optimization Plan

**MOTION SUBMITTING RESPONSE TO REQUEST FOR INFORMATION IN
COMPLIANCE WITH RESOLUTION AND ORDER DATED DECEMBER 20, 2023,
AND REVISION TO THE FUEL OPTIMIZATION PLAN**

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 submits and prays as follows:

I. Brief Procedural Background

1. On September 15, 2023, Genera submitted a document titled *Motion to Submit Genera’s Revised Fuel Optimization Plan in Compliance with Resolution and Order Dated July 18, 2023*, which included a revised Fuel Optimization Plan (“September 15th Fuel Optimization Plan”). The September 15th Fuel Optimization Plan, already approved by the P3 Authority, was submitted for the approval of the Puerto Rico Energy Bureau of the Public Service Regulatory Board (“Energy Bureau”) pursuant to Section 4.2(t) of the LGA OMA.² The September 15th Fuel

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 the Energy Bureau with respect to any matter related to the performance of any of the O&M Services provided by Genera under the LGA OMA.

² Section 4.2(t) of the LGA OMA states the following:

Optimization Plan outlined Genera’s Fuel Cost Savings Initiatives and expected methods for achieving estimated fuel savings during the LGA OMA term.

2. On October 19, 2023, the Energy Bureau issued a Resolution and Order titled *Requirement of Information to GENERA – Evaluation of Genera Fuel Optimization Plan* (“October 19th Order”). In the October 19th Order, the Energy Bureau discussed its analysis of Genera’s September 15th Fuel Optimization Plan, stating that “[t]o ascertain the prudence of the Fuel Optimization Plan as it related to the LGA OMA, the requirements listed in the July 18th Order, and applicable laws and regulation of the Government of Puerto Rico, the Energy Bureau determines that supporting material is needed to allow the Energy Bureau to fully assess Genera’s Fuel Optimization Plan.” Consequently, the Energy Bureau ordered Genera to respond to the Requirements of Information (“ROI”) outlined in Attachment A to the October 19th Order.

3. On December 20, 2023, the Energy Bureau issued a Resolution and Order titled *Requirement of Information, Technical Conference, and Solicitation of Stakeholder Comments*

As soon as reasonably practicable, but not less than ninety (90) days following the Effective Date, Operator shall develop and submit to Administrator a plan intended to take effect from the Service Commencement Date and describing the Fuel Cost Savings Initiatives and outlining the expected methods and estimated fuel savings to be achieved during the Term of the Agreement (the “Fuel Optimization Plan”). Administrator, acting reasonably, shall provide Operator comments on the appropriateness of the proposed Fuel Optimization Plan and recommend any changes or modifications it believes are necessary or appropriate. Within thirty (30) days following receipt of Administrator’s comments, if any, or the end of forty-five (45) days following Administrator’s receipt of the proposed Fuel Optimization Plan, if Administrator has no comments, Operator shall submit to PREB for its review and approval the revised Fuel Optimization Plan, incorporating the feedback from Administrator. If Operator disagrees with any comment from Administrator, Operator will deliver with the revised Fuel Optimization Plan a written statement describing such disagreement, and the parties will meet within five (5) Business Days to seek to resolve any such disagreement and obtain Administrator’s approval of a Fuel Optimization Plan that is acceptable to Operator. Operator shall update the Fuel Optimization Plan (A) on an annual basis, (B) as necessary pursuant to Section 2.3(c) (*Term –Reduction*) and (C) upon any order from PREB or reasonable request from Administrator. Notwithstanding anything to the contrary herein, Operator’s submission of the Fuel Optimization Plan to the Administrator shall be sufficient to satisfy this Operator Service Commencement Date Condition; provided that, for the avoidance of doubt, the Fuel Optimization Plan shall not be effective until approved by Administrator and PREB pursuant to this Section 4.2(t) (*Operator Responsibilities – Fuel Optimization Plan*).

