

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

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| <p>NEPR</p> <p>Received:</p> <p>Apr 30, 2021</p> <p>1:26 PM</p> |
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IN RE: REVIEW OF LUMA'S
INITIAL BUDGETS

CASE NO. CEPR-MI-2021-0004

**SUBJECT: Submission of Presentation for Technical
Conference.**

MOTION SUBMITTING PRESENTATION FOR TECHNICAL CONFERENCE

TO THE HONORABLE PUERTO RICO ENERGY BUREAU:

COME NOW LUMA Energy, LLC (“ManagementCo”), and **LUMA Energy ServCo, LLC** (“ServCo”), (jointly referred to as “LUMA”), and respectfully state and request the following:

1. On April 20, 2021, this honorable Puerto Rico Energy Bureau (“Bureau”) issued a Resolution and Order that sets a procedural calendar in this proceeding (“April 20th Order”).
2. Among others, in the April 20th Order this Bureau directed that LUMA file by April 29, 2021, the presentation to be offered during the virtual technical conference scheduled in this proceeding.
3. On April 29, 2021, LUMA requested a brief extension of time until today, April 30, 2021 at 4:00 pm, to file for the record the Power Point™ presentation to be offered in the technical conference to be held in this proceeding. On even date, this Energy Bureau issued a Resolution and Order that granted LUMA until today, at 12:00 md, to submit the aforementioned presentation.
4. In compliance with the April 20th Order, LUMA is hereby submitting as Exhibit 1, the presentation to be offered in the technical conference.

5. LUMA looks forward to its participation in the technical conference in furtherance of this Bureau's consideration and approval of the proposed Initial Budgets. Also, LUMA appreciates the Bureau's determination to grant additional time for this filing.

WHEREFORE, LUMA respectfully requests that this Bureau **take notice** of the aforementioned and **deem** that LUMA complied with the portion of the April 20th Order and with the April 29th Resolution and Order, that required submission of the presentation to be offered in the technical conference scheduled on this proceeding.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 30th day of April 2021.

I hereby certify that I filed this motion using the electronic filing system of this Energy Bureau and that I will send an electronic copy of this motion to the attorneys for PREPA, Joannely Marrero-Cruz, jmarrero@diazvaz.law; and Katuska Bolaños-Lugo, kbolanos@diazvaz.law.



DLA Piper (Puerto Rico) LLC
500 Calle de la Tanca, Suite 401
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/s/ Margarita Mercado Echegaray
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Exhibit 1




Initial Budgets Technical Conference

NEPR-MI-2021-0004

May 3-5, 2021



A nighttime photograph of a city skyline, likely Bogotá, Colombia, with numerous illuminated buildings and streets. The image is overlaid with large green geometric shapes: a large green triangle on the left and a large green trapezoid on the right. A white starburst pattern of lines radiates from the bottom right corner. The text is in white, sans-serif font.

Prefacio radicación regulatoria LUMA Energy

Febrero 2021

¿Quiénes somos?

Los puertorriqueños dependen de la electricidad. Un sistema eléctrico robusto y resiliente es la columna vertebral del desarrollo económico.

En LUMA, nuestro compromiso es proveer a los puertorriqueños un sistema eléctrico en el que puedan confiar. Nuestro norte es transformar la red eléctrica en una centrada en el servicio al cliente, confiable, resiliente y segura para todos los puertorriqueños, tal y como ellos merecen. Queremos mejorar la calidad de vida y el crecimiento económico del país proveyendo el sistema eléctrico para ellos.

La gente, nuestros empleados, nuestros clientes y las comunidades en las que vivimos y trabajamos son prioridad para LUMA.

- Motivamos e inspiramos a nuestra gente a aprovechar todas las oportunidades que reciben, mientras trabajan para construir un mejor sistema eléctrico para Puerto Rico.
- Nuestra meta es proveer un servicio al cliente excepcional e implementar políticas públicas a través de una operación de excelencia.

Creados para
Comprometidos con
Escuchando a **Puerto Rico**



Nuestra misión para Puerto Rico

Reconstruir y transformar el sistema eléctrico para proveer un servicio sostenible, centrado en el cliente, confiable, resiliente, seguro y a precios razonables para todos los puertorriqueños.

OBJETIVOS CLAVE



LA SEGURIDAD ES PRIORIDAD

Reformar los estilos de trabajo, enfocados en una cultura de seguridad para nuestros empleados y la gente de Puerto Rico



MEJORAR LA SATISFACCIÓN DEL CLIENTE

Transformar las operaciones para ofrecer un excelente servicio al cliente y electricidad confiable a precios razonables



RECONSTRUCCIÓN DEL SISTEMA Y RESILIENCIA

Utilización efectiva de fondos federales para restaurar la red eléctrica y mejorar la resistencia de la infraestructura, que actualmente está muy vulnerable



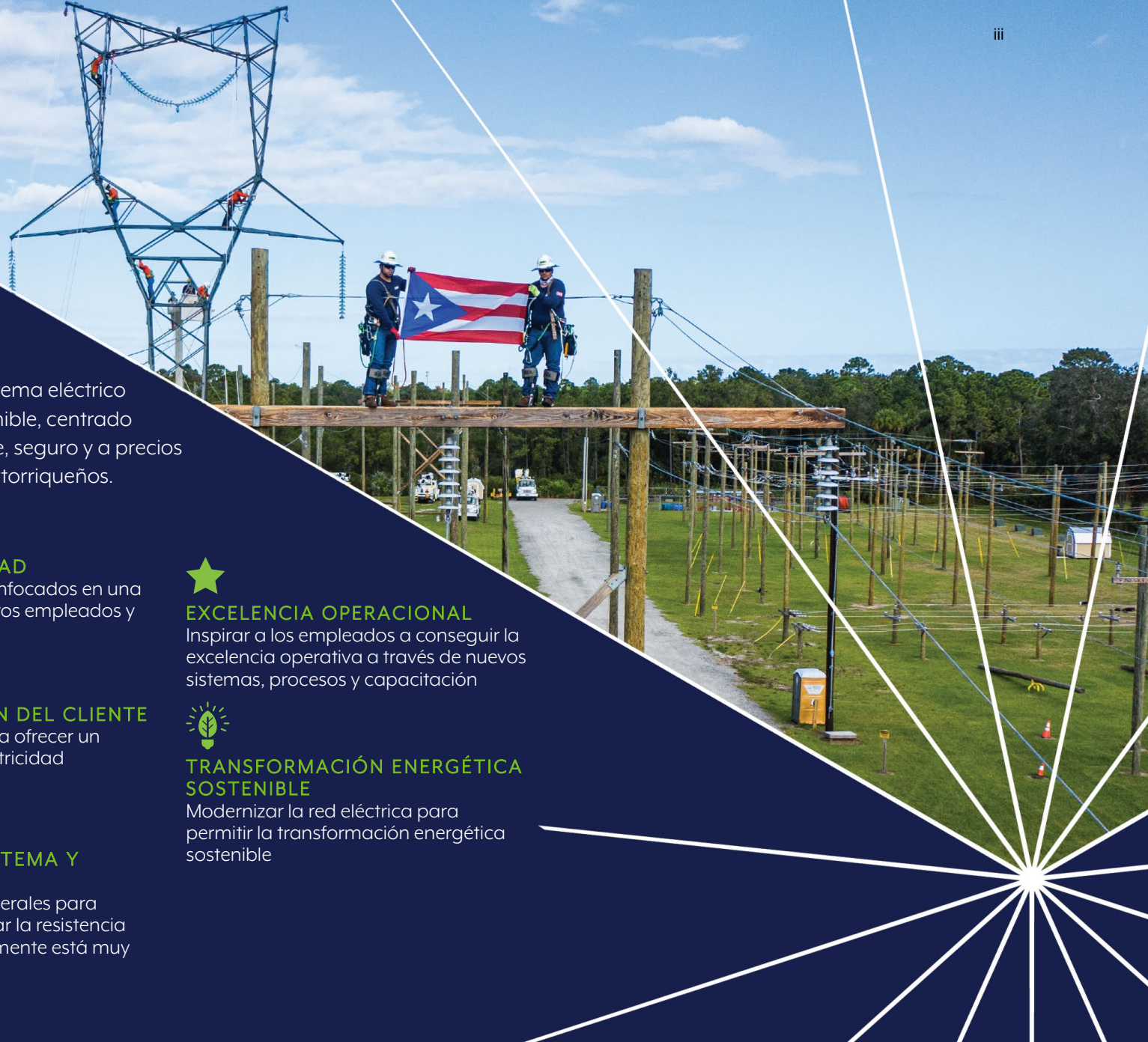
EXCELENCIA OPERACIONAL

Inspira a los empleados a conseguir la excelencia operativa a través de nuevos sistemas, procesos y capacitación



TRANSFORMACIÓN ENERGÉTICA SOSTENIBLE

Modernizar la red eléctrica para permitir la transformación energética sostenible



¿Cómo llegamos aquí?

El sistema eléctrico de Puerto Rico está en un punto de inflexión crucial. Puerto Rico aprobó reformas legales fundamentales que establecieron un regulador independiente; la necesidad de nuevos operadores para el sistema de distribución y transmisión y separadamente para el de generación de la Autoridad de Energía Eléctrica (AEE) y así allanó el camino para una red eléctrica más limpia y resistente.

La AEE está en bancarrota. Puerto Rico necesita un operador profesional para manejar y administrar los fondos federales que son tan necesarios para poner en marcha la operación de recuperación y transformación.

Luego de un riguroso proceso competitivo que duró 18 meses, se seleccionó y adjudicó a LUMA un contrato para operar y mantener el sistema de transmisión y distribución eléctrica. Esto luego de evaluaciones y aprobaciones de la Junta de Directores de la Autoridad de Alianzas Público-Privadas, la Junta de Gobierno de la Autoridad de la AEE, la Junta de Supervisión Fiscal, el Negociado de Energía de Puerto Rico y el Gobernador de Puerto Rico.

LUMA fue escogida de manera unánime por el Comité de Alianza por:

- Nuestra experiencia líder en la industria
- Historial de cumplir con nuestros compromisos y
- El enfoque en soluciones diseñadas para cumplir con los objetivos del gobierno de transformar el sistema de transmisión y distribución.

Regulador: **NEDD**
NELA
NEGOCIADO DE ENERGÍA DE PUERTO RICO

ALIANZA PÚBLICO PRIVADA Y ACUERDO DE OPERACIÓN Y MANTENIMIENTO



Dueño de activos



Administrador



Operador



PROMESA y asuntos del Título III



FEMA
and other agencies

Fondos federales de recuperación

Lo que hemos hecho desde junio 2020

Desde junio de 2020, LUMA ha estado revisando información y visitando las instalaciones de la Autoridad de Energía Eléctrica (AEE), como parte de un proceso de evaluación detallada de las condiciones actuales de la red y los servicios que se ofrecen. Los problemas encontrados no se limitaron a daños causados por los huracanes. Las evaluaciones resaltaron un desempeño por debajo de los estándares de la industria eléctrica y condiciones precarias en la mayoría de las instalaciones.

Hemos diseñado programas para la recuperación de la infraestructura, lograr mejoras operacionales y aumentar la satisfacción de los clientes. Nuestro enfoque entrelaza políticas públicas claves con planes factibles. Dimos prioridad y se establecieron planes de acción para cumplir con nuestros clientes, y al mismo tiempo satisfacemos los requisitos de política pública y contractuales.

Desarrollamos planes, presupuestos, métricas de desempeño y principios de operación para el sistema que estamos presentando al Negociado de Energía de Puerto Rico. Todos estos informes serán revisados y deberán ser aprobados por el Negociado de Energía antes de que LUMA asuma la operación del sistema de transmisión y distribución, calendarizada para junio de 2021.



Lo que estamos presentando para la aprobación del Negociado de Energía

Plan de remediación

Nuestros planes

El plan de remediación del sistema se enfoca en atender las áreas que están por debajo del estándar de la industria y plantean los mayores riesgos para los puertorriqueños, incluyendo a nuestros empleados.

Presupuestos iniciales

Cómo llegaremos allí

Los presupuestos iniciales no proponen un aumento de la tarifa básica. Cubren todos los planes durante los primeros tres años de operación, abarcan los gastos de operación y mantenimiento, y las inversiones (incluyendo aquellas subvencionadas por del gobierno federal).

Métricas de desempeño

Cómo seremos responsables

Las métricas de desempeño son indicadores numéricos para medir el buen desempeño de LUMA, alineados con las políticas públicas y la creación de mejoras tangibles para Puerto Rico.

Principios del sistema de operación

Cómo operaremos la red eléctrica

Los principios del sistema de operación definen cómo funcionará el despacho y control para garantizar el suministro y entrega de energía eficiente y confiable.

Nuestra gente primero.
Seguridad siempre.

