

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

<b>NEPR</b>  <b>Received:</b>  <b>Jun 21, 2024</b>  <b>8:07 AM</b>
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**IN RE:** REVIEW OF LUMA'S INITIAL  
BUDGETS

**CASE NO.:** NEPR-MI-2021-0004

**MOTION SUBMITTING PRESENTATION FOR TECHNICAL CONFERENCE IN COMPLIANCE  
WITH THE JUNE 18<sup>TH</sup>, 2024 RESOLUTION AND ORDER**

1. On June 18<sup>th</sup>, 2024, the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau") issued a *Resolution and Order* ("June 18<sup>th</sup> Order") whereby it stated the following:

The Energy Bureau RE-SCHEDULES the June 20, 2024 Technical Conference to be celebrated June 21, 2024 at 10:00 a.m. The presentations shall be due the same day, June 21, 2024, before 9:00 a.m.

2. In compliance with the June 18<sup>th</sup> Order, PREPA hereby submits PDF copy of its presentation for today's Technical Conference in the above-reference case. See **Exhibit A** – PREPA's Presentation for Technical Conference regarding FY25 Proposed Budget. The Power Point version of this presentation was notified the Energy Bureau, via e-mail, at [secretaria@jrsp.pr.gov](mailto:secretaria@jrsp.pr.gov).

**WHEREFORE**, PREPA very respectfully requests the Energy Bureau to take **NOTICE** of the information submitted herein and deem the June 18<sup>th</sup> Order as **COMPLIED WITH**.

**RESPECTFULLY SUBMITTED.**

In San Juan, Puerto Rico, this 21<sup>st</sup> day of June 2024.

**CERTIFICATE OF SERVICE:** We hereby certify that this document was filed with the Office of the Clerk of the Energy Bureau using its Electronic Filing System at <https://radicacion.energia.pr.gov/login>. We also certify that a true and exact copy

of this document was notified to the following parties through attorneys of record: Genera PR LLC through Jorge Fernández Reboredo, [jfr@sbgblaw.com](mailto:jfr@sbgblaw.com); Alejandro López Rodríguez, [alopez@sbgblaw.com](mailto:alopez@sbgblaw.com); Joaquín M. Lago González, [jlago@sbgblaw.com](mailto:jlago@sbgblaw.com); and at the following email addresses [legal@genera-pr.com](mailto:legal@genera-pr.com); [regulatory@genera-pr.com](mailto:regulatory@genera-pr.com); and LUMA Energy LLC and LUMA Energy ServCo, LLC through Margarita Mercado Echegaray, [margarita.mercado@us.dlapiper.com](mailto:margarita.mercado@us.dlapiper.com); Julian Anglada Pagán, [julian.angladapagan@us.dlapiper.com](mailto:julian.angladapagan@us.dlapiper.com).

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**Puerto Rico  
Electric Power  
Authority**

# **Puerto Rico Electric Power Authority**

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FY2025 Proposed HoldCo & HydroCo Budgets  
June 21, 2024

# Agenda

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## **Key PREPA Representatives**

### **HoldCo**

- FY2025 HoldCo Proposed Budget Overview
- Top 5 HoldCo Budget Variances from FY2024 to FY2025

### **HydroCo**

- FY2025 HydroCo Proposed Budget Overview
- Top 5 HydroCo Budget Variances from FY2024 to FY2025

