

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

NEPR Received: May 23, 2024 5:08 PM
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IN RE:

REVIEW OF LUMA’S INITIAL BUDGET

CASE NO.: NEPR-MI-2021-0004

SUBJECT: Motion to Submit Amendment to
FY2024 GenCo Operating Budget

**MOTION TO SUBMIT AMENDMENT TO FY2024 GENCO OPERATING BUDGET
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 counsel of record, and respectfully state and request the following:

1. On May 16, 2023, LUMA Energy, LLC and LUMA Energy ServCo, LLC (jointly referred to as “LUMA”) filed a document with the Energy Bureau of the Puerto Rico Service Regulatory Board (“Energy Bureau”) titled *Submission of Consolidated Annual Budgets for Fiscal Year 2024 and Proposed Annual T&D Projections Through Fiscal Year 2026* (“May 16th Motion”), in which LUMA submitted the Proposed Consolidated FY24 Budget, composed of the Proposed T&D Budgets developed by LUMA, the proposed GenCo Budgets revised by Genera on behalf of PREPA for the PREPA subsidiary GenCo LLC, and the proposed budget developed by PREPA for its holding company, HoldCo, and its subsidiaries PREPA HydroCo LLC and PREPA PropertyCo LLC.

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, 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. On June 25, 2023, the Energy Bureau issued a Resolution and Order titled *Determination on the FY24 Annual Budgets for the Electric Utility System – LUMA, Genera, and PREPA* (“June 25th Resolution”). Through the June 25th Resolution, the Energy Bureau amended the Proposed Consolidated FY24 Budget submitted by LUMA and approved the revised budgets, provided the orders included in the Resolution and Order were complied with.

3. Consequently, on June 30, 2023, Genera filed a document titled *Urgent Motion in Compliance with Resolution and Order of June 25, 2023 and for Partial Reconsideration* (“June 30th Request for Partial Reconsideration”) whereby it requested that the Energy Bureau reconsider the determinations made in the June 25th Order in compliance with the mandates of the June 25th Order.

4. On June 30, 2023, the Energy Bureau issued a Resolution and Order titled *Resolution pertaining Motion for Reconsideration of the June 25 Resolution and Order on the Determination of the FY24 Annual Budgets for the Electric Utility System - LUMA, Genera, and PREPA, filed by the Puerto Rico Electric Power Authority and Urgent Motion in Compliance with Resolution and Order of June 25, 2023 and for Partial Reconsideration, filed by Genera PR, LLC*, through which it stated that it would not consider Genera’s June 30th Request for Partial Reconsideration because its submission did not comply with provisions of the T&D OMA² which stated that LUMA is the entity charged with the responsibility to represent PREPA and Genera before the Energy Bureau regarding any regulatory or legal matters as they relate to the OMA, including budget policy, and carry out other tasks in connection thereto before the Energy Bureau.

² *Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement* (“T&D OMA”), dated June 22, 2020, executed by and among PREPA, the Puerto Rico Public-Private Partnerships Authority (“P3 Authority”), LUMA Energy LLC as Management Co, and LUMA Energy Servco, LLC as ServCo.

5. On June 30, 2023, LUMA filed a document titled *Submission of Motions for Reconsideration by PREPA and Genera and Notice of Intent to Request Reconsideration of Resolution and Order of June 25, 2023*, through which LUMA submitted Motions for Reconsideration of the Energy Bureau's FY2024 Budget Determination on behalf of Genera ("*June 30th Request for Partial Reconsideration*") and provided notice of its intention to request reconsideration on its behalf.

6. On September 22, 2023, the Energy Bureau issued a Resolution and Order titled *Determination on the Request for Partial Revision on the FY2024 Annual Budgets by LUMA, GENERA, and PREPA* ("September 22nd Resolution"), in response to the requests for reconsideration submitted by LUMA. In the September 22nd Resolution, the Energy Bureau, among other things, directed Genera to develop and file a Corrective Action Plan ("CAP"), outlining the steps Genera intends to take to align its labor costs with the Energy Bureau approved budgets.

7. On October 26, 2023, the Energy Bureau issued an Order titled *Issuance of Requirement of Information (ROI) to Genera Regarding Budget Reports* ("October 26th Resolution"), through which the Energy Bureau requested information from Genera to obtain clarity regarding the tracking of the NME Budget line items. Among the questions posed to Genera was a request to provide the status of the NME activities approved in the June 25th Resolution, including actual and projected expenditures in FY2024 for each maintenance activity.

8. On November 7, Genera filed a document titled *Motion to Submit Item 6 of Corrective Action Plan in Compliance with Resolution and Order dated September,*" through which Genera submitted Item 6 of the CAP. This plan proposed reapportionments within the

FY2024 Certified Genco Budget, as requested by Genera, and included requests for revised NME and Labor Operating Expenses.

9. On December 8, 2023, the Energy Bureau issued a Resolution and Order titled *Determination on PREPA's Petition to Revise FY 2024 HoldCo (PropertyCo) and HydroCo Budgets and Genera's Petition to Revise FY 2024 GenCo Budgets* ("December 8th Resolution"). In the December 8th Resolution, the Energy Bureau addressed various budgetary aspects for FY 2024, primarily focusing on Genera's labor and NME budgets. The Energy Bureau's determinations regarding PREPA's and Genera's budget requests were reflected in attachments A, B, C and D of the December 8th Resolution. Relevant to this motion, in Attachment C of the December 8th Resolution, the Energy Bureau provided the final Revised FY2024 Genco Operating Budget, with a total Operating Budget of \$319,244,000 (three hundred nineteen million two hundred forty-four thousand dollars).

