

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

IN RE: REVIEW OF LUMA'S INITIAL
BUDGETS

CASE NO.: NEPR-MI-2021-0004

SUBJECT: Fiscal Year 2023 Annual Budget
Review: Requirement of Information and
Establishing a Procedural Schedule

RESOLUTION AND ORDER

I. Introduction

On February 24, 2021, LUMA ENERGY, LLC as ManagementCo, and LUMA ENERGY SERVCO, LLC as ServCo (collectively, "LUMA") filed before the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau") a document titled *Petition for Approval of Initial Budgets and Related Terms of Service* ("Initial Budgets Petition"),¹ under Act 57-2014,² as amended by Act 17-2019,³ and pursuant to LUMA's obligations under Section 4.2 (e) of the Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement ("OMA"), dated June 22, 2020, executed by and among the Puerto Rico Electric Power Authority ("PREPA"), the Puerto Rico Public-Private Partnerships Authority ("P3 Authority") and LUMA.

On April 22, 2021, LUMA filed with the Energy Bureau a document titled *Motion Submitting PREPA's Generation Budget in Compliance with Order*⁴ in which LUMA submitted the Generation Budget, prepared by PREPA.

On May 31, 2021, the Energy Bureau issued a Resolution and Order ("May 31 Resolution"),⁵ through which it approved LUMA's Initial Budgets, corresponding to the budget for Fiscal Year 2022 ("FY22"). The Energy Bureau also directed LUMA to comply with several conditions and filing requirements.

On June 21, 2021, LUMA filed with the Energy Bureau a document titled *Request for Clarification and/or Reconsideration of May 31st Resolution and Order Approving LUMA's initial Budgets* ("Reconsideration Request").⁶ In the Reconsideration Request, LUMA requested the Energy Bureau to amend the May 31 Resolution to clarify or reconsider some of the Energy Bureau's reporting requirements. LUMA also asserted that certain reporting requirements were not consistent with procedures applicable to PREPA or LUMA in the OMA and with other reporting and compliance requirements.⁷

¹ See, *Petition for Approval of Initial Budgets and Related Terms of Service, In Re: Review of LUMA's Initial Budget*, Case No. NEPR-MI-2021-0004, February 24, 2021 ("Initial Budgets Petition").

² *The Puerto Rico Energy Transformation and RELIEF Act*, as amended.

³ *The Puerto Rico Energy Public Policy Act*.

⁴ See, *Motion Submitting PREPA's Generation Budget in Compliance with Order, In re: Review of LUMA's Initial Budget*, Case No. NEPR-MI-2021-0004, April 22, 2021 ("April 22 Compliance Motion").

⁵ See, *Resolution and Order, In re: Review of LUMA's Initial Budget*, Case No. NEPR-MI-2021-0004, May 31, 2021 ("May 31 Resolution").

⁶ See, *Request for Clarification and/or Reconsideration of May 31st Resolution and Order Approving LUMA's Initial Budgets, In Re: Review of LUMA's Initial Budget*, Case No. NEPR-MI-2021-0004, June 21, 2021 ("Reconsideration Request").

⁷ *Id.*, p. 3.



On July 16, 2021, the Energy Bureau issued a Resolution and Order (“July 16 Resolution”), through which it approved in part and denied in part, LUMA’s Reconsideration Request.

One condition for which modification was requested by LUMA required that:

Not later than October 31, 2021, LUMA shall submit to the Energy Bureau the Fiscal Year 2023 proposed budgets following the annual budget examination process delineated in the 2017 Rate Order. The filing requirements will be specified by the Energy Bureau in a future Resolution and Order.”⁸

LUMA requested that the filing date be moved to May 16, 2022. The Energy Bureau determined that the due date for the filing would be changed pursuant to LUMA’s request. The Energy Bureau established April 1, 2022 as the new due date for filing the Annual Budgets.⁹

On July 16, 2021, LUMA filed with the Energy Bureau, a document titled *Request for Modification of Approved Budget for Fiscal Year 2022* (“Modification Request”).¹⁰ In the Modification Request, LUMA expressed the need to revise the Fiscal Year 2022 Approved Budget to conform it to the Fiscal Oversight and Management Board’s (“FOMB”) Amended Puerto Rico Electric Power Authority (“PREPA”) Budget for Fiscal Year 2022, as certified by the FOMB on June 30, 2021. LUMA stressed that the resulting impacts would not result in increased rates.¹¹ LUMA requested that the Energy Bureau approve a revised FY 2022 Budget in accordance with the revisions identified in the Modification Request.

On September 9, 2021, the Energy Bureau issued a Resolution and Order (“September 9 Resolution”), through which it directed LUMA to (i) provide the information identified in Attachment A of the Resolution and Order, relative to the Modification Request; (ii) modify the Modification Request; and (iii) supplement its answers if additional information becomes available or if submitted information changes.¹²

On September 17, 2021, LUMA filed with the Energy Bureau, a document titled *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* (“September 17 Motion”), in which LUMA responded to the Requirements of Information in the Energy Bureau’s September 9 Resolution and provided a revised Modification Request.

On November 15, 2021, LUMA filed with the Energy Bureau, a document titled *Motion to Submit Quarterly Report* (“November 15 Motion”). In the November 15 Motion, LUMA submitted its First Quarterly Report in compliance with the May 31 Order (“First Quarterly Report”).

In its First Quarterly Report, LUMA states that the report outlines the key activities for the first quarter of Fiscal Year 2022 (July 1, 2021 – September 30, 2021) and sets forth the goals upon which it focuses.¹³ These include:

- Prioritize Safety,
- Improve customer satisfaction,
- System rebuild and resiliency,

⁸ May 31 Resolution, p. 37, ¶5.

⁹ July 16 Resolution, p. 3.

¹⁰ See, Request for Modification of Approved Budget for Fiscal Year 2022, *In Re: Review of LUMA’s Initial Budget*, Case No. NEPR-MI-2021-0004, July 16, 2021 (“Modification Request”).

¹¹ *Id.*, p. 3, ¶7.

¹² September 9 Resolution, p.9.

¹³ November 15 Motion, Exhibit 1, p. 17.



- Operational excellence and
- Sustainable transformation.

LUMA provides projected and actual Initial Budgets expenditures and resulting variances. LUMA provides additional detail regarding the variances and other specific areas of the budget regarding, among others, Transmission and Distribution program activities and capital expenditures including Federal and Non-Federal Funding activity.

On January 21, 2022, the Energy Bureau issued a Resolution and Order ("January 21 Resolution"), through which it evaluated LUMA's September 17 Motion and stated that it lacked an in-depth discussion of key matters, supporting data, analysis, and assessments needed by the Energy Bureau to adequately evaluate with respect to LUMA's Modification Request and required LUMA to respond to additional Requirements of Information.¹⁴

On February 15, 2022, LUMA filed with the Energy Bureau, a document titled *Motion to Submit Quarterly Report* ("February 15 Motion") in which LUMA filed its second comprehensive Quarterly Report for the 2022 fiscal year ("Second Quarterly Report").¹⁵

On March 25, 2022, the Energy Bureau issued a Resolution and Order (March 25 Resolution), through which, it expanded upon the filing requirements in the May 31 Resolution to be complied with by LUMA in its FY 2023 Annual Budgets Filing.¹⁶

On April 1, 2022, LUMA filed with the Energy Bureau a document titled *Submission of Annual Budget for Fiscal Years 2023 through 2025* ("April 1 Motion"). In the April 1 Motion, LUMA asserts that it is not requesting an increase or revision in the base rate, overall revenue requirements of a change in the current rate structure.¹⁷ The April 1 Motion includes the Operating Budgets which include the Capital Budgets (both Federally Funded and Non-Federally Funded) and the Generation Budget, as received by LUMA from PREPA.¹⁸ LUMA asserts that the Annual Budgets are aligned with the methodologies implemented to develop the PREPA 2021 Fiscal Plan certified by the FOMB on May 27, 2021.¹⁹ LUMA states it based its estimates on a bottom-up exercise, using an activity-based budgeting approach to support the first three years of operations and informed its estimates based on the first nine months of operations, experience and market estimates built on existing contracts.²⁰ LUMA relied on the FOMB assumption that PREPA is expected to exit Title III by December 31, 2022.²¹ LUMA asserts that its updated load forecast was completed using a consistent methodology approved by the Energy Bureau in the 2017 Rate Order and various dockets, and FOMB certified Fiscal Plans.²² LUMA suggests that because the proposed Annual Budget is consistent with the 2017 Rate Order, a formal rate proceeding is unnecessary.²³

On April 8, 2022, LUMA filed with the Energy Bureau a document titled *Motion in Compliance with Resolution and Order of March 25, 2022 and Submitting Supporting Workpapers to LUMA's Annual Budgets and Request for Confidential Treatment* ("April 8 Motion"). In the April 8 Motion, LUMA submitted accompanying workpapers and provided LUMA's responses to the March 25 Resolution.

