

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

NEPR

Received:

Jun 18, 2024

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IN RE:

REVIEW OF LUMA'S INITIAL BUDGET

CASE NO.: NEPR-MI-2021-0004

SUBJECT: Motion to Submit Partial Response to Requirement of Information in Compliance with Resolution and Order date June 12, 2024 and Request for Extension of Time

**MOTION TO SUBMIT PARTIAL RESPONSE TO REQUIREMENT OF
INFORMATION IN COMPLIANCE WITH RESOLUTION AND ORDER DATED JUNE
12, 2024 AND REQUEST FOR EXTENSION OF TIME**

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 state and request the following:

1. On March 14, 2024, the Energy Bureau of the Puerto Rico Public Service Regulatory Board (“Energy Bureau”) issued a Resolution and Order titled *Amendments to the December 8 Resolution, FY2025 Annual Budget Filing, and FEMA Temporary Emergency Generation Cost Share* through which the Energy Bureau ordered LUMA to file the Fiscal Year (“FY”) 2025 consolidated annual budget proposals, on or before April 15, 2024. *See* March 14th Resolution, p. 3-4. The Energy Bureau also ordered Genera and PREPA to cooperate as necessary to enable LUMA to file the FY2025 consolidated annual budget proposal. *See id.*, p.4.

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 (“P3A”), 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 PREB 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 May 25, 2024, after several procedural events, LUMA filed a document titled *Request for Approval of T&D Budgets and Submission of GenCo Budgets for FY 2025 and Budget Allocations for the Electric Power System*, through which LUMA submitted for approval the proposed budget for the Transmission & Distribution System, developed by LUMA; the budget proposal for the legacy thermal generation units (“GenCo’s FY2025 Budget Proposal”), developed by Genera; the budget allocation approved by the P3A for the hydroelectric generating units and the public irrigation facilities; and the allocation for PREPA and its subsidiaries (collectively, the “FY2025 Budget Submission”).

3. On June 12, 2024, the Energy Bureau issued a Resolution and Order titled *Establishment of FY 2025 Budgets, Requirement of Information (“ROI”), and Procedural Calendar* (“June 12th Resolution”). In the June 12th Resolution, the Energy Bureau established a Procedural Calendar for matters concerning the FY2025 Budget Submission and consequently scheduled a Virtual Technical Conference for June 20, 2024. *See*, June 12th Resolution, p. 3. Additionally, the Energy Bureau ordered Genera to respond, on or before June 17, 2024, to a Requirement of Information (“ROIs”) outlined in Attachment A to the June 12th Resolution and to file within three (3) business days of the publication of the June 12th Resolution, meaning June 17, 2024, all workpapers and supporting material used to develop GenCo’s FY2025 Budget Proposal in native form with all formulas and links intact and any Excel spreadsheets provided unlocked.

4. On June 17, 2024, Genera filed a document titled *Urgent Request for Extension to Submit Workpapers for GenCo’s FY2025 Budget and to file Genera’s Responses to Request for Information Issued on June 12, 2024* (“June 17th Request for Extension”), through which Genera requested an extension of time: (i) to submit the workpapers and supporting materials for GenCo’s FY2025 Budget Proposal, until June 19, 2024; (ii) to respond to the ROI outlined in Attachment A

of the June 12th Resolution, until June 19, 2024; and (iii) to file the presentation for the Virtual Technical conference, until June 20, 2024.

5. In compliance with the June 12th Resolution, Genera hereby respectfully submits, as *Exhibit A* to this Motion, its response to the ROI outlined in Attachment A of the June 12th Resolution, which addresses Genera’s budget and operational plans, including detailed Necessary Maintenance Expenses (“NME”), federal funding allocations, and shared services arrangements.

6. Genera also attaches a revised version of GenCo’s FY2025 Budget Proposal with all the supporting papers and documents. The revisions made to the work papers and proposed budget are:

a. NME tab

- i. Added Unexpected Maintenance line
- ii. Updated O&M – Temporary Power (TM 2500)
- iii. Updated SJ LTSA Units 5&6 cost

b. Temporary Power tab

- i. Updated services and costs

c. Labor tab

- i. Work sheet added and linked to workbook

d. Administration tab (former Corporate Office)

- i. Details were updated, but projected expenses remained unaltered

7. Genera has made diligent efforts to comply with the orders from the Energy Bureau. Due to the short deadline provided and the ongoing efforts to restore power after recent emergencies, Genera has been unable to complete all the required responses to the ROIs. Despite significant efforts, responses to ROIs 5 and 6 have not been completed. Genera respectfully

requests an extension until next Thursday, June 20, 2024, at 6:00 pm to file said responses. This request is made in good faith, with the intention of cooperating with the Energy Bureau and without any intention of delaying the ongoing processes.

WHEREFORE, Genera respectfully requests that this Energy Bureau **take notice** of the above for all purposes; grant until next Thursday, June 20, 2024, at 6:00 pm to file responses to ROIs 5 and 6; and **deem** Genera to be in partial compliance with the June 12th Resolution as it pertains to the submittal of responses to Attachment A of the June 12th Resolution.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 18th day of June 2024

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CERTIFICATE OF SERVICE

I 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 I will send an electronic copy of this motion to PREPA through its counsels of record: Alexis G. Rivera-Medina, at arivera@gmlex.net, and Mirelis Valle-Cancel, at mvalle@gmlex.net; and to LUMA, through its counsels of record: Margarita Mercado Echegaray, at margarita.mercado@us.dlapiper.com; Jan M. Albino López, at jan.albinolopez@us.dlapiper.com; and Julian Anglada Pagan, at julian.angladapagan@us.dlapiper.com.

