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

IN RE: GENERA PR, LLC FUEL OPTIMIZATION PLAN	**CASE NO.:** NEPR-MI-2023-0004 **SUBJECT:** Requirement of Information, Technical Conference, and Solicitation of Stakeholder Comments Including Evaluation of Fuel Change for Mayagüez Combustion Turbines and Palo Seco Mobile Packs.

RESOLUTION AND ORDER

I. Relevant Procedural Background

This proceeding was initiated by the Energy Bureau of the Puerto Rico Public Service Regulatory Board (the "Energy Bureau") to evaluate Genera PR LLC's ("Genera") fuel optimization plan, as required under Section 4.2(t) of the Generation OMA.[1] Specifically, the primary purpose of this proceeding is to assess the savings quantification methodology proposed by Genera in its Fuel Optimization Plan ("FOP"), in relation to the performance payments that Genera may receive under the Generation OMA. As part of the proceeding, Genera has submitted various versions of the fuel optimization plan.[2] The Energy Bureau has issued several requests for information to which Genera has responded.

On September 15, 2023, Genera filed a *Motion to Submit Genera's Revised Fuel Optimization Plan in Compliance with the Resolution and Order dated July 18, 2023*. Included as Exhibit A was a document identified as *Fuel Optimization Plan* ("September 15 FOP").[3]

On October 19, 2023, the Energy Bureau issued a Resolution and Order that required Genera to respond to questions ("*Requirements of Information*" or "ROIs") regarding the September 15 FOP ("October 19 Resolution"').

On November 10, 2023, Genera filed a *Motion Submitting Final Response to Resolution and Order Dated October 19, 2023*, partially responding to the requests for information included in the October 19 Resolution ("November 10 Motion"). Thereafter, on November 14, 2023, Genera filed a *Motion Submitting Final Response to Resolution and Order Dated October 19, 2023* ("November 14 Motion") providing additional responses to the ROIs included in the October 19 Resolution.

On November 15, 2023, Genera filed a document titled *Motion to Submit Requests for Certification of Initiatives for Contracts Awarded by Genera PR LLC* ("November 15 Motion"). Along with the November 15 Motion, Genera included the following documents: Exhibit A (*Genera PR contract award of Ultra-Low Sulfur Diesel to Puerto Rico Energy LLC*)[4], and Exhibit B (*Genera PR contract award of No. 6 Fuel Oil to Novum Energy Trading, Inc.*).[5] Through the

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[1] Puerto Rico Thermal Generation Facilities Operation and Maintenance Agreement, dated January 24, 2023, executed by and among PREPA, the Puerto Rico Public-Private Partnerships Authority ("P3 Authority") and Genera ("Generation OMA").

[2] Regardless of the dates Genera attributes to the different versions of the fuel optimization plan submitted in this case, the Energy Bureau, for clarity, will refer to each version based on the date it was submitted to the Energy Bureau.

[4] Exhibit A comprises two documents: First, a document purporting to request approval (to "certify") of a certain Ultra-Low Sulfur Diesel purchase contract as a Fuel Cost Saving Initiative under the September 15 FOP; second, a copy of the corresponding purchase contract.

[5] Exhibit B comprises two documents: First, a document purporting to request approval (to "certify"') of a certain No. 6 Fuel Oil purchase contract as a Fuel Cost Saving Initiative under the September 15 FOP; second, a copy of the corresponding purchase contract.

November 15 Motion, Genera informed the Energy Bureau that it had awarded contracts for Ultra Low Sulfur Diesel and Fuel Oil No. 6 and asserts these procurements are related to a set of specified initiatives described in the September 15 FOP. Genera further requests that the Energy Bureau "certify" the executed contracts under the initiatives in the September 15 FOP.

On December 20, 2023, the Energy Bureau issued a Resolution and Order ("December 20 Resolution") in which it took three steps to further its evaluation of the September 15 FOP: (1) made further ROIs to Genera; (2) scheduled a Technical Conference with Genera to discuss the September 15 FOP; and (3) permitted stakeholders to provide written comments on the September 15 FOP and the supplemental information provided (and/or to be provided) in response to the Energy Bureau's ROIs. Dates and processes were specified at the time for the three steps.

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 8 Motion") in which it informed the Energy Bureau "that on January 4, 2024, Genera presented a revised fuel optimization plan to the P3 Authority, which is currently under evaluation"[6]. Along with the January 8 Motion, Genera submitted a revised version of the fuel optimization plan ("January 8 FOP"). The January 8 FOP included two additional sections: namely, Section VII – *Fuel Change Initiatives*, which incorporates a *Fuel Swap* and *Fuel Conversion Initiatives* in its Item 8; and Section VIII – *Asset Enhancement Initiatives*, which includes an *Asset Supplement Initiative* in its Item 9.