¹⁴ January 21 Resolution, pp. 4-5.

¹⁵ February 15 Motion, Exhibit 1.

¹⁶ March 25 Resolution, p. 3.

¹⁷ April 1 Motion, p. 2.

¹⁸ *Id.*, p. 6.

¹⁹ *Id.*, p. 8.

²⁰ *Id.*, p. 12.

²¹ *Id.*, p. 13.

²² *Id.*

²³ *Id.*, p. 16.



On April 8, PREPA filed with the Energy Bureau, a document titled *Notice of Intent to File Detailed Explanation of the Generation Budget* ("PREPA April 8 Motion"), in which PREPA asserted it would file a detailed explanation of the PREPA prepared FY 2023 Generation Budget submitted by LUMA in its April 1 Motion.

On April 11, 2022, the Energy Bureau issued a Resolution and Order ("April 11 Resolution") directing PREPA to immediately submit to LUMA, supporting materials, work papers and other information to be used in hearings and technical conferences, to coordinate efforts with LUMA to ensure timely filing of necessary documentation and to ensure its personnel or consultants would be available for any technical Conferences to be held in this docket.

On April 14, 2022, PREPA submitted to the Energy Bureau a document titled *Motion to Inform Compliance with the April 11 Order* ("April 14 Motion") in which PREPA informed it had submitted the required information to LUMA, expecting LUMA immediately file that information with the Energy Bureau.²⁴

On April 14, 2022, LUMA submitted a document titled *Motion in Compliance with Resolution and Order Dated April 11, 2022* ("LUMA April 14 Motion"). Through the LUMA April 14 Motion, LUMA provided the information it had received from PREPA in response to the Energy Bureau's April 11 Resolution. LUMA advised that it did not have the opportunity to comprehensively review the information before submitting it to the Energy Bureau.²⁵

II. Analysis

A. Proposed FY 2023 Annual Budgets

The Energy Bureau reviewed the April 1 Motion to ascertain LUMA's compliance with the filing requirements in the May 31 Resolution, the March 25 Resolution, and other Energy Bureau Orders and to identify additional information determined at this point to be necessary for the Energy Bureau's review. The Energy Bureau notes that additional or more specific information deemed necessary for the Energy Bureau's review is required.

In its April 1 Motion,²⁶ LUMA stresses the poor state of the electric system and lack of cooperation by PREPA. LUMA states that, "Since starting operations on June 1, 2021, LUMA has continued to discover unexpected deficiencies that were not uncovered during the FET period due to PREPA's lack of cooperation and omissions. The extent of these deficiencies across the T&D System and in the inherited systems and processes resulted in adjustments to planned activities for Fiscal Year 2022 and subsequently planned activities for Fiscal Year 2023. Certain discovered deficiencies have been summarized in the first two quarterly reports and include the following:

- Non-functioning electrical assets including 29 non-functioning substations
- Broad and significant call center and Customer Care & Billing limitations
- Marginally operable Outage Management System
- Isolated and inaccurate Asset Management (AM) system with incomplete upgrades at commencement
- Lack of documented current processes and procedures
- Critically insufficient technical and safety training of employees
- Lack of recent and relevant operational and industry standard training
- Lack of asset information, inaccurate system models
- Non-standard configuration, segregation, manual overrides and out of date operating Information Technology and Operational Technology (IT OT) systems, causing instability and weakness that directly affect service and reporting"

²⁴ *Id.*, p. 7.

²⁵ LUMA April 14 Motion, p. 3.

²⁶ April 1 Motion, Exhibit 1, pp. 15 -16.



LUMA states that “[i]n addition, progress on Federal Funding activities has been impacted by PREPA’s inaction on preliminary planning and engineering during the first five months of 2021 in advance of LUMA’s June 2021 commencement date...LUMA has made substantial and qualitative progress towards stabilizing the T&D System. Nonetheless, these obstacles are materially impacting our operations throughout the Fiscal Year 2022 and materially impact LUMA’s Annual Budgets for fiscal years 2023 through 2025.”

The Energy Bureau is concerned with LUMA’s assertions of PREPA’s lack of cooperation, of the unexpected deficiencies and omissions it encountered since commencement of operations, and the large variances between budgeted and actual expenditures that resulted. While the Energy Bureau notes the budgetary and programmatic successes that LUMA has described despite the obstacles, it is difficult to understand how these numerous obstacles were unexpected to LUMA in view of the extensive effort LUMA described in developing its Initial Budgets²⁷ and its activities during the Front-End-Transition period. Many, if not most, of these obstacles should have been discovered and their effect on projected budgets more accurately reflected by LUMA in anticipation of its commencement of operations.

The Energy Bureau will explore this further in the Requirements of Information that follow, particularly in requests regarding the two quarterly reports that LUMA has filed, and the specific information they include.

The Energy Bureau emphasizes the need for cooperation by LUMA and PREPA to avoid or minimize any negative impact on LUMA’s planned recovery and transformation activities.

Requirements of Information relating to the proposed FY 2023 Annual Budgets are appended as Attachment A.



B. May 31 Resolution

The Energy Bureau will initially look at the filing requirements in the May 31 Resolution. These are:

LUMA shall maintain detailed accounting of annual expenses for FY 2022 and FY 2023 and account for the use of funds within the budget for that timeframe. LUMA is to explain annually any differences between accounts expenses and approved budgets and request approval for cost recovery of any uncollected funds.²⁸

As of this filing, LUMA does not have available the information requested in this filing requirement, which corresponds to the end of FY 2022 on May 31, 2022. LUMA states in its April 1 Motion it “has informed its estimates based on the first nine months of operation, including the multiple and varied challenges as discussed, previous experience and market estimates built on existing contracts.”²⁹

The Energy Bureau **ORDERS** LUMA to provide the information referenced above to the extent available based on the first nine months of operation. This does not modify the full requirement following FY 2022 and FY 2023.

LUMA shall provide annual reports on the implementation of improved efficiencies and quantification of resulting savings. (The Energy Bureau CLARIFIES that the reports for FY 2022 may reflect the evolving nature of the efficiency efforts).³⁰

²⁷ See, Initial Budgets Petition, “In the assessment phase, LUMA conducted a broad, preliminary assessment (also referred to as “gap assessment”) of the condition of the utility’s physical assets and management practices, which included assessing PREPA’s organizational health, asset condition, performance data, and systems operations.” Exhibit 1, p. 6, Section 1.4.1.

²⁸ May 31 Resolution, Reporting Requirement 1, p. 36.

²⁹ April 1 Motion, Exhibit 1, p. 22, Section 2.2.

³⁰ May 31 Resolution, Reporting Requirement 4, p. 37.



As of this filing, LUMA does not have available the information requested in this filing requirement, which corresponds to the end of FY 2022 on June 30, 2022. Although efficiencies are mentioned in various areas of the April 1 Motion, these mentions are general references to efficiencies and do not constitute a report. Efficiencies are not forecast for FY 2023, however, they are forecast for FY 2024 and FY 2025.³¹

The Energy Bureau **ORDERS** LUMA to provide the information referenced above to the extent available based on the first nine months of operation. This does not modify the full requirement following FY 2022 and FY 2023.

