

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

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IN RE:

REVIEW OF THE PUERTO RICO
ELECTRIC POWER AUTHORITY’S 10-
YEAR INFRASTRUCTURE PLAN –
DECEMBER 2020

CASE NO.: NEPR-MI-2021-0002

SUBJECT: Motion to Submit Proposed Version
3 of Equipment and Materials Project for Project
#673691 in Compliance with Resolution and
Order Dated April 4, 2024

**MOTION TO SUBMIT PROPOSED VERSION 3 OF EQUIPMENT AND MATERIALS
PROJECT FOR PROJECT #3673691 IN COMPLIANCE WITH RESOLUTION
AND ORDER DATED APRIL 4, 2024**

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:

1. On March 26, 2021, the Energy Bureau of the Puerto Rico Public Service Regulatory Board (“Energy Bureau”) issued a Resolution and Order in the instant case, through which it ordered PREPA to submit each specific capital investment project for approval to avoid potential noncompliance with the Approved Integrated Resource Plan (“IRP”) and Modified Action Plan. To streamline the process, the Energy Bureau requested PREPA to submit the specific projects to the Energy Bureau at least thirty (30) calendar days before their submission to the Puerto Rico Central Office for Recovery, Reconstruction and Resiliency (“COR3”) and the Federal Emergency Management Agency (“FEMA”), and any other federal agency, and to continue

¹ Pursuant to the *Puerto Rico Thermal Generation Facilities Operation and Maintenance Agreement* (“LGA OMA”), dated January 24, 2023, executed by and among PREPA, the Puerto Rico Public-Private Partnerships Authority (“P3 Authority”) and Genera, Genera is the sole operator and administrator of the Legacy Generation Assets (defined in the LGA OMA) 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.

reporting to the Energy Bureau and FEMA, within the next five (5) years, the progress of all ongoing efforts related to the final approval of the submitted projects that are not yet approved by the Energy Bureau.

2. On January 24, 2023, Genera, PREPA and the P3 Authority executed the Puerto LGA OMA. Pursuant to the LGA OMA, Genera is solely responsible for procuring and administering federal funds for projects related to the Legacy Generation Assets (as defined in the LGA OMA).

3. On October 15, 2023, Genera submitted a document titled *Request for Approval of Projects to Replace Critical Components and Improve Fuel Efficiency* (the “October 15th Request”). Through the October 15th Request, Genera filed new projects and proposed amendments for the scope of works of projects previously submitted by PREPA and approved by the Energy Bureau. Through the October 15th Request, Genera asked the Energy Bureau to grant leave to submit a list of several components to FEMA and request that their cost be reimbursed by said agency. The components were presented in two annexes: Annex A, listing Critical Components whose replacement would contribute to a more dependable and efficient power system, with an estimated cost of \$127,316,610.00, and Annex B, outlining Fuel Efficiency Components Projects aimed at increasing fuel efficiency and reducing fuel costs, with an estimated expenditure of \$106,758,328.00.

4. On November 8, 2023, the Energy Bureau issued a Resolution and Order titled *Determination on Genera’s October 15, 2023, Motion for the Request for Approval of Projects to Replace Critical Components and Improve Fuel Efficiency* (“November 8th Resolution”). In the November 8th Resolution, upon review of Annex A and B of the October 15th Request, the Energy Bureau determined that most of the replacement of critical components and components to

improve fuel efficiency projects are essential for enhancing the reliability and resiliency of the electrical system while achieving fuel efficiency and reducing the impact to the environment, and at the same time, increasing the safety of the personnel and the equipment. Thus, the Energy Bureau conditionally approved the majority of projects presented by Genera in the October 15th Request, listing them in Attachment A and B of the November 8th Resolution. For projects outlined in Attachment C of the November 8th Resolution, the Energy Bureau deferred them for further evaluation to ensure alignment with the Approved IRP and the Retirement Plan. As described in Attachment C, these projects represented an additional cost of \$33,478,328.00, based on the cost estimates provided by Genera. The Energy Bureau further added that should the scope of the project change, Genera shall immediately seek the Energy Bureau's approval of such changes.