On January 10, 2024, the Energy Bureau issued a Resolution and Order ("January 10 Resolution") in which the Energy Bureau:

a. ordered Genera to file an updated version of the January 8 FOP within five (5) business days after receiving (and incorporating) any comments by the P3 Authority;

b. reminded Genera that any request for confidentiality must be properly justified and be accompanied by a redacted version;

c. issued a stay for the January 12, 2024, Technical Conference and the January 19, 2024 period for public comments; and

d. granted Genera's request for confidential treatment to Exhibit A of the January 8 Motion.

On January 10, 2024, Genera filed a document titled *Motion Submitting Response to Request for Information in Compliance with Resolution and Order Dated December 20, 2023, and Revision to the Fuel Optimization Plan* ("January 10 Motion"). In Exhibit A (*Responses to December 20th ROIs*), Genera provided responses to the ROI's included in the December 20 Resolution. In Exhibit B (*January 9th Revision of the Fuel Optimization Plan*), Genera included another updated version of the fuel optimization plan ("January 10 FOP"). Genera allegedly presented the January 10 FOP to the P3 Authority seeking its comments. Genera filed the January 10 FOP under a seal of confidentiality, alleging that it has sensitive information and is still under evaluation by the P3 Authority.[7]

On February 21, 2024, Genera filed a document titled *Motion Submitting Revision to the Fuel Optimization Plan in Compliance with Resolution and Order Dated January 10, 2024* ("February 21 Motion"). In Exhibit A (*Updated FOP*), Genera included a revised fuel optimization plan ("February 21 FOP"); and as Exhibit B (*P3 Authority Letter*), the letter from

[6] January 8 Motion, page 3.

[7] January 10 Motion, p. 4, ¶ 8.

the P3 Authority dated February 16, 2024, purportedly approving the January 10 FOP, subject to several comments listed therein ("P3 Authority Letter").

As a separate matter, on February 21, 2024, Genera presented before the Energy Bureau a document regarding a *Request for Leave to Operate Palo Seco MP and Mayagüez CT with Natural Gas as the Primary Fuel* ("February 21 Fuel Swap Request"), without specifying the procedure number to which the document relates, nor the substantive and procedural legal grounds for its presentation.[8] Through the February 21 Fuel Swap Request, Genera seeks authorization from the Energy Bureau to operate the Mayagüez CT (combustion turbines) and Palo Seco's MP (mobile pack) units using natural gas as fuel. Although not discussed by Genera, the request relates to implementing one of the fuel cost savings measures identified in the February 21 FOP. Specifically, it pertains to Initiative #8: *Fuel Swap and Fuel Conversion Initiatives, Phase 1*, which involves changing the fuel from Ultra-Low Sulfur Diesel to natural gas for the Mayagüez combustion turbines and Palo Seco's mobile packs.

As discussed below, none of the versions of the fuel optimization plan submitted by Genera seemed to have been approved by the P3 Authority, as required by the Generation OMA. Alternatively, it could be posited that Genera has not incorporated all P3 Authority's comments into the latest version of the fuel optimization plan (February 21 FOP). A disagreement persists between two of the parties to the Generation OMA regarding the appropriateness of a fuel optimization plan. Under these circumstances, and as stated elsewhere[9], the Energy Bureau does not have a final version of the fuel optimization plan under its consideration for imparting final approval. Nevertheless, the Energy Bureau continues to evaluate the latest submission of the FOP.

II. Analysis and Discussion

A. February 21 FOP

As mentioned previously, a fuel optimization plan under the Generation OMA is expected to outline initiatives aimed at reducing fuel costs for ratepayers.[10] It also proposes methods used to quantify the savings achieved.[11] Before its submission to the Energy Bureau for approval, the fuel optimization plan must first be submitted to the P3 Authority for evaluation and approval. Section 4.2(t) of the Generation OMA stipulates that the fuel optimization plan will not take effect until it receives **approval** from both the P3 Authority and the Energy Bureau.[12]

The Energy Bureau recognizes that Section 4.2(t) of the Generation OMA outlines an informal procedure letting the P3 Authority and Genera exchange comments on the proposed fuel optimization plan and to resolve, in good faith, any discrepancies that may arise. However, this mechanism does not operate as a waiver of the P3 Authority's required approval if the parties cannot resolve discrepancies among themselves using the informal process. If the parties are unable to resolve discrepancies through the simplified process established in Section 4.2(t), they may avail themselves of other mechanisms included in the Generation OMA to resolve their disputes. As expressed in past Resolutions and Orders, Section 4.2(t) contemplates the review and approval by the Energy Bureau of a FOP on which the parties have agreed, not a plan subject to significant discrepancies between the parties (*e.g.* P3 Authority and Genera).

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[8] The February 21 Fuel Swap Request is accompanied by several attachments. Additionally, a Spanish version of the document is also included in the filing.

[9] *See*, in general, the January 10 Resolution.

[10] *See*, Section 4.2(t) of the Generation OMA that outlines Genera's responsibility to develop a fuel optimization plan.