Requirements of Information relating to the May 31 Resolution are appended as Attachment B.

C. March 25 Resolution

The March 25 Resolution expanded upon the filing requirements in the May 31 Resolution. The additional filing requirements are:

The Energy Bureau requires LUMA to include in its filing, all applicable workpapers and supporting material used to develop its Fiscal Year 2023 budget proposal. In this respect, Attachment A of the Bureau's April 5 Resolution³² should be complied with, unless inapplicable due to references to the proposed Initial Budgets or changed circumstances, The Energy Bureau expects LUMA to make this determination being more rather than less inclusive.³³

LUMA responded to this request, identified as Response: RFI-LUMA-MI-2021-0004-20220325-PREB-001³⁴ in the April 8 Motion. In its response, LUMA references various accompanying documents as containing the requested working papers.

The requirements of Attachment A of the Bureau's April 25 Resolution, as referenced in the March 25 Resolution are:

Provide all supporting workpapers used to determine that Initial Budgets (now Annual Budgets) are consistent with PREPA's current rate order, issued by the Energy Bureau through the January 10, 2017 Final Resolution and Order and the March 8, 2018 Final Resolution and Order in Case No.: CEPR-AP-2015-0001 (collectively, "2017 Final Rate Order").³⁵

Provide all supporting workpapers used to develop the Initial Budgets (now Annual Budgets) estimates, including re-organization and re-map budgets, budget templates, and Initial Budgets (now Annual Budgets) consolidation, showing the interdependencies with the System Remediation Plan and Performance Metrics proposals. Budget templates should be populated with estimated cost data, both pre- and post-consolidation to spending categories. These workpapers should include underlying Excel workbooks, with formulae intact, including workbooks and workpapers used to derive data presented in Schedules 5.1 through 5.6 of Exhibit 1.³⁶

LUMA addresses these Requirements of Information in its April 8 Motion. While the Energy Bureau is not seeking material in the detail required for a full rate proceeding, detailed

³¹ *Id.*

³² April 5 Resolution, Attachment A, pp. 5 – 6.

³³ March 25 Resolution, p. 3 of 4.

³⁴ See, April 8 Motion, Exhibit A, p. 2.

³⁵ March 25 Resolution, p. 3 of 4.

³⁶ March 25 Resolution, p. 3 of 4.



explanation of the derivation of the numbers utilized in the proposed FY 2022 budget is necessary. The Energy Bureau recognizes that certain values are obtained from sources that are beyond the control of LUMA and cannot be explained further.

The Energy Bureau **ORDERS** LUMA to have necessary staff available to discuss and answer questions regarding the workpapers provided confidentially in the April 8 Motion (confidential information will not be discussed) at the **Technical Conference scheduled for June 10, 2022** and be prepared to promptly provide any follow up information that the Energy Bureau may require.

Although LUMA generally addresses its determination of the updated Load Forecast that serves as the basis for the base rates and expenditure limit to be utilized in the Annual Budgets, it does not set forth the actual process it utilized in its determination.

The Energy Bureau directs LUMA's attention to the Energy Bureau's January 21 Resolution, which sets forth "Given that LUMA, as the System Operator, is responsible for the operation and planning of the electric grid, the Energy Bureau DETERMINES that not performing an independent assessment of the revised energy demand forecast is a fatal flaw. To rectify, the Energy Bureau ORDERS LUMA to undertake such evaluation and advise the Energy Bureau of the results and basis for its determination regarding the updated load forecast it utilizes in its Modification Request."³⁷ This has not been complied with.

In the April 1 Motion, LUMA states that, "The updated system load forecast was completed using a consistent methodology, that yielded consistent results, to the information provided in the 2021 PREPA Fiscal Plan, as certified by the FOMB on May 27, 2021. For further information on load forecast methodology, please refer to Section 2.2 (Key Assumptions and Basis of Annual Budgets)."³⁸ This and other sections of the April 1 Motion where the load forecast is referenced do not provide the specific methodology utilized in determination of the revised load forecast.

The Energy Bureau **ORDERS** LUMA to provide an independent assessment of the methodology utilized to determine the updated energy demand/load forecast employed in the proposed Annual Budgets.

Also set forth in the March 25 Resolution was the following requirement:

Because the Energy Bureau's April 5 Resolution preceded LUMA's Modification Request, in which LUMA requested approval of Initial Budgets it had modified to conform with FOMB's FY 2022 Budget Certification, LUMA should clearly delineate its proposed Fiscal Year 2023 budget correlation with the FOMB figures and provide adequate supporting material.³⁹

In its response to this request, identified as Response: RFI-LUMA-MI-2021-004-20220325-PREB-002, filed with the Energy Bureau on April 8, 2022, LUMA noted that it has not provided Fuel, Purchased Power, Contribution in Liew of Taxes (CILT) and Subsidies forecasts until they are reviewed by the FOMB. LUMA does not, however, provide a comparison of the various proposed budget categories with the FOMB figures that LUMA presented in its Modification Request, nor the accompanying supporting material. This Requirement of Information was also acknowledged by LUMA in its April 1 Motion.⁴⁰ The requested information, however, has not been adequately provided.

³⁷ January 21 Resolution, p. 5.

³⁸ April 1 Motion, Exhibit 1, p. 34.

³⁹ March 25 Resolution, p. 3 of 4.

⁴⁰ *Id.*, p. 67.



The Energy Bureau **ORDERS** LUMA to provide a comparison of the proposed budget categories regarding Revised Schedules 5.1 through 5.6 to LUMA's Initial Budgets.⁴¹

Requirements of Information relating to the March 25 Resolution are appended as Attachment C.

D. FY 2022 First Quarterly Report FY 2022 Second Quarterly Report

In its FY2022 First and Second Quarterly Reports, LUMA addresses the areas of inquiry set forth in the Energy Bureau's Initial Budgets Reporting Requirements. The Energy Bureau finds these reports informative and seeks additional information. The areas of inquiry include, but are not limited to, the variance attributable to the areas of deficiency and challenges LUMA asserts because of the actions or inaction of PREPA and the extent to which those challenges could have been foreseen and accounted for in the Initial Budgets, the steps LUMA is taking to ensure that similar situations do not re-occur, why enumerated variances will not affect timelines where indicated, the impact this will have on the budget for the remaining 2022 Fiscal Year and subsequent Fiscal Years, the effect of variances on project cost, project status where timelines are affected, the nature and cost allocation of legal services and the effect on LUMA's budget of generation shortcomings.

Requirements of Information relating to the FY 2022 First Quarterly Report and FY 2022 Second Quarterly Report are appended as Attachments D and E, respectively.

E. Generation Budget

LUMA relates that it filed the Generation Budget, received from PREPA, as part of the proposed Annual Budgets, however the Generation budget is outside the control of LUMA.⁴²

Requirements of Information relating to the FY 2022 the Generation Budget are appended as Attachment F.

III. Procedural Schedule

The Energy Bureau deems appropriate at this moment to establish the following Procedural Calendar for this case:

Date	Phase
May 26 ,2022	Filing of a Summary of the Proposed Initial Budget Petition in the Spanish Language to be Available to the Public
June 3, 2022	Filing of Responses to the Energy Bureau's ROIs
June 7, 2022	Filing of LUMA's Presentation for the Virtual Technical Conference
June 10, 2022	Virtual Technical Conference
June 15, 2022	Filing of Any Revised and/or Additional Information Required by the Energy Bureau
June 17, 2022	Virtual Public Hearing / Filing of Comments by General Public Due

During the Virtual Technical Conference, LUMA shall present and discuss thoroughly the proposed FY 2023 Budgets. LUMA representatives and their consultants must be prepared to answer questions under oath from the Energy Bureau, its staff, and consultants, regarding its presentation and all aspects of the proposed FY 2023 Annual Budgets. The Energy Bureau will timely provide additional information, via its website, regarding the Virtual Technical Conference format, the rules of conduct, and the order of the proceedings.