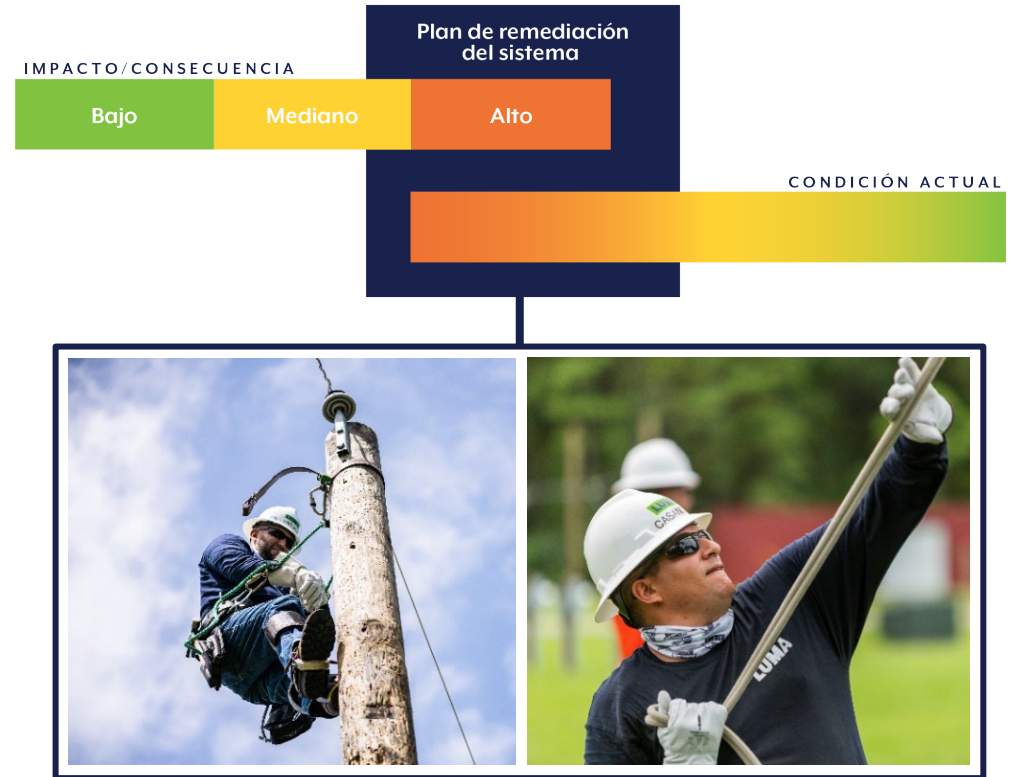
Nuestro plan

Plan de remediación del sistema

El plan de remediación de LUMA establece la estrategia para remediar, reparar, reemplazar y estabilizar el sistema, las prácticas y los servicios, así como los equipos del sistema de transmisión y distribución. Las iniciativas de este plan son fundamentales para la recuperación y transformación y abordan los aspectos más peligrosos y frágiles del sistema eléctrico de Puerto Rico. Estas estrategias le permitirán a LUMA operar y mantener el sistema eléctrico de la isla en cumplimiento con los estándares de la industria, los requisitos contractuales y las leyes aplicables.

El plan de remediación es la culminación de las evaluaciones que LUMA realizó durante el período de transición inicial. LUMA ha planeado la inversión de aproximadamente \$4 mil millones de dólares en iniciativas y proyectos como parte del plan de remediación y más de \$10 mil millones de dólares totales en todos los programas de mejora.

El plan de remediación trabajará las áreas que están por debajo del estándar en la industria y que representan el mayor riesgo para los puertorriqueños, incluidos los empleados y el propio sistema eléctrico. Es una parte crítica de un conjunto más grande de medidas para mejorar y reconstruir la red eléctrica.

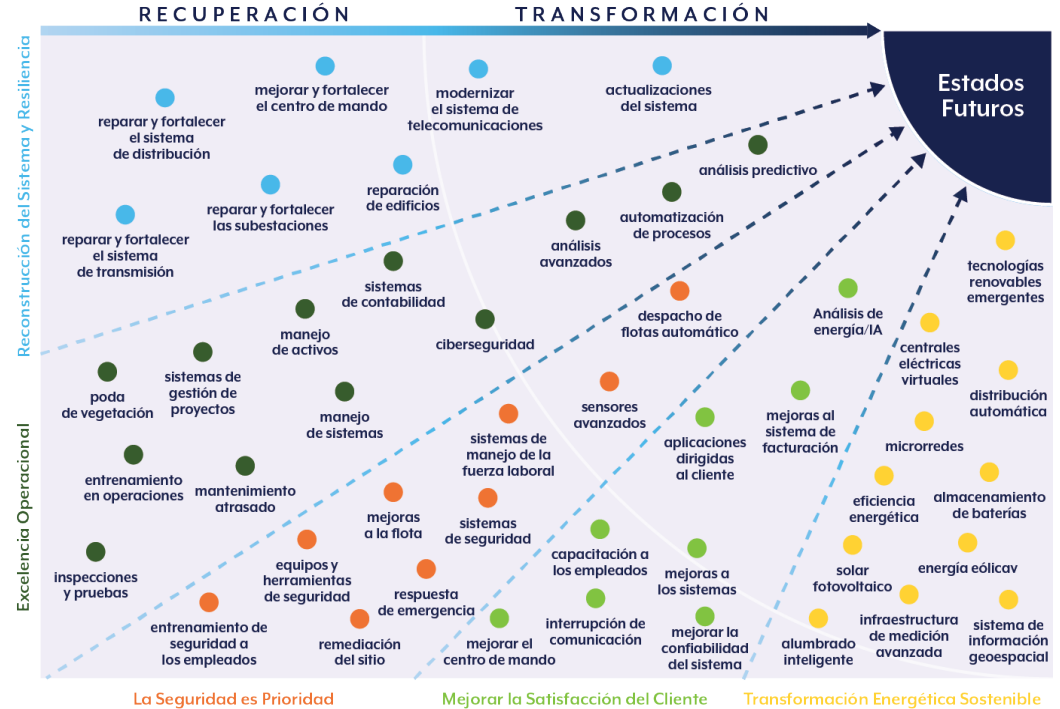


Hacia dónde vamos

La estrategia general de LUMA para implementar el cambio de acuerdo a las políticas públicas se compone de dos fases: Recuperación y Transformación.

La **FASE DE RECUPERACIÓN** conlleva restaurar la infraestructura y los procesos de la utilidad a un estado de funcionamiento correcto, reparar la red a corto plazo y aprovechar la experiencia de los empleados actuales de la Autoridad de Energía Eléctrica (AEE) que se unirán a LUMA. Simultáneamente, se implementarán nuevos procesos, sistemas y capacitación para gestionar de manera más eficaz la operación de los servicios fundamentales.

Mientras se recupera el nivel del servicio eléctrico, LUMA acelerará el paso de la **TRANSFORMACIÓN**, en concordancia con las metas del gobierno y las políticas públicas adoptadas, rediseñando el sistema eléctrico para que esté a la altura de las necesidades del pueblo de Puerto Rico durante las próximas décadas. La transformación estará enfocada en energías renovables y más opciones para los clientes a través de sistemas y tecnologías avanzadas. Muchos de los programas de transformación se llevarán a cabo concurrentes con los programas de recuperación.



Cómo lo alcanzaremos

Presupuestos iniciales

Los presupuestos iniciales cubren todas las gestiones de LUMA durante los primeros tres años de operación e incluyen los programas asociados con el plan de remediación del sistema y las métricas de desempeño. Hemos identificado 69 áreas de reparación y mejoras para encaminar a la utilidad hacia la recuperación y transformación mediante la implementación de políticas públicas, mejoras de desempeño y el uso de fondos federales. Comenzaremos la mayoría de estos programas durante nuestro primer año de operación.

LO QUE INCLUYE

Nuestros presupuestos iniciales comprenden partidas para costos operacionales y de capital (incluyendo aquellos sufragados por subvenciones federales) para el sistema de transmisión y distribución.

Propuesta de
presupuesto
de LUMA

Sin aumento en la tarifa base

* LUMA no está solicitando aumento en la tarifa base. LUMA no posee autoridad legal para determinar las tarifas de servicio eléctrico. El Negociado de Energía, como regulador independiente y especializado y como monitor del cumplimiento con la política pública energética en Puerto Rico, es el organismo autorizado en ley para evaluar y fijar las tarifas.

Cómo seremos responsables

Métricas de desempeño

LUMA evaluó el desempeño de la Autoridad de Energía Eléctrica (AEE) utilizando métodos estándar de la industria. Analizamos los procesos existentes en la AEE, los sistemas y los datos sobre sus operaciones e identificamos áreas a mejorar al compararlas con las prácticas en la industria. Los hallazgos (incluidos los de un tercero independiente) muestran que el desempeño de la AEE se posiciona por debajo de otras compañías de energía en América del Norte.

SERVICIO AL CLIENTE

(J.D. Power)

Más Bajo de 144
compañías de energía en
América del Norte

47% más bajo que el de peor porcentaje

INCIDENTES DE SEGURIDAD

(OSHA, 2019)

5 veces mayor
al estándar de
la industria

200% más que la empresa de peor porcentaje

INTERRUPCIONES DE SERVICIO

(IEEE)

9 veces más
largos y frecuentes
que la media

LUMA SERÁ RESPONSABLE

Los puertorriqueños merecen responsabilidad de su proveedor de servicios de electricidad.

Las métricas de rendimiento de LUMA son indicadores numéricos que indicarán cómo va el desempeño de LUMA. Diseñadas para la industria de la energía eléctrica y compartidas con el público para garantizar la transparencia, utilizamos métricas estándar para medir nuestro desempeño y mostrar cuán bien adelantamos los compromisos contractuales y de política pública contraídos. Cada indicador mide el desempeño de LUMA en funciones clave como: servicio al cliente, seguridad, trabajo técnico y gestión financiera.

Métricas de desempeño propuestas por LUMA

SATISFACIÓN DEL CLIENTE

- J.D. Power-Encuesta de satisfacción al cliente: Clientes residenciales y comerciales
- Rapidez media de respuesta
- Tasa de quejas
- Tasa de abandono

SEGURIDAD

- Tasa de incidentes registrables de OSHA
- Fatalidades OSHA
- Tasa de gravedad OSHA
- Tasa OSHA DART

TÉCNICO

- Índice de frecuencia de Interrupción media del sistema (SAIFI)
- Índice de duración de Interrupción media del sistema (SAIDI)
- Inspecciones (Líneas de distribución y transmisión, subestaciones)

FINANCIERA

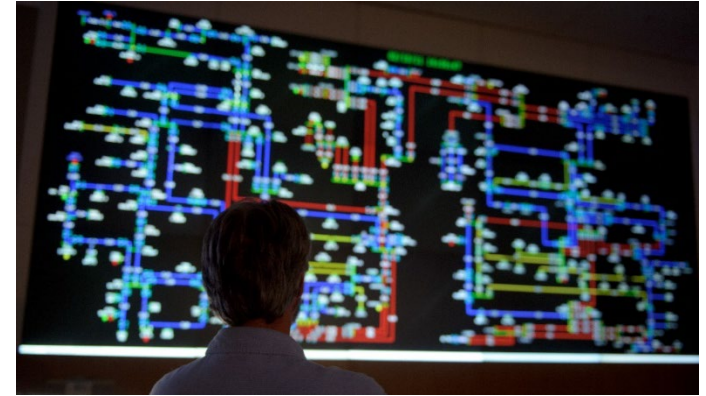
- Presupuesto operativo
- Presupuesto de capital: Financiado por el gobierno federal y el cobro de tarifas
- Días Ventas Pendientes: Clientes Generales y Gubernamentales
- Horas extras

MÉTRICAS DE RESPUESTA DE EMERGENCIA

Cómo operaremos la red eléctrica

Principios de operación del sistema

Estos principios definen cómo funcionará el sistema de despacho y control de la red. Habrá reglas para lograr un suministro de energía eficiente, entrega de energía confiable y toma de decisiones transparentes. El despacho de recursos en tiempo real, la planificación del sistema y los procedimientos de emergencia se enfocarán en conseguir resultados positivos para el sistema en general y nuestros clientes. Esto será cada vez más importante, a medida que se mejore el sistema de transmisión y distribución y las energías renovables se conviertan en la mayor fuente y opción energética para el País.



Lo que esto significa

- LUMA entregará energía lo más económicamente posible, mientras se mantiene la confiabilidad del sistema para **reducir los costos del combustible y las emisiones**
- Con reglas definidas y mejoras al sistema seremos capaces de “ver” las interrupciones del servicio antes de que ocurran para **evitar desconexión de carga**, acelerar los tiempos de respuesta y **minimizar las interrupciones del servicio a los clientes**
- Observarán **mejoras en la respuesta a emergencias** como huracanes y terremotos
- El Sistema operativo sentará las bases para que los inversionistas y el público tengan un mejor entendimiento de los aspectos técnicos y las limitaciones de la red eléctrica, permitiendo propuestas más competitivas y focalizadas en proyectos de **energía renovable y soluciones de mayor valor para Puerto Rico**

principios definidos
de operación
del sistema

**Mejor
Confiabilidad**

Qué esperar

A la expectativa de la aprobación de nuestros informes regulatorios, continuamos trabajando para asumir la operación del sistema de transmisión y distribución en junio 2021.

Una vez arranquemos, verán:

- Mejoras en la capacidad de respuesta a los clientes
- Desganche de vegetación
- Inspecciones de áreas que reportan un gran número o significativas interrupciones del servicio
- Mejoras en la seguridad pública, incluyendo el alumbrado de las calles

Queremos ser una compañía de la que los puertorriqueños se sientan orgullosos y en la que quieran trabajar. Para conseguirlo vamos a:

- Priorizar la seguridad
- Mejorar la satisfacción del cliente
- Reconstruir y mejorar la resiliencia del sistema
- Enfocarnos en la excelencia operacional
- Asegurar una transformación energética sostenible

Queremos que tengas la energía segura y confiable que te mereces.