[11] *Id.*

[12] According to Section 4.2(t) of the Generation OMA, the fuel optimization plan will not take effect until it is approved by the Energy Bureau (*...the Fuel Optimization Plan shall not be effective until approved by the [P3 Authority] and the [Energy Bureau]*).

In the February 21 Motion, Genera submitted the February 21 FOP along with the P3 Authority Letter. The P3 Authority Letter stated that it approves the February 21 FOP, subject to a set of comments.[13] These comments intend to address, among other issues, how savings are to be calculated; identify initiatives that require approval or determination by the Energy Bureau to be implemented; and call for certain amendments to the estimated savings formulas.[14] Specifically, the P3 Letter states as follows: *After reviewing the January 30, 2024 version of the Updated FOP, the P3 Authority determines that it is consistent with the Generation OMA. Therefore, the P3 Authority hereby approves the Updated FOP, subject to the following comments...* Upon careful examination of the P3 Authority Letter and the February 21 FOP, the Energy Bureau considers (notwithstanding the P3 Authority's asserted "approval") that significant discrepancies persist between the P3 Authority and Genera about the February 21 FOP. Such discrepancies prevent the Energy Bureau from considering the February 21 FOP as a final document approved by the P3 Authority and amenable to evaluation by the Energy Bureau in accordance with the Generation OMA and applicable law.

For example, the P3 Authority considers that any savings achieved through the implementation of initiatives financed by federal grants and/or programs are not subject to incentive payments under the Generation OMA.[15] However, this proposition is inconsistent with Initiative #7: *Fuel Efficiency Projects* included in the February 21 FOP[16] which considers the use of federal funds for the development of certain projects that will be considered for purposes of the proposed fuel optimization plan.

Likewise, the parties are not in agreement regarding the timeline for the implementation and methodology for calculating the cost savings related to Initiative #5: *Price Risk Management*.[17] Notably, the P3 Authority deems that (i) implementing Initiative #5 shall be subject to the outcome of Case No. NEPR-MI-2022-0004, and (ii) it is inappropriate to calculate cost savings using (x) the formula proposed by Genera in Section IV(5)(b) of the February 21 FOP, and (y) the budgeted fuel cost as the baseline.[18] As is clear from the February 21 FOP[19] and the February 21 Motion[20], Genera proposes a different approach regarding Initiative #5.

Similarly, P3 Authority is not in agreement with the formula used by Genera to calculate the proposed savings related to the reduction of Ultra Low Sulfur diesel consumption.[21] Finally, the P3 Authority does not seem to agree with the methodology proposed by Genera for calculating fuel savings related to Initiative #8: *Fuel Swap and Fuel Conversion Initiatives*.[22] Notably, the P3 Authority deems this is *considered in isolation from the baseload units, whose performance/availability may be subject to penalties under the Genera OMA*.[23] Despite this apparent disagreement, the P3 Authority did not outright reject this initiative and deferred any determination concerning this initiative to the Energy Bureau for its consideration of the

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[13] P3 Authority Letter, p. 1.

[14] P3 Authority Letter, pp. 2-3, Item #6.

[15] P3 Authority Letter, p. 2, Item #2.

[16] February 21 FOP, pp. 15-32.

[17] P3 Authority Letter, p. 2, Item #3.

[18] *Id.*

[19] February 21 FOP, pp. 25-32.

[20] February 21 Motion, pp. 4-5.

[21] P3 Authority Letter, pp. 2-3, Item #6.

[22] P3 Authority Letter, p. 2, Item #4.

[23] *Id.*

energy regulatory impact. However, aside the Energy Bureau's broader authority, the penalties referred to by the P3 Authority must first be assessed by the P3 Authority as the administrator of the Generation OMA. Thus, its obligations under the Generation OMA are implicated in connection with Initiative #7.

The *comments* in the P3 Letter about the February 21 FOP are more significant than mere suggestions. They indicate that the February 21 FOP deviates from the P3 Authority's expectations and highlight enough differences between the parties to suggest that unless the comments are incorporated into the February 21 FOP, the document should be considered as not approved in accordance with the Generation OMA.

To ensure a thorough review of a fuel optimization plan agreed upon by the P3 Authority and Genera, the Energy Bureau **ORDERS** Genera to: (1) resolve any ongoing discrepancies with the P3 Authority about the February 21 FOP or as necessary; (2) amend the February 21 FOP to incorporate the relevant comments outlined in the P3 Authority Letter; and (3) submit an updated version of the February 21 FOP to the Energy Bureau **within ten (10) business days from the issuance of this Resolution and Order**.[24]

The Energy Bureau recognizes that an updated version of the FOP will be submitted as ordered above. However, as shown in the case record, various versions of the non-agreed-upon fuel optimization plan demonstrated that substantial parts of the document remained unchanged. Therefore, to expedite the evaluation process, and considering these portions are not expected to undergo significant modifications in the upcoming updated version of the fuel optimization plan, the Energy Bureau issues the Requirements of Information, included in Attachment A. These ROIs aim to clarify certain portions of the February 21 FOP and earlier responses that Genera provided to ROIs.