## **FY2024 vs. FY2025 Revenue Allocation Overview**

# Key PREPA Representatives

Budget Line Item	PREPA HoldCo Representative	PREPA HydroCo Representative
Labor Operating Expenses	Sandra Rivera	Sandra Rivera
Materials and Supplies	<b>Top Three Areas of Contribution</b> <ul style="list-style-type: none"> <li>• Retirement System – R. Gomez</li> <li>• PropertyCo – R. Figueroa</li> <li>• IT/OT – J. Rivera</li> </ul>	<b>Top Three Areas of Contribution</b> <ul style="list-style-type: none"> <li>• Hydroelectric Division – I. Mercado</li> <li>• Dos Bocas &amp; Caonillas – I. Mercado</li> <li>• Carite &amp; Toro Negro – I. Mercado</li> </ul>
Transportation, Per Diem, and Mileage	Transportation (Vehicles): <ul style="list-style-type: none"> <li>• All Vehicles – R. Figueroa</li> </ul> Per Diem: <ul style="list-style-type: none"> <li>• Retirement System – R. Gomez</li> <li>• IT/OT – J. Rivera</li> </ul> Mileage (including external travel): <ul style="list-style-type: none"> <li>• Environmental – R. Dones</li> <li>• IT/OT – J. Rivera</li> <li>• Executive Director – S. Ortega</li> </ul>	Transportation (Vehicles): <ul style="list-style-type: none"> <li>• All Vehicles – R. Figueroa</li> </ul> Per Diem: <ul style="list-style-type: none"> <li>• Río Blanco – I. Mercado</li> <li>• Hydroelectric Division – I. Mercado</li> <li>• Carite &amp; Toro Negro – I. Mercado</li> </ul> Mileage (including external travel): <ul style="list-style-type: none"> <li>• Hydroelectric Division – I. Mercado</li> <li>• Dos Bocas &amp; Caonillas – I. Mercado</li> </ul>
Retiree Medical Benefits	Sandra Rivera	N/A
Security	Maria Santiago	Maria Santiago
Utilities & Rents	Ricardo Figueroa	N/A
Legal Services	Lionel Santa / Gonzalez & Martinez	N/A
Professional & Technical Outsourced Services	Jaime Umpierre <ul style="list-style-type: none"> <li>• Retirement System – R. Gomez</li> <li>• Environmental – R. Dones</li> <li>• PMO – J. Cotto</li> </ul>	Jaime Umpierre <ul style="list-style-type: none"> <li>• Transportation – R. Figueroa</li> <li>• Water Administration – I. Mercado</li> <li>• Hydroelectric Division – I. Mercado</li> </ul>
IT – Maintenance & Corporate Services	Juan Carlos Rivera	N/A
Regulation & Environmental Expenses	Ruth Dones	Ruth Dones

## Key PREPA Representatives (continued)

Budget Line Item	PREPA HoldCo Representative	PREPA HydroCo Representative
External Audit Services	Nelson Morales	N/A
Equipment, Inspections, Repairs and Other O&M	Jaime Umpierre <ul style="list-style-type: none"> <li>• <i>HR – S. Rivera</i></li> <li>• <i>Governing Board – M. Boria</i></li> <li>• <i>PropertyCo – R. Figueroa</i></li> </ul>	Jaime Umpierre <ul style="list-style-type: none"> <li>• <i>Security – M. Santiago</i></li> <li>• <i>Transportation – R. Figueroa</i></li> <li>• <i>Hydroelectric Division – I. Mercado</i></li> </ul>
Necessary Maintenance Expenses	Jaime Umpierre	Jaime Umpierre
Shared Services Agreement	Nelson Morales / Juan Carlos Rivera	Nelson Morales / Juan Carlos Rivera
Shared Services Separation	Nelson Morales / Juan Carlos Rivera	N/A
PREPA Restructuring and Title III	Nelson Morales / Juan Carlos Adrover	N/A
Litigation Claims Settlement Expense	Lionel Santa / Gonzalez & Martinez	N/A

HoldCo

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# FY2025 HoldCo Proposed Budget Overview