The general public will have the opportunity to present their comments and suggestions of the proposed FY 2023 Annual Budgets during the Virtual Public Hearing. Since the Virtual

⁴¹ See, Modification Request, Exhibit C.

⁴² April 1 Motion, p. 6.



Public Hearing is designed to obtain comments from the general public, LUMA or its employees, associates, witnesses or legal representation, and any other party to this proceeding will not be allowed to participate in the Virtual Public Hearing. Any person interested in presenting oral comments during the Virtual Public Hearing shall, on or before **Friday June 16, 2022, at 3:00 p.m.**, contact the Energy Bureau's Clerk at (787) 523-6262 or via email to secretaria@jrsp.pr.gov to request a turn and to obtain instructions and a link to access the Virtual Public Hearing. The Virtual Public Hearing will be streamed live via the Energy Bureau's YouTube Channel.⁴³ The Energy Bureau will provide, at the commencement of the hearing, the rules of conduct, and the order of the proceedings.

The public may also submit written comments and suggestions to the Energy Bureau regarding the proposed FY 2023 Annual Budgets ("Written Public Comments"), on or before **June 17, 2022**. The Written Public Comments to be filed with the Energy Bureau shall: (i) include in their title: "Public Comments on LUMA's Annual Budgets Request — Case No. NEPR-MI-2021-0004"; (ii) be addressed to the attention of Edison Avilés Deliz, Chairman; and (iii) be filed by electronic mail at: comentarios@jrsp.pr.gov; through the Energy Bureau's electronic filing tool at: <https://radicacion.energia.pr.gov/>; by postal mail addressed to the Puerto Rico Energy Bureau's Clerk's Office at World Plaza Building, 268 Muñoz Rivera Ave., Plaza Level Suite 202, San Juan, PR 00918-1925; or in person at the Energy Bureau's Clerk's Office, at the referenced address. The hours of operations of the Clerk's office are Monday through Friday from 8:30 a.m. to 5:30 p.m., excluding holidays.

The Energy Bureau may modify the foregoing Procedural Calendar at its discretion.

IV. Conclusion

The Energy Bureau **ORDERS** LUMA to, **on or before 12:00 p.m. on June 3, 2022**, provide the information identified in Attachments A through F of this Resolution and Order.

The Energy Bureau is particularly concerned with LUMA's failure to comply with one of the directives in the January 21 Resolution. In the January 21 Resolution, the Energy Bureau ordered LUMA to perform an independent assessment of the revised energy forecast it relies upon in its Modification Request and advise the Energy Bureau of the results and basis of that determination. Approval of LUMA's Initial Budgets Modification Request will not be considered further unless this omission is rectified. The Energy Bureau **ORDERS** LUMA to, on or before, 12:00p.m. on **May 26, 2022**, respond to this directive, taken in conjunction with **ROI C4** contained herein.

The Energy Bureau **ORDERS LUMA** and **PREPA** to ensure that the personnel and/or consultants appear during the Technical Conference to respond to questions on the proposed Annual Budgets by the Energy Bureau, its staff, and consultants.

The Energy Bureau **WARNS LUMA** and **PREPA** that, noncompliance with any provision of this Resolution and Order, may result in the imposition of fines under Act 57-201413 and applicable Energy Bureau's regulations and/or any other appropriate administrative sanctions, as deemed appropriate by the Energy Bureau.

Be it notified and published.



⁴³ The Energy Bureau's YouTube channel may be accessed through the following link - <https://www.youtube.com/channel/UCxZYn-qt1k0LU9tX37-110oA>.


Edison Avilés Deliz
Chairman


Lillian Mateo Santos
Associate Commissioner


Ferdinand A. Ramos Soegaard
Associate Commissioner

CERTIFICATION

I hereby certify that the majority of the members of the Puerto Rico Energy Bureau has so agreed on May 19, 2022. Associate Commissioners Ángel R. Rivera de la Cruz and Sylvia B. Ugarte Araujo did not intervene. I also certify that on May 19, 2022 a copy of this Resolution and Order was notified by electronic mail to the following: ana.rodriguezrivera@us.dlapiper.com; jmarrero@diazvaz.law and kbolanos@diazvaz.law. I also certify that today, May 19, 2022, I have proceeded with the filing of the Resolution and Order issued by the Puerto Rico Energy Bureau.

For the record, I sign this in San Juan, Puerto Rico, today May 19, 2022.


Sonia Seda Gaztambide
Clerk



ATTACHMENT A
Proposed FY 2023 Annual Budget: Requirements of Information

A1. Inflation is noted as applied consistent with the T&D OMA or where not yet identified, consistent with assumptions from the macro-economic assumptions provided by AAFAF/FOMB on January 31, 2022, as noted above is section 2.2.⁴⁴

What level of inflation is applied? How will inflation that may exceed the anticipated level be compensated for in the Annual Budgets?

A2. Based on Table 2.2,⁴⁵ the proposed Transmission & Distribution Operating Budget for FY 2023 is approximately \$75 Million less than that which was approved for FY 2022⁴⁶ in the Initial Budgets.

- A. Explain the significant decrease.
- B. What, if any, diminution of service will result?
- C. How does that reconcile with the increased level of work LUMA asserts, throughout the Motion Submitting Annual Budgets, is necessary due to unexpectedly poor conditions it encountered when assuming its role as System Operator?

A3. Based on Table 2.2,⁴⁷ the proposed Capital Budget for FY 2023 is approximately \$113 Million less than that which was approved for FY 2022⁴⁸ in the Initial Budgets. This comprises both Federally and Non-Federally Funded Capital Budgets.

- A. Explain the significant decrease in both Federally Funded and Non-Federally Funded Capital Budgets.
- B. What impact will this have on the achievement of necessary system remediation and improvement work and on its scheduled completion?

A4. Based on Table 3-1,⁴⁹ proposed Other Expenses for FY 2023, excluding the LUMA fee, are greater than those approved for FY 2022⁵⁰. Bad Debts and PREPA Legacy Costs have each increased by over 30%, and PREPA Legacy has increased by over 10%.

- A. How do those increase impact other costs within the proposed Annual Budgets while maintaining the required level of service and maintaining base rates within the level set in the 2017 Rate Case?
- B. What is being done to address the increase in Bad Debts?

A5. Based on table 4-5,⁵¹ the proposed FY 2023 Improvement Portfolio Spending is approximately \$137 million less than that approved for FY 2022,⁵² or approximately 13% less.

Explain how this reduction in the level of Improvement Portfolio Spending will not affect the level of service to be provided by LUMA.

A6. LUMA states that “During the period covered by the Annual Budgets, LUMA will implement a Loss Recovery Program, to reduce losses within the system.”⁵³

⁴⁴ April 1 Motion, Exhibit 1, p25.

⁴⁵ *Id.*, p. 26.

⁴⁶ Initial Budgets Petition, Exhibit 1, p. 36.

⁴⁷ April 1 Motion, Exhibit 1, p. 26.

⁴⁸ Initial Budgets Petition, Exhibit 1, p. 36.

⁴⁹ April 1 Motion, Exhibit 1, pp. 32 – 33.

⁵⁰Initial Budgets Petition, Exhibit 1, p. 41.

⁵¹ April 1 Motion, Exhibit 1, p. 53.

⁵² Initial Budgets Petition, Exhibit 1, p. 63.



- A. When will a Loss Recovery Program be implemented?
- B. Why has such a program not yet been implemented?

A7. Are Christmas Bonuses included in LUMA's or PREPA's proposed Annual Budgets? Provide details.

A8. Is payment for pre-existing pension expense included in LUMA's or PREPA's proposed Annual Budgets? Provide details.

A9. Are matching funds for Federally Funded Capital Expenditures included in LUMA's or PREPA's proposed Annual Budgets? Provide details.

A10. Provide cumulative information from Q1, Q2, and Q3 to the extent available, in the format utilized in Quarterly Reports, information provided in tables 3-1 through 5-1 with status.