The February 21 FOP was filed as a public document, but it has markings with the word *Confidential*. The Energy Bureau **ORDERS** Genera to file the February 21 FOP without any marking indicating *confidential* since Genera did not request confidential treatment to such document. The Energy Bureau further **REMINDS** Genera to file a public version of the updated version of the February 21 Revised FOP when it files that document **within ten (10) business days within ten (10) business days from the issuance of this Resolution and Order**.

In its January 10 Resolution, the Energy Bureau stayed the scheduled Technical Conference and the period for public comments until a date to be determined, pending Genera's submission of the updated fuel optimization plan for analysis and approval. The Energy Bureau now **LIFTS** the stay by rescheduling the Technical Conference and setting a new date for public comments.

B. February 21 Fuel Swap Request

Genera notified the February 21 Fuel Swap Request seeking authorization to implement a "fuel swap" initiative. The February 21 Fuel Swap Request describes Genera's proposal to swap the primary fuel used to generate electricity at the Palo Seco Mobile Pack combustion turbines ("CTs") and Mayagüez CTs from ultra-low sulfur diesel ("ULSD") to LNG. ULSD would remain as the backup fuel at each facility.[25] According to Genera, the Palo Seco Mobile Pack CTs consists of three dual-fuel-capable units, each with a nameplate capacity of 27 MW.

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[24] Given the Energy Bureau's order to file an updated version of the fuel optimization plan, there is no need to address the evident discrepancies concerning certain initiatives included in the February 21 FOP. Therefore, the Energy Bureau will not discuss the appropriateness of evaluating the design and implementation of Initiative 5, Price Risk Management, from the February 21 FOP in this case or in case NEPR-MI-2022-0004 at this time, as the issue is not yet ripe.

[25] February 21 Motion, p. 9.

It is also stated that the Mayagüez CTs comprise four dual-fuel-capable units, each with a nameplate capacity of 55 MW.[26]

According to Genera, both the Palo Seco and Mayagüez CTs are operated as peaking resources, with annual capacity factors of 27% and 18%, respectively.[27] Both facilities are limited to a capacity factor of roughly one-third by environmental permits. Genera asserts that the environmental permit for the Palo Seco Mobile Pack CTs allows operation on LNG and ULSD.[28] If the fuel swap is approved, Genera would pursue a similar amendment for the Mayagüez CTs' environmental permit.[29]

In the February 21 Fuel Swap Request, Genera describes its assumptions regarding the fuel costs that would be incurred using ULSD versus LNG, at each facility.[30] Genera calculates that operating the Palo Seco Mobile Pack CTs on natural gas would save about $18 million per year, compared with ULSD, assuming a 33 percent capacity factor.[31] Genera further calculates savings of about $50 million per year at Mayagüez assuming a 34 percent capacity factor.[32] Genera did not analyze the system dispatch impacts of the proposed fuel swaps.

Genera states that implementing the proposed fuel swap would not require incremental capital investment, and therefore, would not impact the "base rate."[33] Genera explains that "the only requirement [for the fuel swap] is to replace outdated or damaged components that have become obsolete over the years."[34] Additionally, Genera states that fuel procurement for LNG, delivered by trucks, will be pursued through a competitive process administered by the P3 Authority.[35]

This proceeding was initiated to evaluate Genera's fuel optimization plan, as required by the Generation OMA. Especially, it aims to assess the savings and quantification methodology proposed by Genera in its fuel optimization plan. The proposed fuel swap is a component of one of the proposed initiatives, which must be evaluated pursuant to the criteria applicable to the rest of the initiatives that form part of the proposed fuel optimization plan. However, it also has other important and independent implications regarding public energy policy. It is imperative that the proposed fuel swap initiative undergo a thorough evaluation in accordance with the Approved IRP[36] to determine its alignment with the prescribed directives. The fuel swap is the type of initiative that requires the Energy Bureau's approval to proceed, on grounds not necessarily related to a fuel optimization plan—such as those involving changing fuels, altering how generating resources are used, or employing new or different generating resources. These changes **MUST** be filed with the Energy Bureau for its approval before implementation.

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[26] *Id.*, p. 3-4.

[27] *Id.*, p. 4-5.

[28] *Id.*, p. 4.

[29] *Id.*, p. 5.

[30] *Id.*, p. 6-12.

[31] *Id.*, p. 9.

[32] *Id.*, p. 12.

[33] *Id.*, p. 3, 15.

[34] *Id.*, p. 15.

[35] *Id.*, p. 15.

[36] *Final Resolution and Order on the Puerto Rico Electric Power Authority's Integrated Resource Plan, In re. Review of the Puerto Rico Electric Power Authority Integrated Resource Plan,* Case No. CEPR-AP-2018-0001, August 24, 2020 ("Approved IRP"). Minor modifications and/or clarifications to the Approved IRP were introduced through a *Resolution and Order on Reconsiderations* issued by the Energy Bureau on December 2, 2020, in case: *In re. Review of the Puerto Rico Electric Power Authority Integrated Resource Plan,* Case No. CEPR-AP-2018-0001.

