

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

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**IN RE:**

GENERA PR LLC FUEL OPTIMIZATION  
PLAN

**CASE NO.:** NEPR-MI-2023-0004

**SUBJECT:** Motion in Compliance with Bench  
Orders Issued During May 23<sup>rd</sup> Technical  
Conference and Request of Approval of Process  
Proposal

**MOTION IN COMPLIANCE WITH BENCH ORDERS ISSUED DURING MAY 23<sup>RD</sup>  
TECHNICAL CONFERENCE AND REQUEST OF APPROVAL OF PROCESS  
PROPOSAL**

**TO THE HONORABLE PUERTO RICO ENERGY BUREAU:**

COMES NOW GENERA PR LLC (“Genera”), as agent of the Puerto Rico Electric Power Authority (“PREPA”),<sup>1</sup> through its counsels of record, and respectfully submits and prays as follows:

1. On July 18, 2023, the Puerto Rico Energy Bureau of the Public Service Regulatory Board (“Energy Bureau”) issued a Resolution and Order titled Commencing Procedure to Evaluate GENERA PR LLC Fuel Optimization Plan (“July 18<sup>th</sup> Order”), whereby, among other things, the Energy Bureau commenced Case No. NEPR-MI-2023-0004 to review the Fuel Optimization Plan (“FOP”) required by the LGA OMA.

2. On September 15, 2023, Genera submitted a document titled *Motion to Submit Genera’s Revised Fuel Optimization Plan in Compliance with Resolution and Order Dated July 18, 2023*, which included a revised FOP (“September 15<sup>th</sup> FOP”). The September 15<sup>th</sup> FOP was

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<sup>1</sup> 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 (“P3 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.

submitted for the approval of the Energy Bureau and it outlined Genera's Fuel Cost Savings Initiatives and expected methods for achieving estimated fuel savings during the LGA OMA term, subject to amendments.

3. On October 19, 2023, the Energy Bureau issued a Resolution and Order titled *Requirement of Information to GENERA – Evaluation of Genera Fuel Optimization Plan* (“October 19<sup>th</sup> Order”). In the October 19<sup>th</sup> Order, the Energy Bureau discussed its analysis of Genera's September 15<sup>th</sup> FOP, and, consequently, ordered Genera to respond to a Requirements of Information ("ROI") outlined in Attachment A to the October 19<sup>th</sup> Order.

4. 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<sup>th</sup> Motion”), in which Genera presented a revised FOP to the Energy Bureau. Genera submitted this plan for the evaluation of the P3 Authority on January 4, 2024. In the January 8<sup>th</sup> Motion, Genera further clarified that the new savings initiatives contained in the revised FOP included: *Section VII – Fuel Change Initiatives*, which now includes in its Item 8 a *Fuel Swap and Fuel Conversion Initiatives*; and *Section VIII – Asset Enhancement Initiatives*, which includes in its *Item 9 an Asset Supplement Initiative*.

5. Notwithstanding the submission of the revised FOP detailed in the January 8<sup>th</sup> Motion, Genera filed another document on January 10, 2024, 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* (the “January 10<sup>th</sup> Motion”). In this document, Genera informed the Energy Bureau that on January 9, 2024, it presented to the P3 Authority a further

revised Fuel Optimization Plan (the “January 9<sup>th</sup> Revision of the Fuel Optimization Plan”). In the January 9<sup>th</sup> Revision, the *Fuel Efficiency Initiative* was removed for Fiscal Year 2024 (“FY2024”).<sup>2</sup>

6. On January 10, 2024, the Energy Bureau issued a Resolution and Order titled *Response to Informative Motion Regarding the Revised Fuel Optimization Plan and Request for Confidential Treatment with Supporting Memorandum of Law filed January 8, 2024* (“January 10<sup>th</sup> Resolution”). In the January 10<sup>th</sup> Resolution, the Energy Bureau ordered Genera to file the modified January 4<sup>th</sup> Revised Plan within five (5) business days after receiving any comments from the P3 Authority. Additionally, the Energy Bureau issued a stay for the January 12, 2024, Technical Conference and the period for public comments, initially set for January 19, 2024, to a date that will be determined once Genera files the modified January 4<sup>th</sup> Revised Plan, which will then be subject to review by the Energy Bureau and the public.

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<sup>st</sup> Motion”). In the February 21<sup>st</sup> Motion, Genera included as Exhibit A the revised FOP, and as Exhibit B, the letter from the P3 Authority dated February 16, 2024, which purportedly approved the January 10<sup>th</sup> Motion Fuel Optimization Plan, subject to several comments listed therein (“P3 Authority Letter”).