(“December 20th Resolution”), whereby, among other things, the Energy Bureau notified that it would take three steps to further its evaluation of Genera’s Fuel Optimization Plan: (i) issue further ROIs to Genera; (ii) schedule a Technical Conference with Genera to discuss the September 15th Fuel Optimization Plan; and (iii) formally invite stakeholders to provide written feedback on the September 15th Fuel Optimization Plan and the supplemental information provided in response to the Energy Bureau’s ROIs.

4. On January 8, 2024, Genera filed a document titled *Informative Motion Regarding the Revised Fuel Optimization Plan and Request for Confidential Treatment with Supporting Memorandum of Law* (“January 8th Motion”), in which Genera presented a revised Fuel Optimization Plan to the Energy Bureau. Genera submitted this plan for the evaluation of the P3 Authority on January 4, 2024. In the January 8th Motion, Genera further clarified that the new savings initiatives contained in the revised Fuel Optimization Plan included: *Section VII – Fuel Change Initiatives*, which now includes in its Item 8 a *Fuel Swap and Fuel Conversion Initiatives*; and *Section VIII – Asset Enhancement Initiatives*, which includes in its *Item 9* an *Asset Supplement Initiative*.

II. Response to December 20th Resolution ROI

5. Pertinent to this motion, the Energy Bureau determined in the December 20th Resolution that in order to ascertain the prudence of the September 15th Fuel Optimization Plan, further supporting material is needed to allow the Energy Bureau to fully assess Genera’s September 15th Fuel Optimization Plan. In addition, the Energy Bureau requires information relating to Genera’s request for certification in its motion filed on November 15, 2023. As such, the Energy Bureau ordered Genera to respond, on or before January 10, 2024, by 12:00 p.m., to the ROIs set forth in Attachment A to the December 20th Resolution.

6. In compliance with the December 20th Resolution, Genera hereby submits its response to the ROI's outlined in Attachment A of the December 20th Resolution as *Exhibit A* to this motion.

III. January 9th Revision of the Fuel Optimization Plan

7. On January 9, 2024, the day after filing the January 8th Motion, Genera presented to the P3 Authority a further revised Fuel Optimization Plan ("January 9th Revision of the Fuel Optimization Plan"). In the January 9th Revision of the Fuel Optimization Plan, the Fuel Efficiency Initiative was removed for Fiscal Year 2024 ("FY2024"). Although the Fuel Efficiency Initiative has been removed for FY2024, Genera respectfully reserves the right to reintroduce this initiative in subsequent years, pending the completion of the necessary technical and economic analyses that support the initiative.

8. Genera respectfully informs the Energy Bureau that the January 9th Revision of the Fuel Optimization Plan is submitted, as Exhibit B, under seal of confidentiality as it includes sensitive commercial information and is still under the evaluation of the P3 Authority. However, Genera is ready to answer any related questions before the Energy Bureau during the January 12, 2024, technical conference. Genera respectfully requests the Energy Bureau to maintain the January 9th Revision of the Fuel Optimization Plan, submitted as Exhibit B herein, under seal of confidentiality pursuant to the Energy Bureau's Policy on Management of Confidential Information, CEPR-MI-2016-0009, issued on August 31, 2016, and partially amended on September 16, 2016. Genera contends that this January 9th Revision of the Fuel Optimization Plan merits confidential treatment based on the same legal arguments raised in the January 8th Motion. Therefore, Genera respectfully requests that the Energy Bureau maintains Exhibit B attached herein under seal of confidentiality.

WHEREFORE, Genera respectfully requests that the Energy Bureau **take notice** of the above for all purposes; **deem** Genera to be in compliance with the December 20th Resolution; and **grant** Genera's request for confidential treatment of the January 9th Revision of the Fuel Optimization Plan.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 10th day of January 2024.

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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.