Despite the foregoing, the Energy Bureau will remain flexible to consider in this docket fuel optimization-related initiatives that also require approval on grounds not necessarily related to a fuel optimization plan. These initiatives may be evaluated in a separate docket. The Energy Bureau will decide case by case whether to consider these matters in this docket, another docket, or in their own respective dockets. In all cases, however, fuel savings quantification, which is part of the fuel optimization plan, will be discussed in this docket.

In the exercise of its discretion, the Energy Bureau **WILL EVALUATE** the February 21 Fuel Swap Request in the captioned case. Consequently, the Energy Bureau **ORDERS** the Clerk to include a copy of the February 21 Fuel Swap Request as part of the administrative record of the instant case. Furthermore, for proper evaluation of the February 21 Fuel Swap Request, the Energy Bureau issues the Requirements of Information in Attachment B, adds the discussion of the February 21 Fuel Swap Request to the agenda of the Technical Conference scheduled in this Resolution and Order, and invites public comments on the subject matter.

III. Requirements of Information

The Energy Bureau **ORDERS** Genera to respond, **on or before May 10, 2024, no later than at 12:00 pm**, to the Requirements of Information in **Attachment A** and **Attachment B** to this Resolution and Order.

IV. Technical Conference

The Energy Bureau **SCHEDULES** a Hybrid Technical Conference **on May 23, 2024, at 10:00 a.m**. Genera representatives with knowledge on preparing the updated fuel optimization plan **MUST** attend. The hybrid Technical Conference will be held in person[37] **AND** on the *Microsoft Teams* platform to facilitate the participation of Genera's and the Energy Bureau's consultants and representatives that are not in Puerto Rico on the day of this Technical Conference. All persons that will not be in Puerto Rico for the date of this hearing, must request access to participate virtually on or before 2:00 p.m. of the day before the Technical Conference by (i) sending an email to secretaria@jrsp.pr.gov, or (ii) contacting the Energy Bureau's Clerk at (787) 523-6262.

The Technical Conference will be streamed live in both English and Spanish through the Energy Bureau's YouTube channels. Both recordings will be available to the public.

V. Comments and Public Participation

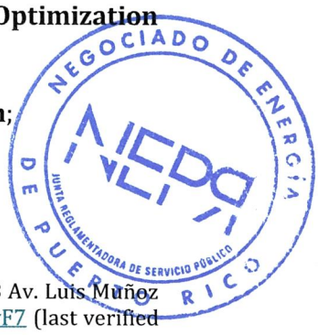
The form and content of the approved fuel optimization plan will directly influence the achievement and measurement of fuel cost savings, as well as Genera's compensation under the Generation OMA. The Energy Bureau invites public and stakeholder review and consideration of the Revised FOP dated February 21, 2024 the Motion dated November 15, 2023, the Fuel Swap Request dated February 21, 2024, and Genera's forthcoming responses to the Requests for Information ("ROIs") as outlined in this Resolution and Order. Comments should be submitted **on or before June 7, 2024**.

The public and stakeholders may submit written comments to the Energy Bureau as follows:

i. Include in their title the following **"Comments on Genera Fuel Optimization Plan Case No. NEPR-MI-2023-0004"**;

ii. Be addressed to the attention of **Edison Avilés Deliz, Chairman**;

iii. Be filed by:



[37] Energy Bureau's Hearing Room, World Plaza Building, 8th floor, Hato Rey, Puerto Rico. 268 Av. Luis Muñoz Rivera, San Juan, Puerto Rico 00918. Available at: https://maps.app.goo.gl/1sazjoSBryNu2SyF7 (last verified December 20, 2023).

a. electronic mail at comentarios@jrsp.pr.gov;

b. through the Energy Bureau's electronic filing tool at https://radicacion.energia.pr.gov/login;

c. postal mail addressed to the Puerto Rico Energy Bureau's Clerk's Office, at World Plaza Building, 268 Muñoz Rivera Ave., Suite 202, San Juan, PR 00918-1925; or

d. in person at the Energy Bureau's Clerk's Office, at World Plaza Building, 268 Muñoz Rivera Ave., Suite 202, San Juan, PR. The hours of operation of the Clerk's Office are Monday through Friday from 8:00 a.m. to 5:00 p.m., excluding holidays.

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 hereby certify that the majority of the members of the Puerto Rico Energy Bureau has so agreed on April 15, 2024. I also certify that on April 15, 2024 a copy of this Resolution and Order was notified by electronic mail to alopez@sbgblaw.com; jfr@sbgblaw.com; legal@genera-pr.com; regulatory@genera-pr.com; and I have proceeded with the filing of the Resolution and Order issued by the Puerto Rico Energy Bureau.