LUMA Energy's Regulatory Filings

February 2021



Who We Are

Puerto Ricans rely on electricity. A robust and resilient energy system is the backbone for economic development.

At LUMA, our job is to provide electricity that Puerto Ricans can depend on. Our commitment is to transform the electric system by implementing public policy to achieve the customer-centric, reliable, resilient, safe energy that Puerto Ricans deserve — energy that will support economic growth and quality of life.

- We put people first, our employees, our customers and the Puerto Rican communities where we live and work
- We encourage and inspire our people to embrace opportunities as they work to build a better electric system for Puerto Rico
- Our goal is to provide exceptional customer service and implement public policy through operational excellence

Built for
Invested in
Listening to **Puerto
Rico**



Our mission for Puerto Rico

To recover and transform the utility to deliver customer-centric, reliable, resilient, safe and sustainable electricity at reasonable prices.

KEY GOALS



PRIORITIZE SAFETY

Reform utility activities to support a strong safety culture focused on employee safety and the safety of the people of Puerto Rico



IMPROVE CUSTOMER SATISFACTION

Transform utility operations to deliver a positive customer experience and reliable electricity at reasonable prices



SYSTEM REBUILD & RESILIENCY

Effectively deploy federal funding to restore the grid and improve the resilience of vulnerable infrastructure



OPERATIONAL EXCELLENCE

Enable employees to pursue operational excellence through new systems, processes and training



SUSTAINABLE ENERGY TRANSFORMATION

Modernize the grid and the utility to enable the sustainable energy transformation



How we got here

Puerto Rico's electricity system is at a crucial inflection point. Puerto Rico introduced fundamental legal reforms that established an independent regulator; required new operators for PREPA's distribution, transmission and generation assets; and paved the way for a cleaner, more resilient grid.

With PREPA in bankruptcy, Puerto Rico needs a professional operator to manage and administer the critical federal funds required for this recovery and transformation.

After a rigorous 18-month selection process, LUMA was awarded a partnership contract to operate and maintain the electric transmission and distribution system following evaluations and approvals from the Public-Private Partnership Committee, Board of Directors of the Public-Private Partnership Authority, PREPA Governing Board, Financial Oversight Board, Puerto Rico Energy Bureau and Governor of Puerto Rico.

LUMA was unanimously chosen by the Public-Private Partnership Authority Board because of:

- Our industry-leading expertise
- History of delivering on our commitments and
- Our focus on solutions designed to meet the government's goals for transforming the transmission and distribution system.



PUBLIC-PRIVATE PARTNERSHIP: O&M AGREEMENT



Asset Owner



Administrator



Operator



PROMESA & Title III

COR



FEMA

and other agencies

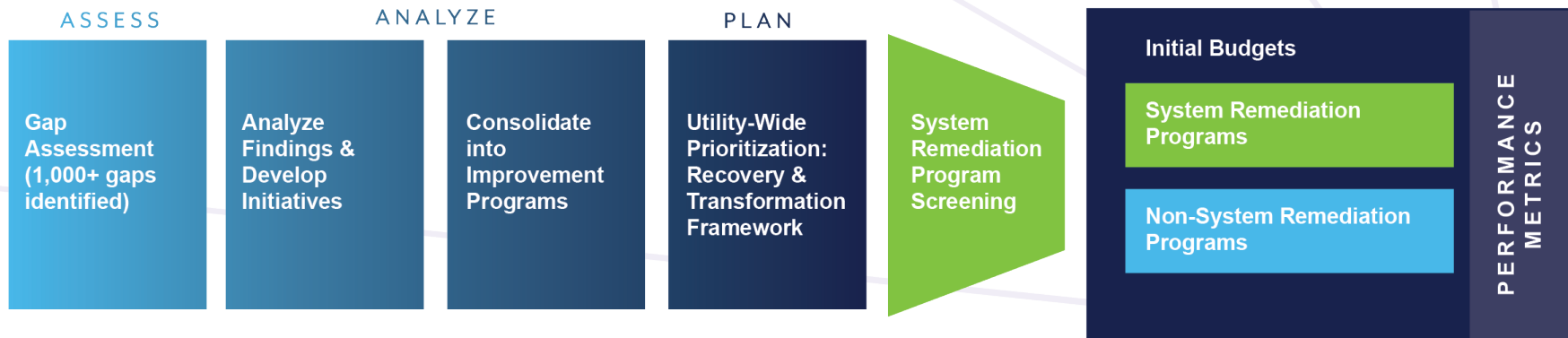
Federal Recovery Funds

What we've been doing since June 2020

Since June 2020, LUMA has been reviewing PREPA's data and sites, conducting a detailed assessment of the current conditions of the grid and utility service. The issues were not limited to hurricane damage. The assessments highlighted performance below industry standards and consistently poor health across most assets.

We then designed programs to carry out infrastructure recovery and achieve operational and customer satisfaction improvements. Our coordinated approach links key public policy to actionable plans. We prioritized and sequenced activities to deliver value to our customers and meet public policy and contractual requirements.

We developed plans, budgets, performance metrics and system operation principles and are now submitting our work to the PREB. These submissions will be reviewed and approved by PREB before LUMA begins operations, currently targeted for June 2021.



What we're submitting for PREB approval

System Remediation Plan

What we have planned

The System Remediation Plan (SRP) addresses areas that are below standard and pose the highest risk to Puerto Ricans, including our employees, and the system.

Initial Budgets

How we'll get there

Initial budgets do not propose a base rate increase. They cover all activities during the first 3 years of operations and include O&M, non-federally funded capital and federally funded capital.

Performance Metrics

How we'll be accountable

Performance metrics are numeric indicators to measure how well LUMA is performing in alignment with public policy and making tangible improvements for Puerto Rico.

System Operation Principles

How we'll operate the grid

System Operation Principles (SOP) define how the bulk power system will operate to ensure efficient energy generation and reliable energy delivery.

People First.
Safety Always.

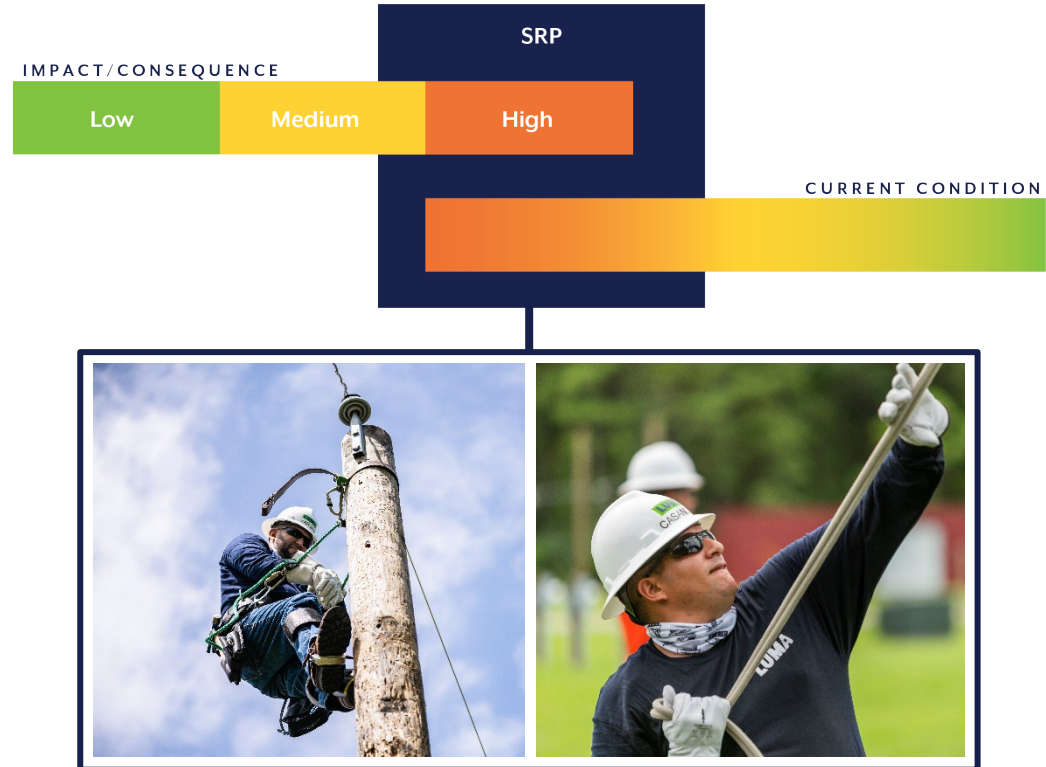
What we have planned

System Remediation Plan

LUMA's SRP establishes our strategy to remediate, repair, replace and stabilize transmission and distribution system equipment, systems, practices and services. The initiatives are foundational to recovery and transformation and address the most dangerous and fragile aspects of Puerto Rico's electricity system. They will enable LUMA to operate and maintain Puerto Rico's electricity system in compliance with industry standards, contractual requirements and applicable laws.

The SRP is a culmination of the assessments LUMA performed during the front-end transition period. LUMA has planned for approximately \$4 billion in initiatives as part of the SRP and over \$10 billion in total improvement programs.

The SRP is our plan to address areas that are below standard and pose the highest risk to Puerto Ricans, including employees, and the system. It's a critical part of a larger set of improvement activities to recover and transform the grid.

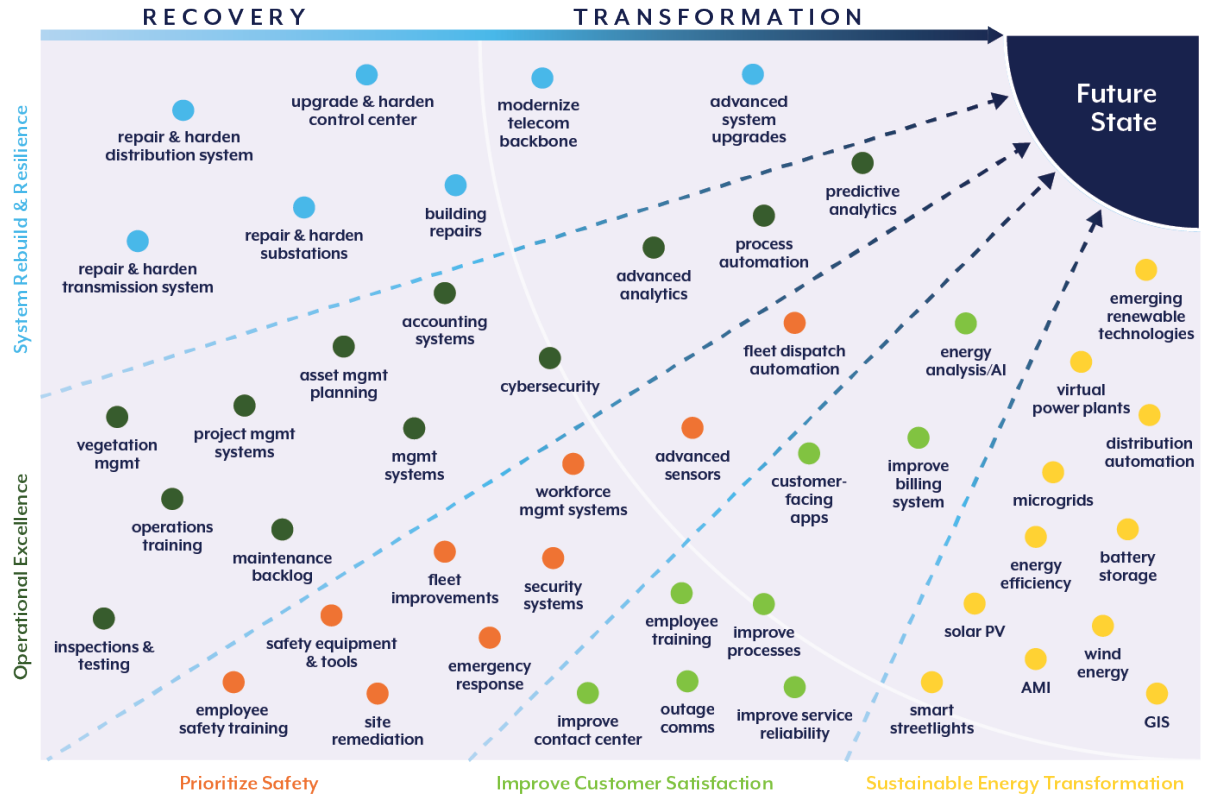


Where we're going

LUMA's overall strategy to implement the change mandated in public policy is composed of two phases: Recovery and Transformation.

The **RECOVERY PHASE** will involve restoring the utility's infrastructure and processes to a well-functioning state, repairing the grid in the near term and leveraging the experience of current PREPA employees who will be joining LUMA — while implementing new processes, systems and training to more effectively manage fundamental utility operations.

As the utility recovers, LUMA will accelerate the pace of **TRANSFORMATION**, in accordance with the government's goals and policy, by redesigning the utility to meet Puerto Rico's energy needs for the coming decades, with a focus on renewable generation and distributed energy resources made possible through advanced operational systems and technologies. Many of these Transformation programs will begin alongside Recovery programs.



