

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

**NEPR**

**Received:**

**Jun 3, 2022**

**3:28 PM**

IN RE: REVIEW OF LUMA'S  
INITIAL BUDGETS

**CASE NO. NEPR-MI-2021-0004**

**SUBJECT: Motion Submitting Responses to  
PREB's ROIs in Compliance with May 19  
Order**

**MOTION SUBMITTING RESPONSES TO REQUESTS FOR INFORMATION IN  
COMPLIANCE WITH RESOLUTION AND ORDER DATED MAY 19, 2022**

**TO THE HONORABLE PUERTO RICO ENERGY BUREAU:**

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

1. On May 19, 2022, this honorable Bureau entered a Resolution and Order ("May 19 Order") as part of which it issued 116 requirements of information ("ROIs") including subparts directed to LUMA and established a procedural schedule in this proceeding.
2. The ROIs were detailed in Attachments A through F to the May 19 Order and seek information related to a variety of topics. See Attachments A through F of the May 19 Order.
3. As per the May 19 Order, the responses to the ROIs are due today, June 3, 2022.
4. Yesterday, on June 2, 2022, LUMA filed with this honorable Bureau a *Request for Extension of Time to Submit Responses to Specific Requests* whereby it requested until June 7, 2022 to submit the responses to the following ROIs: D1, D2, D14, E18, E19, and F10. LUMA also requested, on behalf of PREPA, that an extension of time be granted to PREPA for to the following requests: F1, F2, F3(A)-(C), F4, F5(A)-(E), F6(A)-(E), F7, F8, F9(A), F10(A)-(D).

5. In compliance with the May 19 Order, LUMA includes responses to the rest of the ROIs directed to LUMA as *Exhibit I* herein.

6. Additionally, LUMA includes as *Exhibit II* herein, PREPA's responses to requests A7, A8 and A9.

**WHEREFORE**, LUMA respectfully requests this Honorable Bureau to **take notice** of the foregoing for all relevant purposes and **deem** its May 19 Order complied with as to the responses to the requests included as *Exhibit I* and *II* herein.

**RESPECTFULLY SUBMITTED.**

In San Juan, Puerto Rico, this 3<sup>rd</sup> day of June 2022.

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](mailto:jmarrero@diazvaz.law); and Katuska Bolaños-Lugo, [kbolanos@diazvaz.law](mailto:kbolanos@diazvaz.law).



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*Exhibit I*  
*LUMA's responses to PREB's ROIs*



# Annual Budgets for Fiscal Year 2023

NEPR-MI-2021-0004

Responses to May 19, 2022 Requests

June 3, 2022

# List of Responses and Attachments

Response ID	Document Type	Response Subject
ROI-LUMA-MI-2021-0004-20220519-PREB-A01	Response	Inflation
ROI-LUMA-MI-2021-0004-20220519-PREB-A02	Response	T&D Opex for FY2023
ROI-LUMA-MI-2021-0004-20220519-PREB-A03	Response	Capital Budget FY2023
ROI-LUMA-MI-2021-0004-20220519-PREB-A04	Response	Other Expenses FY2023
ROI-LUMA-MI-2021-0004-20220519-PREB-A05	Response	Improvement Portfolio FY2023
ROI-LUMA-MI-2021-0004-20220519-PREB-A06	Response	Annual Budget - Loss Recovery Program
ROI-LUMA-MI-2021-0004-20220519-PREB-A07	Response	Christmas Bonuses FY2023
ROI-LUMA-MI-2021-0004-20220519-PREB-A08	Response	Pre-Existing Pension Expense FY2023
ROI-LUMA-MI-2021-0004-20220519-PREB-A09	Response	Federally Funded Capital Expenditures FY2023
ROI-LUMA-MI-2021-0004-20220519-PREB-A10	Response	Cumulative information from Q1, Q2, and Q3
	Attachment*	
ROI-LUMA-MI-2021-0004-20220519-PREB-B01	Response	Annual Expenses FY2022 and FY2023
	Attachment*	
ROI-LUMA-MI-2021-0004-20220519-PREB-B02	Response	9 Month Operation Report FY2022
ROI-LUMA-MI-2021-0004-20220519-PREB-C01	Response	Workpapers and Witness Attendance
ROI-LUMA-MI-2021-0004-20220519-PREB-C02	Response	Workpapers and Witness Attendance
ROI-LUMA-MI-2021-0004-20220519-PREB-C03	Response	Workpapers and Witness Attendance
ROI-LUMA-MI-2021-0004-20220519-PREB-C05	Response	Comparison proposed Annual Budget to Initial Budget
	Attachment*	
ROI-LUMA-MI-2021-0004-20220519-PREB-D03	Response	Q1 Report FY2022: PREPA Generation Units Impact
ROI-LUMA-MI-2021-0004-20220519-PREB-D04	Response	Q1 Report FY2022: Non-Federally Funded Capital Expenditures
ROI-LUMA-MI-2021-0004-20220519-PREB-D05	Response	Q1 Report FY2022: T&D Activities Variance
ROI-LUMA-MI-2021-0004-20220519-PREB-D06	Response	Q1 Report FY2022: Variance effect on FY2023
ROI-LUMA-MI-2021-0004-20220519-PREB-D07	Response	Q1 Report FY2022: T&D Activities "No variance expected in milestones"
ROI-LUMA-MI-2021-0004-20220519-PREB-D08	Response	Q1 Report FY2022: T&D Activities "Not an SRP Program"
ROI-LUMA-MI-2021-0004-20220519-PREB-D09	Response	Q1 Report FY2022: Distribution Streetlighting Program variance
ROI-LUMA-MI-2021-0004-20220519-PREB-D10	Response	Q1 Report FY2022: Distribution Automation Program & Distribution Lines Inspection Program variance
ROI-LUMA-MI-2021-0004-20220519-PREB-D11	Response	Q1 Report FY2022: Federally funded work variance