For the record, I sign this in San Juan, Puerto Rico, on April 15, 2024.

Sonia Seda Gaztambide
Clerk

NEGOCIADO DE ENERGÍA DE PUERTO RICO
NEPR
JUNTA REGLAMENTADORA DE SERVICIO PÚBLICO

ATTACHMENT A

Initiative 1 (Reduce the Fixed Premium for Ultra Low Sulfur Diesel ("ULSD")

1. On GPR-PREB ORDER–10.19.2023 #10, Genera responded that "Genera anticipates receiving a payment for this initiative for the life of the Genera contract once implemented."[38] The cost savings calculation for the Actual Fuel Savings for this initiative will serve as the basis for Genera's annual Actual Fuel Savings calculations and the resulting Fuel Optimization Payment. The "methodology will compare the then–current fiscal year ULSD premium (FY2023 contract) to the new negotiated number for FY2024 based upon the then–annualized volume of ULSD consumption across the generation system while the supplier's contract is in effect (estimated date is November 17, 2023, until November 16, 2024)."[39]

   a. What will be the basis for the "current fiscal year ULSD premium" used to calculate this initiative in the subsequent year?

   b. If, in future years, it is determined that the "new negotiated number" for the upcoming year exceeds the current/baseline fiscal year's ULSD premium, will the Optimization Payment include a financial penalty for the increase in the fixed premium for ULSD?

Initiative 2 (Fuel Reliability Enhancements for USLD)

2. On GPR-PREB ORDER – 10.19.2023 #12(f), Genera responded that "This initiative of increasing the minimum stock reserve of an additional 50,000 barrels for the relevant plants (or implementation of it) will not have a one-time (or other) adverse impact to the monthly deposits into the Genco Fuel Account."[40]

   According to the February 21 FOP, the changes the ULSD supplier needed to implement "include (1) an increase in the minimum stock reserve to the amount of an additional 50,000 barrels of working capacity for Genera to call on in times of estimated heavier-than-normal ULSD demand and 2) a requirement that the supplier uses a minimum size barge (45,000 – 50,000 barrels) to optimize marine deliveries into all plants capable of receiving ULSD via water"[41]

   a. What entity pays for the cost of increasing the on-time "minimum stock reserve to the amount additional 50,000 barrels of working capacity" outlined in item (1)[42]?

   b. Does the requirement of the supplier using a minimum size barge (45,000 – 50,000 barrels) to optimize marine deliveries into all plants have an adverse impact to the fixed premium ULSD adder?

[38] November 10 Motion, Exhibit A, page 15.

[39] February 21 FOP, page 13.

[40] November 10 Motion, Exhibit A, page 25.

[41] February 21 FOP, page 17.

[42] February 21 FOP, page 17.

Initiative 3 (Change of Fuel Oil Escalator and Reduction of Fuel Oil Adder)

3. In GPR-PREB ORDER – 10.19.2023 #17, Genera responded for this initiative that "Future year savings will be based upon previous year. For example, FY2026 will be compared to FY2025."[43]

   a. If, in future years, the calculation of the estimated cost savings for this initiative turns out to be an actual cost increase (rather than a savings) for the upcoming year, will the Fuel Optimization Payment Report include a corresponding financial penalty for the increased fuel cost?

Initiative 4 (Spot Purchase Option for Fuel Oil and ULSD)

4. Does the proposed method account for any changes in the fixed premium and the applicable taxes for the newly purchased fuel compared to the contracted fuel? If so, how?

Initiative 5 (Price Risk Management)

5. In GPR-PREB ORDER-10.19.2023 #32, Genera states that the fuel budget is prepared by the T&D System Operator.

   a. What involvement does Genera have in this process?

   b. Why should Genera get benefits from possible errors in the generation/creation of the Fuel Budget that might prove beneficial to a risk management strategy and deliver an estimated cost savings when compared the budgeted price per barrel?

   c. Explain the work done by Genera related to the LGA-OMA Section 7.3(f) (O&M Budgets – Quarterly Adjustments to Fuel Budget) and Annex IX Section V-B.4 compared to the "fuel budget [as] prepared by the T&D System Operator"? [44]

6. What is the frequency on which the fuel budget is completed? Provide the contract section that delineates this in the LGA-OMA.

7. The "main methodology for estimating savings of any particular previous mentioned price risk management strategies will be to compare the budgeted price per barrel and the price per MBTU forecasted for fuel purchases to the actual hedged and fixed price per barrel and price per MBTU realized for a given time frame."[45]

   a. A fuel budget is done with all available information at the moment. It is understood from GPR-PREB ORDER-10.19.223 #30 & #31, that the yearly fuel budget is done once, and it does not get modified within the fiscal year based on future price movements. If the hedge strategy is executed at a time later than the date the fuel budget was done (e.g., one month later), why should Genera receive an incentive for using 1 month of better information than what it was available when the fuel budget was generated?