How we'll get there

Initial Budgets

The initial budgets cover all LUMA activities during the first three years of operations and include activities associated with the system remediation plan and performance metrics. We've identified 69 remediation and improvement activities to start the utility on the path to recovery and transformation by implementing public policy, improving performance and strategically deploying federal funds. We'll start most these programs during our first year of operations.

WHAT'S INCLUDED

Our initial budgets comprise operating and capital (federally funded and ratepayer funded) budgets for transmission and distribution.

LUMA
budget
proposal

No
Increase
in Base Rate

* LUMA is not applying for a base rate increase. LUMA does not have legal authority to determine electric rates. PREB, the independent and specialized body to regulate, monitor and enforce energy public policy of the Government of Puerto Rico, is authorized by Puerto Rico laws to evaluate and approve rates.

How we'll be accountable

Performance Metrics

LUMA assessed PREPA's performance using industry-standard methods. We analyzed PREPA's existing processes, systems and data, identifying gaps as compared to electric utility industry practices. Results (including through independent third-party sources) show that PREPA consistently ranks at the bottom of all North American utilities.

CUSTOMER SERVICE

(J.D. Power)

Lowest of 144
North American utilities

47% lower than the next lowest

SAFETY INCIDENTS

(OSHA, 2019 stats)

5 times
the industry average
for workplace incidents

200% more than the next-worst utility

POWER OUTAGES

(IEEE)

9 times
longer & more frequent
than median performers

LUMA WILL BE ACCOUNTABLE.

Puerto Ricans deserve accountability from their electricity service provider.

LUMA's performance metrics are numeric indicators and scorecards of how well we're doing. Tailored to the electric utility business and shared with the public to ensure transparency, they use industry standards to measure performance and show how well we advance public policy. Each indicator measures LUMA's performance in key functional areas such as customer service, safety, reliability and financial management.

LUMA's Proposed Performance Metrics

CUSTOMER SATISFACTION

- J.D. Power Customer Satisfaction Survey: Residential & Business Customers
- Average Speed of Answer
- Customer Complaint Rate
- Abandonment Rate

SAFETY

- OSHA Recordable Incident Rate
- OSHA Fatalities
- OSHA Severity Rate
- OSHA DART Rate

TECHNICAL

- System Average Interruption Frequency Index (SAIFI)
- System Average Interruption Duration Index (SAIDI)
- Inspections (Distribution & Transmission Lines, Substations)

FINANCIAL

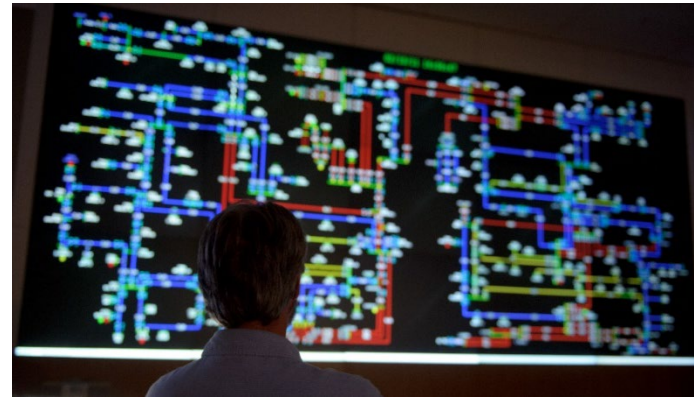
- Operating Budget
- Capital Budget: Federally Funded & Ratepayer Funded
- Days Sales Outstanding: General & Government Customers
- Overtime

EMERGENCY RESPONSE METRICS

How we'll operate the grid

System Operation Principles

The SOP defines how the bulk power system will operate. There will be effective rules for efficient energy generation, reliable energy delivery and transparent decision-making on how the grid is managed. Real-time dispatch, resource and system planning and emergency procedures will be focused on achieving outcomes for the overall system and customers. This will become increasingly important as the transmission and distribution system is improved and renewables become a larger source of energy.



What this means

- LUMA will dispatch energy as economically as possible while maintaining reliability to **reduce fuel costs and emissions**
- With defined rules and system improvements, we'll be able to "see" outages before they happen to **avoid load-shedding**, expedite response times and **shorten most customer outages**
- You'll see **improved response to emergencies** such as major hurricanes and earthquakes
- The SOP will create the basis for developers and stakeholders to better understand grid issues and constraints, allowing for more competitive, tailored proposals for **new renewables and value-added solutions for Puerto Rico**

defined
operation
principles

Improved Reliability

What to expect

Pending the required approvals of our regulatory filings, we will commence operations in June 2021.

Following commencement, you'll see:

- Improvement in contact center responsiveness
- Clearing of vegetation from utility rights of way
- Walkdowns and inspections of areas experiencing a significant number or size of outages
- Improved public safety, including streetlights

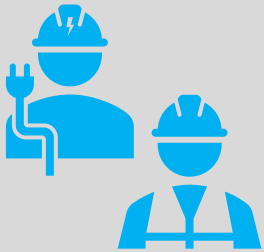
We want to be a company that Puerto Rico is proud of and that Puerto Ricans want to work for. To get there, we'll

- Prioritize safety
- Improve customer satisfaction
- Rebuild the system and improve system resiliency
- Focus on operational excellence
- Ensure a sustainable energy transformation

We want you to have the safe, reliable energy you deserve.

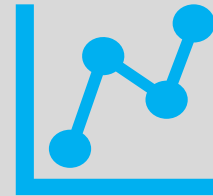
LUMA's approach

People First. Safety Always.



- *LUMA puts people first, customers and employees*
- *The health and safety of our employees and customers are our top priority*

Data Driven Decision Making



- *Collect data where possible and in line with prudent utility practices*
- *Adhere to codes and standards to collect, validate and review data*
- *Use data to drive decisions, assess risk and report results*

Leading with Solutions



- *Assess the situation, apply expertise, develop solutions for the path forward*
- *Analyze alternatives, compare and contrast trade-offs and recommend cohesive solutions*

Transparent and Collaborative



- *Consider customer impacts and engage with PREB, key stakeholders and customers*
- *Lead ongoing engagement*
- *Ensure accountability*



Outline

- Summary
- Process
- Scope
- Recovery and Transformation Framework
- Capital Budget Review
- O&M Budget Review
- Conclusion
- Appendix

Summary

Initial Budgets Summary - Request

- Request that PREB approve Budget for Fiscal Year 2022

| Budget for Approval (\$ million) | Budget FY2022 |
|---------------------------------------|---------------|
| Transmission & Distribution | |
| Operating Budget | 625 |
| | |
| Capital Budget — Total | 774 |
| Capital Budget — Federally Funded | 650 |
| Capital Budget — Non-Federally Funded | 124 |
| | |
| Generation Budget | 288 |
| | |
| Other | 146 |
| Bad Debts | 59 |
| PREPA Legacy | 23 |
| Bankruptcy and Advisor Costs | 64 |



Initial Budgets Summary - Compliance

Request complies with requirements from:

- Applicable laws and regulations, including:
 - Resolution and Order in Case CEPR-AP-2015-0001 (2017 Rate Case), specifically limits of approved base rate with no rate increase or revision sought
 - Section 6.22(a)(2) of Act 57-2014 requirements to submit future operating budgets
- Puerto Rico Transmission & Distribution Operation & Maintenance Agreement dated June 2020 (OMA), including Section 4.2 (e)

- Consistent with methodologies certified by the FOMB for PREPA Fiscal Plans

Initial Budgets Summary – Within Approved Rates

| | 2017 Rate Order |
|--|-----------------|
| PREPA Projected Sales (GWh) | 17,268.33 |
| PREPA Base Rate Revenue Requirement (\$ in millions) | 1,289.10 |
| Approved Base Rate Revenue Requirement (\$/kWh) | 0.0747 |

“...PREPA shall treat the revenue requirement established in this Order as a cap on annual spending until the Commission changes such revenue requirement and shall prepare departmental budgets that conform to that cap. There will be no over-spending by PREPA.”

2017 Rate Order

| | Initial Budgets | | |
|---|-----------------|----------|----------|
| | FY2022 | FY2023 | FY2024 |
| PREPA Forecast Sales (GWh) | 15,864.8 | 14,930.9 | 14,117.7 |
| Total Non-Federally Funded Transmission & Distribution and Generation Expenditures (\$ in millions) | 1,183.3 | 1,113.7 | 1,053.0 |
| Total Non-Federally Funded Transmission & Distribution and Generation (\$/kWh) | 0.0746 | 0.0746 | 0.0746 |

\$/kWh in the Initial Budgets is below the \$0.0747 per kWh limit in 2017 Rate Order



Initial Budgets Summary – Initial Budgets Not a Rate Case

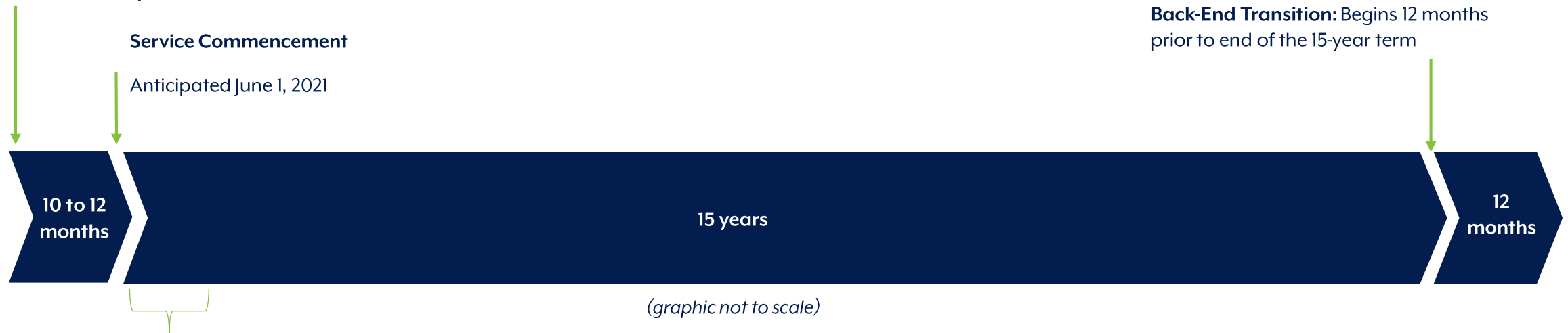
| | Initial Budgets | Future Rate Case |
|-----------------|--|---|
| Underlying Data | <ul style="list-style-type: none"> • Recommendations from Fall 2020 Forecast Plans • Culmination of Front-End Transition activities (assessments, annual operating business plans and regulatory filings including the System Remediation Plan, Performance Metrics and System Operation Principles) | <ul style="list-style-type: none"> • Updated cost of service studies and load forecasts based on LUMA operations • Updated System Remediation Plan and Performance Metrics (if applicable) |
| Expenditures | Within established rates | <ul style="list-style-type: none"> • Based on outcome of changing sector dynamics including private GenCo operator • Updated for federal funding availability and LUMA results, budgets and forecasts • PREPA no longer in Title III |

Initial Budgets Summary – Beginning of Long Regulatory Relationship

Short Front-End Transition (FET) intended for LUMA to prepare plans, put in place organization, and obtain the required approvals to start operations

- During FET LUMA does not have operating control or responsibility for operations
- Further reviews and planning will continue after LUMA takes over operation of the T&D System and throughout the 15-year contract term
- FET plans completed using data provided by PREPA and without operational control of the assets
- Customers benefit from expeditious process for LUMA to begin operations

Effective Date: June 22, 2020



Interim Period
(operations under Title III)



Initial Budgets Summary – LUMA Regulatory Filings and Participation in Current Dockets

LUMA Active Regulatory Filings

Initial Budgets

System Remediation Plan

LUMA Performance Metrics

System Operation Principles

LUMA Active Participation

Demand Response

PREPA 10 year plan

PREPA Performance Metrics

Resiliency Optimization

Unbundling

Energy Efficiency



Initial Budgets Summary - Key Activities

- Orderly transition for management and operation of the T&D System while maintaining business continuity and without disrupting customer experience
- Implementing new policies, procedures and plans which will improve the operation of the T&D System, its safety, reliability and service to customers and the people of Puerto Rico
- Complete a significant amount of remediation and improvement work to the utility grid across Puerto Rico and advance public policy
- Initial Budgets details LUMA activities within:
 - Operating activities across LUMA departments supporting improvement initiatives and day to day operating activities
 - Capital activities, both federally funded and non-federally funded across all improvement programs



Initial Budgets Summary – Key Outcomes for the People of Puerto Rico

Prioritize Safety

- Significant investments and programs putting safety first, directly impacting the well-being of employees and the people of Puerto Rico

Improve Customer Satisfaction

- Customers will receive better and more accurate information, increased service reliability and more responsive, effective service

System Rebuild and Resiliency

- Coordinated and efficient remediation of energy infrastructure (60% of SRP), restoration to current codes and standards effectively deploying federal funding, reduce outages, increase preparedness and response

Operational Excellence

- Systematic approaches to management, project delivery and business operations; implementation of policies and procedures; execution of operational plans; accountability