In San Juan, Puerto Rico, this 18th day of June 2024.

/s/ Alejandro López-Rodríguez
Alejandro López-Rodríguez

Exhibit A

Responses to Requirement of Information

Docket Number: NEPR-MI-2021-0004
In Re: Genera PR LLC, Budgets
Re: REVIEW OF LUMA INITIAL BUDGETS

Respondents: LUMA (GridCo) and Genera (GenCo)

Grid Resilience

GPR-PREB-NEPRMI20210004-20240612-GridResilience #1(a)

Page 12 of LUMA's May 25, 2024 Motion states concerning Grid Resilience, that: "Addressing critical infrastructure repairs, including meters, substations, lines, and poles, implementation of a comprehensive Preventative Maintenance (PM) and Corrective Maintenance (CM) Programs cross all asset functions, including transmission, distribution, and substations, to identify and address deficiencies proactively, focusing on high-priority issues to increase system reliability and residence."

a. Are LUMA and Genera aware of the Bahamas' program to "Rebuild stronger and better" that has been undertaken after 20 19's Hurricane Donan destroyed electric utility infrastructure on those islands?" If so, explain the awareness. If not explain why not.

Response:

Per information found on the internet, the following is a summary of the motto "Rebuild stronger and better" adopted by the Bahamas.

Following the devastating impact of Hurricane Dorian in 2019, the Bahamas rallied under the motto "Rebuild stronger and better." This unified commitment led to remarkable initiatives, such as the solarization of three Abaco schools: Man-O-War Cay Primary, Great Guana Cay Primary, and Central Abaco Primary Schools. These schools now boast solar panels capable of

withstanding winds of up to 185 mph, transforming them into functional hurricane shelters. They also feature battery storage for resilience during power outages. This project, a testament to the power of collaboration between government agencies, donors, private sector entities, and NGOs, received the 2023 Best Energy Resilience Project award at the Caribbean Renewable Energy Forum (CREF) in Miami, Florida. The transformative outcome of this project has significantly benefited underserved communities.

Further, the following are summaries of the articles highlighted by PREB in the RFIs.

Abaco Schools Solar Project Named ‘Best Resilience Project’ in The Caribbean¹

The Abaco schools solar project in the Bahamas was recently recognized for its resiliency at the 15th Caribbean Renewable Energy Forum (CREF). Despite being associated with the deadliest natural disaster in Bahamian history—Hurricane Dorian—Abaco demonstrated resilience through its recent solar and storage initiatives. The project involved solarizing three Abaco schools—Man-O-War Cay Primary, Great Guana Cay Primary, and Central Abaco Primary Schools—with solar panels capable of withstanding winds up to 185 mph. These schools now function as hurricane shelters and feature battery storage. The project received the 2023 Best Energy Resilience Project award at CREF, recognizing its outstanding performance in the Caribbean energy sector.

The Bahamas Bolsters Hurricane-Resilient, Clean Energy at Three Primary Schools and Lays Foundations For Scaling²

¹ Abaco schools solar project named ‘best resilience project’ in the Caribbean – Eye Witness News (ewnews.com)

² The Bahamas Bolsters Hurricane-Resilient, Clean Energy at Three Primary Schools and Lays Foundations for Scaling – RMI

The Bahamas, facing unique challenges due to its vulnerability to extreme weather events, bolstered energy systems at three primary schools on Abaco Island. These schools, which also serve as emergency hurricane shelters, now receive 90% of their daily energy needs from solar and battery storage projects. The Bahamas also launched a solar and energy auditing training program to build local skills and expertise, a crucial effort in a country where traditional fossil fuel-based systems face challenges during extreme weather events. The Abaco community, still recovering from Hurricane Dorian's impact in 2019, now benefits from these "resiliency hubs." The project received support from the Center for Disaster Philanthropy, Rotary Bahamas Disaster Relief, and local technical partners, highlighting the collaborative nature of this initiative.

GPR-PREB-NEPRMI20210004-20240612-GridResilience #1(b)

b. What are LUMA and Genera proposing specifically in the proposed FY 2025 budget for resiliency features such as installations of solar generation, and transmission and distribution facilities that can withstand +185 mph winds?

Response:

Genera, while not aware of the program highlighted in this RFI, is actively involved in similar initiatives. Currently, we are working on a pilot project aimed at enhancing the conditions of a local school, which also serves as a shelter during hurricane season. This collaborative effort, focused on boosting the resilience of the school and the entire community, involves the installation of solar panels and batteries, along with the replacement of some appliances with energy-efficient alternatives. These improvements are not just about the school, but about creating a more resilient and empowered community, a vision that inspires us.

Genera is currently involved in several crucial projects aimed at enhancing the resiliency and flexibility of our electric system. One of our ongoing projects involves the development of a BESS to provide essential ancillary services to the grid. This initiative will play a significant role in stabilizing the grid as the penetration of renewable energy increases. It is important to note that this project is being federally funded, showcasing its broader significance and impact on our energy infrastructure. This project is a clear demonstration of Genera's commitment to enhancing the resilience and flexibility of our electric system.