- A. Project that information as of the end of FY 2022.
- B. To the extent not explained in the Annual Budget Proposal, explain the reason for any variance and how that will affect established project or program timeframes for FY 2022 and FY 2023.



⁵³ April 1 Motion, Exhibit 1, p. 24.

ATTACHMENT B
May 31 Resolution:

B1. LUMA shall maintain detailed accounting of annual expenses for FY 2022 and FY 2023 and account for the use of funds within the budget for that timeframe. LUMA is to explain annually any differences between accounts expenses and approved budgets and request approval for cost recovery of any uncollected funds.

Provide the information requested above to the extent available based on the first nine months of operation. This does not modify the full requirement following FY 2022 and FY 2023.

B2. LUMA shall provide annual reports on the implementation of improved efficiencies and quantification of resulting savings. (The Energy Bureau CLARIFIES that the reports for FY 2022 may reflect the evolving nature of the efficiency efforts).

Provide the information requested above to the extent available based on the first nine months of operation. This does not modify the full requirement following FY 2022 and FY 2023.



ATTACHMENT C
March 25 Resolution:

C1. The Energy Bureau requires LUMA to include in its filing, all applicable workpapers and supporting material used to develop its Fiscal Year 2023 budget proposal. In this respect, Attachment A of the Bureau's April 5 Resolution⁵⁴ should be complied with, unless inapplicable due to references to the proposed Initial Budgets or changed circumstances, The Energy Bureau expects LUMA to make this determination being more rather than less inclusive.

Have necessary staff available to discuss and answer questions regarding the workpapers provided confidentially via April 8 Motion (confidential information will not be discussed) at the Technical Conference scheduled for June 10, 2022, and be prepared to promptly provide any follow up information that the Energy Bureau may require.

C2. Provide all supporting workpapers used to determine that Initial Budgets (now Annual Budgets) are consistent with PREPA's current rate order, issued by the Energy Bureau through the January 10, 2017 Final Resolution and Order and the March 8, 2018 Final Resolution and Order in Case No.: CEPR-AP-2015-0001 (collectively, "2017 Final Rate Order").

Have necessary staff available to discuss and answer questions regarding the workpapers provided confidentially via April 8 Motion (confidential information will not be discussed) at the Technical Conference scheduled for June 10, 2022, and be prepared to promptly provide any follow up information that the Energy Bureau may require.

C3. Provide all supporting workpapers used to develop the Initial Budgets (now Annual Budgets) estimates, including re-organization and re-map budgets, budget templates, and Initial Budgets (now Annual Budgets) consolidation, showing the interdependencies with the System Remediation Plan and Performance Metrics proposals. Budget templates should be populated with estimated cost data, both pre- and post-consolidation to spending categories. These workpapers should include underlying Excel workbooks, with formulae intact, including workbooks and workpapers used to derive data in Schedules 5.1 through 5.6 of Exhibit 1.

Have necessary staff available to discuss and answer questions regarding the workpapers provided confidentially via April 8 Motion (confidential information will not be discussed) at the Technical Conference scheduled for June 10, 2022, and be prepared to promptly provide any follow up information that the Energy Bureau may require.

C4. Provide an independent assessment of the methodology utilized to determine the updated energy demand/load forecast employed in the proposed Annual Budgets.

C5. Provide a comparison of the proposed Annual Budget categories regarding Revised Schedules 5.1 through 5.6 to LUMA's Initial Budgets.

⁵⁴ April 5 Resolution, Attachment A, pp. 5 – 6.



ATTACHMENT D

LUMA FY 2022 Q1 Report, Filed November 15, 2021: Requirements of Information

D1. LUMA discussed at pages 4 – 6 of the LUMA Initial Budgets Quarterly Report, Exhibit 1, the scope and nature of PREPA's lack of cooperation, significant unexpected deficiencies, omissions and other problems that LUMA discovered since operations began and the consequent unexpected variances since the preparation and submittal of the budget and SRP in 2020, including:

- Non-functioning electrical assets and equipment
- Significant Call Center and Customer Care & Billing limitations
- Marginal operation of the Outage Management System
- Inaccurate and partially upgraded Asset Management System
- Lack of documentation of current processes and procedures
- No material advancement of engineering on federally funded projects
- Critically, insufficient technical training of field employees
- Significant backlog of unprocessed invoices and uncompleted field, restoration, and engineering work
- Multiple security threats to employees and blocked physical access to equipment and materials needed for delivery of O&M Services, requiring judicial intervention and security escorts
- The discovery of damaged and inoperable facilities

- A. For each of the T&D Activities by Portfolio beginning at page 26, explain the nature and amount of variance that resulted from PREPA's lack of cooperation, unexpected deficiencies and omissions as cited above.
- B. Describe any expected impact on FY 22 Q2, Q3, and Q4 budget expenditures and on future FY budgets.
- C. Why did LUMA not recognize and account for the obstacles, deficiencies, and omissions, as cited above, during development of the Initial Budgets or quarterly budget allocations, to enable LUMA to have developed more accurate budget projections?
- D. Describe what steps LUMA took to address the security threats to its employees at page 5 of the Quarterly Report.
- E. Explain the steps LUMA is taking to ensure that future budget projections for FY 2022 Q2, Q3, Q4 and future FY year budgets will not be affected by other unexpected conditions.

D2. LUMA states at page 5 of the LUMA Initial Budgets Quarterly Report, Exhibit 1, "LUMA's activities were severely impacted by the unprecedented problems with the availability of PREPA's generation units."

Explain the referenced impact on LUMA's activities and quantify the budgetary impact.

D3. LUMA states at page 6 of the LUMA Initial Budgets Quarterly Report, "At this time we remain on track for no modification to the Rate Order approved by the Energy Bureau in 2017."

- A. Explain what is meant by the above statement.
- B. If no modification is expected to the Rate Order, will the T&D Activities by Portfolio for FY 2022 be achieved as projected?

D4. LUMA states at page 24 that non-federally funded capital expenditures were above budget driven by increased capital within the Distribution Portfolio.

Explain that statement. Include how program completion dates will be affected and how spending in subsequent quarters will be affected.

D5. For each of the T&D Activities by Portfolio beginning at page 26 of the LUMA Initial Budgets Quarterly Report, for which a variance is noted:



- A. Explain how the variance will affect FY 2022 Q2, Q3 and Q4 budgeted expenditures.
- B. Explain whether the total FY 2022 Budget is expected to be affected. If so, what is the expected impact?

D6. Explain whether the variances LUMA has identified in the LUMA Initial Budgets Quarterly Report, both positive and negative, are expected to affect the FY 2023 or subsequent Budgets.

- A. If not, why not?
- B. If so, what is the expected impact?

D7. For each of the T&D Activities by Portfolio beginning at page 26 of the LUMA Initial Budgets Quarterly Report for which a variance is noted, in which the Timeline note specifies, "No expected variance in milestones,"

Explain how keeping the project on track will affect each of FY 2022 Q2, Q3 and Q4 or future Fiscal Year budgeted expenditures.

D8. Has a timeline been established for each of the T&D Activities by Portfolio beginning at page 26 of the LUMA Initial Budgets Quarterly Report for which the Timeline note specifies, "Not an SRP program," and in which the note does not specify whether a variance in milestones expected?

- A. If not, why not?
- B. If a timeline has been established, specify for each program whether a variance is expected in the timeline and explain any expected variances.
- C. If variances are expected, describe the effect on program status and on Q1, Q2, Q3 and future Fiscal Year Budgets.

D9. The Variance note in Table 3-2, Distribution Streetlighting Program Summary at page 29 of the LUMA Initial Budgets Quarterly Report reads, "This program is currently above budget primarily because the use of PREPA's contracts with a higher cost structure than was budgeted."

- A. Why was the "higher cost structure than was budgeted" in PREPA's contracts not identified during development of the budget?
- B. Why did LUMA carry over a PREPA contract to perform a T&D function?
- C. Is LUMA developing its own contracts? If so, when will they be effective and what are the expected savings?

