

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

NEPR Received: Sep 17, 2021 6:32 PM
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IN RE:

REVIEW OF LUMA'S INITIAL BUDGETS

CASE NO. NEPR-MI-2021-0004

SUBJECT: Submission of Revised Modification Request and Responses to Attachment A to the September 9th Order

**MOTION IN COMPLIANCE WITH SEPTEMBER 9TH ORDER SUBMITTING
REVISED REQUEST FOR MODIFICATION OF APPROVED BUDGET FOR FISCAL
YEAR 2022 AND RESPONSES TO REQUESTS FOR INFORMATION**

TO THE HONORABLE PUERTO RICO ENERGY BUREAU:

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

1. On July 16, 2021, LUMA filed before the Honorable Puerto Rico Energy Bureau (“Energy Bureau”), a *Request for Modification of Fiscal Year 2022 Budget* (“Modification Request”). LUMA petitioned the Energy Bureau to approve a revised Fiscal Year (“FY”) 2022 Budget to conform it to the Fiscal Oversight and Management Board’s (“FOMB”) Amended Puerto Rico Electric Power Authority (“PREPA”) Budget for FY 2022, as certified by the FOMB on June 30, 2021.

2. On September 9, 2021, this Energy Bureau issued a Resolution and Order (“September 9th Order”) in which it determined that the Modification Request was incomplete. Thus, this Energy Bureau ordered LUMA to submit on or before September 17, 2021, the following: (i) provide the information identified in Attachment A of the September 9th Order; (ii)

modify the Modification Request¹; (iii) supplement its answers if additional information becomes available or if the submitted information changes.

3. In compliance with the September 9th Order, LUMA is submitting today, a revised version of the Modification Request (“Revised Modification Request”), as Exhibit A of this Motion. In general, the revisions include providing references to the FOMB Certified FY2022 Budget, and additional relevant information provided in response to the requests for identified in Attachment A of the September 9th order. Specifically, the Revised Modification Request incorporates explanations on the macroeconomic factors used in the Initial Budgets as developed by PREPA using the latest available macro-economic factors, as determined by the Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF”) and provided by the FOMB to PREPA. *See* Exhibit A, p. 3. Also, it provides reference to data on costs as to which LUMA cannot provide additional information. *Id.*, p. 4. Moreover, it includes an explanation on changes to Interim Period LUMA Service Fees. *Id.*, p. 6.

4. Additionally, in compliance with the September 9th Order, LUMA is submitting today the responses to the requests for information identified in Attachment A of the aforementioned Order (“Responses to Attachment A to the September 9th Order”), as Exhibit B of this Motion. LUMA hereby asserts that it is providing responses to those requests in which the information sought is in its possession, custody and control. As such, LUMA is not in a position to provide information on the PREPA GenCo and HoldCo (shown as PREPA Legacy in LUMA’s

¹ The Energy Bureau did not provide any clear guidance on the specific modifications that were necessary for it to deem the Modification Request complete.

Initial Budgets filing) forecasts or the energy demand update, as said analysis and data was or is developed by PREPA and pertain solely to the competence of PREPA.

5. LUMA provided notice to PREPA of the requests for information included in Attachment A to the September 9th Order. LUMA very respectfully submits that any requests for information seeking data and analysis related to the above-described matters, should be addressed to PREPA.

6. Further, LUMA is not in a position to provide information on PREPA's exit of Title III of the Puerto Rico Oversight, Management, and Economic Stability Act. PREPA and/or the FOMB are in a better position to provide this Energy Bureau with any information concerning that subject matter. Therefore, LUMA respectfully submits that any requests for information concerning PREPA's exit of Title III should be addressed directly to PREPA and/or the FOMB. LUMA also informed the FOMB of the requests for information included in Attachment A to the September 9th Order.

7. LUMA affirms that it will supplement the Responses to Attachment A to the September 9th Order if additional information becomes available or if the submitted information changes.

WHEREFORE, LUMA respectfully requests that the Energy Bureau **take notice** of the aforementioned, **accept** the Revised Modification Request and the Responses to Attachment A to the September 9th Order that are being filed today, and **deem** LUMA complied with the September 9th Order.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 17th day of September 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 counsel for PREPA, Joannely Marrero-Cruz, jmarrero@diazvaz.law; and Katuska Bolaños-Lugo, kbolanos@diazvaz.law.