In San Juan, Puerto Rico, this 10th day of January 2024

/s/ Alejandro López Rodríguez
Alejandro López Rodríguez

Exhibit A
Response to December 20th ROIs

Docket Number: NEPR-MI-2023-0004

In Re: Genera PR LLC Fuel Optimization Plan

Re: Requirement of Information, Technical Conference, and Solicitation of Stakeholder Comments

GPR – PREB ORDER – 12.20.23 #1

1. Describe in detail what Genera means by “certification” in its November 15 Motion. What would be the import or impact if the Energy Bureau were to grant Genera’s request for certification in this Motion?

Response:

The purpose of requesting certification is to inform the Energy Bureau that one of the initiatives has been successfully implemented. Although the LGA OMA does not require that the Energy Bureau approves initiatives when implemented, Genera understood it was best to inform of the execution of the contracts, the potential savings, how they show that the initiatives in the plan are achievable and also, that the Energy Bureau certifies that the executed fuel contracts are aligned with the initiative and qualify as an implementation of the initiative. However, this part of the process is not mandatory under the LGA OMA for the evaluation and approval of the FOP, fuel contracts, and Fuel Incentive Payments.

Initiative 1

GPR – PREB ORDER – 12.20.23 #2

2. Provide information for the last 2 years on the Supplier (Novum or PUMA) that delivered ULSD and the ULSD Fixed Premium cost for all deliveries per Plant per BBL for the system, including the Volume in BBLs delivered for each of the plants in each year.

Response:

See GPR – PREB ORDER – 12.20.23 #2.

GPR – PREB ORDER – 12.20.23 #3

3. Provide for FY 2024 the estimates used in the RFP for the forecast of delivery of BBLs of USLD for each plant.

Response:

The RFP did not include any estimates for deliveries of ULSD by plant. For guidance to prospective bidders, it only showed an estimated volume for total consumption of 4 million barrels for a one-year term period. Deliveries to each plant are subject to Genera's requirements, per the T&D System Operator approved dispatch or unplanned situations, and projected delivery schedules submitted weekly (as per Article IV "Delivery and Title" of the respective supply agreement).

GPR – PREB ORDER – 12.20.23 #4

4. In ROI Response GPR-PREB ORDER – 10.19.2023 #4(e) and #5, Genera states that the increase in the fixed price premium for fuel oil delivery was due to quality differences between ultra-low sulfur diesel and high sulfur diesel. In subsequent ROI Response GPR – PREB ORDER – 10.19.2023 #8, Genera states that "The fixed premium represents the supplier's cost associated with delivering the fuel to Puerto Rico, meeting the specified quality and quantities required in the contract." If the fixed premium reflects supplier's cost for delivery fuel, explain why the cost to deliver ULSD is higher than its cost to deliver higher sulfur content fuel oil?

Response:

The fixed premium (adder) incorporates all costs associated with delivering fuel to the corresponding PREPA plants. Therefore, it includes factors such as the acquisition cost of the higher sulfur quality product in reference to the lower sulfur ULSD posting (escalator). That is, the supplier will be able to reduce the fixed premium for the ability to deliver a higher sulfur (lower quality) product. When the supplier is forced to deliver a lower sulfur (higher quality) product, its calculation of the fixed premium will increase. In addition, any potential increase in transportation cost for ULSD sources will also be reflected in the fixed premium (i.e. Jones Act supply from the US as ultimate source).

GPR – PREB ORDER – 12.20.23 #5

5. In ROI Response 20231110 GPR – PREB ORDER–10.19.2023 #4(f).xlsx, in columns U and V, Genera provides data on historical diesel prices into PREPA Facilities. Provide the detailed calculations for the data presented in columns U and V, and also break out the fixed premium for fuel delivery, if it is included in those calculations. If it is not included, provide the historical fixed premium as well.

Response:

This file was intended to provide historical pricing data for ULSD daily as per Genera's records. Columns U and V were added to reflect "theoretical" delivered prices to plants and remote peaking units, also daily. These calculated daily prices do not necessarily reflect delivered prices to each plant as PREPA does not receive product every day. Please refer to the new file submitted above under question 2, file GPR – PREB ORDER – 12.20.23 #2, for actual delivered prices, showing the escalator and adder separately (excluding applicable taxes).

