

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

NEPR Received: Dec 18, 2020 9:43 AM
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IN RE: COORDINATION OF SYSTEM
PLANNING EFFORTS – FRON END
TRANSITION OF T&D SYSTEM
OPERATION AND MAINTENANCE

CASE NO.: NEPR-MI-2020-0008

SUBJECT: LUMA Monthly Status Reports
for Front-End Transition Services

**MOTION IN COMPLIANCE WITH ORDER
ENTERED ON DECEMBER 8, 2020**

COMES NOW the Puerto Rico Electric Power Authority (the “Authority”) through its legal representation and respectfully sets forth and prays:

1. On December 8, 2020, the Puerto Rico Energy Bureau of the Public Service Regulatory Board (“Energy Bureau”) entered a Resolution and Order (“Order”) directing the Authority to submit to the Energy Bureau a weekly status updated summary on the coordination efforts with LUMA Energy, LLC (“LUMA”) regarding coordination on infrastructure, recovery/remediation and other planning activities underway at the Authority’s Project Management Office.

2. The Order stems from statements made by LUMA regarding the development of the Authority’s 10 Year-Plan and “concerns regarding the respective tasks in connection with the system planning efforts which were identified as risks with potential materially impact project success.”¹ More specifically, as cited by the Energy Bureau, LUMA sets forth that:

[d]uring October, PREPA progressed the development of the 10-year plan in response to FEMA's request for a detailed federal funding project plan pursuant to the approval of FEMA Public Assistance permanent work funding in September. This PREPA-led effort has progressed in October with minimal visibility to LUMA. LUMA's concern remains to potential disconnect between the 10-year plan and the Initial Budgets/SRP work

¹ Order, pag. 1.

being undertaken by LUMA creating a potential for duplication of effort and potential rework. As a mitigation measure, LUMA anticipates increased exposure to the 10-year plan in November; and will contemplate this view as we complete LUMA's Initial Budgets/SRP submission for PREB.²

3. As the Authority expressed to LUMA, the creation of the 10-Year Plan was a very complex process. During the development, the Authority held several meetings to thoroughly discuss the progress. As informed this past Monday to the Energy Bureau, LUMA was invited and participated in over twenty (20) meetings during which the 10-Year Plan was extensively discussed.³

4. LUMA's request to participate in the development of the 10-Year Plan is not new to the Authority. It is a topic that has been discussed several times. Moreover, LUMA's concern has been addressed, not only verbally, but also in writing.

5. On November 20, 2020, the Authority's Executive Director, engineer Efran Paredes-Maisonet (the "Executive Director") sent a letter to LUMA in which he officially informed Mr. Wayne Stensby, LUMA's Chief Executive Officer, his opinion on LUMA's intervention in the development of the 10-Year Plan (the "Letter").

6. In the letter, the Executive Director informed LUMA that:

As part of the transition process, LUMA Energy, LLC ("LUMA") has been made privy to the 10-Year Plan, and has been allowed to collaborate and participate with PREPA and its advisors to see that the 10-Year Plan is on track to meet any pending milestones. Notwithstanding the foregoing, LUMA has requested an opportunity to increase its involvement in the day-to-day progressions and a deeper involvement in the development of the 10-Year Plan. At present, PREPA has provided LUMA with sufficient information for LUMA to have visibility with regards to the progress of the projects contemplated in the 10-Year Plan. LUMA has complete access to the Disaster Funding Management Office's ("DFMO") server, which contain the totality of the information created and produced for the development of the 10-Year Plan.

² Order, pag. 1.

³ *Motion to Inform Participation of the LUMA Team in Infrastructure and Recovery Planning Activities* filed by the Authority on December 14, 2020.

As future milestones are reached PREPA will provide LUMA with the additional information necessary to guaranty a success transfer of operations.

During the Front-End Transition Period PREPA is responsible for the day-to-day operation of the Puerto Rico Transmission and Distribution System (the "T&D System"). In particular, Section 4.1(a) of the Puerto Rico Transmission and Distribution Operation and Maintenance Agreement (the "O&M Agreement") states that LUMA "shall not provide the O&M services or otherwise be responsible for the T&D System but shall, subject to and conditioned upon Owner providing funding pursuant to Section 4.6(b) (*Front-End Transition Period Compensation - Front-End Transition Service Fee*), solely provide the Front-End Transition Services as described in the front-end transition plan set forth in Annex II (*Front-End Transition Plan*) (the "Front-End Transition Plan"). The Front-End Transition Services *are intended to ensure an orderly transition of the responsibility* for the management, operation, maintenance, repairs, restoration and replacement of the T&D System to Operator by the Target Service Commencement Date, without disruption of customer service and business continuity, and shall be provided in a manner consistent with the Front-End Transition Plan and Applicable Law" (*see* Section 4.1(a) of the O&M Agreement).

Further, PREPA's Certified Fiscal Plan contemplates that the Front-End Transition process is meant to be a collaborative process that involves the participation of all the parties to allow for an orderly transition of the operation and management of the T&D System to LUMA. It is *only* "after achieving the contractual milestones for transition of T&D operations to the private operator that the responsibilities for all aspects of the operation and maintenance of PREPA's T&D System, including billing and other customer service functions, will be transferred to the private operator. *These services and responsibilities include day-to-day operations and maintenance of the T&D system, long-term planning, generation dispatch, asset management, operation and maintenance, community and media relations, reporting and record keeping, and finance and accounting, among others. Emergency response and customer service responsibilities, including billing, outage reporting, and connections, will also be the responsibility of the private operator.*" (*see* 2020 Fiscal Plan for the Puerto Rico Electric Power Authority at page 31 (Emphasis added)). Accordingly, it is only *after* the Service Commencement that LUMA will be responsible for the day-to-day operations of the T&D System, including long term planning operations such as the 10-Year Plan.

