

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

NEPR Received: Mar 11, 2022 8:14 PM
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IN RE: THE PERFORMANCE OF THE
PUERTO RICO ELECTRIC POWER
AUTHORITY

CASE NO. NEPR-MI-2019-0007

**SUBJECT: Submission of Information
Requested During Technical Conference of
February 24, 2022**

**MOTION IN COMPLIANCE WITH REQUESTS ISSUED IN TECHNICAL
CONFERENCE OF FEBRUARY 24, 2022**

TO THE HONORABLE PUERTO RICO ENERGY BUREAU:

COME now **LUMA Energy, LLC** (“ManagementCo”), and **LUMA Energy ServCo, LLC** (“ServCo”) (jointly “LUMA”), and respectfully states and request the following:

1. On December 22, 2021, LUMA filed a *Motion Submitting Quarterly Performance Metrics, Request for Amendment to Reporting Schedule on Certain Financial Metrics, Requests for Clarifications, and Request to Substitute a Metric, Exclude Certain Metrics and Rename Certain Metrics* (“December 22nd Submission”). With the December 22nd Submission, LUMA presented the data collected on performance metrics for the months of September through November of the year 2021. Moreover, LUMA renewed a prior request to exclude specific metrics, submitted a proposal for future submissions on financial metrics, requested clarifications, proposed substitute metrics and requested that the Energy Bureau rename several existing metrics. Finally, LUMA requested that the Energy Bureau delay reporting on the metric on non-technical losses found to be theft occurrences.

2. On January 5, 2022, LUMA filed a *Request to Stay Portion of Resolution and Order of December 14, 2021, to identify Additional Information and Submit Plan to Produce Information*

on Specified Metrics, and Request for Extension of Time. Among other requests, LUMA moved the Energy Bureau to stay compliance with portions of a Resolution and Order issued on December 14, 2021, that require LUMA to submit additional information and a plan to file reports on the following performance metrics: Monthly Peak by Customer Class, Monthly Peak by District, Average Time to Resolve Billing Complaints, Number of Customer Complaints Appealed by Customer Class, and Average Time to Respond to Service and Outage Complaints.

3. On January 21, 2022, LUMA submitted a plan to report on two metrics: Incremental Installed Distribution Generation Capacity per Year - Wind -, and Incremental Number of Distributed Generation Installations per Year -Wind-, commonly referred to as the wind metrics.

4. On January 31, 2022, the Energy Bureau issued a Resolution and Order, whereas it scheduled a Technical Conference for February 24, 2022, at 10:00 a.m. (“January 31st Order”). In the January 31st Order, the Energy Bureau expressed that it had identified a list of comments from the December 22nd Submission as to which it sought clarification from LUMA. The comments were included as Attachment A to the January 31st Order. The Energy Bureau stated that in the Technical Conference, LUMA and PREPA would have the opportunity to discuss their comments and answer questions from the Energy Bureau. As such, the Energy Bureau instructed LUMA and PREPA to ensure that their representatives appear ready to answer under oath any questions the Energy Bureau, its staff, consultants, and Commissioners may have.

5. The Technical Conference was held as scheduled on February 24, 2022. LUMA representatives appeared and answered questions by Commissioners and also by Energy Bureau consultants.

6. During the Technical Conference, the Energy Bureau and Energy Bureau consultants issued verbal bench requests for LUMA to provide additional information and respond to several questions on or before March 11, 2022. As **Exhibit 1** to this Motion, LUMA submits its responses to the requests for information and questions issued by the Energy Bureau and its consultants during the Technical Conference of February 24, 2022. The responses identify the subject-matters of each of the requests.

WHEREFORE, LUMA respectfully requests this Honorable Bureau **take notice of the** aforementioned and **deem** that LUMA complied with the verbal bench orders that were issued during the Technical Conference of February 24, 2022.

RESPECTFULLY SUBMITTED.

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 and to the Independent Consumer Protection Office through its director, Hannia Rivera, hrivera@jrsp.pr.gov.

In San Juan, Puerto Rico, this 11^h day of March 2022.



