

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

NEPR

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IN RE: REVIEW OF LUMA'S INITIAL
BUDGETS

CASE NO.: NEPR-MI-2021-0004

**URGENT MOTION FOR BUDGET REVISION TO PURCHASE THE
TEMPORARY GENERATION SYSTEM**

TO THE HONORABLE ENERGY BUREAU,

COMES NOW the Puerto Rico Electric Power Authority ("PREPA") through its undersigned legal representation and, very respectfully, informs and requests as follows:

I. RELEVANT PROCEDURAL BACKGROUND

a. PREPA's FY2024 Budget

2. On June 25th, 2023, the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau") issued a *Resolution and Order* ("June 25th Resolution") whereby it modified and approved the *Consolidated Annual Budgets for Fiscal Year 2024*,¹ subject to compliance with various orders. The June 25th Resolution ordered PREPA, among other things, to file with the Energy Bureau for its review and approval any new contract or amendment to an existing contract before its

¹ The *Consolidated Annual Budgets for Fiscal Year 2024*, submitted by LUMA Energy, LLC and LUMA Energy ServCo, LLC (jointly hereafter, "LUMA"), were comprised of the following: (i) the proposed T&D budget developed by LUMA, (ii) the proposed generation budget developed by Genera PR, LLC ("Genera") on behalf of the PREPA, for the PREPA subsidiary GENCO LLC ("GenCo"), and (iii) the proposed Budget developed by PREPA for its holding company, HoldCo, and its subsidiaries PREPA HydroCo LLC ("HydroCo") and PREPA PropertyCo, LLC ("PropertyCo").

execution or award.

3. On December 8th, 2023, the Energy Bureau issued a *Resolution and Order* whereby it increased the HoldCo Non-Labor Budget (“December 8th Resolution”). However, instead of referencing the then current HoldCo Non-Labor Budget of \$15.445MM, as already approved in the September 22nd Order, the December 8th Resolution went back to the original approved budget of \$11.722MM contained in the June 25th Resolution. Accordingly, it authorized an increase to the HoldCo Non-Labor Budget from \$11.772MM, as approved in the June 25th Resolution, to \$18.072MM. Further, the Energy Bureau distributed the additional \$6.3MM approved between the following line-items:

Utilities and Rent Budget	\$25k
Legal Services	\$2,960MM
Professional and Technical Outsourced Services	\$1.591MM, with \$780k specifically allocated for the Oracle ERP
Regulation and Environmental Expenses	\$848k
External Audit Services	conditionally approved \$751k, subject to a subsequent filing
Equipment, Inspection, Repairs & Other O&M	\$125k
Total	\$6.3MM

4. On December 12th 2023, the Fiscal Oversight and Management Board certified the HoldCo Non-Labor Budget approved by the Energy Bureau in the December 8th 2023 Resolution.

b. Temporary Generation System

5. In October 2022, the Federal Emergency Management Administration (“FEMA”) installed seventeen (17) temporary generation units (“Temporary Generation Units”) under the Direct Federal Assistance (DFA) and through the U.S. Army Corps of Engineers (“USACE”), as an emergency measure to temporarily address the instability of Puerto Rico’s electrical grid caused by Hurricane Fiona.

6. The Temporary Generation Units are currently located at the San Juan and Palo Seco Power Plants and operated by USACE, through contracts with Weston Solutions, Inc., which subcontracted New Fortress Energy (NFE).

7. Subsequently, FEMA informed PREPA that it would stop operating the Temporary Generation Units on March 15th, 2024. However, the need for the additional power that these Temporary Generation Units added to the grid persists.

8. To protect the Island’s generation capacity and guarantee dependable power generation, PREPA decided to acquire the Temporary Generation Units. However, and as recently as this afternoon, the Central Office for Recovery Reconstruction and Resiliency (“COR3”) advised PREPA that NFE does not possess three (3) of the seventeen (17) generation units. After months of negotiation led by COR3 and the Puerto Rico Public-Private Partnerships Authority (“P3”), PREPA will now only be able to purchase fourteen (14) of the seventeen (17) installed units (hereafter, the “Temporary Generation System”).

9. The purchase price for the Temporary Generation System will be covered through a reimbursement commitment from FEMA (PW 11628) to provide

funding to PREPA in an amount equal to 90% of the purchase price. The remaining 10% of the purchase price will need to be covered through PREPA's FEMA reimbursement account held at Banco Popular, inasmuch as the Puerto Rico Department of Housing ("PRDOH"), the Puerto Rico Fiscal Agency and Financial Advisory Authority ("AAFAF"), and the Puerto Rico Office of Management and Budget ("OMB") have advised PREPA of the unavailability of funds from other sources.²

10. The 10% of the purchase price not covered by the PW 11628, which ascends to \$30,659,875.65, is not contemplated in PREPA'S FY2024 Budget.

11. The timely purchase of the Temporary Generation System is critical to ensure uninterrupted electric service to the people of Puerto Rico, by allowing PREPA to meet peak load requirements. PREPA's failure to purchase the Temporary Generation System by March 15th, 2024, could result in power outages across the Island. Without PREPA's access to the capacity generated by the Temporary Generation System, efforts to transform and modernize Puerto Rico's electricity system, as set forth in PREPA's fiscal plan, will suffer setbacks from significant delays in the reconstruction plan, due to service interruption.

12. Considering the importance of acquiring the Temporary Generation System and the fact that FEMA will cover 90% of the selling price, PREPA very respectfully requests the Energy Bureau to revise its HoldCo FY 2024 Budget and

² See Appendix A.

authorize an increase in the amount of \$30,659,875.65, to cover the 10% of the purchase price not contemplated in the PW 11628.

13. Given the role the Temporary Generation System plays in Puerto Rico's electricity generation framework, PREPA very respectfully requests the Energy Bureau to rule on this matter no later than by March 15th, 2024.

14. PREPA will submit the final draft of the Asset Purchase Agreement and any additional documents or information required by the Energy Bureau as soon as they become available.

WHEREFORE, PREPA very respectfully requests the Energy Bureau to **REVISE** the HoldCo FY 2024 Budget and authorize an increase in the amount of \$30,659,875.65, to cover the 10% of the purchase price of the Temporary Generation System not contemplated in the PW 11628.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 13th day of March 2024.

CERTIFICATE OF SERVICE: We hereby certify that this document was filed with the Office of the Clerk of the Energy Bureau using its Electronic Filing System at <https://radicacion.energia.pr.gov/login>, which automatically notifies all attorneys of record with copy of the filed motion.

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Subject: Re: 10% Cost Share - Emergency Generators Acquisition

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Mr Colon,

We understand it is not necessary since the first step would be for PREPA to make the case that it does not have the funds to source the 10% cost share.

In the interest of time we can provide the following:

We confirm that neither AAFAF nor OMB has identified a currently available alternative to PREPA funding it's required FEMA cost share on a timely basis.

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