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Received:

May 3, 2021

5:57 AM

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

IN RE: REVIEW OF LUMA'S
INITIAL BUDGETS

CASE NO. CEPR-MI-2021-0004

**SUBJECT: Compliance with April 29th
Resolution and Order.**

**MOTION IN COMPLIANCE WITH APRIL 29TH RESOLUTION AND ORDER
AND SUBMITTING REVISED PUBLIC VERSION OF LUMA'S RESPONSE TO
REQUEST FOR INFORMATION NUMBER 2**

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 12, 2021, in compliance with a Resolution and Order issued by this Puerto Rico Energy Bureau (“Bureau”) on April 5, 2021, LUMA filed before this honorable Bureau, its responses to the Bureau’s Requests for Information (“LUMA’s Responses to Requests for Information”). LUMA also included a Request to Submit Portions of its Responses to Requests for Information Confidentially, and Memorandum of Law in Support Thereof (“Request for Confidential Treatment”).

2. In a Resolution and Order issued on April 21, 2021 (“April 21st RI Order”), the Bureau granted confidential treatment to LUMA’s Response to Request for Information Number 2 and to Attachment 1 to said Response. Response number 2 and Attachment 1 were filed confidentially as they include confidential financial information of the Puerto Rico Electric Power Authority (“PREPA”).

3. In a Resolution and Order dated April 29, 2021, *motu proprio*, this Bureau withdrew its prior determination on the confidentiality of LUMA's Response to Request for Information number 2 and Attachment 1 to said Response and ordered LUMA to file said documents for the public record. On April 29, 2021, LUMA requested additional time to confer with PREPA as LUMA was not authorized to disclose PREPA confidential financial information.

4. It is respectfully informed that after conferring with PREPA on the confidentiality of a portion of LUMA's Response to Request for Information Number 2 and of Attachment 1 to said response, PREPA informed that it waives the right to confidentiality of the information.

5. LUMA respectfully informs its understanding that portions of the data included in its Response to Request for Information Number 2 and in Attachment 1 to said Response, is PREPA's unaudited financial data that is subject to change as part of the auditing and review process. LUMA is producing the same in compliance with the order issued by this Bureau and after exhausting its duties on confidentiality pursuant to Section 13.2(c)¹ of the Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement ("OMA"). LUMA respectfully re-states its concern with disclosure of unaudited financial data, particularly given the potential for reliance on this information in the context of ongoing proceedings in PREPA's Title III negotiations with creditors, when this information is still subject to change.

¹ Section 13.2(c)(ii) of the OMA provides that:

(ii) in connection with requests or orders to produce Confidential Information protected by this Agreement in the circumstances provided in Section 13.2(b) (Proprietary Information – Permitted Disclosures), each Party receiving such a request or order (A) shall promptly notify the disclosing Party of the existence, terms and circumstances of such requirement(s) so that the disclosing Party may seek an appropriate protective order or waive compliance with the provisions of this Agreement, and (B) shall, and shall cause its Representatives to, cooperate fully with the disclosing Party in seeking to limit or prevent such disclosure of such Confidential Information. . . .

6. As ordered by this honorable Bureau, with this motion, LUMA is submitting as Exhibit 1, an unredacted version of its Response to Request for Information Number 2. Attachment 1 to said Response number 2, which is an excel file, will be submitted via email.

WHEREFORE, LUMA respectfully requests that this Honorable Bureau **accept** the submission of a revised public version of LUMA's Response to Request for Information number 2 and of Attachment 1 to said response and **deem** that LUMA complied with the April 29th Resolution and Order.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 3rd day of May 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.



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Exhibit 1

Initial Budgets

Docket ID: NERP-MI-2021-0004

Information Response Round 1 to: PREB

Reference: RFI-LUMA-MI-21-0004-210405-PREB-002

Request:

Provide for the three (3) previous calendar years a copy of the consolidated summary of PREPA historical financial results, developed by LUMA, showing accordance to Federal Energy Regulatory Commission ("FERC") Uniform System of Accounts (FERC Form 1), and including PREPA's O&M Expense Benchmark Profile.

Response:

LUMA has sought an informative context to understand and assess PREPA's historic and budgeted T&D operating expenses and, ultimately, to characterize future budgets under the OMA. During the T&D Operator solicitation process (i.e., the 2019-20 era leading to the OMA), LUMA used PREPA's Oracle EBS general ledger (GL) data (provided to all qualified bidders) to classify these records, as far as practical under the circumstances, to the FERC Uniform System of Accounts (USoA, and reported in FERC Form 1). LUMA's original objective was to both identify patterns and trends and potentially investigate some external comparisons to other utility systems.