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Exhibit 1

The Performance of the Puerto Rico Electric Power Authority – February 24, 2022 Technical Conference

Docket ID: NEPR-MI-2019-0007

Response: TC-RFI-LUMA-MI-19-0007-220224-PREB-001

Subject: Financial Metrics

Request: **A) Financial Close** - LUMA to explain financial close process to explore if a reduction in the timeline is possible.

B) Financial Reporting (July 2021) - LUMA to provide additional details on the calculation of the metrics provided for July 2021 that are above 100%.

Response:

A) Financial Close

Current Financial Close Process

As discussed in the Technical Conference, in the first few months of the 2022 fiscal year, LUMA's financial close process took approximately 5-6 weeks after the end of each month to produce financial reports. LUMA has begun to implement process improvements to reduce the time required to produce financial reports. The major steps in LUMA's current financial process as of March 2022 consist of the following:

- Purchasing, Inventory and Accounts Payable modules of Oracle are closed during the first week of the month;
- Information about Labor costs are received and recorded in the first to third days of the second week of the month;
- Fuel and Revenue entries are received from PREPA for Generation Operations and recorded in the second week of the month;
- A preliminary close of the Fixed Asset and Project Accounting modules of Oracle and the General Ledger occurs at the end of the second week of the month;
- Preliminary financial reports are reviewed by both PREPA and LUMA from the first to the third days of the third week of the month;
- Correcting entries and accruals are received and recorded by the end of the third week of the month, and the General Ledger and Project Accounting are closed; and
- Financial reports are produced during the fourth week of the month.

Gaps Identified by LUMA during Front-End Transition

LUMA identified gaps in the financial systems that impact its ability to produce accurate and timely financial results. These gaps, and the technology improvements planned to address them, are detailed in LUMA's System Remediation Plan in the Critical Financial Systems program. Once they are addressed, LUMA's financial close process will be further improved. The financial system's gaps identified include the following:

- Time management;
- Employee expense recording;
- Procurement;
- Project cost control;

- Fixed assets;
- Budgeting and forecasting;
- Reporting and consolidation;
- Operational reporting;
- Risk management;
- Facilities management; and
- General technology.

Improvements To Improve Financial Close Cycle

LUMA has begun implementing the following improvements to the financial close process including:

- Defining and documenting all required steps in the close process and the tasks needed to complete them. Ensuring that all tasks are assigned to an appropriate team member. This includes the use of checklists that ensure all required steps are completed.
- Standardization of the format of journal entries, reports, and reconciliations to minimize the time required for preparation and review.
- Communication between team members and other LUMA groups that provide information required for the month-end close process. Communication with PREPA is ongoing to ensure issues are dealt with promptly. The team also reviews the month-end close checklist regularly to monitor progress.
- Resources have been added to the process and will continue to be evaluated and supplemented if required as the reconciliation process is further improved with PREPA's assistance

B) Financial Reporting – July 2021

1. Percentages represent the result of comparing actuals directly with budget (actual/budget). See provided screenshot for February 2021 Operational Expenses vs Budget (excluding fuel) (system), presenting a result of 118.7%. This formula was used by PREPA's Planning Department prior to Commencement Date to complete the Performance Metrics submittal.

<u>Feb 2021 per 725 Report (Summary OpExpenses)</u>		
	<u>Budget</u>	<u>Actual</u>
Total Expenses	209,065,953.14	247,705,112.02
Less: Fuel	(60,810,251.12)	(82,420,323.29)
Less: Purchased Power	(63,114,204.00)	(64,255,340.79)
	85,141,498.02	101,029,447.94
Variance Formula (Actual/Budget)		118.7%

After July 1st, submittal of OpEx metrics was assigned to LUMA's Finance – Regulatory Reporting. After evaluation, formula changed as follows:

<u>Actual less budget</u>
<u>Budget</u>

2. Negative numbers represent amount below budget. For July (33.4)%, see below:

Operating Expenses A07 - July 2021 - per 725 Report		
	<u>Budget</u>	<u>Actual</u>
Jul-21	<u>202,149.25</u>	<u>134,598.59</u>
	202,149.25	134,598.59
Variance %		-33.4%
<i>Formula: (134,598.59 - 202,149.25)/(202,149.25)</i>		