Initiative 2

GPR – PREB ORDER – 12.20.23 #6

6. There is an option for on-site storage under the new PUMA contract, but the contract did not specify the cost or rebates related to on-site storage under different circumstances. Does the \$6.2 million represent a gross or a net saving, considering the additional working capacity of 100,000 barrels provided in the PUMA contract? Does the option to increase the additional storage capacity from 100,000 to 150,000 barrels involve any additional cost to Genera PR and/or Puerto Rico ratepayers? If so, what cost?

Response:

As stated on GPR-PREB ORDER – 10.19.2023 #11(c), there is no cost to PREPA for the additional reserve stock agreed under the new supply agreement. Similarly, the Supplier must bear any cost of carrying the additional reserve stock for emergencies.

GPR – PREB ORDER – 12.20.23 #7

7. Provide the estimated return on investment for Puerto Rico ratepayers for investing the required total additional funds to achieve this initiative; provide the calculation conducted to produce this estimate. Note: The return on investment should be calculated taking into account the Fuel Optimization expected payment to Genera and the proposed 50% payment (CVI-2) from the Title III Plan of Adjustment.

Response:

No investment from PREPA or ratepayer is required under this initiative.

Initiative 3

GPR – PREB ORDER – 12.20.23 #8

8. Provide information for the last 2 years on the supplier that delivered fuel oil and the fuel oil escalator and adder cost for all deliveries per plant per BBL for the system, including the volume in BBLs delivered for each of the plants in each year.

Response:

See GPR – PREB ORDER – 12.20.23 #2.

GPR – PREB ORDER – 12.20.23 #9

9. Provide for FY 2024 the estimates used in the RFP for the forecast of delivery of BBLs of fuel oil for each plant, and the fuel oil escalator and adder cost for all deliveries per plant per BBL for the system that the current awarded contract with NOVUM stipulates.

Response:

The RFP did not include any estimates for fuel oil deliveries by Plant. For guidance to prospective bidders, it only showed an estimated volume for total consumption of 13 million barrels for a one-year term period. Deliveries to each plant are subject to Genera's plant requirements, per the T&D System Operator approved dispatch or unplanned situations, and projected delivery schedules submitted monthly (as per Article IV "Delivery and Title" of the respective supply agreement).

Initiative 4

GPR – PREB ORDER – 12.20.23 #10

10. Confirm that the cost of truck delivery to the Cambalache Plant will be \$1.00 per barrel more than marine barrels, as stipulated in the recent negotiated contract under any circumstance (emergency and non-emergency situations). Is this additional cost avoidable if the Cambalache D-2 tank is returned to service?

Response:

Genera confirms that the cost for deliveries via truck to Cambalache, or any other unit capable of receiving diesel via truck, is \$1.00 per barrel. When tank D-2 returns to service, the increased reserve stock at the Plant will extend the average days of fuel availability, which will, in turn, minimize, or even reduce, the frequency for deliveries by truck. To the extent that truck deliveries are no longer required, we will save on the additional delivery cost. Initiative 4 was removed from the revised FOP submitted to P3A on January 4, 2023.

GPR – PREB ORDER – 12.20.23 #11

11. Does the new negotiated PUMA contract guarantee Genera PR the optimum tank storage capacity in all plants?

Response:

It is understood that this question refers to “optimum inventory levels” rather than “optimum tank storage capacity.” The contract is a requirement contract. Therefore, it is Genera’s responsibility to request timely deliveries and for the supplier to deliver accordingly to maintain the optimum inventory level in each plant, as Genera may establish it for any given period. Initiative 4 was removed from the revised FOP submitted to P3A on January 4, 2023.

GPR – PREB ORDER – 12.20.23 #12

12. In ROI Responses GPR-PREB ORDER - 10.19.2023 #23 and #25, Genera states that the source of the capital budget is unknown at this time. Provide Genera's target date when the information will be available and provide this information as soon as Genera PR has it.