8. Additionally, on February 21, 2024, Genera presented before the Energy Bureau a document titled *Request for Leave to Operate Palo Seco MP and Mayagüez CT with Natural Gas as the Primary Fuel* (“February 21<sup>st</sup> Fuel Swap Request”). Through the February 21<sup>st</sup> Fuel Swap Request, Genera sought authorization from the Energy Bureau to operate the Mayagüez CT (combustion turbines) and Palo Seco's MP (mobile pack) units using natural gas as the primary

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<sup>2</sup> Despite this removal for FY2024, Genera respectfully reserves the right to reintroduce this initiative in subsequent years, pending the completion of the necessary technical and economic analyses that support the initiative.

fuel. The petition was made in accordance with the mandates of Act No. 17-2019.<sup>3</sup> These units do not have retirement dates in the operative Integrated Resource Plan.<sup>4</sup>

9. On April 15, 2024, the Energy Bureau issued a Resolution and Order titled *Requirement of Information, Technical Conference, and Solicitation of Stakeholder Comments Including Evaluation of Fuel Change for Mayagüez Combustion Turbines and Palo Seco Mobile Packs* (“April 15<sup>th</sup> Resolution”). In the April 15<sup>th</sup> Resolution, the Energy Bureau noted that the proposed fuel swap is an element of the proposed fuel optimization plan initiatives that must be evaluated pursuant to the criteria applicable to all initiatives within the plan. However, it emphasized the independent importance of the proposed fuel swaps in public energy policy. As such, the Energy Bureau determined that any such changes must be officially filed with the Energy Bureau for approval prior to implementation. Additionally, pertinent to this Motion, the Energy Bureau lifted the stay regarding the Technical Conference and rescheduled it for May 23, 2024.

12. On May 23, 2024, Genera participated in the Technical Conference convened by the Energy Bureau to discuss and evaluate Genera’s FOP initiatives implemented in Fiscal Year 2024, as well as those that were not implemented. The conference also aimed to clarify certain procedural structures and their relationship to other dockets (“May 23<sup>rd</sup> Technical Conference”). After the conclusion of the May 23<sup>rd</sup> Technical Conference, the Energy Bureau issued several bench orders directing Genera to provide additional information on certain future initiatives proposed in the FOP, and to develop a system to maintain the alignment of incentives.

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<sup>3</sup> See Act No. 17 of April 11, 2019, known as the “Puerto Rico Energy Public Policy Act” (“Act No. 17-2019”).

<sup>4</sup> See *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. 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.

13. In compliance with the bench orders issued during the May 23<sup>rd</sup> Technical Conference, Genera hereby submits its responses to the questions posed by the Energy Bureau during the May 23<sup>rd</sup> Conference. See *Exhibit A*. The thorough responses provided not only address the immediate queries but also aim to enhance the overall understanding of Genera's FOP Initiatives. Genera's approach is to ensure that all stakeholders, including the Energy Bureau and the public, are well-informed about the measures taken by Genera to manage fuel costs effectively and implement optimization strategies. Additionally, in consideration of the financial implications of these initiatives, Genera respectfully presents the following proposal.

14. In accordance with the electric rates and riders approved by the Energy Bureau,<sup>5</sup> the cost of fuel consumed in PREPA's generating units is reconciled on a quarterly basis. The rider established for this purpose is the Fuel Clause Adjustments (FCA), which calculates the Total Cost of Fuel plus the prior period reconciliation divided by the Applicable Retail kWh Sales.<sup>6</sup> The Total Fuel Cost represents the cost of fuel purchased for all PREPA's generating facilities for the three (3) forecasted months in the quarterly period. These cost estimates should be presented monthly and include all details on the type of fuel expected to be consumed. The Prior Period Reconciliation refers to the under- or over-recovered funds for the first two months of the current quarterly period and the last month of the previous quarter. PREPA, represented by LUMA<sup>7</sup>, provides the reconciling balance with each proposed quarterly filing of the FCA. The Applicable Retail kWh Sales refer to the energy sales to all classes of customers, including the net inflow (i.e., inflow minus outflow) to all net metering customers.

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<sup>5</sup> See Final Resolution and Orders, *In Re: Revisión de Tarifas de la Autoridad de Energía Eléctrica de Puerto Rico*. Case No. CEPR-AP-2015-0001, January 10, 2017.