D10. Tables 3-8, Distribution Automation Program Summary and 3-9, Distribution Lines Inspection Program Summary in the LUMA Initial Budgets Quarterly Report note, "Variance is mainly due to timing of the procurement process which is currently underway."

Explain how timing of the procurement process in each has created the variance and why no variance in milestones is expected.

D11. Tables 3-11, 3-12, 3-13, 3-14 and 3-15 in the LUMA Initial Budgets Quarterly Report state, "Variance in federally funded work is mainly due timing of activities with A&E firms starting later than originally anticipated based on lack of progress prior to commencement."

- A. Explain how this lack of progress has affected each federally funded program, and where indicated, why no variance in milestones is expected.
- B. Where indicated to be "Not an SRP program," answer under ROI No. 8 above.

D12. Table 3-13 of the LUMA Initial Budgets Quarterly Report additionally states, "Variance in non-federally funded work is mainly due to timing of high-level inspection process."



- A. Explain the “high level inspection process” and why the Timeline notes that substation inspections are on track to be initiated earlier than expected.
- B. What is the status of completion of substation inspection, repair and rebuilding set forth as components of this portfolio?

D13. Table 3-20 of the LUMA Initial Budgets Quarterly Report states, “No material variance, whereas the figures presented show a 200% variance.”

Why is the noted excess expenditure variance of 200% not considered material?

D14. Legal Services are cited as expenditures in Tables 2-2. Transmission and Distribution Operating Expenditures, 2-3. Customer Experience Operating Expenditures, 2-4. Operations Operating Expenditures and 2-6. Utility Transformation operating Expenditures of the LUMA Initial Budgets Quarterly Report.

- A. Provide a list and description of the specific legal services encompassed in each category cited above, including the projected and actual cost of each legal service.
 - B. Provide the source of the funds for each legal fee expenditures, e.g., LUMA’s Fixed Fee or other.
- D15. Did LUMA incur any expenditures for legal services other than those cited in No. 14 above during the reporting quarter?

If yes, explain nature of each legal service, cost, and source of the funds used to cover these expenditures.

D16. Identify and explain any variances in the FY 2022 Budget or Q1 Budgeted amounts in the Quarterly Report when compared to the budgetary figures approved by the Energy Bureau in the May 31 Order approving the Initial Budgets.

D17. Regarding PREPA’s exit from Title III Bankruptcy:

- A. What date is being utilized by LUMA in its budget calculations for PREPA’s exit from Title III Bankruptcy?
- B. Explain, upon what, the answer to ROI No. 17(a) is based.
- C. Explain and quantify any effect the answer to ROI No. 17(a) had on LUMA’s Q1 expenditures and the effect it will have on LUMA’s budgets and fixed fee.
- D. Explain and quantify any other budgetary effect the answer to ROI No. 17(a) will have.

D18. The following should be considered to be a continuing ROI to be provided for this and subsequent LUMA Initial Budgets Quarterly Reports.

- A. Provide all backup material in support of the calculations in LUMA Initial Budgets Quarterly Report – NEPR-MI-2021-0004.
- B. Any initiative that notes a variance from milestone dates should include an explanation of such variance, along with a description of corrective action being taken.
- C. All initiatives should include their current and projected status.



ATTACHMENT E

LUMA FY 2022 Q2 Report, Filed February 15, 2022: Requirements of Information

E1. To what does LUMA attribute the reduction in wait time from nine minutes and five seconds in September to 23 seconds in December as cited at Exhibit 1, LUMA Quarterly Report, p. 3?

E2. LUMA states at Exhibit 1, LUMA Quarterly Report, pp. 3 – 4, “LUMA forecasts its overall spending in line with aggregate budgets for current fiscal year and does not anticipate requesting an increase of the Base Rate established by the Energy Bureau’s 2017 Rate Order.”

A. If no modification is expected to the Base Rate, will the T&D Activities by Portfolio for FY 2022 be achieved as projected or is it anticipated that the scope or timeframe will need to be modified?

E3. What are the 132 federally funded projects/programs PREB approved representing \$7.4 billion as cited at Exhibit 1, LUMA Quarterly Report, p. 8?

A. Describe each program

B. Provide the status and anticipated schedule of each.

E4. What are the “less efficient legacy PREPA contracts” and “new more efficient contract” referenced at Exhibit 1, LUMA Quarterly Report p. 11?

A. What is the savings anticipated to be realized from the referenced transition?

E5. Exhibit 1, LUMA Quarterly Report (FY 2022 Q2), Table 2.1, Initial Budgets Summary specifies a variance in Transmission and Distribution Expenditures of (\$29 million) or (19%) excluding Federally Funded Capital Expenditures. The corresponding figures from Table 2.1 from the FY 2022 Q1 Quarterly Report filed by LUMA on September 15, 2021, are a variance in Transmission and Distribution Expenditures of (\$36.5 million) or (27%) excluding Federally Funded Capital Expenditures. Taken together, the variance in FY 2022 Q1 and Q2 is (\$65.5 million).

How will the deficiency be addressed throughout the 2022 Fiscal Year, while remaining on track regarding timeframe and scope of Initial Budget programs/projects, to avoid necessitating an increase in Base Rates established by the Energy Bureau’s 2017 Rate Order for FY 2023, as stated to be LUMA’s intention at Exhibit 1, LUMA Quarterly Report, p. 3 - 4?

E6. Exhibit 1, LUMA Quarterly Report (FY 2022 Q2), Table 2.1, Initial Budgets Summary specifies a variance in federally funded Capital Expenditures of \$90.3 million or 91%. The corresponding figures from Table 2.1 from the FY 2022 Q1 Quarterly Report filed by LUMA on September 15, 2021, is a variance of \$18.3 million or 54%.

A. Other than a delay in implementation of federally funded projects, what impact does the delay in federal funding have on LUMA’s FY 2022 or subsequent fiscal year budgets?

B. What steps, if any, are being taken to compensate for or mitigate the impact of the delay in federal funding on projects receiving federal funding?

E7. To what does LUMA attribute the decrease in abandonment Rate from 17% in September to 4% in December as cited at Exhibit 1, LUMA Quarterly Report, p. 13?

E8. To what does LUMA attribute the eight-minute reduction in average speed of answer decrease in customer call abandonment rate cited Exhibit 1, LUMA Quarterly Report, p. 13?

E9. What is the nature of the Act 57-2014 claims reduced by 28% cited at Exhibit 1, LUMA Quarterly Report, p. 13?



E10. What level of arrears reduction was achieved by proactively contacting customers to offer payment arrangements and directing customers to assistance programs as cited at Exhibit 1, LUMA Quarterly Report, p. 14?

E11. What is the schedule for completion of work on the 37 worst performing feeders identified at Exhibit 1, LUMA Quarterly Report, p. 18?

A. Identify the level of federal and non-federal funds being utilized for each.

E12. Lack of progress by PREPA in procuring federal funding and in advancement of T&D capital projects was cited throughout the Quarterly Report.

A. Explain the impact of the lack of progress on federal funding and project development?

B. What is being done to address the lack of progress?

E13. For each of the T&D Activities by Portfolio beginning at Exhibit 1, LUMA Quarterly Report, p. 25, for which a variance is noted:

A. Explain how the variance will affect FY 2022 Q3 and Q4 budgeted expenditures.

B. Explain whether the total FY 2022 Budget is expected to be affected. If so, what is the expected impact?

E14. For each of the T&D Activities by Portfolio beginning at Exhibit 1, LUMA Quarterly Report, p. 25, in which the Timeline note specifies, "No expected variance in milestones," or "No expected variance in achieving milestones,"

A. How will keeping the project on track impact each of FY 2022 Q3 and Q4 and future Fiscal Year budgets?

B. Will the scope of the projects change?

E15. Has a timeline been established for each of the T&D Activities by Portfolio beginning at Exhibit 1, LUMA Quarterly Report, p. 25, for which the Timeline note specifies, "Not an SRP program,"? If not, why not?