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EXHIBIT A

Initial Budgets

To comply with the requests for information from the Bureau's September 9, 2021 Resolution and Order, LUMA provides a revised Exhibit A - Modification of Approved Fiscal Year 2022, below. All changes from the original Exhibit A have been noted in green text.

On May 31, 2021 within its Resolution and Order in Case No. NEPR-MI-2021-0004, the Energy Bureau approved the Fiscal Year 2022 of LUMA's Initial Budgets. On July 1, 2021, the Financial Oversight and Management Board (FOMB), issued the Fiscal Year 2022 Revised Budget to the Governor.

As stated in the letter filed July 2, 2021, LUMA has noticed inconsistencies between the May 31, 2021 Energy Bureau Fiscal Year 2022 approved Initial Budgets and the July 1, 2021 FOMB Revised Certified Budget for Fiscal Year 2022, as summarized in Exhibit B.

While PREPA is within Title III, FOMB oversight is defined in the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) federal law. Specifically Section 201(a) states "...the Oversight Board shall deliver a notice to the Governor providing a schedule for the process of development, submission, approval and certification of Fiscal Plans" and "...revisions must be subject to subsequent approval and certification by the Oversight Board." PROMESA therefore requires that all government budgets, including PREPA's, match FOMB's certified fiscal plans.

Upon review, these inconsistencies originate from:

- Updated macro-economic assumptions resulting in increased PREPA projected sales for Fiscal Year 2022, and increases in fuel and purchased power, CILT and subsidies, and bad debts;
- PREPA Title III exit assumption of June 30, 2022, and
- Additional budgeted expenditures at PREPA Legacy and GenCo.

In order to maintain alignment with the updated PREPA Fiscal Plan, LUMA is requesting that the Energy Bureau approve a modification to the FY2022 budget. Please refer to the below table for a summary of modification requested.

Summary of Modification Requested (\$ in millions, or as otherwise indicated)

	Revised FY2022	Previously Approved FY2022	Variance	Comment
Forecasted Sales (GWh)	16,673	15,865	808	Change in macro-economic assumptions and increased PREPA Projected Sales
Revenues				
Expenditures Limit based on PREPA Forecast Sales	1,244	1,184	60	Increase due to PREPA Forecast Sales (GWh x \$0.0746/ kWh)
Costs				
Bad Debts	63	59	4	Due to higher PREPA Forecast Sales
FOMB Advisor Cost and LUMA Fees	140	121	19	Update for PREPA Title III Exit assumption of June 30, 2022

Initial Budgets

PREPA Legacy and Generation	327	310	16	Additional Budget Expenditures
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The resulting impacts do not result in increased rates. The updated macro-economic assumptions increase the base rate revenue requirement limit by \$60 million which is partially offset by additional expenditures of \$39 million. The revised Fiscal Year 2022 total non-federally funded transmission & distribution and generation base rate expenditures per kWh is \$0.0733/kWh which is underneath the \$0.0747/kWh base rate limit as approved in the PREPA 2017 Rate Case. Please refer to Exhibit C, Revised Schedule 5.6 for further information.

A further summary of differences is presented below, to highlight revised information within the Fiscal Year 2022 Budget (as highlighted in yellow), which aligns to the FOMB certified PREPA 2021 Fiscal Plan.

Summary of Differences Compared to the Previously Approved FY2022 Initial Budgets (\$ million)

	Revised FY2022	Previously Approved FY2022	Variance
<i>Forecasted Sales (GWh)</i>	16,673	15,865	808
Fuel & Purchased Power	1,968	1,566	402
Fuel	1,400	767	633
Purchased Power	567	799	(232)
CILT & Subsidies	265	248	17
Transmission & Distribution	639	639	-
Operating Expenditures	515	515	-
Non-Federally Funded Capital	124	124	-
Generation	291	288	3
Other	293	256	37
Total	3,456	2,997	459

The above changes can be categorized into four groups:

- Updated Fuel and Purchased Power forecast** – this forecast is adjusted quarterly based on actual costs through the FCA and PPCA clauses as presented in NEPR-MI-2020-0001.
- Forecasted costs directly linked to updated macro-economic assumptions** – higher forecasted sales resulted in an increase in bad debt expenses.
- Costs from delayed Title III Exit** – these costs reflect a Title III Exit of June 2022 instead of December 2021.
- Increased PREPA Legacy and Generation costs** – these costs are a result of increased costs forecasted by PREPA.