Response:

Refurbishment of tank R-3 in Palo Seco is in progress, with an estimated completion date in the fourth quarter of 2024. The project, including pipeline interconnection and pumps for conversion to diesel service, is expected to cost approximately \$4.2 million. Refurbishment work on Cambalache tank D-2 is scheduled to commence in January 2024, with a targeted completion date in the fourth quarter of 2024, at an estimated cost of \$1.6MM. The funding for these projects comes from Genera's NME. Initiative 4 was removed from the revised FOP submitted to P3A on January 4, 2023.

GPR – PREB ORDER – 12.20.23 #13

13. What is the target date for the completion of rehabilitation schedules?
Provide those schedules as soon as Genera PR has this information available.

Response:

See GPR – PREB ORDER – 12.20.23 #12. Initiative 4 was removed from the revised FOP submitted to P3A on January 4, 2023.

GPR – PREB ORDER – 12.20.23 #14

14. When does Genera PR expect to set rehabilitation schedules for the Palo Seco and Cambalache tanks? Provide those dates as soon as Genera PR has this information available.

Response:

See GPR – PREB ORDER – 12.20.23 #12. Initiative 4 was removed from the revised FOP submitted to P3A on January 4, 2023.

GPR – PREB ORDER – 12.20.23 #15

15. When does Genera PR expect to set the return-to-service dates for the Palo Seco and Cambalache tanks? Provide those dates as soon as Genera PR has this information available.

Response:

The estimated return to service dates for both tanks is in December 2024. Initiative 4 was removed from the revised FOP submitted to P3A on January 4, 2023.

GPR – PREB ORDER – 12.20.23 #16

16. What is the expected date that Genera PR could finish the final estimates of capital investment for the Palo Seco and Cambalache tanks? Provide those estimates as soon as Genera PR has this information available.

Response:

See GPR – PREB ORDER – 12.20.23 #12. Initiative 4 was removed from the revised FOP submitted to P3A on January 4, 2023.

GPR – PREB ORDER – 12.20.23 #17

17. Provide the estimate for the return on investment for Puerto Rico ratepayers for investing funds to achieve this initiative (i.e., Tank D-2 in Cambalache); provide the calculation conducted to produce this estimate. Note: The return on investment should be calculated taking into account the Fuel Optimization expected payment to Genera and the proposed 50% payment (CVI-2) from the Title III Plan of Adjustment.

Response:

Upon further evaluation, Genera decided to exclude the Palo Seco R-3 and Cambalache D-2 from the Fuel Optimization Plan. Please note both projects will be completed as NME as a prudent investment to increase unit availability, especially during high demand season and emergency situations, and to allow for possible spot purchases under Initiative 5. As a result, no shared cost savings will be claimed under this initiative. The initiative will continue to be part of the Fuel Optimization Plan for any future additional storage projects that may offer a reasonable return on investment.

Initiative 4 was removed from the revised FOP submitted to P3A on January 4, 2023.

Initiative 7

GPR – PREB ORDER – 12.20.23 #18

18. There will be a one-time adverse cost impact in the first month as additional funds will be required to transition from the 60-day payment term to the selected XX-day payment term. Provide the calculation and the return on investment for Puerto Rico ratepayers for investing the required additional funds to transition to the selected payment term. Note: The return on investment should be calculated taking into account the Fuel Optimization expected payment to Genera and the proposed 50% payment (CVI-2) from the Title III Plan of Adjustment.

Response:

Please refer to our response to question #49 on the PREB Order dated October 19, 2023 and the included file GPR-PREB ORDER-10.19.2023 #49. Using FY23 price and volume actuals, total savings for the year would be \$15,960,789, resulting in savings to ratepayers as per OMA would be \$7,980,395. If we use the average cost of fuel and quantities purchased (fuel oil) for the same period, the funds needed to cover the switch to a 30-day payment term would be \$96,968,423. For purposes of illustration, if we assume an annualized cost of capital of 6%, the cost of funding the one time 30-day accelerated period would be \$484,842. PREPA would recover the investment within the first month.