5. After this evaluation, in the November 8th Resolution, the Energy Bureau ordered Genera to (i) submit the SOWs for each project presented in Attachments A, B, and C of the November 8th Resolution to the Energy Bureau for evaluation; (ii) submit to the Energy Bureau a copy of the approval by COR3 and/or FEMA for the projects in Attachments A and B of the November 8th Resolution, with the costs obligated for each facility in the project; (iii) provide the Energy Bureau with the actual contracted costs to construct each facility of the projects in Attachments A and B; and (iv) inform the Energy Bureau once the projects are completed.²

6. On November 17, 2023, Genera filed a document titled *Motion Submitting Time Extension to Provide Scope of Works in Response to Resolution and Order Dated November 8, 2023* (“November 17th Motion”). In Attachment A to the November 17th Motion, Genera outlined the processes to be followed for developing the SOWs and explained that detailed SOWs and cost estimates for purchasing equipment and materials for the projects described in Attachments A and

² See November 8th Resolution, p. 3.

B were included in the document titled "*Equipment and Material Project, Project #673691*", which was submitted to FEMA.

7. On January 10, 2024, the Energy Bureau issued a Resolution and Order titled *Determination on Genera's November 13 and November 17, 2023, Motions for a Request of Approval of Projects to Replace Critical Components and Improve Fuel Efficiency and to Request a Time Extension* ("January 10th Resolution"). In the January 10th Resolution, the Energy Bureau determined that, after reviewing the November 17th Motion, an evaluation of the document titled *Equipment and Material Project for Project #673691* was required.

8. Thus, on January 18, 2024, Genera submitted a motion titled *Motion to Submit Equipment and Material Projects Information in Response to Resolution and Order Dated January 10, 2024* ("January 18th Motion"), whereby it submitted a document titled *Equipment and Materials Project for Project #673691 – Version 2*.

9. On February 12, 2024, Genera filed a document titled *Motion to Submit FEMA Approval in Compliance with Resolution and Order Dated February 1, 2024* ("February 12th Motion"). As "Exhibit A," Genera included, amongst other information, a copy of FEMA's approval of the Critical Components projects with a cost estimate of \$123,716,610.00, and the Fuel Efficiency Improvement project with a cost estimate of \$74,880,000.00, amounting to a cumulative total of \$709,006,610.00.

10. On April 4, 2024, the Energy Bureau issued a Resolution and Order titled *Determination on GENERA's February 12, 2024, Motion to Submit FEMA approval in Compliance with Resolution and Order Dated February 1, 2024* ("April 4th Resolution"). The Energy Bureau determined that the projects included in Exhibit A of the January 18th Motion were necessary to improve the reliability and resiliency of the electrical system while achieving fuel

efficiency and reducing impact on the environment, and at the same time, increasing safety of the personnel and equipment. Therefore, Energy Bureau approved the projects in Attachment A and B of the February 12th Motion.

11. Pertinent to this motion, in the April 4th Resolution, the Energy Bureau ordered Genera to submit, within ten (10) days of the notification of the April 4th Resolution, the SOWs for the projects listed in its Attachment C, which were the same projects deferred for further evaluation in the November 8th Resolution.

12. In compliance with the April 4th Resolution, Genera hereby submits to the Energy Bureau version 3 of the *Equipment and Material Project, Project #673691* (Exhibit A).

WHEREFORE, Genera respectfully requests that this Energy Bureau **take notice** of the above for all purposes, determine that Genera did not disregard the November 8th Resolution, and **deem** Genera in compliance with the April 4th Resolution.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 15th day of April 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 and that we will send an electronic copy of this motion to the attorney for PREPA, Lionel Santa Crispín, at lionel.santa@prepa.pr.gov; and to LUMA's counsel, Margarita Mercado, at margarita.mercado@us.dlapiper.com, and Yahaira De La Rosa, at yahaira.delarosa@us.dlapiper.com.