LUMA is not applying for an increase to their operating expenditures, nor Capital – Non-Federally Funded and Capital – Federally Funded costs. There are no changes to LUMA’s proposed activities for Fiscal Year 2022. Consequently, the Operating Expenditures presented in Schedule 5.2 and Improvement Program costs as presented in Schedules 5.4 and 5.5, and Appendix D of LUMA’s February 24, 2021

Initial Budgets

Initial Budgets application and approved in the Bureau's May 31, 2021 Resolution & Order for Case No. NEPR-MI-2021-0004 remain unchanged.

Please refer to Exhibit C for applicable revised schedules for fiscal year 2022 including:

- Schedule 5.1 Initial Budgets Summary,
- Schedule 5.3 Other, and
- Schedule 5.6 2017 Rate Order Base Rate Revenue Requirement Limit Comparison.

Specifically, to assist the Bureau's review and approval, LUMA has prepared an analysis below of the following items:

1. Revised Macro-Economic Assumptions
2. PREPA Title III Exit Assumption
3. Expenditures Update

LUMA provides the following analysis and a request for a modification of the approved Fiscal Year 2022 for the Bureau's review and approval.

1. Revised Macro-Economic Assumptions

Available for the purposes of the FOMB Certified 2021 PREPA Fiscal Plan, updated macro-economic assumptions from the Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF), resulted in increased PREPA Projected Sales as compared to the load forecast prepared in December 2020 which formed the basis of Initial Budgets. The increased projected sales are approximately 808 GWh resulting in an increase to LUMA's expenditures limit based on PREPA Projected Sales by approximately \$60 million (808 GWh x \$0.0747/kWh). Please refer to Exhibit C, Revised Schedule 5.6 for further information.

LUMA's understanding of the AAFAF-determined macro-economic assumptions includes:

- The macro-economic assumptions for the FOMB Certified 2020 PREPA Fiscal Plan were updated and provided on May 29, 2020 by AAFAF.
- At the time of preparation of LUMA's Initial Budgets filing, with the forecast developed in December 2020 and then subsequently filed within LUMA's Initial Budgets application on February 24, 2021, LUMA confirmed no updates had occurred to the previously used AAFAF macro-economic assumptions from the FOMB Certified 2020 PREPA Fiscal Plan.
- On April 27, 2021 AAFAF provided updated macro-economic assumptions for use in the 2021 PREPA Fiscal Plan, and the resulting impacts of these changes were subject to refinement throughout the FOMB certification of the 2021 PREPA Fiscal Plan and the Fiscal Year 2022 Revised Budget.

The December 2020 updated load forecast used as a basis for Initial Budgets were developed using consistent macro-economic factors as the FOMB certified 2020 PREPA Fiscal Plan, which was in effect at the time.. The load forecasts developed by PREPA for the FOMB certified 2021 PREPA Fiscal Plan used the latest available macro-economic factors as determined by the Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF) and provided by FOMB to PREPA.

Initial Budgets

Established within Act 2 on January 18th, 2017 (No. 2-2017), AAFAF is the legal body empowered to oversee compliance with the certified budget and fiscal plan approved pursuant to the Puerto Rico Oversight, Management and Economic Stability Act of 2016 (PROMESA). AAFAF provides the macro-economic factors across the Commonwealth of Puerto Rico in order to ensure compliance and consistency with approved fiscal plans and certified budgets.

The impacts of the revised macro-economic assumptions certified by the FOMB within the Fiscal Year 2022 Revised Budget are provided in the following table:

Impacts from Revised Macro-Economic Assumptions - Differences Compared to the Previously Approved FY2022 Initial Budgets on Base Rates (\$ million)

	Revised FY2022	Previously Approved FY2022	Variance	Comment
Forecasted Sales (GWh)	16,673	15,865	808	Change in macro-economic assumptions and increased PREPA Projected Sales
Revenues				
Expenditures Limit based on PREPA Forecast Sales	1,244	1,184	60	Increase due to PREPA Forecast Sales (GWh x \$0.0746/ kWh)
Costs				
Bad Debts¹	63	59	4	Increased PREPA Forecast Sales

Impacts from Revised Macro-Economic Assumptions - Differences Compared to FY2022 Initial Budgets on Non-Base Rates (\$ million)

	Revised FY2022	Previously Approved FY2022	Variance
Forecasted Sales (GWh)	16,673	15,865	808
Non-Base Rate Adjustments			
Fuel and Purchased Power	1,968	1,566	402
Fuel	1,400	767	633
Purchased Power	567	799	(232)
CILT and Subsidies	265	248	17

As noted above, the updated Fuel and Purchased Power forecast is adjusted quarterly based on actual costs through the FCA and PPCA clauses as presented in NEPR-MI-2020-0001.