# Description	FY2024 FOMB Certified as of: 03/15/24	FY2025 Budget Request as of: 06/17/24	Variance FY25 vs. FY24
<b>1 HoldCo</b>			
<b>2 Headcount</b>	87	86	(1)
<b>3 Labor Operating Expenses</b>			
4 Salaries & Wages	\$ 6,502	\$ 6,289	\$ (213)
5 Employee Benefits	2,692	1,572	(1,120)
6 Overtime Salary	361	319	(42)
7 Overtime Benefits	43	20	(23)
<b>8 Total Labor Operating Expenses</b>	<b>\$ 9,598</b>	<b>\$ 8,201</b>	<b>\$ (1,397)</b>
<b>9 Non-Labor Operating Expenses</b>			
10 Materials & Supplies	\$ 29	\$ 171	\$ 142
11 Transportation, Per Diem, and Mileage	26	286	260
12 Retiree Medical Benefits	7,950	9,757	1,807
13 Security	797	1,667	870
14 Utilities & Rents	66	72	6
15 Legal Services	3,688	7,840	4,152
16 Communications Expenses	6	-	(6)
17 Professional & Technical Outsourced Services <sup>1</sup>	1,365	6,183	4,818
18 IT - Maintenance & Corporate Services	780	2,494	1,714
19 Regulation & Environmental Expenses	1,591	1,615	24
20 External Audit Services	1,108	4,769	3,661
21 Equipment, Inspections, Repairs & Other O&M	666	2,063	1,397
<b>22 Total Non-Labor Operating Expenses</b>	<b>\$ 18,072</b>	<b>\$ 36,917</b>	<b>\$ 18,845</b>
<b>23 Subtotal HoldCo Operating Expenses</b>	<b>\$ 27,670</b>	<b>\$ 45,119</b>	<b>\$ 17,449</b>
<b>24 HoldCo Necessary Maintenance Expenses ("NME")</b>	<b>\$ 645</b>	<b>\$ 3,892</b>	<b>\$ 3,247</b>
<b>25 Shared Services Agreement<sup>2</sup></b>	<b>\$ 1,993</b>	<b>\$ 3,805</b>	<b>\$ 1,812</b>
<b>26 Shared Services Separation<sup>3</sup></b>	<b>\$ -</b>	<b>\$ 1,319</b>	<b>\$ 1,319</b>
<b>27 Total HoldCo Operating and Maintenance Expenses<sup>4</sup></b>	<b>\$ 30,308</b>	<b>\$ 54,134</b>	<b>\$ 23,826</b>
28 PREPA Restructuring & Title III	\$ 30,150	\$ 27,450	\$ (2,700)
29 FOMB Advisor Costs allocated to PREPA	\$ 32,821	\$ 28,968	\$ (3,853)
30 Litigation Claims Settlement Expense	635	8,500	7,865
<b>31 Total HoldCo Operating and Maintenance Expenses<sup>5</sup></b>	<b>\$ 93,914</b>	<b>\$ 119,052</b>	<b>\$ 25,138</b>
<b>32 HoldCo Surplus / (Deficit)<sup>5</sup></b>	<b>635</b>	<b>(21,096)</b>	

Related, but not duplicative

A

B

C

D

E

<sup>1</sup> Professional & Technical Outsourced Services in FY2024 included \$780K related to IT - Maintenance & Corporate Services.

<sup>2</sup> Represents amounts that PREPA is responsible for under the amended Shared Services Agreement (approx. \$403K) and the Insurance Collaboration Agreement (approx. \$3.4M).

<sup>3</sup> Represents the Enterprise Resource Planning ("ERP") implementation project costs comprised of the last deployment of the ERP system including integration to Hacienda's ledger and the migration of the comingled Fixed Assets and Inventory post-balance sheet separation project (~\$140K) and reoccurring annual support cost for the maintenance of the system (~\$1.2M).

<sup>4</sup> Total HoldCo Operating and Maintenance Expenses for FY2024 does not include the 10% Cost Share for the Acquisition of the Temporary Generators for \$37.23M and does not include the \$300.0M Commonwealth Loan Proceeds as these line items were one time in nature.

<sup>5</sup> PREPA Restructuring & Title III and FOMB Advisor Costs allocated to PREPA are considered "System Wide Costs" are deducted from total revenues prior to the GenCo, HoldCo, HydroCo and GridCo allocation. Litigation Claims Settlement Expense was paid in FY2024 with cash on hand as approved by the FOMB in their January 16, 2024 letter and subsequently the Energy Bureau in their February 20, 2024 Resolution and Order (Docket No. NEPR-MI-2021-0004) HoldCo Surplus / (Deficit) is shown excluding these costs.



# Top 5 HoldCo Budget Variances from FY2024 to FY2025

## **A** Legal Services and Litigation Claims Expenses [*L. Santa and González & Martínez*]

- Proposed budget reflects the needed legal support to support activities pertaining to federal funding, insurance settlements, regulatory requirements and the thousands of cases that are still active and subject to constant litigation.
- As required by the FOMB<sup>1</sup>, PREPA is now required to maintain a litigation claims reserve amount related to the predicted settlement of multiple cases.