In San Juan, Puerto Rico, this 15th day of April 2024.

/s/ Alejandro López-Rodríguez
Alejandro López-Rodríguez

Exhibit A

Version 3 of the Equipment and Material Project, Project #673691

Version 3

In Re: Equipment and Materials Project

Project # 673691

I. Overview

Project Name: Critical Components

Project Type: Equipment Project

Project Location: Multiple generation facilities

II. Introduction

On September 6, 2017, Puerto Rico's northern coastline was struck by Hurricane Irma, a Category 4 storm. Two weeks later, on September 17, Hurricane Maria tore through the island of Puerto Rico as a Category 5 storm. Subjected to 150+ mph winds and more than 25 inches of rain, 3.4 million residents lost power and a great deal of infrastructure, including critical facilities, was damaged. In particular, the electrical infrastructure suffered catastrophic impacts.

In the aftermath, diligent recovery and reconstruction efforts have been undertaken, not only to restore the electrical infrastructure to pre-storm function and capacity but also to take the opportunity to bring it in compliance with current standards and technology. This transformative moment in the history of Puerto Rico is an opportunity not just to rebuild the system, but also to transform it into a smarter, more resilient, and cleaner one. Puerto Rico's generation system must meet customer demand and have adequate additional capacity to comply with the reserve required by the system operating principles of LUMA Energy, LLC, the T&D System Operator. In terms of service continuity, the system must be reliable so that service interruptions are within the margins established in the electrical industry.

Unfortunately, the generation system presents critical performance metrics with a deficiency in capacity to meet the energy demand and the minimum

reserve requirements. The forced outage percentage of the units is increasing while the generation capacity decreases. This combination of factors puts the continuity of the service at high risk, adversely affecting the quality of life of those who live in Puerto Rico.

On January 2023, the Puerto Rico Electric Power Authority (“PREPA”) and the Puerto Rico Public-Private Partnership Authority selected Genera PR LLC (“Genera”) to operate, maintain and modernize the Generation system of PREPA for ten years through a public-private partnership. The current fleet condition presents poor performance due to the impact of hurricanes María and Fiona. Generation capacity has been reduced to 46% of installed capacity. In addition, of the generation units in operation, about 32% (640 MW) of the units administered by Genera are disconnected monthly, causing thousands of customers to suffer interruptions in their service.

PREPA is a public corporation of the Government of Puerto Rico created pursuant to Act No. 83 of May 2, 1941, as amended. PREPA owns and operates electric generation, transmission, and distribution facilities serving all of Puerto Rico. As the sole electric utility in Puerto Rico, PREPA provides electricity to approximately 1.5 million customers. Since 2017, PREPA has performed damage assessments, studies, and evaluations to identify areas of repair and improvement. These include transmission and distribution lines, electrical substations, generation plants, mitigation, and other improvements.

Following Presidential Disaster Declarations 4337-DR-PR (Hurricane Irma) and 4339-DR-PR (Hurricane Maria), the Federal Emergency Management Agency (“FEMA”) has been working with PREPA to assist in recovery and repair efforts. In October 2020, FEMA approved Project #136271 Puerto Rico Electrical Power Authority Island Wide FEMA Accelerated Award Strategy (“FAASt”) in the amount of \$9.98 billion. This award is intended to allow funding for PREPA to repair and restore the Puerto Rico electric power infrastructure to industry standards, without regard to pre-disaster condition, and to restore components not damaged by the disaster when necessary to fully effectuate restoration of the disaster-damaged components, resulting in restoration of the function of the facility or system to industry standards, as authorized by Section 20601 of the Bipartisan Budget Act of 2018 and described in FEMA Recovery Policy FP-104-

009-5 Version 2 (Implementing Section 20601 of the 2018 Bipartisan Budget Act through the Public Assistance Program, September 11, 2019). The facilities provide a critical service as defined in Stafford Act Section 406. The list of specific projects that will be undertaken using the FAASt funding remains under development.