LUMA cannot provide additional information on changes to fuel costs made by PREPA as per section 7.3(e)(ii) of the OMA. The revised forecast was made without consultation and review by LUMA.

2. PREPA Title III Exit Assumption

¹ Corresponds to FOMB Certified Budget - Page 2 of 6, I. Exhibit I – Budget – Revenues, Bad Debt Expense

Initial Budgets

LUMA based its assumption of the timing of the PREPA Title III exit based on the best available, credible information at the time of the preparation of the Initial Budgets.

At the time of preparation of the Initial Budgets, it was publicly disclosed that PREPA would exit Title III as of December 31, 2021, as evidenced within the FOMB’s certified 2020 PREPA Fiscal Plan and news citations of FOMB statements. LUMA consistently applied this assumption within its Initial Budgets February 24, 2021 Filing and LUMA received confirmation during the preparation of its Initial Budgets filing from the FOMB on the associated bankruptcy and advisor costs.

As LUMA was not party to Title III exit conversations between FOMB and PREPA, only once the FOMB Certified 2021 PREPA Fiscal Plan was made publicly available, was the date assumption moved to June 30, 2022 by the FOMB of PREPA Title III exit.

Further, from LUMA’s Initial Budget application filing on February 24, 2021, the subsequent responses to information requests filed on April 6, 2021, and the technical conference from May 3 to 5, 2021, LUMA was not aware of information which formally indicated that PREPA’s title III exit would be postponed past the December 31, 2021 assumption.

As an example of publicly available information known during the time of the Initial Budgets proceeding, and in relation to the FOMB Amended Plan of Adjustment filed on March 8, 2021², there was no public indication of a change or delay of Title III exit, as evidence by the Weekly Journal’s story on March 10, 2021 FOMB: Amended Plan of Adjustment a ‘Major Milestone’, where it stated “... *The amended plan, filed with the U.S. District Court for the District of Puerto Rico, provides a path to exit bankruptcy as early as **this calendar year** and creates a foundation for Puerto Rico’s recovery and economic growth, according to the FOMB.*”³

LUMA further confirmed the above during the Initial Budget’s technical conference, on Day 2, May 4, 2021, when LUMA representatives were questioned around timing of PREPA’s Title III exit.

The resulting impacts of a June 30, 2022 PREPA Title III exit assumption certified by the FOMB within the Fiscal Year 2022 Revised Budget are provided in the table below:

Impacts from Title III Exit Assumption - Differences Compared to the Previously Approved FY2022 Initial Budgets (\$ million)

Costs	Revised FY2022	Previously Approved FY2022	Variance	Comment
FOMB Advisor Cost and LUMA Fees	140	121	19	Update for PREPA Title III Exit assumption of June 30, 2022
FOMB Advisor Costs ⁴	24	20	4	FOMB updated advisor costs for full year activities

² https://drive.google.com/file/d/1CWIGUuYRpSHjX_BrQu7TBjpvTCdwbO88/view

³ https://www.theweeklyjournal.com/business/fomb-amended-plan-of-adjustment-a-major-milestone/article_180b48b6-8115-11eb-8552-033f812ffa5f.html

⁴ Corresponds to FOMB Certified Budget - Page 4 of 6, II. Exhibit I – Budget – Expenses, Part C. Non-Labor/Other Operating Expenses, FOMB Advisor Costs allocated to PREPA

Initial Budgets

LUMA Fees ⁵	115	101	14	Full year of interim period compliant to the T&D OMA, which specifies a \$115 million fixed fee
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In relation to the Interim Period LUMA Service Fees of \$115 million, this is in compliance with the Puerto Rico Transmission and Distribution System Supplemental Terms Agreement, Section 3.3, whereby during the Interim Period, LUMA is to be paid an annual Interim Period Service Fee of \$115 million in 2020 dollars. The calculation shown in the Initial Budgets filing contemplated PREPA's exit from Title III by December 31, 2021, and therefore LUMA's fee for Fiscal Year 2022 would have been half Interim Service Fee and half Contract Year 1 service fees.