<sup>6</sup> *Id.*

<sup>7</sup> LUMA Energy, LLC and LUMA Energy Servco, LLC (jointly referred to as "LUMA")

15. LUMA files a proposed FCA factor with the Energy Bureau before the end of the second week of the third month of each quarter.<sup>8</sup> If approved, the factor will take effect with the first billing cycle of the following quarter. If a revised FCA factor is not approved, the previous quarter's FCA factor remains in effect until a new factor is approved.

16. Under the Accelerated Adjustment Mechanism, an exception to the quarterly reconciliation can be made. Each month, after the final Fuel Purchase Expense and Purchased Power Expense are available, LUMA is required to prepare a re-estimate comparing the recovery of fuel and purchased power for the quarter. If the re-estimated expenses deviate from the initial estimates by more than \$20 million, LUMA must adjust the Fuel and Purchased Power Charge Adjustment factors to ensure an expected net recovery of zero for the quarterly period.

17. In summary, the Energy Bureau reconciles actual versus projected fuel costs on a quarterly basis, unless it activates the Accelerated Adjustment Mechanism for a specific period. During this process, the Energy Bureau evaluates various data sets presented by LUMA, including generation produced, generation dispatch, sales, fuel costs, and deliveries, against the projected costs and projections for the next quarter. The projections and Fuel Costs are part of the Fuel Budget and are updated quarterly. The Energy Bureau consistently evaluates the actual Fuel Costs, which also reflect potential savings.

18. On a quarterly basis, customers will be credited for the actual savings achieved through the Fuel Optimization Plan initiatives. According to the LGA OMA, these savings are split equally between the customers and Genera.<sup>9</sup> Therefore, if customers receive credits for the full savings in a given period, they will need to cover any shortfall in the Actual Fuel Savings payments

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<sup>8</sup> See *In Re: Tarifa Permanente de la Autoridad de Energía Eléctrica de Puerto Rico*, Case No. NEPR-MI-2020-0001.

<sup>9</sup> See Annex II, Section III.B.6(a) of the LGA OMA.

to Genera at the end of the fiscal year, as stipulated by the LGA OMA.<sup>10</sup> This mechanism deviates from the stability in reconciliation amounts that the Energy Bureau traditionally seeks. Nevertheless, the Energy Bureau regularly has the actual Fuel Costs incurred during the reconciled period available for evaluation and auditing.

19. Genera understands that the Energy Bureau approves mechanisms to rule on Actual Fuel Savings and Fuel Optimization Payments when a period is under reconciliation. As part of this process, Genera will submit the Fuel Optimization Report<sup>11</sup> for the costs incurred during the period to be reconciled to the Energy Bureau, whenever LUMA submits a reconciliation request. This report will adhere to the format of *Response 1*. Genera requests that the Energy Bureau make a ruling on the Actual Fuel Savings for the period subject to reconciliation and, as part of this ruling, issue an order validating the Actual Fuel Savings as the Fuel Optimization Payment.

20. Genera respectfully requests that the Energy Bureau consider this proposal as one that provides long-term benefits for ratepayers. The proposed process not only ensures transparency and eliminates uncertainty for customers but also stabilizes their costs. By allowing customers to realize savings consistently and reducing cost fluctuations, a fair and consistent approach that benefits ratepayers in the long term can be ensured. Thus, Genera strongly advocates for the implementation of this process to protect customer interests and ensure a stable and reliable energy cost structure.

**WHEREFORE**, Genera respectfully requests that the Energy Bureau **take notice** of the above for all purposes; **accept** the responses to the bench orders that are submitted as *Exhibit A* herewith; **deem** Genera to be in compliance with the May 23<sup>rd</sup> Technical Conference bench orders; and to **consider** Genera's proposal outlined herewith in this Motion.

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<sup>10</sup> See Annex II, Section III.B.6(b) of the LGA OMA.

<sup>11</sup> *Id.*

**RESPECTFULLY SUBMITTED.**

In San Juan, Puerto Rico, this 28<sup>th</sup> day of June 2024.

**ECIJA SBGB**  
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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.

In San Juan, Puerto Rico, this 28<sup>th</sup> day of June 2024

/s/ Alejandro López Rodríguez  
Alejandro López Rodríguez

*Exhibit A*  
Response to May 23<sup>rd</sup> Technical Conference Bench Orders

Docket Number: NEPR-MI-2023-0004

In Re: PREBs Technical Hearing

Re: Fuel Optimization Initiatives

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**GPR-PREB- NEPRMI20230004-20240523 BO#1**

Regarding Initiative 1: Reduce the Fixed Premium for ULSD, Genera herein proposes the following revised methodology to determine estimated savings.