Furthermore, Genera is actively working on a project to replace the existing peaker fleet. This strategic measure, aimed at enhancing resiliency in the face of climatological disturbances such as hurricanes, will significantly bolster the resilience of our energy infrastructure. The new units, with their fast-ramping

capabilities, will aid in grid stabilization and rapid restoration of power in the event of a total or partial blackout. Furthermore, these units will provide critical blackstart services to larger units, further enhancing the resilience of our energy infrastructure. This project, receiving federal funding, underscores its importance and strategic value in bolstering our electric utility systems, a testament to our commitment to energy resilience.

In line with our commitment to resiliency and reliability, Genera has proposed the conversion of several units to dual-fuel. This strategic move is aimed at enhancing fuel flexibility, allowing the turbines to operate in a broader range of fuels, including gaseous and liquid fuels. By providing this flexibility, Genera can optimize fuel usage based on market conditions, availability, or other factors, contributing to significant cost savings and ensuring continuous power generation. Importantly, this measure will also provide redundancy and reliability, ensuring that power generation continues seamlessly even if one fuel supply is disrupted.

The first two projects to convert units to dual-fuel, in compliance with Act 17-2019, which are the Palo Seco MOBILIPAC and the Mayaguez units, will be funded by an Affiliate of Genera and thus will not be included in the FY25 GenCo Budget. This underscores the strategic nature of these resiliency measures and their broader impact on our electric utility systems.

GPR-PREB-NEPRMI20210004-20240612-GridResilience # 1(c)

c. In the development of the proposed FY 2025 budget, how are LUMA and Genera applying lessons learned concerning electric system reliability and resiliency from past extreme weather events such as hurricanes on Puerto Rico and other Caribbean islands?

Response:

The electric system was complex to restore due to the lack of available transmission lines to export power from the power plants to the customers, despite the generation fleet not suffering substantial damage during the hurricanes experienced in 2017

Respondent: GENERA (GenCo)**Necessary Maintenance Expenses (“NME”)****GPR-PREB-NEPRMI20210004-20240612 #1(a)**

The Energy Bureau, during its annual examination of the electric utility budgets, identifies operational priorities that need to be funded with the revenues and other income established for the year under evaluation. Given the persistent challenges with the generation fleet that Genera operates and maintains, the Energy Bureau is focusing on ensuring that activities associated with generation maintenance are prioritized. This is especially important given that the 17 temporary emergency generation units acquired or yet-to-be-acquired by PREPA¹² employing the FEMA obligation of February 29, 2024, Bundle Number PA-02-PR- 4339-PW-11628, are to remain in-service through December 2025. The availability of these units facilitates the scheduled maintenance of baseload generators.

1. Refer to 20240525 MI20210004 Genco Budget.xlsx, NME Tab:
 - a) Where are the budget requirements related to the air heaters, water-wall panels and economizer replacement for Costa Sur Unit 5, and turbine rotors and generator works for Costa Sur Unit 6?

Response:

Genera has been diligently working towards system stability and resiliency. To that end, ongoing work has been undertaken and continues to occur. Currently, there is no FY2025 budgetary requirement for the procurement of the parts referenced. With funding available under the current NME budget, Genera is procuring parts and services needed for routine work and the upcoming major outage in Costa Sur Unit 5 and Unit 6. The components are currently being procured through RFP processes and a contract with the OEM supplier,

which is currently under negotiation and is expected to be concluded before the end of the fiscal year.

GPR-PREB-NEPRMI20210004-20240612 #1(b)

(b) What are the budget requirements to fund the Critical Component Replacement Program?

Response:

According to the FAASt-Equipment & Materials PW10710 approved by FEMA on 12/28/2023 with the purpose of purchasing and storing the selected materials and equipment to eliminate, or at least minimize, any potential construction schedule impacts, the budget requirement to fund the Critical Component Replacement Program is \$123.7M. Genera did not budget Critical Component Replacement cost under the FY2025 Operating Budget since it is going to be funded with federal funds.

GPR-PREB-NEPRMI20210004-20240612 #1(c)

(c) How many remaining years are left in the LTSA for San Juan Units 5 and 6? Can Genera renegotiate and reduce the annual LTSA cost?

Response:

The LTSA had an estimated 7 years left of its term. As of June 4, 2024, GeneraPR signed the (FOMB-Approved) Second LTSA Amendment which significantly reduced the costs of the LTSA, while extending the term until ~2039 and guaranteeing the San Juan 5- and 6-units' reliability, parts and service. The annual LTSA cost varies depending on years where maintenance outages are programmed and extra works (not covered in the renegotiated EFH (Equivalent Fired Hour) Fee) are performed in such maintenance outages.

As part of Genera's successful renegotiation with Mitsubishi, the EFH Fee was significantly reduced from \$653 to \$330. The CPI escalation factor was an average of 5% for the past 3 years; it has now been fixed at 2.5% (with an adder in case of another abnormal inflation year over 5%). These renegotiated terms, along with other significant improvements in price and service, result in a total of \$140 million in savings from FY2025 to FY2033. FY2024's LTSA budget was \$8 million per unit, \$16 million total. Genera was anticipating requesting \$8 million total for FY2025, but given that Unit 6's Major Inspection had to be delayed to November 2024, additional funds have to be requested to cover 1) the Unit's expected extra works for the major inspection 2) a rotor replacement instead of a comprehensive rotor inspection (in order to save a month of outage duration, have more uptime of the unit, and limit fuel costs), and 3) cover the rotor's rent in Savannah from July 1st to November, when the outage is scheduled. Genera estimates that \$11 million ensures the FY2025 LTSA costs will be satisfied.