LUMA is requesting the PREB to approve a revised LUMA Fee Budget for FY2022 that aligns with the Certified Budget. Below is the breakdown of LUMA's currently approved Interim Period Service Fee, Fixed Fee and Incentive Fee as per the attached referenced schedule along with the proposed change for FY2022 to align with the Certified Budget.

LUMA Fee Breakdown (\$ millions)	FY2022
Interim Period (6 months – July 1 to Dec 31, 2021)	
Interim Period Service Fee - Fixed	57.5
Initial Term (6 months – (Jan 1 – to June 30, 2022)	
Service Fee – Fixed	35.0
Service Fee – Incentive Fee	6.5
LUMA Fees	41.5
Subtotal – Not Including Inflation	99.0
Total – Including Inflation as approved by PREB	100.7
Applied for Change to FY2022	
Certified Budget (LUMA is requesting to revise FY2022)	
Interim Period (12 months – July 1 to June 31, 2022)	
Interim Period Service Fee - Fixed	115.1
Total – Revised Fee Request before the PREB	115.1

Other Expenditure Updates

⁵ Corresponds to FOMB Certified Budget - Page 4 of 6, II. Exhibit I – Budget – Expenses, Part D. GridCo – Operating & Maintenance Expenses, Operator Service Fees

Initial Budgets

The FOMB utilized certain Fiscal Year 2022 information which was different than what the Energy Bureau had approved within LUMA's Initial Budgets. The following is a summary of the other expenditure differences, and their associated impacts:

Impacts from Other Expenditure Updates - Differences Compared to the Previously Approved FY2022 Initial Budgets (\$ million)

Costs	Revised FY2022	Previously Approved FY2022	Variance
Additional Expenditures (PREPA Legacy and Generation)	327	310	16
PREPA Legacy ⁶	36	23	13
Generation ⁷	291	288	3

The \$16 million additional expenditures are mainly a result of increased estimates of pension liabilities and increased employee benefits for PREPA Generation. These changes were made as a result of discussions between PREPA and FOMB. There are no changes to LUMA's activities, or the expenditures forecast for Fiscal Year 2022 impacting operating expenditures and capital budgets.

LUMA cannot provide additional information on changes to GenCo costs and PREPA Legacy (specifically PREPA Legacy and Generation items in the table above) as per section 7.3(e)(ii) of the OMA.

⁶ Corresponds to FOMB Certified Budget - Page 4 of 6, II. Exhibit I – Budget – Expenses, Part C. HoldCo [PREPA Legacy] Operations Expenses, Total HoldCo [PREPA Legacy] Operating Expenses

⁷ Corresponds to FOMB Certified Budget - Page 3 of 6, II. Exhibit I – Budget – Expenses, Part B. GenCo [PREPA Legacy] – Operations & Maintenance Expenses, Total GenCo [PREPA Legacy] Operating & Maintenance Expenses

EXHIBIT B



Initial Budgets LUMA Response: PREB Requests

NEPR-MI-2021-0004

Initial Budgets

Responses to Resolution and Order

Response: RFI-LUMA-MI-2021-0004-210909-PREB-001

REQUEST

In LUMA's Modification Request of the approved Initial Budgets, it presents an updated energy demand forecast for Fiscal Year 2022 of 16,673 GWh, compared to energy demand forecast in LUMA's original Initial Budgets filing of 15,865 GWh. As discussed in LUMA's filings, it is relying upon energy demand forecasts prepared by PREPA and/or FOMB, using macro-economic assumptions developed by FOMB. The revised energy demand forecast is approximately 5 percent higher than the forecast approved in the Initial Budgets.

- a. Describe the steps LUMA has taken to independently assess, verify and validate the revised energy demand forecast, and associated workpapers from any quantitative analyses completed by LUMA in completing such assessment, verification, or validation.
- b. Describe LUMA's load forecasting methodology, assumptions development, and load forecasting model, and to the extent that LUMA has developed an independent energy demand forecast, please provide results from such forecast and a comparison with the proposed revised energy demand forecast.
- c. Provide actual PREPA/LUMA peak demand and energy consumption profiles, by month, for fiscal year 2021.

RESPONSE

- a. LUMA did not perform an independent assessment of the revised energy demand forecast as the updated load forecast was provided to LUMA when it was certified by the Financial Oversight and Management Board (FOMB).
- b. The December 2020 updated load forecast used as a basis for Initial Budgets were developed using consistent macro-economic factors as the FOMB certified 2020 PREPA Fiscal Plan, which was in effect at the time.. The load forecasts developed by PREPA for the FOMB certified 2021 PREPA Fiscal Plan used the latest available macro-economic factors as determined by the Puerto Rico Fiscal Agency and Financial Advisory Authority (AAFAF) and provided by FOMB to PREPA.