A. If a timeline has been established, specify for each program whether a variance is expected in the timeline and explain any expected variances.

B. If variances are expected, describe the effect on program status and on FY 2022 Q3, Q4 and future Fiscal Year Budgets.

E16. The Distribution Automation Variance at Exhibit 1, LUMA Quarterly Report, p. 34 is explained as "Minimal costs are incurred until receipt of distribution automation equipment, which is expected in Q4 of FY 2022."

A. Will work scheduled for FY 2022 be completed during Q4 or will it be delayed until FY 2023.

B. How will either completion or delay impact FY 2023 budget request?

E17. Explain whether the variances LUMA has identified in the LUMA Quarterly Report, both positive and negative, are expected to affect the FY 2023 or subsequent Budgets.

A. If not, why not?

B. If so, what is the expected impact?

E18. Legal Services are cited as expenditures in Tables 2-2. Transmission and Distribution Operating Expenditures, 2-3. Customer Experience Operating Expenditures, 2-4. Operations Operating Expenditures and 2-6. Utility Transformation operating Expenditures of Exhibit 1, LUMA Quarterly Report.



- A. Provide a list and description of the specific legal services encompassed in each category cited above, including the projected and cost of each legal service.
- B. Provide the source of the funds for each legal fee expenditures, e.g., LUMA's Fixed Fee or other.

E19. Did LUMA incur any expenditures for legal services other than those cited in Requirement of Information (ROI) No. E18 above during the reporting quarter?

- A. If yes, explain nature of each legal service, cost, and source of the funds used to cover these expenditures.

E20. Identify and explain any variances in the FY 2022 Budget or Q2 Budget amounts in the Quarterly Report when compared to the budget figures approved by the Energy Bureau in the May 31 Order approving Initial Budgets.

E21. During the Front-End-Transition evaluation of the Initial Budgets, LUMA testified during the Technical Conference held by the Energy Bureau on May 4, 2021, that the 10% state cost-share required by the FEMA Public Assistance Grant DR-4339-PR had been approved for budgeting under the HUD CDBG program. On January 24, 2022, the Puerto Rico Department of Housing ("PRDOH") submitted to HUD the proposed CDBG-DR Electrical Power System Enhancements and Improvements Action Plan that specified a reduction to the available budget for state cost-share purposes from \$1 billion to \$500 million.⁵⁵

- A. Are the state cost-share budgets presented by PRDOH to HUD on January 24, 2022, consistent with LUMA's testimony offered during the May 4, 2021 Technical Conference in NEPR-MI-2021-0004?
- B. What funding source will be employed to cover the state cost-share deficiency created by the budget reduction in the CDBG-DR Action Plan presented by PRDOH for the electric power system?

E22. The following should be considered a continuing ROI to be provided for this and subsequent LUMA Initial Budgets Quarterly Reports.

- A. Provide all backup material in support of the calculations in LUMA Initial Budgets Quarterly Report – NEPR-MI-2021-0004.
- B. Any initiative that notes a variance from milestone dates should include an explanation of such variance, along with a description of corrective action being taken.
- C. All initiatives should include their current and projected status.



⁵⁵ PRDOH *Disaster Recovery Action Plan for the Use of CDBG-DR Funds for Electrical Power System Enhancements and Improvements* (January 24, 2022). Retrieved at: https://cdbg-dr.pr.gov/en/download/cdbg-dr-action-plan-for-the-electrical-systems-enhancements/?ind=1643316175366&filename=2022%2001%2024_Energy%20Action%20Plan%20Draft_PRDOH_SIGNED.pdf&wpdmdl=24333&refresh=620c2a2e82cc31644964398. Last visited May 13, 2022.

ATTACHMENT F
Proposed FY 2023 Generation Budget: Requirements of Information

F1. As directed in previous Energy Bureau Resolution and Order, please provide all supporting workpapers and materials used in derivation of the Generation Budget.

F2. Provide documentation to demonstrate that the generation maintenance work approved by the PREB for FY2022 – see Attachment G⁵⁶ – was completed.

F3. In the FY2023 Initial Budgets request, GenCo Labor Operating Expenses are from 30 to 40 percent higher than the previous Initial Budgets. These include comparable increases to GenCo Salaries and Wages, Pension and Benefits, Overtime Pay, and Overtime Benefits.

- A. Please provide a detailed explanation and rationale for increases in costs in these budget categories.
- B. Please discuss how these increased expenditures will be used, and the expected impact upon availability and reliability of the PREPA generation resources.
- C. In Exhibit 16 of the document entitled *FY2023 PREPA GenCo Proposed Budget Expenses*, submitted by LUMA with its April 14, 2022, Motion in Compliance with Resolution and Order dated April 11, 2022, the employee head count for the Generation Budget is unchanged between the FY2022 and FY2023 budget, with 1,035 employees. With the same headcount, budgeted labor expenditures are \$6.8 million higher in the FY2023 proposed budget (9 percent increase). Please explain factors driving the increased budget for labor expenditures, with no change in total employee head count.

F4. Are any expenditures proposed in the FY2023 Generation Budget directed to pay for legacy under-funded pension liabilities?

F5. In the FY2023 Initial Budgets request, GenCo Non-Labor/Other Operating Expenses are 88 percent higher than the previous Initial Budgets.

- A. Please provide a detailed explanation and rationale for increases in costs in these budget categories.
- B. Please explain the \$11,527 million budget expenditure for Security Costs, and an explanation of how that budget item affects PREPA Legacy and LUMA Shared Services budgeted expenditures.
- C. Please explain the \$5,573 million budget expenditure for Utilities and Rents, and an explanation of how that budget item affects PREPA Legacy and LUMA Shared Services budgeted expenditures.
- D. Please provide a breakdown of major expenditures in the budget estimate for Other Miscellaneous expenditures, and an explanation of why costs for this budget category have doubled relative to the FY2022 Initial Budgets.
- E. Please discuss how these increased expenditures will be used, and the expected impact upon availability and reliability of the PREPA generation resources.

F6. In the FY2023 Initial Budgets request, GenCo Maintenance Projects Expenses (NME) are 18 percent higher than the previous Initial Budgets.

- A. Please provide a detailed explanation and rationale for increases in costs in these budget categories.
- B. Please explain budgeted capital expenditure/maintenance costs at each of the PREPA generation sites, including description of the maintenance projects planned at each site.
- C. Please explain engineering and/or consulting studies and analyses completed for each of PREPA's generation assets, to determine what capital expenditures/maintenance activities are needed to maintain availability and reliable plant operations during the budget period.

⁵⁶ April 22 Motion, Exhibit 1, pp. 4 – 7.



- D. Please provide copies of any engineering and/or consulting studies identified above in (c).
- E. Please reconcile proposed Generation NME expenditures with specific projects and legacy generation assets in Exhibit II of the document entitled *FY2023 PREPA GenCo Proposed Budget Expenses*, submitted by LUMA with its April 14, 2022 Motion in Compliance with Resolution and Order dated April 11, 2022.

F7. Considering generation plant outages that negatively affected customer service and generation reliability on the island over the last year, please explain how the budgeted NME expenditures will ensure plant availability and generation resource adequacy and reliability during the budget period.

F8. Considering generation plant outages that negatively affected customer service and generation reliability on the island over the last year, please explain why Labor and Non-Labor generation expenditures are increasing at a percentage much larger than generation NME costs, and how the budgeted NME expenditures will ensure plant availability and generation resource adequacy and reliability during the budget period.

F9. In the FY2021/2022 Initial Budgets, the Generation Budget included \$106.4 million of NME expenditures.

- A. Please provide a detailed explanation and cost breakdown of actual NME capital expenditures and maintenance activities at each of PREPA's generation sites over the last 12 months and reconcile those expenditures with the NME generation budget proposed for FY2023.