Sustainable Energy Transformation

- Grid modernization to enable renewable energy growth with reliability; upgrading with applicable technology; integrating energy storage and distributed energy resources



Initial Budgets Summary – Performance Metric Improvements

| Performance Metric | Improvement Within 3 years |
|---|-------------------------------|
| Customer Service | 31% |
| Safety | 48% |
| System Average interruption Frequency Index (SAIFI) | 30% |
| System Average interruption Duration Index (SAIDI) | 40% |

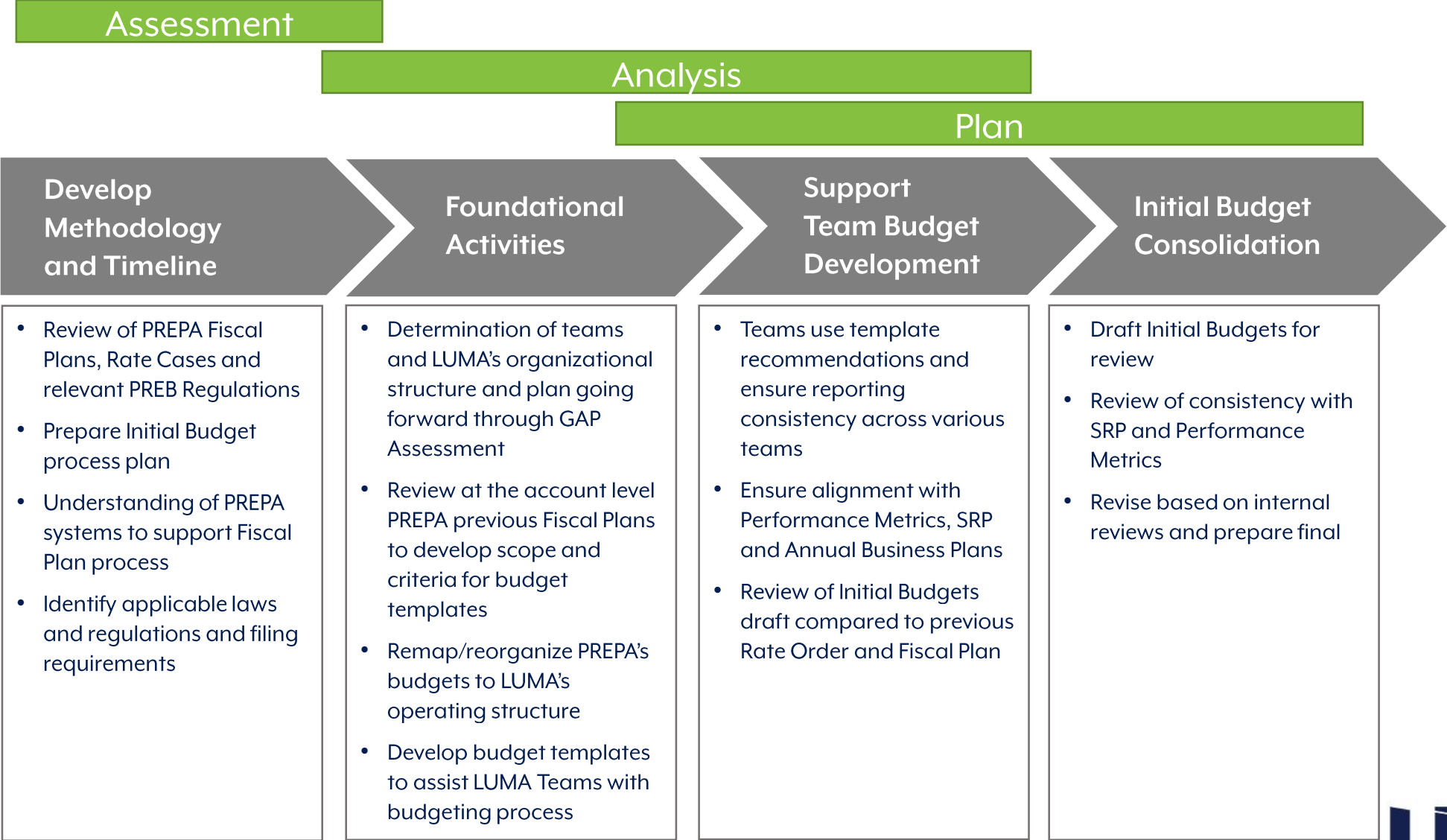
Note – cumulative improvement from initial baseline shown



Process



Three Phase Approach



Gap Assessment

LUMA applied its collective knowledge of the industry, Prudent Utility Practice, OMA requirements and applicable codes and standards to conduct a broad, preliminary assessment of the condition of the utility's physical assets and management practices.

The objectives of this assessment were to understand the following:

The organization's processes, controls, communication and safety protocols, technologies and tools

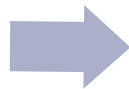
Capabilities across general management and business specific functions

Condition of T&D assets, including supporting physical infrastructure and temporary restoration work

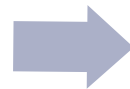
Areas representing significant improvement opportunities ("major gaps")

The process undertaken to complete the Gap Assessment:

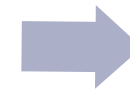
Document Key Observations and Contributors



Identify Gaps



Assessed and Scored Maturity



Consolidated the Gap Analysis Results



Organization Maturity Scoring Criteria and Asset Health Condition Score

| Score | Unfocused 1 | Aware 2 | Developing 3 | Competent 4 | Excellent 5 |
|------------------|---|--|--|---|--|
| Scoring Criteria | <p>The organization has not recognized the need for the basic elements and/or there is no evidence of commitment to put them in place.</p> <p>Work is performed informally or ad hoc</p> <p>Processes are undocumented and/or undefined</p> <p>Issues present major exposures</p> <p>Required expertise/training does not exist, capacity is insufficient or both</p> | <p>The organization has a basic understanding of the need to address these elements and is in the process of deciding how/starting to apply them.</p> <p>Preliminary documentation of processes being compiled</p> <p>Performance is unmeasured</p> <p>Little organizational effort to identify issues</p> | <p>The organization has identified the means to address the major elements and some work is progressing on implementation.</p> <p>Basic performance can be measured</p> <p>Performance is minimally adequate</p> <p>Processes are documented and defined</p> <p>Issue identification is performed</p> <p>Competitively sub-par</p> | <p>All elements are in place and are implemented in the day-to-day operations of the business.</p> <p>Major improvements made</p> <p>Performance is adequate and continuously measured/verified</p> <p>Processes are managed (followed consistently) with appropriate controls</p> <p>Disciplined issues identification</p> <p>Competitively at par</p> | <p>The organization is using processes and approaches beyond the basic requirements, driving to achieve maximum value.</p> <p>Verifiable issues/ defect reductions and or practices continuous improvement</p> <p>Deliberate effort to optimize/improve processes</p> <p>Competitively well positioned to competitively differentiated</p> |

| Score Value | Health/Condition |
|-------------|--|
| 4 | System like new (replaced or refurbished within the last five years) |
| 3 | System has been maintained with general operations and maintenance on a routine basis; no major issues noted |
| 2 | Deficiencies were noted or components were out of service |
| 1 | Major issues noted causing a safety, reliability or unit output issue |
| 0 | End of life or not operational |



Initial Assessment Findings and Observations

LUMA's initial assessment of the utility, its assets and organization, reveals infrastructure and organizational systems that are in significant need of improvement.

Key Organization Health Findings

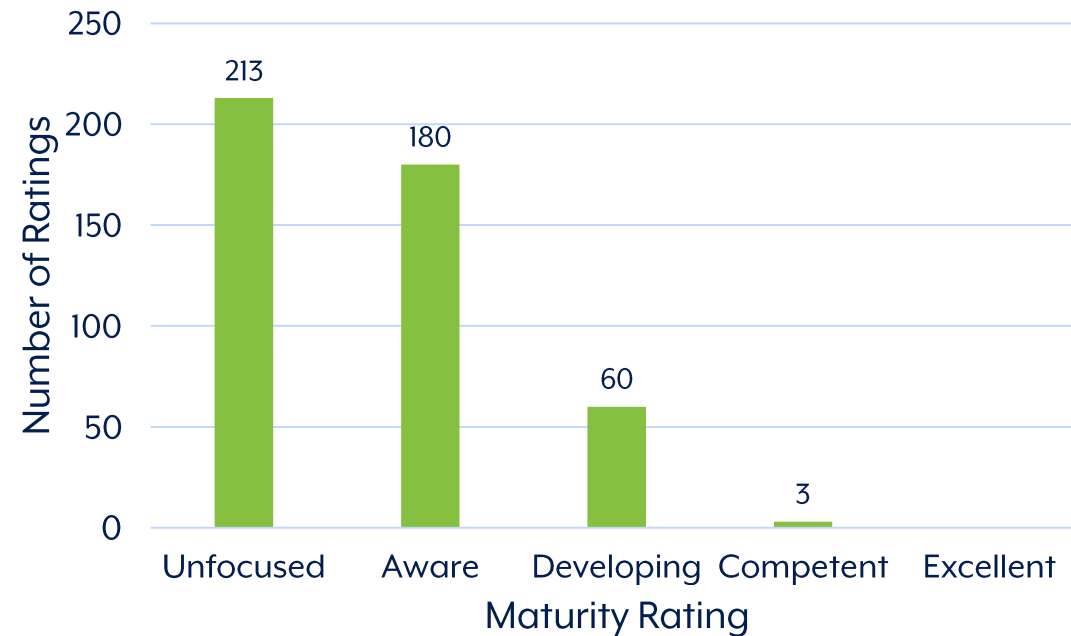
| |
|--------------------------------|
| Workplace Health and Safety |
| Maintenance Practices |
| Project Management and Control |
| Policies and Procedures |
| Absence of Accurate Data |

Key Asset Condition Assessment Findings

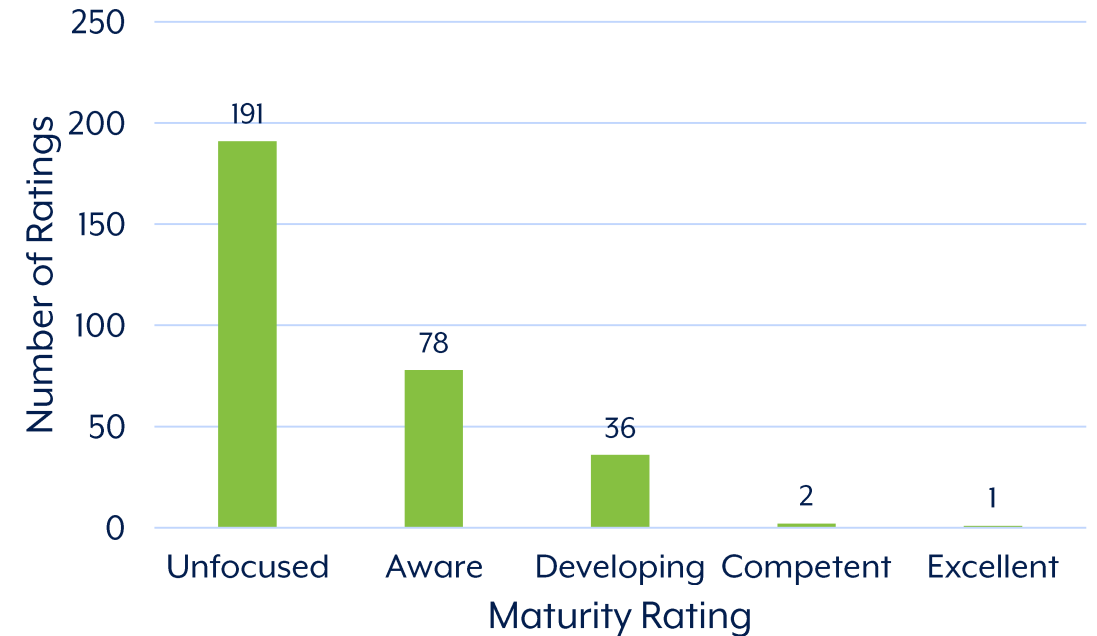
| |
|---|
| Substation and Transmission Centers |
| Transmission System Hazards |
| Telecommunications Systems and Networks |
| Distribution System |
| System Operations Technologies and Facilities |