3. Discussion of June and July variances.

- i. June 2021 (using former Actual/Budget formula) mainly due to the following:

Operational Expenses - June 2021 - per 725 Report		
	<u>Budget</u>	<u>Actual</u>
Total OpEx June 2021	\$ 225,681,144.86	\$ 393,085,054.18
Less: Fuel	(70,018,478.88)	(130,764,806.09)
Less: Purchased Power	(70,521,208.00)	(69,309,293.16)
	<u>\$ 85,141,457.98</u>	<u>\$ 193,010,954.93</u>
Variance (%)		226.7%
Variance (\$)		\$ 107,869,496.95
Main drivers	LUMA Payroll ¹	(12,824,947.32)
	VTP Program ²	(25,000,742.13)
	Security. Serv. ³	(3,704,485.67)
	AP Accrual Unrecorded ⁴	(62,125,400.05)
	Mat./Supplies/Others ⁵	(4,213,921.78)
¹ Separate accounting of LUMA and PREPA expenses started on July 1st. ² Voluntary Termination Program established for PREPA Employees. ³ Due to increase of security threats to LUMA employees after Commencement Date. ⁴ Due to backlog of unaccrued invoices related to periods prior to Commencement Date. ⁵ Use of materials and supplies to supporting increased remediation efforts after Commencement Date.		

- ii. July 2021 variance of 137.2% for GenCo A09 Directorado Recursos Humanos.

Operating Expenses A09 - July 2021 - per 725 Report		
	<u>Budget</u>	<u>Actual</u>
Jul-21	<u>129,717.79</u>	<u>307,746.48</u>
	129,717.79	307,746.48
Variance %		137.2%
Variance in dollars		178,028.69
Main Items overbudget	Salaries ¹	(78,399.92)
	Misc. Expenses ²	(99,303.09)
¹ Only GenCo. Reshuffling of remaining PREPA employees among their Human Resources Department. ² Accounting reclassification of PREPA expenses that were still being charged to former T&D and Cust. Service accounts.		

iii. July 2021 variance for overall system.

Total Operating Expenses - July 2021 - per 725 Report		
	<u>Budget</u>	<u>Actual</u>
Total OpEx July 2021	193,707,466.02	272,067,304.47
Less: Fuel	(119,468,000.00)	(143,041,639.53)
Less: Purchased Power	(50,174,000.00)	(68,395,000.00)
	<u>24,065,466.02</u>	<u>60,630,664.94</u>
	24,065,466.02	60,630,664.94
Variance %	151.9%	
Variance in dollars		36,565,198.92
Main Items overbudget	Salaries ¹	(1,849,923.35)
	Misc. Expenses ²	(33,066,587.29)
¹ Only GenCo. Increase of PREPA marginal benefit expense, due to unregistered provider invoices from prior periods.		
² Accounting reclassification of PREPA expenses that were still being charged to former T&D and Cust. Service accounts.		

The Performance of the Puerto Rico Electric Power Authority – February 24, 2022 Technical Conference

Docket ID: NEPR-MI-2019-0007

Response: TC-RFI-LUMA-MI-19-0007-220224-PREB-002

Subject: Customer Service Metrics

Request: LUMA to provide an explanation on its processes to handle customer complaints, per Act 57 and information on categorizations of contacts with customers.

Response:

Customer Complaints (Billing)

LUMA is not aware of any plan prepared or filed by PREPA pursuant to Section 6.26 of Act 57, as amended.

LUMA is receiving and managing customer Act 57 Claims based on the requirements by law supported by the process detailed below.

When a customer contacts LUMA and lodges a complaint, LUMA's Customer Experience team is trained to seek to resolve the issue in a timely manner. The intent is that a resolution is first sought with the customer directly.