GPR- PREB-NEPRMI20210004-20240612 #2

2. When does Genera plan to develop the Palo Seco Unit 4 generator stator rewinding work? Why is this activity not contemplated in the NME budget?

Response:

Genera has been diligently working towards the rehabilitation / replacement the generator of Unit 4 of the Palo Seco Steam Power Plant. The RFP process to undertake the required work opened in February 2024 and closed in April 2024. The RFP was adjudicated in May 2024 and the contract is currently undergoing final revisions. The damage suffered by the Unit 4 stator generator falls under the definition of a "Forced Outage" under the Puerto Rico Thermal Generation Facilities Operation and Maintenance Agreement. As such, all the works associated with this damage are not budgeted under the NME budget but financed through the Reserve Account.

GPR-PREB-NEPRMI20210004-20240612 #3

3. Given the current limitation of Aguirre Unit 1 due to a low-pressure operation of the generator hydrogen, does Genera contemplate performing the generator stator rewinding during FY 2025 or 2026? Describe rationale for this determination.

Response:

Genera has been diligently working towards the rehabilitation / replacement the generator stator of Unit 1 of the Aguirre Power Plant. The contract with the OEM supplier is currently under negotiation and is expected to be concluded before the end of the fiscal year. The materials and work associated with generator stator rewind have a lead time of approximately eleven (11) months. Upon completion of the required works, the generator stator of Unit 1 will be replaced under the corresponding major outage of the unit.

GPR-PREB-NEPRMI20210004-20240612 #4

4. For NME expenditures, why is only critical NME included in this proposal?

Response:

The GenCo FY25 Budget has been formulated in alignment with the FY24 Certified Budget. The proposed budget represents the minimum required amount to responsibly operate the legacy generation units within the constraints of the current available revenues under the PREB's 2017 Rate Order. It is important to note that Genera has been assigned 14 additional units (340MW) operating on a baseload capacity, which has resulted in increased operating costs. Despite this significant operational expansion, Genera's budget has not increased in the FY25 budget as compared to the GenCo FY24 Certified Budget. Genera stresses that we are neither implicitly nor explicitly requesting a rate review or a rate increase.

GPR-PREB-NEPRMI20210004-20240612 #7

7. Provide an explanation of how the proposed NME budget considers and takes advantage of short-term emergency generation acquired by PREPA and funded by FEMA under Bundle Number PA-02-PR-4339-PW-11628 until December 2025.

Response:

On March 15, 2024, Genera began operating 14 units owned by PREPA (TM), with a total nameplate capacity of 340MW. PREPA recently published an RFP to acquire three (3) additional generating units similar to the models purchased on March 15. Genera understands that these additional units' capacity could amount to 75MW. The GenCo budget for FY25 was developed considering the 340MW as the only available capacity at the moment.

If PREPA acquires the three (3) additional units, Genera will review the FY25 GenCo Budget and determine if additional work can be performed with the incorporation of this additional generation into the system. The FY25 GenCo Budget includes several maintenances that may not have been possible without the additional generation from PREPA. For example, Aguirre unit 1 contributes 350MW. Nevertheless, this generation is less reliable than the TM's, which have an available rate of 95%. Thus, the generation of TM's will effectively substitute the generation output of Aguirre 1. The same applies to the Aguirre CC units' major maintenance. Besides reliable generation to substitute units taken out of service to perform maintenance, it must be considered that these units are necessary to maintain the T&D System Operator required reserves.

Nevertheless, given the current reliability limitations, the TM 340MW capacity is insufficient to perform the necessary maintenance for the fleet to increase its reliability until the decommissioning processes begin. To address this, Genera is preparing to present a project to stakeholders, operators, regulators,

including PREB, to supplement the generation system with at least 350MW additional units. This project, presented in phases, will significantly enhance the system's capacity and reliability, with the first phase involving the integration of 150MW in the north area, a strategic location for these additional units.

The asset supplementing project, along with the TM purchased by PREPA, will provide the system with 700MW of supplemental power. It has been identified that this capacity is necessary to supplement the system because, in the short term, and at least on a temporary basis, the generation from these units will be more reliable than the Legacy Generation Assets and will effectively reduce the Loss of Load Expectation from 37.5 to 2.0, as per the Puerto Rico Electrical System Resource Adequacy Analysis presented by the T&D System Operator, dated December 11, 2023, page 41, Table 3-2.

GPR-PREB-NEPRMI20210004-20240612 #8

8. Describe GENERA's proposed approach for determining cost-efficiency savings in developing the proposed budget. In developing this description, please describe what expectation there is that ratepayers will benefit from such savings, and GENERA's planned approach to develop cost baseline targets for use in assessing cost savings and shared savings under the Generation OMA.

Response:

For FY 2025, GENERA did not propose any cost-efficiency savings in developing the budget. The proposed budget represents the minimum required amount to responsibly operate the legacy generation units within the constraints of the current available revenues under the PREB's 2017 Rate Order, despite increased expenses from acquisition of fourteen TM 2500s. GENERA will propose any realized savings versus the FY 2025 budget in the FY 2026 budget. Ratepayers would benefit in that case from an equivalent savings in costs avoided going forward.