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[43] November 10 Motion, Exhibit A, page 31.

[44] Refer to GPR-PREB ORDER-10.19.2023 #32 (November 10 Motion, Exhibit A, page 50).

[45] February 21 FOP, page 29-30.

b. Will Genera incur a penalty each time the price risk strategies result in overall prices that are detrimental to the ratepayer, compared to a scenario without such strategies?

8. According to the February 21 FOP, the "Total cost savings estimated for price risk management initiatives are estimated to be between $5 million and $20 million per year."[46]

a. Does this cost include the cost of executing a future, swap, option, or any of the mentioned financial or physical price risk management instruments in the February 21 FOP?

b. Should Genera hire/dedicate staff or contractors to provide the specialized knowledge to decide/execute on mentioned financial or physical price risk management instruments in the February 21 FOP?

Initiative 6 (Payment Terms Management)

9. On GPR-PREB ORDER – 10.19.2023 #52, Genera responded that the benefit of this initiative will be part of the Fuel Optimization Payment for "Each year in which this initiative is successfully implemented."[47]

a. Does Genera have examples from other jurisdictions where a savings claim from implementing a payment term change initiative is fixed for the life of the contract, once the ratepayers fund the one-time economic impact? Does this impact include the additional funds required to transition from 60-day to 30-day payment terms?

b. If the payment terms are extended in future years (from 30 to 60 or 90 days), will the actual cost of the increase in the payment term price escalator be incorporated into the Fuel Optimization Payment Report and reflect the corresponding financial penalty for the increase in the payment term escalator?

Initiative 7 (Fuel Efficiency Projects)

10. In the February 21 FOP, Genera states that "the detailed methodologies and timeline used to determine estimated savings for fuel efficiency projects are outlined in the Genera O&M – Generation Equipment Performance Test Procedure" Specifically in a motion titled *Motion to Submit Revised Annual Performance Test Procedure in Compliance with Resolution and Order Dated August 29, 2023* (Case no. NEPR-MI-2023-0003).[48]

a. Expand on the summary of the procedures for savings noted in the February 21 FOP.

b. If, in a future year, the actual thermal efficiency of the unit does not improve and causes an estimated cost to the ratepayers, will the Fuel Optimization Payment Report reflect the corresponding financial penalty?

[46] February 21 FOP, page 31.

[47] November 10 Motion, Exhibit A, page 72.

[48] Refer to the February 21 FOP, page 39.

c. Provide the detailed calculation process used for the examples noted in section d. of the initiative in the February 21 FOP:[49]

i. Bringing into service heaters 6 and 7 at Costa Sur 5 & 6 should generate about $500K per month in fuel savings at each unit based on a 311 MW load and $11.5/MMBTU cost at Costa Sur units 5 and 6, or 12 million dollars annually for both units.

ii. The project at Costa Sur 5 & 6 that includes the use of variable frequency drives in the boiler and feedwater pumps. The additional estimated fuel savings under this initiative is estimated to be $16,477,244 per year.

iii. The project at Costa Sur 5 & 6 of the repairs the turbines to greatly improve the efficiency of the units. As an example, correcting the steam path of turbines 5 and 6 of Costa Sur of 410 MW each brings fuel savings of $17,606,280 per year in each unit.

d. For Part c. of this question, provide the investment (broken out federally funded and non-federally funded) incurred to date and estimated to be incurred for achieving each listed example.

Initiative 8 (Fuel Swap and Fuel Conversion Initiatives)

11. In the February 21 FOP, Genera states the "estimated cost savings from a ULSD to LNG fuel swap initiative at the 220 MW LGA in Mayagüez is around $75 million in annual savings."[50] Genera explains how the estimation was done: using estimations of capacity factor and four-year forward delivered price average. Genera also states that the "estimated savings from each conversion project will differ depending upon capital investment, time to market, supply agreements and general market conditions present during the useful life of the converted facility."[51]

    Provide a sample Fuel Optimization Report, pursuant to Annex II, Section III (B)(6) of the GOMA, for this Initiative. Include the worksheet showing how the Actual Fuel Savings and Fuel Optimization Payment will be calculated for each conversion/modernization and the source(s) of information to be used for the calculation. Include and label the assumed amounts and treatment of federally funded and non-federally funded capital investments needed for each conversion/modernization.

12. Changes in fuels will change how legacy generation facilities are dispatched. How does Genera propose to account for changes in dispatch when calculating fuel savings?

Initiative 9 (Asset Supplementing Initiatives)

13. In the February 21 FOP, Genera states for Initiative 8 that "**All** fuel conversions and modernizations are subject to PREB approval."[52] This statement (or equivalent) was not included in Initiative 9.

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[49] Refer to the February 21 FOP, page 39-40.

[50] February 21 FOP, page 44.

[51] *Id.*

[52] February 21 FOP, page 43.

a. Does Genera plan to seek Energy Bureau approval for projects under this Initiative? If not, why not?

b. What is Genera's suggested protocol and plan of action for the execution of each project to be proposed to be subject to this Initiative?