When a customer initiates a claim, the following five steps occur in compliance with Article 6.27 of Act 57:

1. LUMA evaluates the customer's claim and account to determine the issue and the necessary investigations. LUMA communicates with the customer to ensure they are aware their claim has been received and a claim number established for reference.
2. LUMA investigates each claim. Within 60 days of the claim being initiated, a customer notification is sent notifying the customer of investigation results and LUMA's determination.
3. A customer has 20 days to review the results. If the issue is not resolved to the customer's expectation, subject to the client's initiation, the claim advances to a second level review and a reconsideration. If the customer does not continue the claim at this stage the claim is completed and closed.
4. If the customer continues their claim, a second level review is completed by customer service staff and by the Manager of Billing Services within 30 days to determine if any exclusions or errors were committed. At this point the customer may now proceed to file their claim to the Energy Bureau for an appeal or revision.
5. LUMA staff participate in PREB hearings for formal complaints filed by customers.

Customer Touchpoints

As discussed during the technical conference, LUMA interacts with customers hundreds of thousands of times per month. The customer interaction that takes place at LUMA's Customer Service Centers or contact center is tracked, monitored, and reported in the quarterly filing metrics available in this docket. - such as Average Wait Time in Customer Service Centers, Number of Calls Received and Number of Calls Answered.

These various touchpoints represent the direct interaction with customers to provide information or service they require. These touchpoints may be inquiries that are initial inquiries, follow-ups or even escalations when a customer is expecting a different type of response or an escalation due to a service

issue. Each of these touchpoints is important to LUMA. LUMA works to address each customer inquiry timely and completely. Not all customer contacts are or become Act 57 Claims or Act 57 Complaints with the Energy Bureau. Each escalation is not necessarily a Claims or a Complaint either. A customer contact can be initiated to address different priority or to address an escalating situation for a customer.

Further, regardless of the channel used, when a customer complains about the quality of their service or an issue that they are encountering, LUMA has trained staff to escalate those contacts with a supervisor or manager to address the situation. These types of escalations are addressed quickly and are used to continuously improve LUMA's processes and raise the level of service provided. The Voice of the Customer team is specifically designed to identify opportunities for improvement.

The Performance of the Puerto Rico Electric Power Authority – February 24, 2022 Technical Conference

Docket ID: NEPR-MI-2019-0007

Response: TC-RFI-LUMA-MI-19-0007-220224-PREB-003

Subject: Monthly Peak

Request: LUMA to explain availability or lack thereof of data on “Monthly Peak by Customer Class” and “Monthly Peak by District.”

Response:

LUMA Energy is unable to determine a Monthly Peak either by customer class or by district for its entire customer base. This is due to the limitations of the metering infrastructure and the lack of a data warehouse to store data from meters. During the technical conference it was raised whether LUMA could determine a system peak for commercial and industrial customers. LUMA offers the following information upon further discussion around the availability of data.

Meter Infrastructure

- LUMA Energy has metering infrastructure that was inherited from the Puerto Rico Electric Power Authority through the transition – a formal Meter Data Management System is not in place. This infrastructure is primarily based on meters that record data and communicate a unit meter read, such as a kWh, to the billing system Oracle CC&B (“CC&B”). The meter read data is gathered through collectors and transmitted into CC&B through the Two-Way Automatic Communication System (“TWACS”).
- The basic data received from the meters that are read and billed is not transmitted with a time or date of the peak demand for a customer of any type. This applies to most of the meters on the island.

Customer Types

Commercial and industrial customers have some differences to the broader residential population of metering.

- Commercial customer, depending on their tariff type, may be billed based on their demand. These customers’ meters may communicate demand in an automated manner but do not report a date or time. This is not recorded today. For manually read meters, the additional time and effort required for an employee to record the date and time from the manual meter into a system to determine that peak should be a consideration. Determining this type of peak data for commercial customers would require significant additional resources. A considerable effort would be necessary each month to physically visit each commercial meter and record this data manually.
- Industrial customers for purposes of this discussion are those LUMA has as primary metered customers. These customers today represent about approximately 60 customer accounts with approximately 600 separate meters within those customer accounts. These meters are visited physically every month to receive meter reads today. A separate device and process is required in order to download specific measurement data such as interval data for a monthly peak. LUMA

has not gathered this data to date for these customers or meters. A significant effort and cost would need to be undertaken to determine this information going forward.