## **B** Professional & Technical Outsourced Services [*J. Umpierre, R. Gomez, J. Coto and R. Dones*]

- Includes 14 contracts for approximately \$2.2M related to the Retirement System that were not included in PREPA's operational budget historically. [*R. Gomez*]
- Request for Sargent & Lundy contract and a Project Manager contract for \$1.0M (\$500K each). [*J. Coto*]
- Includes total annual cost related to the BONUS Facility Maintenance Costs prepared by U.S. Army Corp of Engineers for ~\$698K. [*R. Dones*]

## **C** IT – Maintenance & Corporate Services [*J. Rivera*]

- Includes the necessary annual recurring costs associated with PREPA maintaining service provider contracts to support an independent IT/OT infrastructure.

## **D** NME [*J. Umpierre*]

- ~\$2.2M in one-time maintenance costs associated with the BONUS facility, separate from the annual cost of ~\$689K included in the Professional & Technical Outsourced Services line.
- ~\$1.5M in facilities maintenance and improvement expenses related to PropertyCo.
- ~\$220K for the installation of security system technology.

## **E** Shared Services [*N. Morales / J. Rivera*]

### – Shared Services Agreement

Includes Shared Services costs for only Q1 of FY2025 under the amended Shared Services cost structure totaling ~\$671K (~\$403K for HoldCo and \$269K for HydroCo) and the Insurance Collaboration Agreement for the full FY2025 fiscal year totaling ~\$5.7M (~\$3.4M for HoldCo and \$2.3M for HydroCo).

### – Shared Services Separation

For FY2025 and beyond, PREPA is responsible for all recurring annual support costs required to maintain an independent ERP system from LUMA and Genera (~\$1.2M annually).

Includes deployment costs associated with the final phase of the ERP system for the integration to Hacienda's ledger and the migration of the comingled Fixed Assets and Inventory post-balance sheet separation project (~\$140K).

<sup>1</sup> See FOMB's January 16, 2024 letter to PREPA titled "Access to Cash at Hand for Payment of Post-Petition Civil Case" where FOMB stated "...PREPA should include in its proposed budget for FY2025 a litigation reserve to address similar unforeseen legal expenses, promoting transparency and fiscal responsibility."

HydroCo

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# FY2025 HydroCo Proposed Budget Overview

# Description	FY2024		FY2025		Variance	
	FOMB Certified as of: 03/15/24		Budget Request as of: 06/17/24		FY25 vs. FY24	
<b>1 HydroCo</b>						
<b>2 Headcount</b>		<b>54</b>		<b>84</b>		<b>30</b>
<b>3 Labor Operating Expenses</b>						
4 Salaries & Wages	\$	2,543	\$	3,955	\$	1,412
5 Employee Benefits		1,532		989		(543)
6 Overtime Salary		288		406		118
7 Overtime Benefits		35		45		10
<b>8 Total Labor Operating Expenses</b>	<b>\$</b>	<b>4,398</b>	<b>\$</b>	<b>5,395</b>	<b>\$</b>	<b>997</b>
<b>9 Non-Labor Operating Expenses</b>						
10 Materials & Supplies	\$	724	\$	1,425	\$	701
11 Transportation, Per Diem, and Mileage		269		654		385
12 Security		1,712		2,863		1,151
13 Utilities & Rents		80		-		(80)
14 Professional & Technical Outsourced Services		187		1,579		1,391
15 IT - Maintenance & Corporate Services		-		-		-
16 Regulation & Environmental Expenses		731		998		267
17 Equipment, Inspections, Repairs & Other O&M		1,892		721		(1,171)
<b>18 Total Non-Labor Operating Expenses</b>	<b>\$</b>	<b>5,595</b>	<b>\$</b>	<b>8,240</b>	<b>\$</b>	<b>2,644</b>
<b>19 Subtotal HydroCo Operating Expenses</b>	<b>\$</b>	<b>9,993</b>	<b>\$</b>	<b>13,635</b>	<b>\$</b>	<b>3,642</b>
<b>20 HydroCo Necessary Maintenance Expenses ("NME")</b>	<b>\$</b>	<b>2,471</b>	<b>\$</b>	<b>10,003</b>	<b>\$</b>	<b>7,533</b>
21 Shared Services Agreement <sup>1</sup>	\$	1,181	\$	2,537	\$	1,356
<b>22 Total HydroCo Operating and Maintenance Expenses</b>	<b>\$</b>	<b>13,645</b>	<b>\$</b>	<b>26,175</b>	<b>\$</b>	<b>12,530</b>
<b>23 HydroCo Surplus / (Deficit)</b>		<b>-</b>		<b>(11,648)</b>		

<sup>1</sup> Represents amounts that PREPA is responsible for under the Amended Shared Services Agreement (approx. \$269K) and the Insurance Collaboration Agreement (approx. \$2.3M).