Initial Assessment Findings and Observations

General Management Sub-Focus Areas

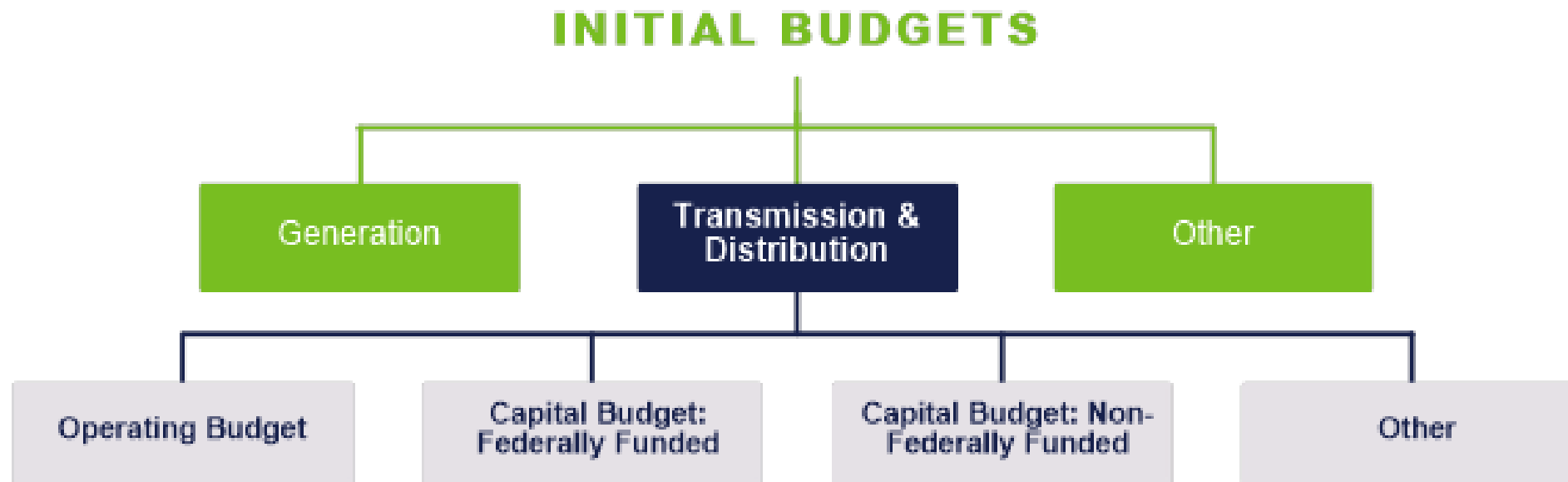


Core Business Sub-Focus Areas



Scope

Initial Budget Scope – Includes All Activities in First 3 Years



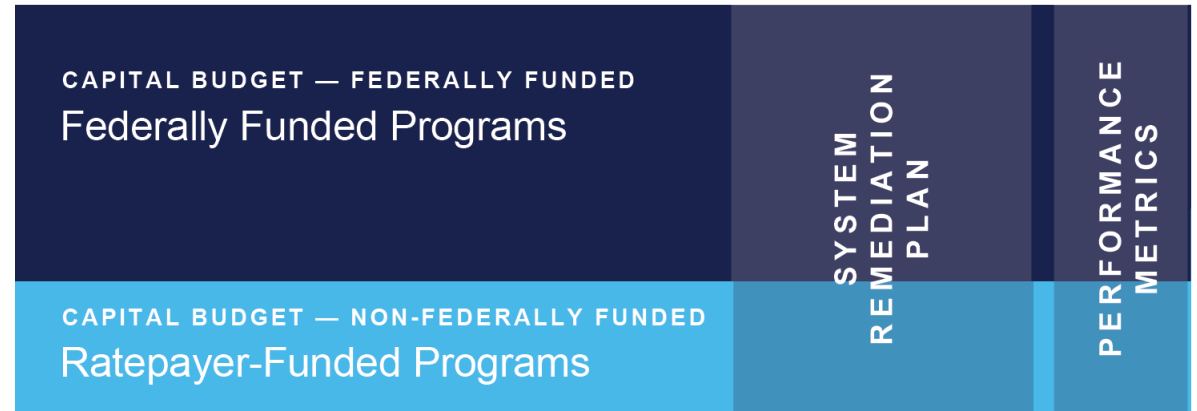
Key Activities

Operating



- LUMA Department
 - Customer Service
 - Operations
 - Utility Transformation
 - Support Services

Capital



*Area of boxes not indicative of budget amount

- Portfolios
 - Customer Service
 - Transmission and Distribution
 - Substation
 - Control Center and Buildings
 - Enabling
 - Support Services



FET Activities supported development of Initial Budgets

Conducted system-wide gap and asset condition assessments

Improvement Programs

- Developed a comprehensive set of initiatives to address gaps
- Consolidated into programs of similar, interdependent initiatives
- Development of Recovery & Transformation Framework
- Prioritize and sequence improvement programs

Operational Activities

- Determination of teams and LUMA's organizational structure
- Development of LUMA activities to support ongoing utility operations and requirements identified in improvement programs



Recovery and Transformation Framework

Recovery & Transformation Framework

- LUMA conducted a strategic planning process to synthesize the Government of Puerto Rico's public policies into a comprehensive set of guiding principles that ensure that LUMA's plans align with Puerto Rico's public policy objectives and customer needs
- The outcome of this process was a Recovery and Transformation Mission for the T&D System along with a set of Goals for making progress towards that mission in the near term
- LUMA used a prioritization framework to qualitatively value each program's contribution to our key Goals and Objectives. A qualitative prioritization matrix was used to guide investment planning, combined with subject matter expert judgement of operational considerations and needs.



LUMA's Recovery & Transformation Mission & Goals

Our mission

Recover and transform the utility to deliver customer-centric, reliable, resilient, safe, sustainable electricity at reasonable prices.

KEY GOALS



PRIORITIZE SAFETY

Reform utility activities to support a strong safety culture focused on employee safety and the safety of the people of Puerto Rico



IMPROVE CUSTOMER SATISFACTION

Transform operations to deliver a positive customer experience and deliver reliable electricity at reasonable prices



SYSTEM REBUILD AND RESILIENCY

Effectively deploy federal funding to restore the grid and improve the resilience of vulnerable infrastructure



OPERATIONAL EXCELLENCE

Enable employees to pursue operational excellence through new systems, processes and training



SUSTAINABLE ENERGY TRANSFORMATION

Modernize the grid and the utility to enable the sustainable energy transformation



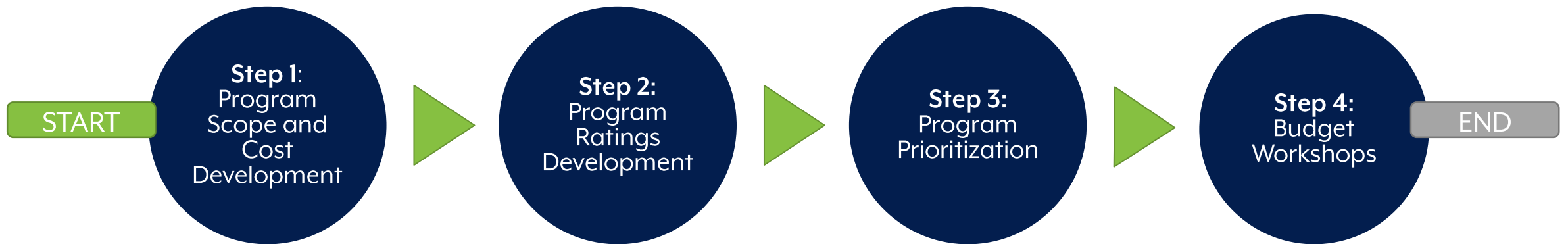
Detailed Goals & Objectives

- To make the Goals actionable, the planning team identified Objectives, which are activities that need to be completed to reach the Goals
- These Goals and Objectives were used:
 - as guiding principles in the prioritization and sequencing of programs for budgeting purposes
 - to pursue a balance of investment across all goals

Detailed Goals & Objectives

| Goal | Objectives |
|-----------------------------------|--|
| Prioritize Safety | <ul style="list-style-type: none"> ▪ Promote a safe workplace. ▪ Implement effective public safety practices |
| Improve Customer Satisfaction | <ul style="list-style-type: none"> ▪ Deliver a positive customer experience ▪ Increase Service Reliability ▪ Deliver electricity at reasonable prices |
| System Rebuild and Resiliency | <ul style="list-style-type: none"> ▪ Effectively deploy federal funding ▪ Restore damaged grid infrastructure ▪ Improve resiliency of vulnerable infrastructure |
| Operational Excellence | <ul style="list-style-type: none"> ▪ Enable systematic management of the business ▪ Pursue project delivery excellence ▪ Enable employees to execute business operations systematically |
| Sustainable Energy Transformation | <ul style="list-style-type: none"> ▪ Modernize the grid ▪ Enable the digital transformation ▪ Enable the sustainable energy transformation |

Process Map



Prioritization & Sequencing Process



Prioritization & Sequencing Process

- LUMA used a prioritization framework to qualitatively value each program's contribution to our key Goals and Objectives
 - Identify an initial list of the highest priority improvement programs, which was the starting point to provide a basis for a series of subsequent budget planning workshops and sequencing based on operational and logistical risk and interdependencies
- Consideration of Funding Sources:
 - Federally Funded: Federal disaster recovery aid provides a large source of funding to repair and/or harden damaged physical infrastructure
 - Non-Federally Funded: Some foundational SRP initiatives and transformational grid modernization investments must be funded from non-federal capital
- Prioritized and sequenced remaining investment programs to ensure the "right investments are completed at the right time" to deliver value to customers

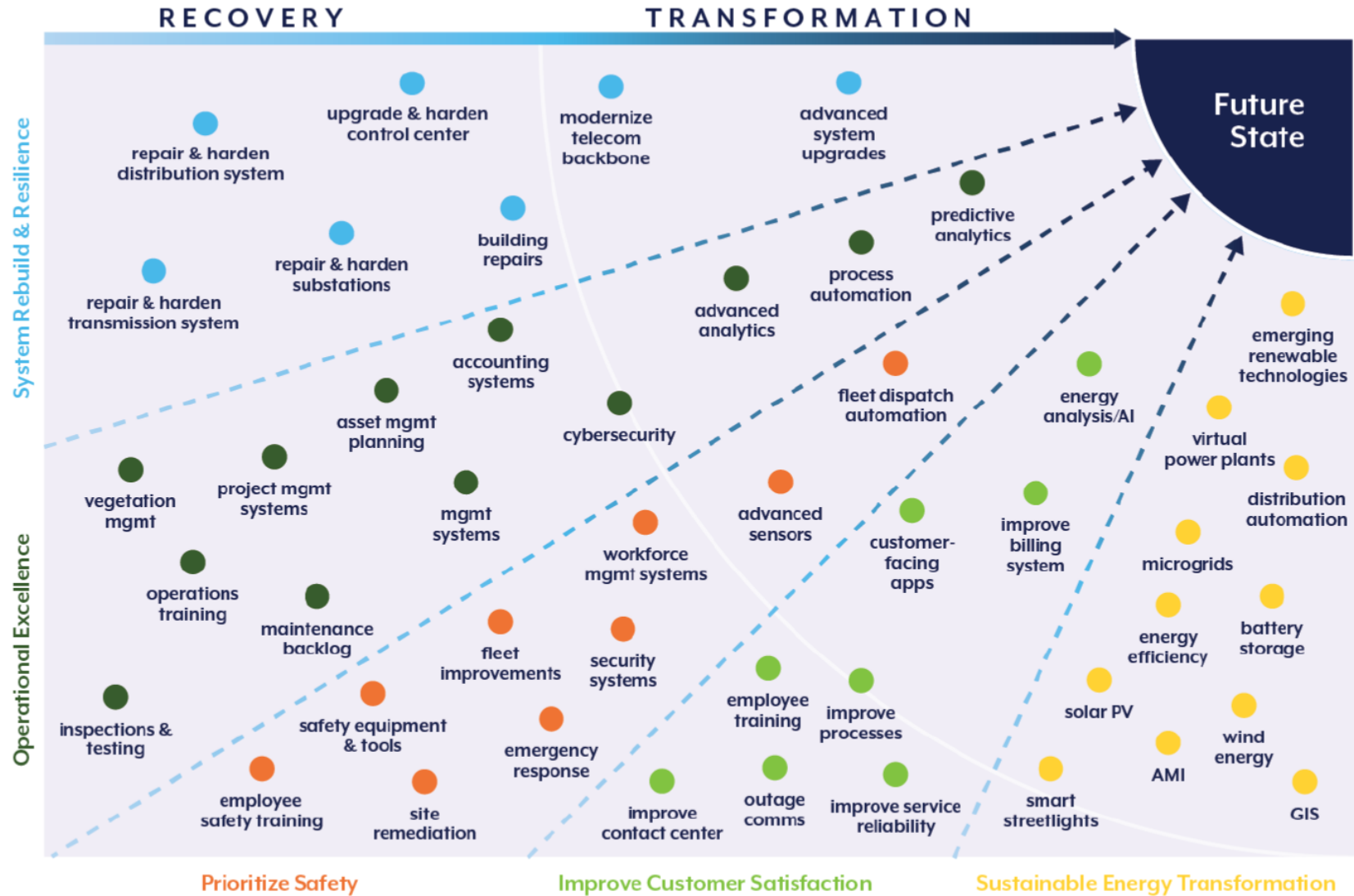


Recovery and Transformation Road Map

- Provides a comprehensive set of guiding principles that align LUMA's strategy and operations with Puerto Rico's public policy objectives and customer needs
- This effort resulted in Recovery & Transformation programs design to deliver value to customers in accordance with policy and contractual requirements within annual budget constraints
- The near-term emphasis of LUMA's investment plan is on foundational recovery programs to improve both infrastructure and organization health, while enabling an increasing focus on Transformation programs
- This process was not used to cut programs off the list, it was meant to schedule activities with some initiatives with less benefits across Goals being extended across multiple years



Recovery and Transformation Road Map



Capital Budget Review



Total Capital Portfolio Spend

\$, millions

| Portfolios | Federal Funded | Non-Federal Funded | FY2022 Spending Estimate | Federal Funded | Non-Federal Funded | FY2023 Spending Estimate | Federal Funded | Non-Federal Funded | FY2024 Spending Estimate |
|----------------------------|----------------|--------------------|--------------------------|----------------|--------------------|--------------------------|----------------|--------------------|--------------------------|
| Customer Service | 82.7 | 13.1 | 95.7 | 122.0 | 16.8 | 138.8 | 122.0 | 15.5 | 137.5 |
| Distribution | 199.2 | 35.3 | 234.5 | 311.2 | 37.8 | 349.0 | 477.3 | 37.8 | 515.2 |
| Transmission | 236.0 | 1.7 | 237.7 | 456.8 | 1.7 | 458.5 | 419.9 | 1.7 | 421.6 |
| Substations | 89.1 | 18.9 | 108.0 | 81.0 | 21.2 | 102.2 | 80.6 | 22.1 | 102.7 |
| Control Center & Buildings | 9.3 | 3.2 | 12.5 | 44.7 | 5.2 | 49.9 | 55.5 | 6.2 | 61.6 |
| Enabling | 17.0 | 41.3 | 58.3 | 2.2 | 29.9 | 32.1 | 1.7 | 38.6 | 40.3 |
| Support Services | 4.3 | 8.2 | 12.6 | 1.9 | 10.5 | 12.4 | 1.7 | 8.6 | 10.3 |
| Grand Total | 637.6 | 121.7 | 759.3 | 1,019.8 | 123.2 | 1,142.9 | 1,158.7 | 130.5 | 1,289.2 |

Note: Spending estimates include federally funded and non-federally funded capital expenses. General operations and maintenance expenses not directly allocated to specific programs are not included here and are presented in LUMA's Initial Budget filing.