F10. In the document entitled *FY2023 PREPA GenCo Proposed Budget Expenses*, submitted by LUMA with its April 14, 2022, Motion in Compliance with Resolution and Order dated April 11, 2022, PREPA discusses a process where LUMA proposed a percentage allocation of total revenue requirement to the Generation function, and how that allocation was discussed and negotiated between LUMA and PREPA. This discussion implies that development of the Generation Budget utilized a top-down approach, where total budget funds were allocated to the Generation function, and then generation costs, including labor and non-labor expenditures, and generation plant maintenance and capital expenditures were planned to fit that total budget allocation.

- A. Given generation forced outages that Puerto Rico has endured over the last 12 months, please explain why a budget allocation approach was taken, rather than developing the Generation Budget based on needed projects and expenditures necessary to maintain reliable generation plant operations?
- B. Please explain how the approach taken to develop the Generation Budget ensures reliable operation of the generation assets and ensures reliable electric service on the island.
- C. Please explain whether generation NME projects or other activities have been identified that would improve availability and reliability of any of PREPA's legacy generation, but that such projects were excluded from the Generation Budget.
- D. If any projects identified above in (c) were excluded, please provide a list of such projects, and for each project, provide the rationale for such exclusion, the estimated cost of the project, and the expected impact on plant availability and reliability.



ATTACHMENT G
FY 2022 Generation Maintenance Approved Budget

Exhibit 1
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GenCo NME FY2022 Budget Request
Segregated by Plant, Project Category and Project Title

Summary	NME
Aguirre	22,300,000
Costa Sur	3,700,000
Palo Seco	9,895,000
San Juan	44,240,000
Hidrogas y Cambalache	14,105,000
División de Generación	11,648,568
Servicio de Regadío	500,000
Total	106,388,568

Description	Budget Request (\$)
Aguirre Combined Cycle	\$ 3,100,000
Efficiency	500,000
HRSG Improvements	500,000
Reliability	2,300,000
Auxiliary Equipment Replacement	300,000
Gas Turbine Major Inspection	1,500,000
Steam Turbine Improvements	500,000
Safety	300,000
Remove or reinforce Crane Support Structure	300,000
Aguirre Steam Power Plant	19,200,000
Reliability	18,400,000
(Se asocia a Caldera U2)o Equipos DG-Service Air Compressor Adquisition	150,000
(blanket tanques combust)Fuel Loading Arms Rehabilitation	150,000
480 Volts Breakers Replacement for Unit 1	400,000
Blanket Tanques Agua DG-DEMI 3 Pumping Station	200,000
Boiler imp Unit 1	9,000,000
Turbine Generator Unit 2 (Low Pressure Spare Turbines Recertification)	1,500,000
Unit 1 Turbine Improvemnt major overhaul	7,000,000
Safety	800,000
Fire Protection System Rehabilitation	800,000
Cambalache Power Plant	3,655,000
Reliability	3,030,000
Cambalache LTSA	3,000,000
Vacuum Truck Upgrade	30,000
Safety	625,000
GT3 Necessary Maintenances during major inspection	500,000
Instrument Air & Dryer System	125,000
Costa Sur Power Plant	3,700,000
Reliability	3,700,000
Boiler 5 Improvement	1,000,000
Boiler Feed Pump Bundle	1,200,000



Exhibit 1
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Turbine 5 Improvement	500,000
Turbine 5 Rotor Repair	1,000,000
Daguao Power Station (CT's)	300,000
Reliability	300,000
Daguao 1-2 Combustion Inspection & Speed Reduction Replacement	300,000
Generation Directorate	11,648,568
Efficiency	250,000
Electric System Office Automation	250,000
Reliability	9,248,568
Battery Banks	500,000
Equipment for production	248,568
Fuel Storage Tanks	3,500,000
Security equipment	200,000
Small Improvement for Building Facilities	300,000
Water Storage Tanks	4,500,000
Safety	2,150,000
Environmental Projects	1,000,000
Safety Equipment	150,000
Vehicle Replacement	1,000,000
Hidrog-Gas CT's General Work	1,600,000
Reliability	1,600,000
Spare Generator Rotor for John Brown Frame 5000 (1)	1,000,000
Spare Speed Reductor	600,000
Hydro Gas Peaking Units	1,500,000
Efficiency	1,500,000
Frame 5 Major Inspections & components - Peaking Units	1,500,000
Hydroelectric Units	1,500,000
Efficiency	1,500,000
Hydroelectric Units Improvement NME	1,500,000
Mayaguez Power Plant	5,000,000
Efficiency	5,000,000
AERODERIVATIVE UNITS INSPECTIONS	5,000,000
Palo Seco Power Plant	9,775,000
Efficiency	3,150,000
Boilers 1,3 & 4 Air and Gas Ducts	500,000
Condensers 3 & 4	50,000
Jetty Intake Area	1,000,000
Switchgear Units 3 & 4	250,000
Travelling Screens U# 1 & 2 Waterways	350,000
WTP Retention Tank Number 3	1,000,000
Reliability	5,500,000
Boiler U # 4	1,000,000
Boilers 1, 3 & 4 Internal Tubes	1,000,000
Cooling Towers Units 3 & 4	250,000
IDF's & FDF's 3 & 4 Control Vanes	250,000
IDF's 3 & 4 Outlet Dampers	250,000
Steam Coils Units 3 & 4	750,000
Turbine Unit # 3	250,000



Exhibit 1
Page 6 of 7

Turbine Unit # 4	1,000,000
WTP Filters	750,000
Safety	1,125,000
Boiler U # 4 Structure	475,000
Fire Protection System	300,000
Piping Hangers Units 3 & 4	100,000
Turbines and Transformers 3 &4	250,000
Palo Seco Power Station (CT's)	120,000
Reliability	120,000
Palo Seco 1-1 Combustor Inspection	60,000
Palo Seco 2-1 Combustor Inspection	60,000
Public Irrigation, Dams & Reservoirs Division	500,000
Efficiency	500,000
Caonillas Dam - Engineering Studies and Maintenance Work	50,000
Dos Bocas Dam Maintenance Work and Safety Studies	50,000
Garzas Dam Geotechnical and Seismic Studies & Inspection Work	50,000
Guayabal Dam Permanent Risk Reduction	75,000
Guayo Dam Maintenance Work and Safety Studies	50,000
Loco Dam Improvement Projects	50,000
Luchetti Dam - Maintenance Work and Safety Studies	50,000
Patillas Dam Seismic Retrofit	75,000
Prieto Dam Maintenance Work	25,000
Yahuecas Dam Maintenance Work	25,000
San Juan Power Plant	44,240,000
Efficiency	11,250,000
Condenser Repair U5	100,000
Natural Gas Manufacturing Surcharge - San Juan Steam Plant	10,050,000
Replacement Continuous Cleaning Condensers System 5-6	600,000
Water Wash Compressor CTG 5-6 (6)	500,000
Reliability	32,490,000
AVR CTGs 5-6 (6) confirmar inst marzo 2022	325,000
AVR STGs 5-6	400,000
Buy BFWP HP U5	1,800,000
Buy BFWP LP U5	160,000
CT 5 TURBINE AND COMPRESSOR ROTOR INSP	1,750,000
DEMI Water Tretment Resin	250,000
Filter House Overhauling CTG U5	200,000
Four Way Joint Upgrade CTG U5	450,000
General Repair STG5	6,000,000
Pressure Parts Acquisition HRSG U5	2,730,000
Pressure Parts Installation HRSG U5	3,500,000
Replace Steam By-Pass Valves U5	250,000
San Juan LTSA	10,500,000
Traveling Screens 5-8	600,000
Traveling Screens 9-10	300,000
Upgrade DCS Ovation	2,900,000
Upgrade Turbine Supervisory Instrumentation (TSI) Setpoint / Metrix U5-6	50,000
Upgrade UPS U5-6	325,000
Safety	500,000

Exhibit 1
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Fire Protection for Unit 5 to 10	500,000
Yabucoa Power Station (CT's)	550,000
Reliability	550,000
Yabucoa 1-1 Excitation Control System Project & Other Maintenance Works	550,000
Total	\$ 106,388,568