Established within Act 2 on January 18th, 2017 (No. 2-2017), AAFAF is the legal body empowered to oversee compliance with the certified budget and fiscal plan approved pursuant to the Puerto Rico Oversight, Management and Economic Stability Act of 2016 (PROMESA). AAFAF provides the macro-economic factors across the Commonwealth of Puerto Rico in order to ensure compliance and consistency with approved fiscal plans and certified budgets.

As discussed within LUMA's July 16, 2021 filing, the differences of load forecasts as prepared by PREPA in December 2020 (for Initial Budgets) and May 2021 (for the FOMB certified 2021 PREPA Fiscal Plan) result from an update of macro-economic assumptions due to higher overall

Initial Budgets

economic growth, as well as updated actual load information available from December 2020 to May 2021.

- c. Please refer to RFI-LUMA-MI-2021-0004-210909-PREB-001c Attachment 1.

Initial Budgets

Response: RFI-LUMA-MI-2021-0004-210909-PREB-002

REQUEST

In LUMA's Modification Request of the approved Initial Budgets, LUMA states that with a proposed higher energy demand forecast, base rate revenue is \$60 million higher, which is partially offset by increased expenditures of \$39 million. Based on that, LUMA concludes there is no need to change base rates. LUMA further states that while the Generation Budget is higher than the level in the approved Initial Budgets, the increase is due primarily to "increased estimates of pension liabilities and increased employee benefits for PREPA Generation. LUMA states "there are no changes to LUMA activities, or the expenditures forecast for Fiscal Year 2022 impacting operating expenditures and capital budgets."

- a. Notwithstanding LUMA's representations, which are unsupported by any detailed analysis or exhibits, the FOMB updated budget includes an increase in estimated PREPA GenCo pension cost of \$2.7 million, and total labor cost of \$11.6 million. The FOMB updated budget also includes an increase in GenCo non-labor operating costs of an additional \$14 million, for a total increase in GenCo non-fuel operating cost of \$25.6 million. That increase is offset by a decreased in Shared Services cost of \$22.3 million, so total non-fuel Generation Budget is \$3.3 million higher. Please explain why increased PREPA Legacy costs in the FOMB budget and incorporated into LUMA's requested changes to the Initial Budget, do not result in lower Shared Services costs assigned to LUMA.
- b. Provide (1) a description of the reasoning behind the increased PREPA GenCo pension costs of \$2.7 million, and (2) whether the additional cost increases 401k contributions of active LUMA employees, if not, describe how these additional pension costs will be allocated.
- c. The updated FOMB Budget includes estimated Shared Services costs of \$55.8 million, compared to LUMA estimated Shared Services costs in the Initial Budgets of \$78.1 million. Please provide a detailed listing of services that will be provided by LUMA, compared to services that will be provided by PREPA Legacy employees, and reconcile the discrepancy between the FOMB and LUMA proposed budgets.
- d. The updated FOMB Budget includes an expenditure of \$10.4 million for Security, which appears to include physical security at PREPA generation facilities. Please clarify whether PREPA Legacy or LUMA will be providing physical security at PREPA generation facilities and reconcile any discrepancy between the FOMB budget and LUMA's proposed revised Initial Budgets.

RESPONSE

- a. LUMA cannot provide additional information on changes to GenCo and PREPA Legacy costs that were made by PREPA as per section 7.3(e)(ii) of the OMA. The revised forecast was made without consultation and review by LUMA. PREPA must provide a response.
- b. Please refer to response RFI-LUMA-MI-2021-0004-210908-PREB-002a.
 - 1) LUMA cannot provide additional information on changes to GenCo costs that were made by PREPA as per section 7.3(e)(ii) of the OMA. PREPA must provide a response.
 - 2) The changes proposed for PREPA GenCo pension costs do not affect LUMA's budgets.
- c. Through ongoing discussions between PREPA, LUMA, and the P3A, the shared services scope evolved from the scope presented in LUMA's Initial Budgets to the final scope determined in May 2021. A revised forecast and budget of the corresponding shared services for Fiscal Year 2022 costs were determined effective May 21, 2021 and was incorporated in the Services Agreement,

Initial Budgets

dated June 1, 2021. Please refer to RFI-LUMA-MI-2021-0004-210909-PREB-002c - Attachment 1.