Initiative 8

GPR – PREB ORDER – 12.20.23 #19

19. Does Genera PR understand which of the priority efficiency projects can be completed by the end of FY 2024? What would be the effect on projected cost savings under this initiative if the priority efficiency projects are not completed by the end of FY 2024?

GPR – PREB ORDER – 12.20.23 #20

20. Provide a detailed example calculation (this is, in a working spreadsheet) showing how Genera proposes to demonstrate the cost savings based on each efficiency project's completion date. For example, once the heat exchangers are replaced in the estimated timeline, how will the cost savings will be calculated, and when will they occur (by FY)?

GPR – PREB ORDER – 12.20.23 #21

21. Does Genera have estimated dates for critical components and the necessary instrumentation project completion per generation unit? Provide the Genera's current best estimate of dates.

GPR – PREB ORDER – 12.20.23 #22

22. Does Genera PR have estimated dates to determine the optimal operating points and the cost projected savings associated per unit based on the projects' completion date? Provide the Genera's current best estimate of dates.

GPR – PREB ORDER – 12.20.23 #23

23. Provide the estimated return on investment to Puerto Rico ratepayers for the investment of funds to achieve each fuel efficiency project as proposed for this initiative; provide the calculation conducted to produce this estimate. Note: The return on investment should be calculated taking into account the Fuel Optimization expected payment to Genera and the proposed 50% payment (CVI-2) from the Title III Plan of Adjustment.

Response for questions 19 – 23:

Fuel Efficiency Projects are a critical aspect of Genera's plan to reduce fuel costs and require careful planning and execution. The process involves multiple phases, including the identification of need, procurement of funds, planning activities such as Architecture and Engineering, and execution. Genera, with the Energy Bureau's approval, has procured the obligation of funds that will be reimbursed by FEMA for the expenses incurred in the purchase and installation of the required components. However, the project was obligated by FEMA on December 29, 2023, and it was then when Genera had additional reimbursements, and thus funding, guarantees.

Genera has now moved on to the next phases of the project after determining the need and securing funds. The procurement process involves design and procurement, and Genera has already begun the design process while working in parallel to begin the procurement process.

Manufacturers will have to sell the components that meet LGA specifications and requirements. As the components are being built, Genera must estimate the time it takes to perform the work needed to install the components, which requires outages. Thus, meticulous coordination of available generation to meet demand and taking the units offline for work must be made with the approval of the T&D System Operator.

Despite Genera's efforts, the installation of these components will not commence until the beginning of 2026. Customers will be able to see the reduction in fuel costs attributable to these works during that year.

Considering all factors, Genera has decided to remove the Fuel Efficiency Projects from this version of the plan. Once the process is more advanced, Genera will have more accurate information to provide in subsequent versions of the plan, which will be submitted for the Energy Bureau's approval.

It's important to note that the Fuel Efficiency Projects are not included as an initiative in the version of the FOP that P3A is evaluating and has been submitted to the Energy Bureau under seal of confidentiality.

Initiative 9: Fuel Conversion

GPR – PREB ORDER – 12.20.23 #24

24. The file 20231110 – PREB ORDER – 10.19.2023 #1 & #3.xlsx includes estimated savings from Initiative “9. Fuel Conversion Initiative (Mayaguez).” The filed Fuel Optimization Plan does not include this initiative.

- a. Define this initiative.
- b. Confirm whether Genera plans to claim fuel savings resulting from this initiative under the Fuel Optimization Plan.
- c. If yes, provide an amended Fuel Optimization Plan that includes this initiative.

Response:

Genera amended the FOP to remove two initiatives and include two additional initiatives. One of the latter is for certain units to be converted to burn cheaper and cleaner fuels. Said version was submitted to P3A for evaluation and approval and to the Energy Bureau under seal of confidentiality until P3A makes a final determination.

Exhibit B

January 9th Revision of the Fuel Optimization Plan
(submitted under seal of confidentiality)