Later, at the beginning of LUMA's Front-end Transition period (circa August 2020), LUMA extended its prior GL classification work to append FY2020 actual results (then recently concluded on June 30, 2020) and FY2021 budget data in a parallel dataset. A summary of PREPA's Non-Fuel Operating and Maintenance (NFOM) expenses, classified at a highly aggregated level of FERC USoA categories, is summarized below:

Sum of EOY Bal	Column Labels					
Row Labels	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21B
A&G	\$211,959,852	\$171,354,311	\$145,469,620	\$236,418,264	\$262,508,320	\$319,947,376
Cust O&M	\$93,338,123	\$93,127,643	\$78,059,977	\$81,778,043	\$80,683,593	\$94,439,749
Dist O&M	\$193,347,048	\$182,166,833	\$152,868,524	\$168,076,709	\$178,204,555	\$217,606,149
Prod O&M	\$134,671,186	\$125,810,364	\$103,614,800	\$106,365,722	\$111,203,800	\$120,571,416
Sales O&M	\$0	\$0	\$0	\$50,002	\$21,525	
Trans O&M	\$34,088,448	\$36,350,350	\$40,184,259	\$38,020,004	\$51,744,702	\$95,810,388
Grand Total	\$667,404,657	\$608,809,501	\$520,197,180	\$630,708,744	\$684,366,495	\$848,375,078

The requested details of the FERC USoA are presented in the RFI-LUMA-MI-21-0004-210405-PREB-002-Attachment 1 (provided in Microsoft Excel format) and they are linked to the LUMA working papers (i.e. GL data source with LUMA classifications.)

The following background is essential for understanding any potential use of this data:

- PREPA's financial results are unaudited for the periods in question. Any assessment that relies on this data is necessarily qualified by this uncertainty in the underlying accounting records.
- PREPA's general ledger accounts are not recorded strictly according to the FERC USoA, although there is close alignment. Nevertheless, LUMA made classifications and interpretations of PREPA NFOM accounts to the best of our professional ability to align them as far as practical to the USoA. PREPA has not reviewed or validated any classification completed by LUMA.
- It is important to note that the FERC USoA are required for U.S. *investor-owned* electric utilities (IOUs) and publicly available data is available for these same systems for potential comparative use. PREPA is a government-owned system. Different types of utility systems often have different operating characteristics (e.g. pension systems, asset capitalization policies, outsourcing strategies, management organizations, etc.) that affect overall costs.
- None of the attached data has been validated by PREPA and GL account data was only provided by PREPA at a summary level. Any final use of this data for definitive benchmarking would require review of accounts a transaction level data that was not available to LUMA.
- LUMA's professional view of, and any potential use of, such benchmarks is that they are one of numerous management tools available to enhance the understanding of PREPA's system and support planning and budgeting. In short, any such benchmarking analysis is informative but not definitive or prescriptive to any specific management action. It offers comparative information for reference and should be used to understand root causes of operational differences (with an aim to identifying potential improvement opportunities), not as a strict ranking or assessment of "good" vs. "bad".

LUMA has not performed or validated a full *PREPA O&M Expense Benchmark Profile* (as implied in the request above).

Using the GL data source (RFI-LUMA-MI-21-0004-210405-PREB-002 Attachment 1) as a foundation, LUMA did perform various preliminary comparative analyses to gain an understanding of PREPA's relative NFOM cost levels to US IOUs. These analyses relied on a variety of LUMA assumptions and inputs, including:

- Considering various potential adjustments (a.k.a. *normalizations*) to both PREPA accounts and FERC references to try to account for material differences in operations and improve comparability. Some illustrative examples include:
 - Eliminating the impact of transmission wheeling fees paid by IOUs, as PREPA is an unconnected island system.
 - Eliminating the impact of pension and benefit costs to reduce differences due to different pension system.
 - Accounting for potential variation in wage rates, material costs, etc.
- Varying the comparison peer groups (e.g. all U.S. IOU's vs. semi-tropical ones only (e.g. Florida, Hawaii, Carolinas, etc.)

None of the comparative analyses described above were validated by PREPA, directly used by LUMA in forming or assessing the Initial Budget or prepared in any completed form for use by LUMA management. Moreover, LUMA has not reached any conclusions about the many and various assumptions (e.g. peer groups, potential normalizations, applicability of comparison to US IOUs, etc.) necessary to complete a benchmark profile suitable for stakeholder review.