Key Improvement Programs

\$, millions

| | Portfolio | Program | 2022 Capital Spend | 2023 Capital Spend | 2024 Capital Spend | FY 22-24 Spend Total |
|----|------------------|---|--------------------|--------------------|--------------------|----------------------|
| 1 | Distribution | Distribution Pole and Conductor Repair | \$85.1 | \$160.1 | \$325.7 | \$570.9 |
| 2 | Transmission | IT OT Telecom Systems & Network | \$134.6 | \$202.7 | \$152.2 | \$489.5 |
| 3 | Transmission | Transmission Line Rebuild | \$52.0 | \$185.0 | \$185.0 | \$422.1 |
| 4 | Distribution | Distribution Line Rebuild | \$87.2 | \$124.6 | \$124.6 | \$336.3 |
| 5 | Customer Service | Distribution Streetlighting | \$80.0 | \$122.0 | \$122.0 | \$324.0 |
| 6 | Transmission | Transmission Priority Pole Replacements | \$46.1 | \$66.1 | \$79.8 | \$192.0 |
| 7 | Distribution | Distribution Automation | \$38.7 | \$40.9 | \$41.3 | \$120.9 |
| 8 | Substations | Transmission Substation Rebuilds | \$31.0 | \$34.4 | \$34.4 | \$99.8 |
| 9 | Substations | Distribution Substation Rebuilds | \$26.0 | \$26.0 | \$26.0 | \$78.0 |
| 10 | Enabling | T&D Fleet | \$25.2 | \$22.0 | \$26.2 | \$73.4 |
| 11 | Distribution | Distribution Lines Inspection | \$23.5 | \$23.5 | \$23.5 | \$70.6 |
| | | Key Program Spend | \$629.5 | \$1,007.3 | \$1,140.8 | \$2,777.6 |
| | | Additional Program Spend | \$129.8 | \$135.6 | \$148.4 | \$413.8 |
| | | Total Capital Program Spend | \$759.3 | \$1,142.9 | \$1,289.2 | \$3,191.4 |

Note: Key Improvement Programs are programs with FY22-24 anticipated spend of \$50 million or above.



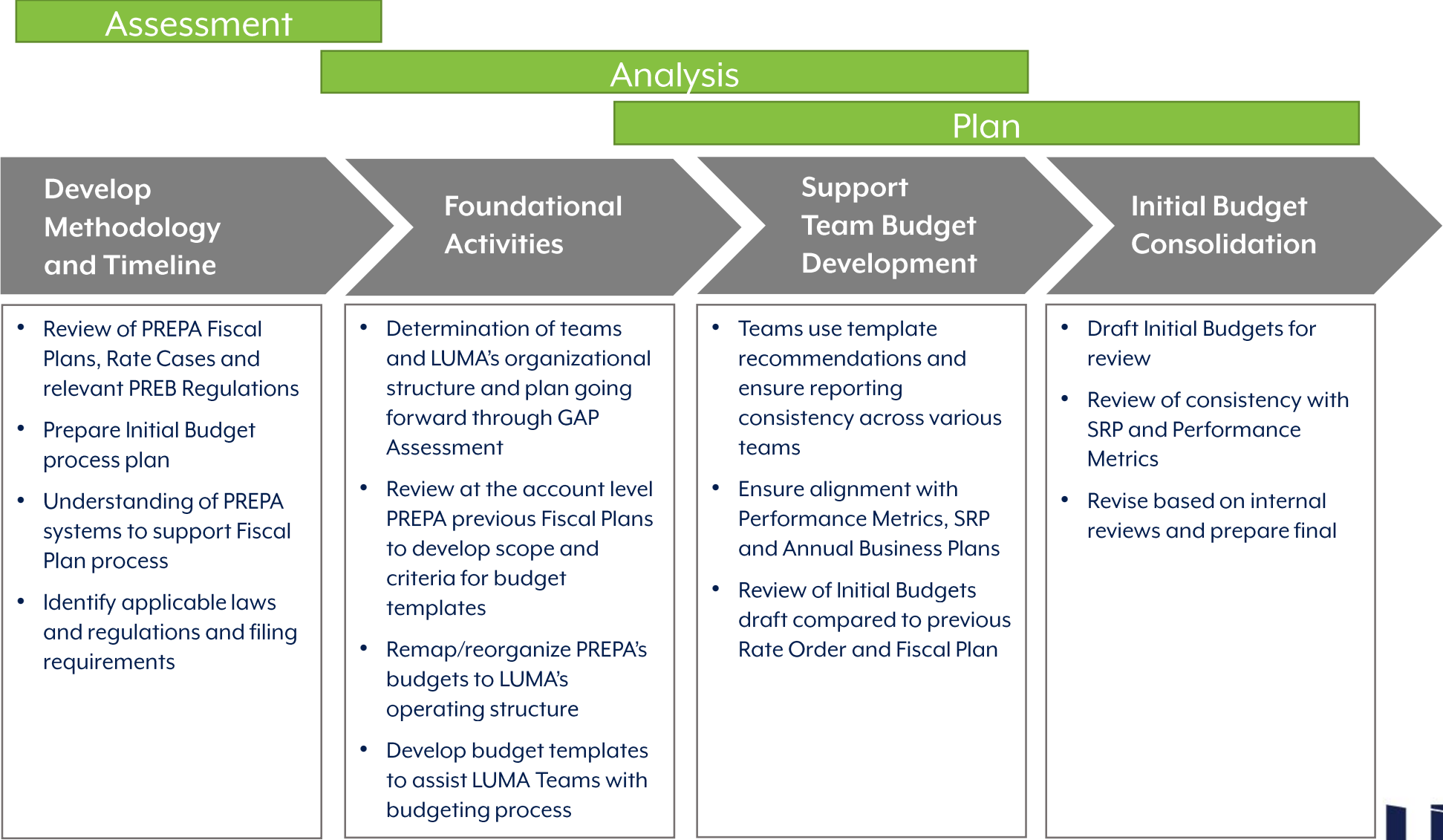
O&M Budget Review



Budget – Basis of Initial Budgets

- LUMA has compiled its estimates based on a bottom-up exercise, using an activity-based budgeting approach to support the first three years of the Recovery and Transformation Framework
- LUMA has developed its Initial Budgets on a cash basis consistent with PREPA's previous year presentation while under the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) Title III protection
- Initial Budgets are consistent with methodologies used by PREPA in recent fiscal plans including the 2020 PREPA Fiscal Plan as certified by the FOMB on June 29, 2020.

Three Phase Approach



Budget – Key Assumptions

- With respect to the FY2022 budget, base assumptions include:
 - Salary and wages: LUMA's estimates were based on a median market range salary and wage plan for employees informed using PREPA historical wages and departmental evaluations of positions with support from Human Resources, consistent with OMA requirements
 - LUMA has informed its estimates based on PREPA's operating history, previous experience and market estimates built on existing contracts. LUMA's current state understanding is heavily reliant on information provided by PREPA during the FET process and, unless specifically noted, such information is taken as correct and complete
- The Initial Budgets are completed and informed based on a particular point in time; as such, they cannot reasonably contemplate further information that may arise in the future, or if additional requirements are determined which are not already contemplated



Key Operating Activities

Operating Budgets or T&D Pass-Through Expenditures required to perform O&M services: LUMA plans to fulfill its ongoing requirements as the operator and proactively develop efficiencies and prioritization across all activities to efficiently deploy federal funds for recovery of the T&D system and to improve performance. Activities include improvement programs which support the Recovery and Transformation Framework. LUMA's Key Departments & their corresponding activities include:



CUSTOMER SERVICE DEPARTMENT

Establishing appropriate communication protocols & basic billing / collection practices that personify courtesy, capture efficiencies & demonstrate proactivity.

Targeting improved customer relations by:

- *Modernizing & developing In-House Customer Service*
- *Improving Billing Services (Joint Use & Accuracy) & Billing Collection*
- *Connecting & Improving relations with the Customer*



SUPPORT SERVICES DEPARTMENT

Facilitating utility operations by establishing a safety-first culture, establishing an overall IT OT framework & optimizing systems procedures / processes for functions including Finance, Regulatory & Procurement

- *Implementing Financial System & Control processes*
- *Preparing for Major build & procurement processes*
- *Establishing a Programs & Compliance Department*
- *Implementing Safety & Training Procedures*
- *Establishing Legal, Communications, Audit and External Relations Department*
- *Establishing Processes & Tools for systems management*
- *Upgrading legacy systems in place with transformation plan*



UTILITY TRANSFORMATION DEPARTMENT

Providing the technical, engineering and programmatic framework required to deliver safe and reliable service to its customers while maintaining focus on the long-term vision articulated in the IRP

Focusing on designing, engineering & capital planning by:

- *Improving Transmission & Distribution Reliability*
- *Upgrading Control Center, Metering, Pole & Conductor systems & processes*
- *Establishing PMO, T&D, Construction and Commissioning Team & Systems/Processes*
- *Overseeing Federal Funding Management Office (IEM)*



OPERATIONS DEPARTMENT

Focusing on providing required ongoing safe and reliable services to customers, building new foundations toward achieving more sustainable improvements in the future by optimizing line and substations work and vegetation, fleet & materials management. Operating the T&D system more effectively by:

- *Upgrading Fleet & implementing Vegetation Management Plan*
- *Training staff – Implementing safety & work procedures*
- *Improving efficiencies within T&D Construction*



FY2022 – 2024 LUMA T&D Consolidated O&M Budget

| \$, millions | FY2022 | FY2023 | FY2024 |
|--|----------------|----------------|----------------|
| Labor | | | |
| Salaries, Wages and Benefits | \$222.4 | \$250.8 | \$254.3 |
| Total Labor | 222.4 | 250.8 | 254.3 |
| Non-Labor | | | |
| Materials & Supplies | 20.6 | 20.5 | 20.5 |
| Transportation, Per Diem, and Mileage | 22.6 | 34.6 | 28.8 |
| Property & Casualty Insurance | 56.7 | 57.3 | 57.9 |
| Security | 19.8 | 20.0 | 20.2 |
| IT Service Agreements | 38.0 | 41.7 | 40.8 |
| Utilities & Rents | 22.5 | 22.8 | 23.0 |
| Legal Services | 9.8 | 11.6 | 11.8 |
| Communications Expenses | 4.8 | 4.9 | 4.9 |
| Professional & Technical Outsourced Services | 88.9 | 87.4 | 86.6 |
| Vegetation Management | 51.3 | 51.8 | 52.3 |
| Regulation and Environmental Inspection | 4.0 | 4.0 | 4.1 |
| Other Miscellaneous Expenses | 29.4 | 31.1 | 31.3 |
| Other Expenses | 0.3 | 0.3 | 0.3 |
| Total Non-Labor / Other Operating Expense | 368.7 | 388.0 | 382.3 |
| Subtotal Labor and Non-Labor/Other Operating Expenses | 591.1 | 638.7 | 636.6 |
| Shared Services Provided by LUMA to GenCo | (76.6) | (77.3) | (78.1) |
| Future Efficiencies | | (59.4) | (110.6) |
| LUMA Fees | 100.7 | 110.7 | 125.1 |
| 2% Reserve Excess Expenditures | 10.3 | 10.0 | 9.0 |
| Total Operating Expense | \$625.5 | \$622.7 | \$582.0 |



Conclusion



Conclusion

- Request for PREB to approve Budget for FY 2022
- No Increase in Base Rate
- Culmination of all LUMA FET assessments and deliverables with bottom-up departmental exercise
- Includes all LUMA activities in first three years
- Improvement programs prioritization and sequencing using Recovery & Transformation Framework

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| PREPA Legacy | 23 |
| Bankruptcy and Advisor Costs | 64 |