14. The February 21 FOP states that the "substituted fuel cost methodology will compare the cost of the lower fuel cost (i.e., LNG) to the next higher fuel cost substituted by the new generation (i.e., fuel oil or diesel, depending on unit dispatch and availability."[53] Describe how Genera proposes to identify and calculate "the next higher fuel cost substituted by the new generation."

15. Describe how the proposed savings calculation methodology will account for the leasing cost of the units.

16. Describe the capital investments required to undertake this initiative, the funding source envisioned for these capital investments, and how these capital costs are incorporated in the savings methodology.

[53] February 21 FOP, page 45.

ATTACHMENT B

1. Describe the logistics for delivery of LNG to, and storage of LNG at, Palo Seco and Mayagüez.

2. What ongoing costs would LNG storage at Palo Seco or Mayagüez incur? How do those costs compare to the marginal cost of storing ULSD at the same facilities?

3. What are the limits of on-site storage of ULSD and LNG for the Palo Seco Mobile Packs and for the Mayagüez CTs? Respond in both physical units and in the estimated numbers of MWh of electricity that can be generated by the fuel stored on-site.

4. Does Genera assume that the Palo Seco Mobile Packs and for the Mayagüez CTs would operate at the limit of their allowed annual production (e.g. capacity factor of roughly 33 percent) after swapping to LNG? If so, why is this a reasonable assumption? If not, what capacity factor does Genera assume the plants would operate at?

5. Provide any analysis Genera has conducted (or has in its possession) regarding the impact of the proposed LNG fuel swap on system dispatch.

    a. If these CTs run at a higher capacity factor than they do which generator(s) would run less, and by how much?

6. Would operating the Palo Seco Mobile Packs and for the Mayagüez CTs at their maximum allowed capacity factor limit the ability of these units to provide flexible service to the electric system? Explain.

7. Identify the specific outdated or damaged components that have become obsolete, and that Genera proposes to replace at the Palo Seco Mobile Packs and at the Mayagüez CTs.

    a. Identify the funding source Genera proposes to use to replace each of these components

    b. Provide the schedule for replacing each identified component if the fuel swap is not approved.

    c. Provide the schedule for replacing each identified component if the fuel swap is approved.

    d. Specify which of the outdated or damaged components must be replaced for these plants to operate on LNG, and which must be replaced for these plants to operate on ULSD.

8. What are the fire hours for service for each CT, in LNG operation and in ULSD operation?

9. If each facility has both LNG and ULSD on site and is approved and capable of burning either fuel, what is the timeframe and process for switching between fuels used?

    a. If, in the future, ULSD were less expensive than LNG, what if any work is required to switch back to ULSD as primary fuel?

10. On page 14 of the February 21 Fuel Swap Request, Genera states that "renewable and battery storage systems alone do not provide the same services as baseload units that will be retired after integrating utility-scale

renewable energy projects. Therefore, systems that supply the necessary service must be integrated with renewable generation."

a. Identify the specific services being referred to here.

b. Do the Palo Seco Mobile Packs and the Mayagüez CTs provide these services? Explain.

c. Is it necessary for these CTs to run on LNG in order to provide these services? Explain.

11. Are the Palo Seco Mobile Packs and the Mayagüez CTs capable of operating using propane fuel (or would they be so capable after the components are replaced that would enable LNG operation)?

a. If so, describe the economics and feasibility of running these units on propane and compare them with LNG.

12. Would reducing ULSD deliveries to Palo Seco and Mayagüez affect the cost of ULSD or other fuels delivered to other PREPA's generation facilities?

13. Would beginning LNG deliveries to Palo Seco and Mayagüez affect the cost of LNG or other fuels delivered to other PREPA's generation facilities?

14. Does the permit limit to Mayagüez CT operation of 1,984 gallons per hour apply to each of the four units independently, or to the set of four units combined?

15. Will the initiatives described in the February 21 Fuel Swap Request lead to increased ongoing maintenance and disruptions? Explain.

16. Provide a verified version of Table 5 of the February 21 Fuel Swap Request, and of the Mayagüez spreadsheet, that confirms the units of each row and the number of units (e.g. 3, 4, or 8 units).

17. When Genera in the February 21 Fuel Swap Request refers to fuel price[3], does this price include all applicable taxes and any other related costs?

18. Are there limits (operational or contractual) in the amounts of LNG that can be received in the ports of the island? How does this/ese limit(s) compare to the current LNG imports and the estimated imports after the fuel swaps for Palo Seco MP and Mayagüez CT?

19. Are there any other costs not included in the fuel price[4] in the February 21 Fuel Swap Request related to the fuel being imported, transported, stored, and used what would/could change due to the fuel swaps for Palo Seco MP and Mayagüez CT?

20. Are there different insurance-related costs depending on the type of fuel stored? If so, detail those costs differences per fuel type.