GPR-PREB-NEPRMI20210004-20240612 #9

9. Provide the Generation Planned Maintenance and Integrated Critical Component Replacement Plans for FY 2025 that will achieve the goal of increasing availability by 340MW and decreasing the Forced Outage Rate to 15% by December 31, 2025. Explain how this can be achieved by budgeting \$60M in NME during FY 2025, a significant reduction from previous years, especially when the availability and forced outage rate of the generation fleet has not significantly improved during FY 2024.

Response:

The GenCo FY25 Budget has been formulated in alignment with the FY24 Certified Budget. The proposed budget represents the minimum required amount to responsibly operate the legacy generation units within the constraints of the current available revenues under the PREB's 2017 Rate Order. It is important to note that Genera has been assigned 14 additional units (340MW) operating on a baseload capacity, which has resulted in increased operating costs. Despite this significant operational expansion, Genera's budget has not increased in the FY25 budget as compared to the GenCo FY24 Certified Budget. Genera stresses that we are neither implicitly or explicitly requesting a rate review or a rate increase.

GPR-PREB-NEPRMI20210004-20240612 #10

10. Describe how each of the approved FY 2024 NME projects feed into the FY 2025 Generation Planned Maintenance and Integrated Critical Component Replacement Plans.

- a) Include a status of each of the FY 2024 NME projects with the latest expenditure status for the Fiscal Year. Compare this with the Approved FY 2024 Budget

Response:

As required under NEPR-MI-2021-0004 Resolution and Order dated June 25, 2023 titled *Determination on the FY24 Annual Budgets for the Electric Utility System*, Genera submits, on a monthly basis, a Motion to Submit Reports on Grid Modernization and Emergency Work-Related Federal Funding in Compliance with Resolution and Order dated June 25, 2023. This motion includes two reports (a) Attachment J - a Generation Maintenance report containing comprehensive information and updates, including the major investment categories and projects that Genera is implementing to ensure reliable and resilient power delivery. The second report (b) included in the motion, is the Grid Modernization Highlights, which provides up to date status of the current and recent works undertaken. The most recent motion was filed today, June 18, 2024. These two (2) reports are responsive to this requirement.

GPR-PREB-NEPRMI20210004-20240612 #11

11. Given the historical incidences of unexpected NME requirements occurring due to plant breakdowns, inspections, etc., does the NME budget reflect any contingency funding to ensure fund availability for projects that are necessary to maintain generation plant availability and operation, but which are not forecastable at the time of budget development? If there is no contingency funding included in the budget, explain why not. If there is contingency funding included in the proposed budget, explain how such contingency funding is reflected and provide a breakdown of contingency funding amounts.

Response:

NME budget includes provisions for unforeseen maintenance needs. Genera established a specific line item called "Unexpected Maintenance" to address contingencies such as plant breakdowns, inspections, and other unforeseen events. This line item was created after a budget reallocation, consists of reallocated funds from the San Juan unit 5&6 LTSA (San Juan Long Term Service Agreement) and the Temporary Power budgets. This strategic reallocation allows Genera to have funds readily available for any necessary projects that arise.

Federally Funded Temporary Emergency Generation – San Juan, Palo Seco**GPR-PREB-NEPRMI20210004-20240612 #12(a)**

12. Refer to 20240525 MI20210004 GenCo Budget.xlsx, Temp Power Tab: Genera proposes to budget \$32.6M out of NME expenses to fund the operation and maintenance of the temporary emergency generators recently purchased by PREPA that currently sit at the San Juan and Palo Seco power plants. Genera claims that this cost is incremental. However, it is noted that baseload units at Palo Seco are out of service, e.g., Unit 4 of Palo Seco is not operating, thus relieving personnel to potentially operate and maintain the temporary generation units at Palo Seco.

- a. Describe how Genera can utilize current employees in Palo Seco and San Juan to operate and maintain the temporary emergency generation units.

Response:

The current number of employees at the Palo Seco and San Juan power plants is insufficient to operate and maintain the recently purchased TM 2500 by PREPA. The expertise required to operate these units differs from that of the San Juan and Palo Seco employees, who mainly operate larger units. The number of employees assigned to San Juan and Palo Seco was determined based on the specific needs of each site and its existing assets, without taking into account the TM 2500. Additionally, the employees who handle the larger units, boilers, and combined cycles are not the same employees who operate the "peaking" units. These two types of operations require different expertise, job positions, as well as operational and maintenance requirements.

GPR-PREB-NEPRMI20210004-20240612 #12(b)

(b) Describe whether Genera considered a Service Agreement instead of in-house maintenance. Explain cost implications of each approach.

Response:

The costs included in the NME for the TM 2500 represent an estimation of operation and maintenance costs covered by an operation and maintenance agreement. Genera included the projected costs of this agreement in the NME tab, and these numbers were provided after a third-party assessment of costs. Genera will initiate a process to solicit responses from the market for an all-inclusive price to operate these units. This would encompass operation, maintenance, consumables, and employee costs.

GPR-PREB-NEPRMI20210004-20240612 #12(c)

(c) The amount of \$3M is budgeted for a communications system in 2024-2025. Describe the communications system proposed.