In conclusion, while it is possible to gather the data for the industrial customer class to determine a monthly peak, this is not a priority due to the highly manual component. There are significant additional barriers to determining a monthly peak for any other customer class. Ultimately, until Advanced Metering Infrastructure and an Meter Data Management System are extensively deployed in Puerto Rico these barriers will remain.

The Performance of the Puerto Rico Electric Power Authority – February 24, 2022 Technical Conference

Docket ID: NEPR-MI-2019-0007

Response: TC-RFI-LUMA-MI-19-0007-220224-PREB-004

Subject: Inventory Turns

Request: LUMA to provide the definition of Inventory Turns and its calculation.

Response:

Inventory turnover is a measure of the amount of times inventory is sold/used within a given period.

The calculation used is: Total Inventory On-Hand within the period / Inventory Issued within the period.

Inventory Turns were calculated for this quarterly performance metric filing by calculating the Total Inventory / Inventory Issued for the quarter. Furthermore, Inventory Turns is categorized in the following three ways:

- 1) **Depot** – Palo Seco Main Warehouse (Distribution Material) –Material turned on average .10 for the last quarter, meaning we that used and replenished 10% of the total inventory in Palo Seco on average each month.
- 2) **T&D** – All other LUMA Warehouses – Material turned on average .75 for the last quarter, meaning that LUMA used and replenished 75% of the total inventory in those warehouses on average each month.
- 3) **Plant** – AEE/PREPA Generation Warehouses – Material turned on average .16 for the last quarter, meaning that they used and replenished 16% of their total inventory in those warehouses on average each month.

The Performance of the Puerto Rico Electric Power Authority – February 24, 2022 Technical Conference

Docket ID: NEPR-MI-2019-0007

Response: TC-RFI-LUMA-MI-19-0007-220224-PREB-005

Subject: Human Resource Metrics - Turnover

Request: LUMA to provide a detailed description and calculation for the proposed alternative performance metric of turnover.

Response:

Employee Turnover Rate will be based on the total number of employees who leave the Company over a certain time period, in this case, monthly. This rate will include the number of employees who exit the organization voluntarily, as well as the employees whose employment relationship is terminated and leave involuntarily. The calculation is based on inputs from LUMA's Workday system. The following data points are required:

- i. Beginning Inventory at the Beginning of the Month = Number of Active Employees
- ii. Number of New Hires for equivalent period
- iii. Terminations = Number of Employees who have exited LUMA at the end of period
 - a. This will occur automatically once the information is submitted and processed into the Workday Human Resource Information System (HRIS)
 - i. Includes Voluntary Termination (resignation of employment)
 - ii. Includes Involuntary Termination (termination due to disciplinary action)
- iv. Total Employees = Beginning Inventory + New Hires – Terminations
- v. Number of Terminated Employees / Total Employees at End of Period = Turnover Rate %

The Turnover calculation using the data points above is equal to:

Number of Employees (Beginning Inventory)
 + New Hires
 – Total Terminations (Voluntary + Involuntary)
 = Total Number of Employees (Ending Inventory)

Total Terminations (Voluntary + Involuntary)

/ Total Number Employees

x 100

= Turnover Rate

The Performance of the Puerto Rico Electric Power Authority – February 24, 2022 Technical Conference

Docket ID: NEPR-MI-2019-0007

Response: TC-RFI-LUMA-MI-19-0007-220224-PREB-006

Subject: Renewable Energy Metrics

Request: LUMA to provide further detail on the granularity available of renewable energy projects and the information that may be obtained and could be used in the future.

Response:

We have been able to access the back-end database of our Distributed Generation (“DG”) Portal which provides the data required for the reporting of the following metrics in this quarterly performance metric report:

- Total installed energy storage capacity by type (city and region);
- Incremental installed energy storage capacity per year (monthly basis) by type (system and per district);
- Total number of energy storage installations by type (system and per district); and
- Incremental number of energy storage installations by type (system and per district)

This report will be provided in a similar format as the PV and wind installation metrics and will be ready for the next reporting period (March 2022). The historic data will cover aggregate amounts from the earliest date we have this on record (July 2020) until present. The BESS information gathered has not been able to associate to electrical infrastructure (i.e., feeder or substation) —given the format that is submitted by the customer and stored in the database.