# Top 5 HydroCo Budget Variances from FY2024 to FY2025

## **A Labor Operating Expenses [S. Rivera]**

- Includes the request for an additional 30 necessary employees to support operations, such as engineers.

## **B Security [M. Santiago]**

- The amounts approved in FY2024 were insufficient to cover the total costs of security services for HoldCo and HydroCo.
- HydroCo security costs are primarily comprised of the Genesis North and South contracts for \$2.8M.

## **C Professional & Technical Outsourced Services [J. Umpierre, R. Figueroa and I. Mercado]**

- Comprised of 41 contracts across 11 responsibilities. The top five contracts are as follows:
  - \$300K for fleet fuel procurement [R. Figueroa]
  - \$100K for diesel fuel hauling services [R. Figueroa]
  - \$100K for a project management consulting contract with Benitez, Ramos y Asociados related to the rehabilitation of hydro areas such as dams and channels in the irrigation districts [I. Mercado]
  - \$100K for hydroelectric consultants such as mechanics and divers [I. Mercado]
  - \$100K related to conservation services for controls and protection relays [I. Mercado]

## **D NME [J. Umpierre]**

- ~\$5.9M related to hydroelectric unit improvements for projects such as the Caonillas dam control gates automation, floating barriers in Caonillas Lucchetti, Guayo, Matrullas y Garzas dams and the designs, construction, and implementation of metering station for Isabela Water Canals.
- ~\$1.2M for the expansion of IT/OT systems to reservoirs.
- ~\$1.2M for the installation of Security System technology.
- ~\$934K related to the hydroelectric station units protective coating.
- ~\$700K related to the dams and reservoirs inspection programs and preliminary studies on stability that are required.

## **E Shared Services Agreement [N. Morales / J. Rivera]**

Includes Shared Services costs for only Q1 of FY2025 under the amended Shared Services cost structure totaling ~\$671K (~\$403K for HoldCo and \$269K for HydroCo) and the Insurance Collaboration Agreement for the full FY2025 fiscal year totaling ~\$5.7M (~\$3.4M for HoldCo and \$2.3M for HydroCo).

## Revenue Allocation

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# FY2024 vs. FY2025 Revenue Allocation Overview

P3A's proposed FY 2025 revenue allocation for PREPA expenses is not sufficient to cover PREPA's necessary budget expenses.

To cover its proposed budget expenses, PREPA is seeking a reallocation of revenues to cover a funding shortfall of ~\$32.7M (~\$21.1M for HoldCo and \$11.6M for HydroCo).

- PREPA is not requesting a rate increase. PREPA's proposed budget is based on essential operational needs and should be funded without impacting customer rates.

(\$ in thousands)

#	Budget Expense Allocation	[A]	[B]	[C]	[D]
		FY2024 FOMB Amended Budget as of 03-15-24	FY2025 P3A Revenue Allocation as of 05-17-24	Difference Column [B] less Column [A]	
1	GenCo Allocation % of Net Available Funds	30.3%	28.9%	-1.3%	-4.3%
2	GenCo O&M Budget	\$ 306,978	\$ 301,274	\$ (5,704)	\$ -1.9%
3	HydroCo Allocation % of Net Available Funds	1.3%	1.4%	0.1%	3.8%
4	HydroCo O&M Budget	\$ 13,645	\$ 14,527	\$ 882	\$ 6.5%
5	HoldCo Allocation % of Net Available Funds	3.1%	3.2%	0.1%	4.1%
6	HoldCo O&M Budget	\$ 30,943	\$ 33,038	\$ 2,095	\$ 6.8%
7	LUMA Allocation % of Net Available Funds	65.3%	66.5%	1.1%	1.7%
8	LUMA O&M Budget (excluding Fixed Fee)	\$ 662,958	\$ 692,005	\$ 29,047	\$ 4.4%
9	<b>Total Allocated Budget Expenses</b>	<b>\$ 1,014,524</b>	<b>\$ 1,040,844</b>	<b>\$ 26,320</b>	<b>2.6%</b>