Response:

This line has been removed.

GPR-PREB-NEPRMI20210004-20240612 #12(d)

(d) Genera is considering adding 50 employees to run O&M. Provide an organizational chart, duties, and qualifications of these new employees. Justify the need for 50 new employees when resources are available at power plants where major baseload units are not planned to be operational in the near future, thus potentially freeing up resources to operate and maintain the temporary emergency generation units.

Response:

The employees needed for this operation have been revised. The final organizational structure can be proposed by the participants during market-sounding procedures that will be held to identify the market price for services to operate the TMs 2500. The purpose is to obtain an all-in contract to operate the TMs 2500.

Federal Funding

GPR- PREB-NEPRMI20210004-20240612 #13

13. Provide a reconciliation of GenCo Federal Funding cash flow projections for FY2025, including expected monthly expenditures for Federally Funded projects, expected FEMA advancements, expected funding advancements from COR3/AFAAF and FEMA's Working Capital Advance (WCA) program, and monthly expected balances of federal funding reserve accounts. Within this reconciliation, list anticipated federal cost-shares and funding source for those cost shares. Complete this reconciliation separately for 428, 406 and CDBG funding sources/project categories. This reconciliation should cover both FY 2024 actual spending and FY 2025 forecast spending.

Response:

FY2024 Federal Funds Cash Flow Schedule (actuals):

	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Total
Total Federal Funds Advancements	\$0	\$0	\$0	\$31,743	\$0	\$1,224	\$0	\$55,077	\$166,443	\$1,512	\$16	\$176	\$256,191
Federal Funding Reserve Account Balance	\$0	\$0	\$0	\$31,743	\$31,743	\$32,967	\$32,967	\$88,419	\$248,812	\$244,146	\$244,146	\$244,163	
Expenditures for Federally Funded Projects ²	\$1,848	\$4,493	\$3,101	\$1,940	\$2,541	\$6,647	\$4,357	\$9,707	\$6,052	\$4,627	\$3,617	\$164	\$49,093
Cost-Share ¹	\$0	\$0	\$0	\$0	\$0	\$1	\$0	\$1	\$1	\$0	\$0	\$0	\$5

FY2025 Federal Funds Cash Flow Schedule (forecast):

	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Total
Total Federal Funds Advancements	\$0	\$199,565	\$0	\$0	\$0	\$162,683	\$0	\$0	\$162,683	\$0	\$0	\$0	\$524,931
Federal Funding Reserve Account Balance	\$243,664	\$432,940	\$385,497	\$315,101	\$257,078	\$355,631	\$285,310	\$219,298	\$312,498	\$237,603	\$168,949	\$134,581	
Expenditures for Federally Funded Projects ²	\$498	\$10,289	\$47,443	\$70,396	\$58,023	\$64,130	\$70,321	\$66,012	\$69,482	\$74,895	\$68,655	\$34,367	\$634,512
Cost-Share ¹	\$50	\$1,029	\$4,744	\$7,040	\$5,802	\$6,413	\$7,032	\$6,601	\$6,948	\$7,489	\$6,865	\$3,437	\$63,451

1. There is no line item for federal cost-share in the FY2025 Operating Budget. Genera plans to take advantage of the Energy Grid Rehabilitation and Reconstruction Cost Share Program (ERI) to cover the entire federal cost-share in FY2025.

- Expenditures for Federally Funded Projects only include BESS and Peakers costs for FY2025, which represents the majority of federally funded projects for FY2025.*

GPR- PREB-NEPRMI20210004-20240612 #14

14. Describe the status of the Critical Component Replacement Program and how much is budgeted for this program in FY 2025.

Response:

The Critical Component Replacement Program has had significant advances for FY2024. As of June 13, 2024, CPM has delivered 60% of the required technical specifications for the components. Genera is aiming to have procurements launched for approximately 80% of these critical components by August 2024. The Critical Replacement Program is a federally funded program, so no budget has been assigned from the FY2025 Operating Budget.

GPR-PREB-NEPRMI20210004-20240612 #15

15. Where is the line item for federal cost-share in the FY 2025 budgets?

Response:

There is no line item for federal cost-share in the FY 2025 Operating Budget. Genera plans to take advantage of the Energy Grid Rehabilitation and Reconstruction Cost Share Program (ER1) to cover the entire federal cost-share in FY2025. Therefore, Genera will not budget this cost under the FY2025 Operating Budget.

General

GPR- PREB-NEPRMI20210004-20240612 #16

16. Provide the up-to-date expenses for each budget item listed in FY 2024 (e.g., Labor Expenses, Materials & Supplies, Transportation, Per Diem & Mileage, Utilities & Rent, and Professional & Technical Outsourced Services, among others) in addition to the FY 2024 approved budget and proposed FY 2025 Budget.

a. Fully explain and support each variance.