As part of the process, Genera has identified certain equipment and components that have long lead (delivery) times under even the best of circumstances. Given the world's current supply chain challenges, the lead times are anticipated to be even longer. Supply-chain disruptions caused by the COVID pandemic, Ukraine War and recent events in Middle East have become a bottleneck that has prevented the free-flow of goods in the global economy. These disruptions have led to product shortages and delays in product deliveries throughout various sectors. These supply-chain disruptions create inefficiencies in construction projects as contractors wait around for the required material and/or equipment to be delivered. In addition, shortages also lead to price increases. Based on this, Genera will procure selected materials and equipment in advance, so that the fabrication time commence as soon as possible, and the expected delivery lead time delay be concurrent with final formulation of the permanent work project and the start of the construction activities. Genera will store the materials and equipment at a secure site(s), distribute to specific projects as they are obligated and construction begins, and manage the inventory as time and construction progress. With this, Genera will eliminate, or at least minimize, any potential construction schedule impacts. The identified equipment includes but is not limited to:

- Recirculation fans
- Traveling Screens
- Inlet chillers

In Version 2 a total of **\$ 1,506,189,735.2** was awarded in support to purchase and store the selected materials and equipment to eliminate, or at least minimize, any potential construction schedule impacts.

III. Scope of Work

This FAASt Sub-Project is to purchase and store the selected materials and equipment to eliminate, or at least minimize, any potential construction schedule impacts. Genera prepared an initial itemized list of materials and equipment that are currently seeing inventory shortages, have long lead times and/or could be impacted by future events.

Genera will manage the storage and eventual utilization of materials and equipment. Genera would track items across multiple locations from acquisition to final use. Material and equipment utilization would be tracked phase by phase and would ensure that items assigned for a particular project are not used elsewhere as outlined and approved under the FAASt obligated FEMA funding. This Scope of Work and Cost Estimate will versioned the already obligated project. Table 1 contains the itemized list along with pricing based on actual vendor quotations as well as publicly available prevailing prices.

Table 1: Critical Components

Location/Facility	Initiative	Estimated Cost	Quantity	Total Cost
San Juan 9	Recirculating fan duct and GRF	\$ 2,400,000	1	\$ 2,400,000
San Juan 9	Traveling screens	\$ 1,200,000	1	\$ 1,200,000
Total				\$ 3,600,000.00

Table 2: Fuel Efficiency Improvement

Location/Facility	Initiative	Estimated Cost	Quantity	Total Cost
San Juan 9	Gas recirculating Fan, Duct and and Dampers	\$ 2,000,000	1	\$ 2,000,000

Table 2: Fuel Efficiency Improvement

Location/Facility	Initiative	Estimated Cost	Quantity	Total Cost
Cambalache	Convert to GT IINM. New Blades and turbine blades, heat shields segments, blade carrier and exhaust shroud.	26,878,328	1	\$ 26,878,328
Cambalache	Inlet chillers	3,000,000	1	\$ 3,000,000
Total				\$ 31,878,328.00

Table 4: Totals

Category	Cost
Critical Components	\$ 3,600,000.00
Fuel Efficiency Improvement	\$ 31,878,328.00
	\$ 35,478,328.00

Cost Estimate: Equipment and Materials:

- A. Critical Components
- B. Fuel Efficiency Improvements

Work to be Completed (WTBC): \$ 35,478,328.00

V3 Total = V2 + Change Requested = \$ 1,506,189,735.2 + \$ 35,478,328.00 = \$ **1,541,668,063.2**

***** End of Version 3*****

406 HMP Scope

Project consist of equipment and Material procurement only. There is no HM opportunity for this project. Note: Part of these materials will be used as part of HM measures for another projects.