Throughout this process LUMA has been given the opportunity to interact with, and be part of, the ongoing discussions regarding the 10-Year Plan. However, and although we look forward to continued collaboration with LUMA, at present the development of the 10-Year Plan, and specifically the day-to-day operations to comply with certain deadlines is the responsibility of PREPA. LUMA's long-term planning responsibilities, as well as many others, will

become effective at Service Commencement. Though we encourage and appreciated LUMA's involvement in the development of the 10-Year Plan, for the time being, it would be beyond the scope of the Front-End Transition Period for LUMA to require further involvement in the day-to-day operations and public policy decisions of PREPA.⁴

7. The Authority reaffirms its position as stated in the Letter. Furthermore, the 10-Year Plan is now completed, and it was sent to LUMA on December 6, 2020.

8. LUMA can use the 10-Year Plan to complete the initial budget and the system remediation plan around it without duplication of effort and limiting the exposure to rework.

9. The Authority is and wants to continue working together with LUMA to avoid disconnect between Plans that are being created now and could potentially be implemented by LUMA in the future. This, with the common goal of avoiding duplication of efforts, rework, and unnecessary expenditure of our Customer's money. However, pursuant to the Puerto Rico Transmission and Distribution Operation and Maintenance Agreement (the "O&M Agreement") the involvement sought by LUMA at this stage of the process is only applicable after the Service Commencement Date. As the Authority informed in the Letter, during the Front-End Transition Period, which is the current stage of the implementation of the OMA, the Authority is the sole party responsible for the day-to-day operation. The Front-End Transition Services are intended to ensure an *orderly transition* of the responsibility for the management, operation, maintenance, repairs, restoration, and replacement of the T&D System to Operator by the Target Service Commencement Date, without disruption of customer service and business continuity, and shall be provided in a manner consistent with the Front-End Transition Plan and Applicable Law.⁵

⁴ Exhibit A.

⁵ Section 4.1(a) of the O&M Agreement

10. In response to the Energy Bureau's Order, the Authority informs that currently, there are no infrastructure recovery/remediation planning activities underway at the Authority's Project Management Office. The 10-Year Plan includes all the infrastructure recovery/remediation projects that the Authority plans to develop in the future and the same has already been submitted for approval to FEMA.

WHEREFORE, the Authority respectfully requests the Energy Bureau to note the Authority's compliance with the Order.

In San Juan Puerto Rico, this 18th day of December 2020.

/s/ Maralíz Vázquez-Marrero
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s/ Katuska Bolaños Lugo
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CERTIFICATE OF SERVICE

It is hereby certified that this motion has been filed with the Clerk of the Energy Bureau using <https://radicacion.energia.pr.gov/> and a copy has been forwarded to mario.hurtado@lumamc.com and wayne.stensby@lumamc.com.

In San Juan Puerto Rico, this 18th day of December 2020.

Exhibit A



Government of Puerto Rico
Puerto Rico Electric Power Authority

November 20, 2020

VIA ELECTRONIC MAIL

Mr. Wayne Stensby
Chief Executive Officer
LUMA Energy, LLC
San Juan, Puerto Rico

Dear Mr. Stensby:

RE: Puerto Rico Electric Power Authority 10-Year Infrastructure Plan

The Puerto Rico Electric Power Authority ("PREPA") has been working diligently and is on track to submit its 10-Year Infrastructure Plan ("10-Year Plan") to the Federal Emergency Management Administration ("FEMA") and other governmental entities. The 10-Year Plan pursues the Government of Puerto Rico's public policy on energy infrastructure and mitigation across various asset categories necessary for creating an energy infrastructure that is modern, sustainable, reliable, cost-effective and resilient to the ravages of nature. Furthermore, the 10-Year Plan is expected to have a positive impact on the development of Puerto Rico's economy.

As part of the transition process, LUMA Energy, LLC ("LUMA") has been made privy to the 10-Year Plan, and has been allowed to collaborate and participate with PREPA and its advisors to see that the 10-Year Plan is on track to meet any pending milestones. Notwithstanding the foregoing, LUMA has requested an opportunity to increase its involvement in the day-to-day progressions and a deeper involvement in the development of the 10-Year Plan. At present, PREPA has provided LUMA with sufficient information for LUMA to have visibility with regards to the progress of the projects contemplated in the 10-Year Plan. LUMA has complete access to the Disaster Funding Management Office's ("DFMO") server, which contain the totality of the information created and produced for the development of the 10-Year Plan. As future milestones are reached PREPA will provide LUMA with the additional information necessary to guaranty a success transfer of operations.

Interim Executive Director

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Mr. Wayne Stensby
PREPA 10-Year Infrastructure Plan
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We look forward to continued collaboration and cooperation with the mutual understanding of the responsibilities each party bears during the Front-End Transition process.

Cordially,



Efran Paredes Maisonet
Interim Executive Director

c Mr. Fermín Fontanés