Response:

# Entity / Line Item	FY2024	FY2025	FY2024	FY2024	FY2024 YTD B2A \$-Variance
	CERTIFIED	GenCo Petition (LUMA Proposed Budget Allocation)	YTD April Budget	YTD April Actuals	
1 GenCo					
2 Total Labor Operating Expenses	\$ 75,404	\$ 76,177	\$ 62,117	\$ 52,625	\$ 9,492
3 Non-Labor Operating Expenses					
4 Materials & Supplies	\$ 21,094	\$ 20,504	\$ 17,578	\$ 18,904	\$ (1,326)
5 Transportation, Per Diem, and Mileage	1,192	2,141	993	441	552
6 Insurance	-	3,000	-	-	-
7 IT Service Agreements	-	3,128	-	-	-
8 External Audit Services	-	300	-	-	-
9 Communications Expenses	-	886	-	-	-
6 Security	8,021	7,117	6,684	5,602	1,082
10 Utilities & Rents ¹	3,616	18,188	3,014	12,111	(9,098)
11 Legal Services	13,000	9,950	-	-	-
12 Professional & Technical Outsourced Services	11,776	6,968	26,093	5,680	20,413
13 Regulation & Environmental Expenses	6,536	5,810	-	-	-
14 Other Expenses	5,868	5,806	4,890	4,038	852
15 Total Non-Labor Operating Expenses	\$ 71,103	\$ 83,797	\$ 59,252	\$ 46,777	\$ 12,476
16 Subtotal	\$ 146,507	\$ 159,974	\$ 121,369	\$ 99,402	\$ 21,967
17 Shared Services Agreement Impact ²	\$ 63,826	\$ 56,826	\$ 53,188	\$ 52,659	\$ 530
18 Total Operating Expenses	\$ 210,333	\$ 216,800	\$ 174,558	\$ 152,061	\$ 22,497
19 Necessary Maintenance Expenses ("NME") ¹	96,645	90,873	80,538	51,315	29,224
20 Generation Maintenance Reserve Fund	12,266	11,571	10,222	10,117	105
21 Total GenCo Operating and Maintenance Expenses	\$ 319,244	\$ 319,244	\$ 265,318	\$ 213,492	\$ 51,826

YTD April FY2024 variances may be observed in two (2) line items: (a) *Materials and Supplies* and (b) *Utilities and Rents*. This first variance, in the *Materials and Supplies* line item, is the result of prior accounting practices utilized by PREPA where over-reporting the actual expense resulted in warehousing. This practice has been abandoned and the previous entries are being corrected.

The *Utilities and Rents* line item over expense, as shown in RFI question 18, is the result of underbudgeting actual water consumption during the FY2024 budgeting process due to inaccurate available information. Actual water utilization in the power generation plants was grossly underestimated and thus, underbudgeted. Genera requested a budgetary reapportionment, and the PREB subsequently approved on June 14, 2024, to correct the deficiency.³

The YTD May FY2024 B2A, currently being developed, shall have no significant variances. Both variances, subject of this question, will be corrected.

³ NEPR-MI-2021-0004 Resolution and Order dated June 14, 2024.

GPR-PREB-NEPRMI20210004-20240612 #17

17. What controls and fiscal processes does GENERA/Genco propose to implement to comply with the budgeted expenditure amounts?

Response:

Genera has controls in place to comply with budgeted expenditure amounts:

1. Every requisition/invoice is duly reviewed prior to submission for approval thus safeguarding that all procurements are within budget.
2. Every month, Budget to Actuals (B2A) is strictly monitored to ensure compliance.
3. There is a Delegation of Authority Procedure in place to ensure proper assessment of expenses. This way, only budgeted items are incurred and approved by authorized officials.
4. All departments have periodic meetings to assess year-to-date numbers and forecasts.
5. There are also monthly meetings with NME Project owners to ensure the use of funds is executed as per budgeted.
6. Full visibility has been provided to users of financial information, ensuring Budget performance.

GPR-PREB-NEPRMI20210004-20240612 #18

18. For Utilities and Rents, why is this cost increased from the FY 2024 approved quantity (\$3.6M) to the FY 2025 request of \$18.3M? What type of utilities or rentals are considered to justify this cost increase?

Response:

During the FY2024 budgeting process, the information available regarding actual water consumption was inaccurate. Actual water utilization in the power generation plants was grossly underestimated and thus, underbudgeted. As a result of this action, and evidenced in this RFI's question 16 response, Genera requested a budgetary reapportionment, and the PREB subsequently approved on June 14, 2024, to correct the current deficiency.⁴ The projection for FY2025 takes this expenditure into account and includes the incremental use of water required to operate the PREPA recently acquired TM units.

The FY2025 budget petition also includes the rental expense associated with the TM units located near at the San Juan Plant facilities. The petition contemplates the provisional rental of an off-site Emergency Operations Center.

Utilities & Rent	FY2024 Certified Budget	FY2025 Proposed Budget
Water Bill (System)		\$15,129,575
Water Bill (San Juan Plant Temp Power)		\$1,500,000
Water Bill (Palo Seco Plant Temp Power)		\$1,440,000
Rent for TM in the San Juan Plant		\$60,000
Emergency Operations Center Rent		\$58,209
Total Utilities & Rent	\$3,616,250	\$18,187,784

⁴ NEPR-MI-2021-0004 Resolution and Order dated June 14, 2024.

GPR-PREB-NEPRMI20210004-20240612 #19

19. Describe the reasons of why PREPA is running a Request for Proposals ("RFP") to construct IT communications rooms at generating plants operated and maintained by Genera in the following locations: Mayagüez, Cambalache, Costa Sur, Aguirre, Palo Seco, San Juan.