- d. LUMA cannot provide additional information on changes to GenCo costs that were made by PREPA as per section 7.3(e)(ii) of the OMA. PREPA must provide a response.

Initial Budgets

Response: RFI-LUMA-MI-2021-0004-210909-PREB-003

REQUEST

The modification Request, Exhibit A, p. 1, LUMA references PREPA Legacy and Generation, and Additional Budget Expenditures. Identify the components of each, quantify the Energy Bureau approved and proposed modified amounts and cite where this corresponds to the FOMB certified budget.

RESPONSE

Please refer to the following table:

Budget Modification Items	Revised FY2022	Previously Approved FY2022	Variance	Correspond to FOMB Certified Budget
Bad Debts	63	59	4	Page 2 of 6 I. Exhibit I – Budget – Revenues Bad Debt Expense
FOMB Advisor Costs	24	20	4	Page 4 of 6 II. Exhibit I – Budget – Expenses Part C. Non-Labor/Other Operating Expenses FOMB Advisor Costs allocated to PREPA
LUMA Fees	115	101	14	Page 4 of 6 II. Exhibit I – Budget – Expenses Part D. GridCo – Operating & Maintenance Expenses Operator Service Fees
PREPA Legacy	36	23	13	Page 4 of 6 II. Exhibit I – Budget – Expenses Part C. HoldCo [PREPA Legacy] Operations Expenses Total HoldCo [PREPA Legacy] Operating Expenses
Generation	291	288	3	Page 3 of 6 II. Exhibit I – Budget – Expenses Part B. GenCo – Operations & Maintenance Expenses Total GenCo Operating & Maintenance Expenses

LUMA cannot provide additional information on changes to GenCo costs and PREPA Legacy (specifically PREPA Legacy and Generation items in the table above) as per section 7.3(e)(ii) of the OMA. PREPA must provide a response.

Initial Budgets

Response: RFI-LUMA-MI-2021-0004-210909-PREB-004

REQUEST

The Modification Request, Exhibit A, page 2, the Revised FY2022 Initial Budget of Fuel and Purchased Power is specified to be \$1,968 million comprised of revised component values for Fuel and Purchased Power of \$1,400 million and \$567 million respectively. (Modification Request, Exhibit B, p.3. The \$1,968 million figure rounds the actual FY2022 Budget Expense of \$1,967,808 million) The previously approved FY2022 fuel and purchased power budget is \$1,566 million, comprised of \$767 million and \$799 million respectively. (Modification Request, Exhibit A, p.2.) Please explain the significant variance between the revised and previously approved fuel and purchased power values.

RESPONSE

LUMA cannot provide additional information on changes to fuel costs made by PREPA as per section 7.3(e)(ii) of the OMA. The revised forecast was made without consultation and review by LUMA. PREPA must provide a response.

Initial Budgets

Response: RFI-LUMA-MI-2021-0004-210909-PREB-005

REQUEST

The Modification Request, Exhibit A, p. 4, LUMA states: "As LUMA was not party to Title III exit conversations between FOMB and PREPA, only once the FOMB Certified 2021 PREPA Fiscal Plan was made publicly available, was the date assumption moved to June 30, 2022, by the FOMB of PREPA Title III exit." Explain specifically how the June 30, 2022, date was identified by LUMA as the appropriate date to utilize for PREPA Title III exit.

RESPONSE

LUMA cannot provide a response on PREPA's expected exit of Title III. PREPA or the FOMB are in a better position to provide an explanation.

Initial Budgets

Response: RFI-LUMA-MI-2021-0004-210909-PREB-006

REQUEST

The Modification Request, Exhibit A, p. 5, LUMA cites for FOMB Advisor Costs a revised figure of \$24 million based on FOMB update advisor costs for full year activities and for LUMA Fees, \$115 million based on full year of interim period compliant to the T&D OMA, which specifies a \$115 million fixed fee (2020 Dollars). Provide backup rationale for the update FOMB advisor costs and for the variances identified for both updated FOMB advisor costs and LUMA fees.

RESPONSE

LUMA is unable to provide a response regarding FOMB Advisor's fees as these estimates are made by FOMB and are allocated to PREPA.