**Response:**

The methodology used for estimated cost savings for the reduction of the ULSD fixed premium will be as follows:

- The FY2024 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). For example, the FY2023 ULSD premium is set at \$10.60, with the FY2024 potential ULSD premium set to be somewhere around \$7.75 per barrel. The value difference equates to an estimated savings of \$2.85 per barrel consumed during the FY2024 supplier's contract date range (November 17, 2023 to November 16, 2024). Whenever LUMA submits for PREB's evaluation and approval a proposed reconciliation of the FCA, Genera will submit to PREB the following example calculation for review and approval (See subsection (d) below for calculations on estimated savings for FY2024):

- Annualized ULSD volume consumed during supplier contract (November 17, 2023 to November 16, 2024): 1,000,000 barrels

- Cost savings from new supplier adder: \$2.85

·  $\$2.85 * 1,000,000 = \$2,850,000$  savings during FY2024 for this initiative

Thus, the formula to calculate the savings is:

$(\text{FY2023 total premium paid} - \text{FY2024 total premium paid}) \times 2024 \text{ barrels}$

The methodology for future years after FY2024 shall be as per the following scenarios:

#### Scenario 1: Contract Renewal without competitive bidding

In the event that in any particular future year, the ULSD supply agreement is renewed for a second consecutive year, the formula above will continue to apply to include the quantity of ULSD purchased during the extended period. For example, if for FY2025 the FY2024 contract is extended, the applicable formula would be:

$(\text{FY2023 total premium paid} - \text{FY2024 total premium paid}) \times (2024+2025) \text{ barrels}$ .

#### Scenario 2: New contract with a fixed premium below FY2024 premium

In the event that in any particular future year FYXX, the fixed premium resulting from a competitive process is lower than the previous year's premium FYXX-1, the formula to calculate savings shall be:

$(\text{FYXX-1 total premium paid} - \text{FYXX total premium paid}) \times \text{FYXX barrels}$

#### Scenario 3: New contract with a fixed premium above FY2024 premium

In the event that in any particular future year FYXX, the fixed premium resulting from a competitive process exceeds the FY2024 premium, a "credit savings pool" will be created in the amount of 50% of the applicable savings each year until the fixed premium returns below the FY2024 level, at which time Genera

will get the applicable savings for that particular year plus the accumulated credit savings pool.

For example, for any future year after FYXX, if the fixed premium for FYXX+1 is lower than the fixed premium for FYXX, but higher than the fixed premium for FY24, Genera will request only 50% of the applicable savings for that year, leaving the other 50% to be accumulated in the credit savings bank. If, for the year FYXX+2, the fixed premium is reduced below FYXX+1 and below FY24, Genera will receive the applicable savings for FYXX+2 plus the credit accumulated in the credit savings bank.

The creation of the savings credit bank will ensure a fair distribution of the savings to the ratepayer even in cases where the adder is higher than the baseline of FY24 adder. Attachment A includes a Case Study showing three hypothetical cases of future fixed premium movement to help illustrate the computation of the “credit savings bank” (Accrued Credit) and the resulting total savings.

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**GPR-PREB- NEPRMI20230004-20240523 BO#2**

Regarding Initiative 7: Fuel Swap and Fuel Conversion Initiatives, Genera herein proposes the following revised methodology to determine estimated savings.

**Response:**

All fuel savings under this initiative will be calculated after all capital costs are recovered or accounted for.

**Scenario 1: "Static" System Dispatch Scenario**

The Static System Dispatch Scenario will apply when any fuel swap/conversion/modernization project only displaces units running on ULSD, including the unit just swapped/converted/modernized. For example, this scenario will apply when a fuel swap project results in the unit keeping the same capacity factor as before the change in fuel; or if any added capacity still displaces any other unit running ULSD. In this case, Genera will compare the delivered LNG cost into the converted facility each year versus the ULSD delivered price. The LNG delivered price will be based on the current supplier of LNG into the converted facility, and the ULSD price will be based on the then-current ULSD supplier to other LGA.

**Scenario 2: "Dynamic" System Dispatch Scenario**

The dynamic system dispatch scenario will apply when any fuel swap/conversion/modernization project alters the overall system dispatch scenario of other LGA units either as a result of higher capacity factor after the fuel swap or conversion over the Static scenario, or any other requirement of the electric system. The methodology under Initiative 8: Asset Supplementing Initiatives shall apply in these cases.