Response:

This RFP was initiated by PREPA prior to Genera PR's commencement, with the intention to create facilities across Generation (GenCo) sites to segregate hardware and telecom infrastructure for the different users/owners of the intermingled assets in place today including GenCo, GridCo, HydroCo, and HUB787. Buildings and/or enclosures with proper access and environmental controls will have these assets and telecom connections physically segregated to allow individual protected access to them by the users/owners, minimizing the security risks and potential mishaps and exposures that exist today. This process was communicated to Genera PR IT/OT Management Team prior to commencement which agreed to participate alongside PREPA IT/OT Management through the evaluation, selection, and implementation of the project to avoid further delays in the established timelines.

GPR-PREB-NEPRMI20210004-20240612 #20

20. It appears that Genera may be eligible to earn an Incentive Payment in the FY 2025 Budget Year, *however*, Genera has apparently not incorporated this potential Incentive Payment into its proposed FY 2025 Budget. Explain how Genera accounts for the potential Incentive Payment and/or how Genera requests that the potential Incentive payment be reflected in the FY 2025 Budget.

Response:

Genera's O&M Fixed Fee was calculated at \$24,285MM, and the Incentive Payment budget is \$40,000. The Incentive Payment budget is included in the Operator Fees, which are deducted from the Available Funds before the Projected Net Available Funds Allocation Rates are distributed. These Incentives were calculated assuming that Genera will earn all incentives available for those metrics listed in Annex II (III) (B) (3)(4)(5). Payment for incentives earned for those metrics described in Annex II (III) (B) (1)(6) would be paid through the FCA and Operating Budget savings, respectively.

According to the O&M Generation Agreement, Genera has the contractual right to budget the maximum amount of the Incentive Payment available for a contract year. However, Genera has determined that for the next fiscal year, it's best to invest as many funds as possible in the Legacy Generation Assets. If Genera were to earn an incentive higher than what was budgeted as the GeneraPR Incentive Payment, Genera would seek approval of a reapportionment of the FY25 GenCo Budget to allocate such funds.

Shared Services

GPR-PREB-NEPRMI20210004-20240612 #21

21. Are legal services integrated to an outsourcing activity or any other budget item? How was the Genco budget for legal services determined? Describe how could Shared Services reduce the Legal Expense.

Response:

For FY 2025, Genera included all outsourced legal services in the “Legal Services” line item of Genera’s FY2025 budget. Internal legal services are included in the labor line item of the Legal & Insurance tab.

GENERA determined the GenCo budget for legal services by (1) first applying a 20% reduction to the legal services budget to drive improved efficiency and prudent use of funds, (2) projecting run rates based on late FY 2024 projects to confirm reasonableness of overall budget, (3) planning for a continued ramp up in project development / execution, environmental permitting and other related services as major federally-funded and other major projects move into high gear, (4) accounting for an increased focus on maintenance and repair projects to address forced outages coupled with a faster response time, (5) accounting for a significant labor relations workstream absent from FY2024, (6) including projections for current case load plus contingency for unexpected events re. litigation, investigations, and RFP reconsiderations, (7) assuming an increased efficiency in the legal team through implementation of contract review AI software, CMS, and (8) assuming a shift through the year to lower cost firms or internal resources on certain workstreams.

Shared Services does not currently address legal services. Genera’s external legal budget is predominantly dedicated to disputes/investigations, employment/labor and critical projects. Genera does not view these as prudent areas for shared services. As mentioned, Genera has active strategies

to reduce legal spend, while maintaining full flexible and timely execution /
negotiation of projects

GPR-PREB-NEPRMI20210004-20240612 #22

22. What are the justifications and benefits related to the planned expenditures for the Genco IT budget? Describe how Shared Services could reduce the IT Expense.

Response:

The justifications and benefits for GenCo IT budget planned expenditures continue to be requirements to run and enhance the state of systems required to manage, control, secure, and support the existing and future assets of the PREPA owned Generation Fleet. These include the IT infrastructure that support existing users and systems in place, The OT Infrastructure that controls and manages the Generation Assets, and the Telecom Infrastructure that interconnects and monitors the individual components and equipment in use through all environments.

An adequate Shared Services agreement with appropriate industry standards could help find savings, collaboration, and efficiencies. As PREPA continues to own the budget and assets, both Genera and Luma must synchronize at the end of the fiscal year and having a common infrastructure, and systems could make that process easier and less costly. It would allow the entities to make use of the same infrastructure and systems while letting each of the entities carry on their operations and meet their goals. This could potentially save money since, instead of tripling maintenance and licensing costs, it would open the possibility to work under the same licensing while maintaining the segmentation and privacy that the three entities need to operate. This type of solution was originally presented by Genera as an option, and it was possible to meet within the very tight deadlines established in the original Shared Services agreement. It was rejected by Luma as it was not aligned with their strategy. Genera presented this option in document "P3 Authority Board of Directors Request for Information", December 19th, 2023. Under the existing

Shared Services for IT/OT Systems the lack of an appropriate industry standard Service Level Agreement (SLA) is punitive and restrictive for Genera PR as these do not allow the Organization proper access or controls to pursue updating the state of these environments to enhance the current state of operations in a way that can significantly improve the reliability and predictability of maintenance, the management of warehouse and spare parts, or the pursuit of new technologies to integrate artificial intelligence (AI) or renewable energy management options that may significantly increase the efficiency and availability of the existing and future GenCo assets.

Exhibit B

Workpapers (submitted via e-mail in native file form)