In relation to the Interim Period LUMA Service Fees of \$115 million, this is in compliance with the Puerto Rico Transmission and Distribution System Supplemental Terms Agreement, Section 3.3, whereby during the Interim Period, LUMA is to be paid an annual Interim Period Service Fee of \$115 million in 2020 dollars. The calculation shown in the Initial Budgets filing contemplated PREPA's exit from Title III by December 31, 2021, and therefore LUMA's fee for Fiscal Year 2022 would have been half Interim Service Fee and half Contract Year 1 service fees.

LUMA is requesting the PREB to approve a revised LUMA Fee Budget for FY2022 that aligns with the Certified Budget. Below is the breakdown of LUMA's currently approved Interim Period Service Fee, Fixed Fee and Incentive Fee as per the attached referenced schedule along with the proposed change for FY2022 to align with the Certified Budget.

LUMA Fee Breakdown (\$ millions)	FY2022
Interim Period (6 months – July 1 to Dec 31, 2021)	
Interim Period Service Fee - Fixed	57.5
Initial Term (6 months – (Jan 1 – to June 30, 2022)	
Service Fee – Fixed	35.0
Service Fee – Incentive Fee	6.5
LUMA Fees	41.5
Subtotal – Not Including Inflation	99.0
Total – Including Inflation as approved by PREB	100.7
Applied for Change to FY2022	
Certified Budget (LUMA is requesting to revise FY2022)	
Interim Period (12 months – July 1 to June 31, 2022)	
Interim Period Service Fee - Fixed	115.1

Initial Budgets

Total – Revised Fee Request before the PREB

115.1

Response: RFI-LUMA-MI-2021-0004-210909-PREB-007

REQUEST

The Modification Request, Exhibit A, p. 6, LUMA states: “The \$16 million additional expenditures are mainly a result of increased estimates of pension liabilities and increased employee benefits for PREPA Generation. These changes were made as a result of discussions between PREPA and FOMB. In the Modification Request, Exhibit C, the Revised Table 5.6 states that Generation budget includes Shared Services provided by LUMA to GenCo. Increase mainly consists of increased benefits for PREPA Generation.” (1) Quantify pension liabilities, increased employee benefits, shared services, and other components with specificity, (2) identify and quantify changes to each, upon which modification request is based, and provide supporting documentation. Also cite where referenced in the FOMB Certified Budget.

RESPONSE

LUMA cannot provide additional information on changes to GenCo costs made by PREPA as per section 7.3(e)(ii) of the OMA. The revised forecast was made without consultation and review by LUMA. PREPA must provide a response.

Initial Budgets

Response: RFI-LUMA-MI-2021-0004-210909-PREB-008

REQUEST

The Modification Request, Exhibit C, Table 5.6, Revised, the revised Load Reduction Due to Efficiencies (kWh) is specified to be (89,889,439) while the approved Load Reduction Due to Efficiencies is specified to be (406,749,115), resulting in a corresponding variance of 316,859,675. Explain the significant change and where this is referenced in the FOMB Certified Budget.

RESPONSE

In preparation of its response, LUMA notes an inadvertent error within the 406,749,115 kWh, or 407GWh load reductions due to efficiencies as provided in Initial Budgets. The 407GWh was the rooftop solar distributed generation total reductions accumulated for and until the end of Fiscal Year 2022. This amount should have been the difference between the rooftop solar distributed generation of 407GWh (total accumulated amount until end of FY2022), and 353GWh (total accumulated amount until end of FY2021), which would equal 54GWh. Similar to the methodology employed within the FOMB Certified 2020 PREPA Fiscal Plan, no energy efficiencies or Combined Heat and Power (CHP) efficiencies were assumed for the first year.

The 89,889,439kWh, or 90GWh load reductions due to efficiencies for Fiscal Year 2022, included in the FOMB FY2022 Certified Budget, was the sum of Fiscal Year 2022 reductions for rooftop solar distributed generation of 54GWh (which is consistent with the calculation above which should have been included in Initial Budgets), and CHP of 36GWh.

The 90GWh FY2022 load reduction due to efficiencies would be incorporated into the updated load forecast, which impacts the FOMB FY2022 Certified Budget as follows:

- all items within Total Consolidated Revenue, except Other Income, within I. Exhibit I – Budget – Revenues (Page 2 of 6), as well as
- the associated costs for Fuel & Purchased Power within II. Exhibit I Budget – Expenses A. Fuel & Purchased Power (Page 3 of 6).