10. Genera hereby submits this budget amendment for the Fiscal Year 2024 budget, which shall concurrently be submitted to the P3A pursuant to Section 7.3(e), Amendments to the Operating Budget, of the LGA OMA.³

³ Pursuant to Article 7, Section 7.3(e) of the LGA OMA, Genera may propose amendments to its operating budget ("Operating Budget"), subject to the Energy Bureau's approval and compliance with the applicable Rate Order. Specifically, the LGA OMA provides the following regarding amendments to the operating budget:

(e) Amendments to the Operating Budget. (i) Operator may, from time to time, propose to Administrator to amend the approved Operating Budget for a given Contract Year; provided that any such amendment shall be compliant with the then applicable Rate Order and subject to approval by PREB. If, during a Contract Year, Operator becomes aware that the Pass-Through Expenditures for such Contract Year are expected to exceed the relevant Budget for such Contract Year, then (A) Operator shall promptly notify Administrator and T&D Operator of the expected shortfall, (B) T&D Operator shall notify PREB of the expected shortfall and, (C) as promptly as practicable, Operator shall prepare and submit to PREB proposed amendments to the relevant Budget for such Contract Year, which amendments must be consistent with the then applicable Rate Order and shall require and be subject to approval by PREB...

11. The budget amendment seeks to reallocate a total of \$11,500,000 (eleven million five hundred thousand dollars), \$9,000,000 (nine million dollars) from Legal Services and \$2,500,000 (two million five hundred thousand dollars) from Professional & Technical Outsourced Services line items within Genera's Non-Labor Operating Expenses Budget to the Utilities & Rents line item within Genera's Non-Labor Operating Expenses Budget. Exhibit A details the requested reappropriation.

12. The proposed budget amendment proactively addresses current budgetary shortfalls in the Utilities & Rents line item within Genera's Non-Labor Operating Expenses Budget, which were not foreseen during the budget process. This process took place during the Mobilization Period, thus prior to the Service Commencement Date of the O&M Services under the LGA OMA. Throughout the mobilization period, Genera did not know the full extent of water consumption at the San Juan and Palo Seco power plants. The actual consumption has been accounted for and taken into consideration during the present budgeting process.

13. Current FY2024 year-end budget-to-actual projections allow Genera management to solicit and undertake the necessary actions to overcome the current financial situation and close the fiscal year within the certified budget. The surplus from the Legal Services line items within Genera's Non-Labor Operating Expenses will fill the budgetary gap. Although the initial budget allocation was accurate and continues to be so for the next fiscal year, the current situation under the Title III proceedings PREPA is undergoing has postponed and delayed many legal proceedings, which will ramp up upon the conclusion of the proceeding. These unused amounts and a fraction of the Professional & Technical Outsourced Services line items shall completely fund the requested amendment. The budget reallocation and amendment referenced and requested in this motion are fully compliant with the current rate order. Therefore, it does not result in any increase

or change in customer rates. Genera's Certified Revised Fiscal Year 2024 budget of \$319,244,000 (three hundred nineteen million two hundred forty-four thousand dollars) remains unchanged and consistent with the December 8th Resolution.

WHEREFORE, Genera respectfully requests that this Energy Bureau **take notice** of the above for all purposes and **consider** Genera's request to amend its FY2024 Operating Budget.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 23rd day of May 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 an electronic copy of this motion will be sent to PREPA through its counsels of record, González & Martínez Law Offices, P.S.C., at Juan M. Martínez Nevárez, at jmartinez@gmlex.net, Alexis G. River Medina, at arivera@gmlex.net, Joselyn Rodríguez González, at jrodriguez@gmlex.net, and Mirelis Valle Cancel at mvalle@gmlex.net; and to LUMA through its counsel of record, Margarita Mercado Echegaray, at margarita.mercado@us.dlapiper.com, and Julian Anglada Pagan, at julian.angladapagan@us.dlapiper.com.

In San Juan, Puerto Rico, this 23rd day of May 2024.

/s/ Alejandro López-Rodríguez
Alejandro López-Rodríguez

Exhibit A

FY2024 GenCo Budget Reapportionment
 (\$ in thousands)

# Line Item	FY2024 CERTIFIED	FY2024 Requested Reapportionment	FY2024 Revised Requested Budget
1 GenCo			
2 Labor Operating Expenses			
3 Salaries & Wages	\$ 50,248	\$ -	\$ 50,248
4 Pension and Benefits	14,748	-	14,748
5 Overtime Pay	8,746	-	8,746
6 Overtime Benefits	1,662	-	1,662
7 Total Labor Operating Expenses	\$ 75,404	\$ -	\$ 75,404
8 Non-Labor Operating Expenses			
9 Materials & Supplies	\$ 21,094	\$ -	\$ 21,094
10 Transportation, Per Diem, and Mileage	1,192	-	1,192
11 Insurance	-	-	-
12 IT Service Agreements	-	-	-
13 External Audit Services	-	-	-
14 Communications Expenses	-	-	-
11 Security	8,021	-	8,021
15 Utilities & Rents	3,616	11,500	15,116
16 Legal Services	13,000	(9,000)	4,000
17 Professional & Technical Outsourced Services	11,776	(2,500)	9,276
18 Regulation & Environmental Expenses	6,536	-	6,536
19 Other Expenses	5,868	-	5,868
20 Total Non-Labor Operating Expenses	\$ 71,103	\$ -	\$ 71,103
21 Subtotal	\$ 146,507	\$ -	\$ 146,507
22 Shared Services Agreement Impact	\$ 63,826	\$ -	\$ 63,826
23 Total Operating Expenses	\$ 210,333	\$ -	\$ 210,333
24 Necessary Maintenance Expenses ("NME")	96,645	-	96,645
25 Generation Maintenance Reserve Fund	12,266	-	12,266
26 Total GenCo Operating and Maintenance Expenses	\$ 319,244	\$ -	\$ 319,244