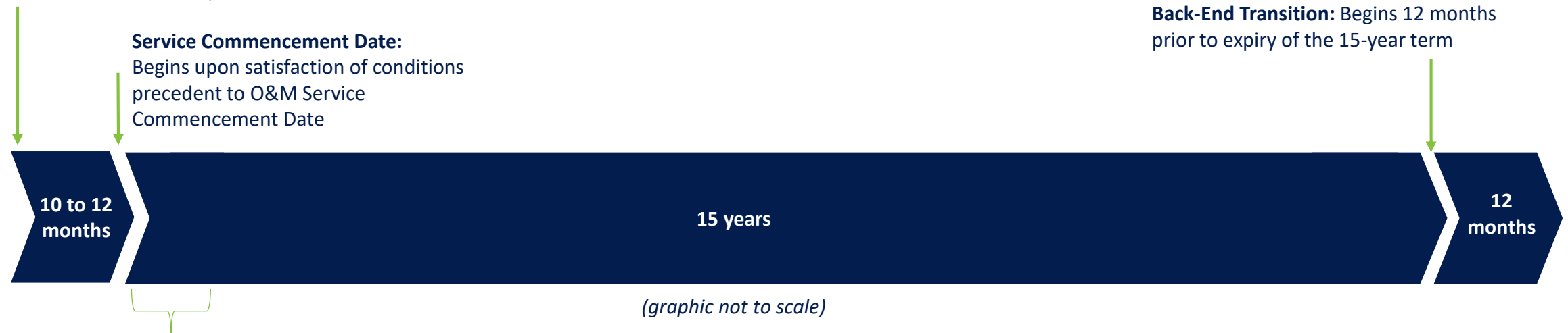


Beginning of Long Regulatory Relationship

Short Front-End Transition (FET) intended for LUMA to prepare its plans, put in place its organization, and obtain the required approvals to start operations

- During FET LUMA does not have operating control or responsibility for operations
- Further detailed reviews and planning will continue after LUMA takes over operation of the T&D System and throughout the 15-year contract term
- FET plans will be completed using data provided by PREPA and without operational control of the assets
- Customers benefit from expeditious process to LUMA takeover

Effective Date: June 22, 2020



Interim Period
(operations under Title III)





Thank You



Appendix

Appendix – Improvement Programs

Key Improvement Programs

\$, millions

| | Portfolio | Program | FY22-24 Federal Funding | FY22-24 Non-Federal Funding | FY 22-24 Capital Total |
|----|------------------|---|-------------------------|-----------------------------|------------------------|
| 1 | Distribution | Distribution Pole and Conductor Repair | \$570.9 | \$0.0 | \$570.9 |
| 2 | Transmission | IT OT Telecom Systems & Network | \$489.5 | \$0.0 | \$489.5 |
| 3 | Transmission | Transmission Line Rebuild | \$422.1 | \$0.0 | \$422.1 |
| 4 | Distribution | Distribution Line Rebuild | \$318.8 | \$17.5 | \$336.3 |
| 5 | Customer Service | Distribution Streetlighting | \$324.0 | \$0.0 | \$324.0 |
| 6 | Transmission | Transmission Priority Pole Replacements | \$192.0 | \$0.0 | \$192.0 |
| 7 | Distribution | Distribution Automation | \$38.9 | \$82.0 | \$120.9 |
| 8 | Substations | Transmission Substation Rebuilds | \$86.8 | \$13.0 | \$99.8 |
| 9 | Substations | Distribution Substation Rebuilds | \$75.0 | \$3.0 | \$78.0 |
| 10 | Enabling | T&D Fleet | \$1.6 | \$71.8 | \$73.4 |
| 11 | Distribution | Distribution Lines Inspection | \$59.2 | \$11.4 | \$70.6 |
| | | Key Program Spend | \$2,578.8 | \$198.8 | \$2,777.6 |
| | | Additional Program Spend | \$237.3 | \$176.6 | \$413.8 |
| | | Total Capital Program Spend | \$2,816.1 | \$375.3 | \$3,191.4 |

Note: Key Improvements Programs were determined as any Program with spend exceeding \$50 million for FY 2022-2024.



Appendix - Recovery & Transformation Framework

Policy and Stakeholder Landscape

- Review of key reports, plans, laws and regulations, including:
 - Energy Transformation Act and RELIEF (Act 57-2014, as amended)
 - Rate Order (CEPR-AP-2015-0001)
 - Puerto Rico Energy Public Policy Act (Act 17-2019, as amended)
 - PREB Final Resolution and Order on the Puerto Rico Electric Power Authority's Integrated Resource Plan (CEPR-AP-2018-0001)
 - COR3 Grid Modernization Plan for Puerto Rico
 - US DOE's Energy Resilience Solutions for the Puerto Rico Grid
 - FEMA Public Assistance Policy Guide
 - FEMA National Disaster Recovery Framework
 - A survey of Puerto Rican utility customers commissioned by ATCO and Quanta Services, LUMA's owners



Appendix – Rates

Initial Budgets – Comparison to 2017 Rate Order

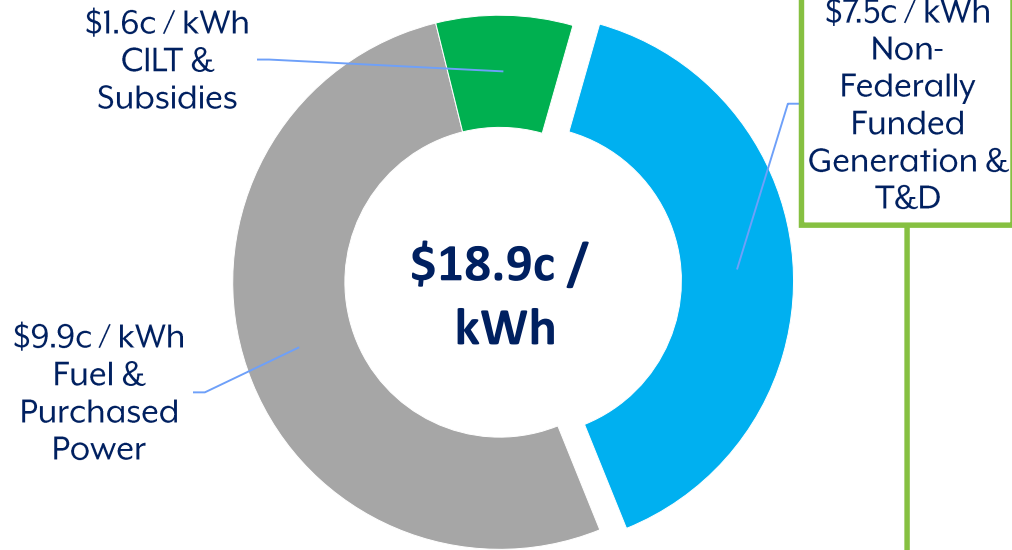
\$, millions unless otherwise indicated

| | FY2022 | FY2023 | FY2024 |
|---|----------------|----------------|----------------|
| PREPA Forecast Sales (GWh) | 15,864.8 | 14,930.9 | 14,117.7 |
| 2017 Rate Order Limit (\$/kWh) | 0.0747 | 0.0747 | 0.0747 |
| 2017 Rate Order Expenditures Limit based on PREPA Projected Sales | 1,184.3 | 1,114.6 | 1,053.9 |
| Transmission & Distribution Operating Expenditures | 514.5 | 561.4 | 558.5 |
| Transmission & Distribution Other | 111.0 | 120.7 | 134.1 |
| Capital Budget - Non-Federally Funded | 124.1 | 126.9 | 135.8 |
| Future Efficiencies | - | (59.4) | (110.6) |
| Generation Budget | 288.1 | 278.9 | 254.7 |
| Other (Bad Debts, PREPA Legacy, Bankruptcy and Advisor Costs) | 145.6 | 85.2 | 80.5 |
| Total Non-Federally Funded Transmission & Distribution and Generation Expenditures | 1,183.3 | 1,113.7 | 1,053.0 |
| Surplus / (Deficit) | 1.0 | 1.0 | 1.0 |



FY2022 Projected Funds Available Through Rate Order

Build-Up of FY2022 Projected Customer Rates



| <i>\$, millions</i> | FY2022 | \$/kWh | % |
|----------------------------------|---------------|---------------|-------------|
| Fuel & Purchased Power | 1,566 | 9.9c | 52% |
| CILT & Subsidies | 248 | 1.6c | 8% |
| T&D Operating Expenditures | 515 | 3.2c | 17% |
| T&D Non-Federally Funded Capital | 124 | 0.8c | 4% |
| Generation | 288 | 1.8c | 10% |
| LUMA Fee | 101 | 0.6c | 3% |
| Other ¹ | 155 | 1.0c | 5% |
| Total | 2,997 | 18.9c | 100% |

| | Initial Budgets | | |
|---|------------------------|---------------|---------------|
| | FY2022 | FY2023 | FY2024 |
| PREPA Forecast Sales (GWh) | 15,864.8 | 14,930.9 | 14,117.7 |
| Total Non-Federally Funded Transmission & Distribution and Generation Expenditures (\$ in millions) | 1,183.3 | 1,113.7 | 1,053.0 |
| Total Non-Federally Funded Transmission & Distribution and Generation (\$/kWh) | 0.0746 | 0.0746 | 0.0746 |

¹(Bad Debts, PREPA Legacy, Bankruptcy & Advisor Costs, 2% Reserve for Excess Expenditures)



Appendix – Other LUMA Deliverables

Main deliverables to PREB

Initial Budgets

Delineate the financial resources to be utilized to carry out the recovery and transformation in line with currently applicable rate order

System Remediation Plan

Focus on most critical deficiencies to be addressed early to bring utility assets and activities in line with laws, regulations and contract standards

Performance Metrics

Measure starting points, goals and progress based on key measures related to improving customer service, reliability, safety, and operational excellence

System Operation Principles

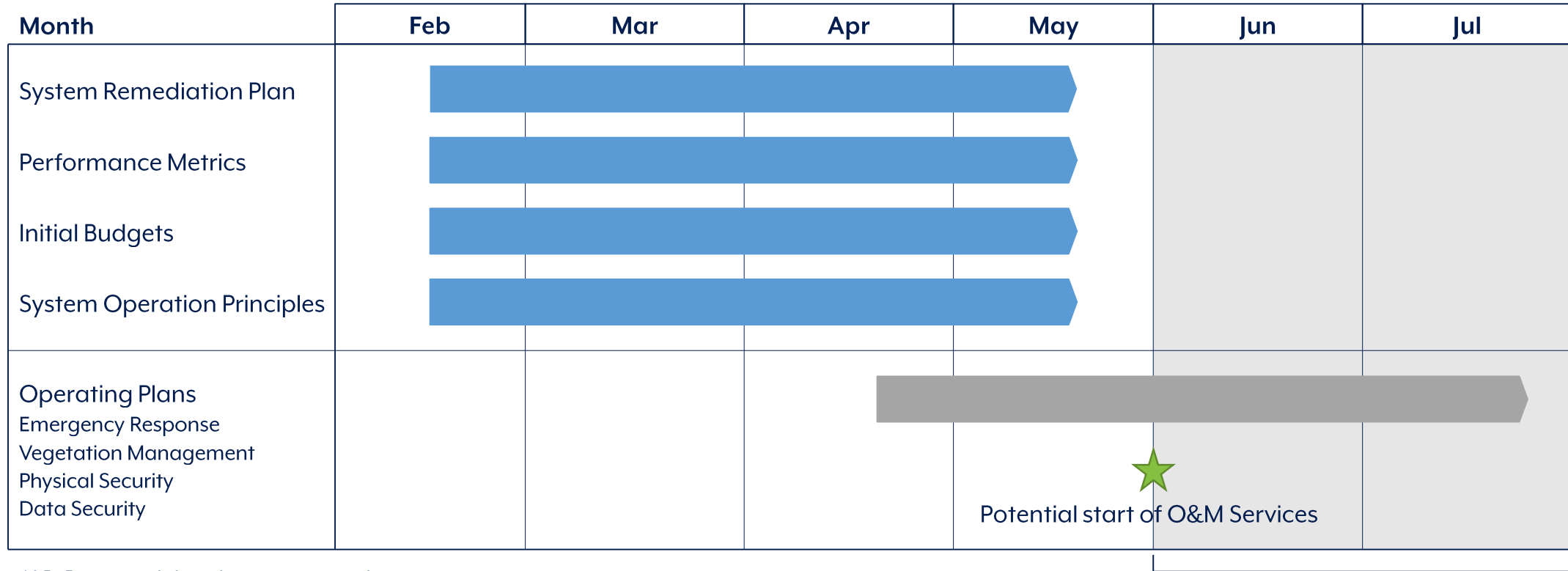
Set broad rules for real-time operation of the Bulk Power System, dispatch of power plants, as well as short- and long-term system and resource planning

Operating Plans

These plans for vegetation management, emergency response, physical security and data security are focused and operational in nature

LUMA proposed timeline for discussion for PREB reviews

Current projected start of operations – mid-2021



N.B. Dates and durations are approximate.

2021 Atlantic Hurricane Season

These Front-End Transition Period reviews are the initial steps in receiving feedback and approvals from PREB. LUMA anticipates that as work proceeds as part of the O&M Services, we will continue on-going processes with PREB.