Response ID	Document Type	Response Subject
ROI-LUMA-MI-2021-0004-20220519-PREB-D12	Response	Q1 Report FY2022: Non-federally funded work variance
ROI-LUMA-MI-2021-0004-20220519-PREB-D13	Response	Q1 Report FY2022: No material variance
ROI-LUMA-MI-2021-0004-20220519-PREB-D15	Response	Q1 Report FY2022: Legal Service
ROI-LUMA-MI-2021-0004-20220519-PREB-D16	Response	FY2022 Budget & Q1 Report: Variance Comparison
ROI-LUMA-MI-2021-0004-20220519-PREB-D17	Response	Q1 Report FY2022: PREPA Title III
ROI-LUMA-MI-2021-0004-20220519-PREB-D18	Response	Q1 Report FY2022 and subsequent Initial Budget Quarterly Report
ROI-LUMA-MI-2021-0004-20220519-PREB-E01	Response	Q2 Report: Reduction in Call Wait Time
ROI-LUMA-MI-2021-0004-20220519-PREB-E02	Response	Q2 Report FY2022: Forecasts its overall spending
ROI-LUMA-MI-2021-0004-20220519-PREB-E03	Response	Q2 Report FY2022: Federally funded projects/programs
ROI-LUMA-MI-2021-0004-20220519-PREB-E04	Response	Q2 Report FY2022: "Less efficient legacy PREPA contracts"
ROI-LUMA-MI-2021-0004-20220519-PREB-E05	Response	Q2 Report FY2022: Transmission and Distribution Expenditures Variance
ROI-LUMA-MI-2021-0004-20220519-PREB-E06	Response	Q2 Report FY2022: Federally funded Capital Expenditures variance
ROI-LUMA-MI-2021-0004-20220519-PREB-E07	Response	Q2 Report FY2022: CX Abandonment Rate
ROI-LUMA-MI-2021-0004-20220519-PREB-E08	Response	Q2 Report FY 2022: CX reduction in wait time
ROI-LUMA-MI-2021-0004-20220519-PREB-E09	Response	Q2 Report FY2022: CX Act 57-2014 reduction
ROI-LUMA-MI-2021-0004-20220519-PREB-E10	Response	Q2 Report FY2022: CX reduction efforts
ROI-LUMA-MI-2021-0004-20220519-PREB-E11	Response	Q2 Report: Worst Performing feeders
ROI-LUMA-MI-2021-0004-20220519-PREB-E12	Response	Q2 Report FY2022: PREPA Federal Funding
ROI-LUMA-MI-2021-0004-20220519-PREB-E13	Response	Q2 Report FY2022: T&D Activities
ROI-LUMA-MI-2021-0004-20220519-PREB-E14	Response	Q2 Report FY2022: T&D Activities "No expected variance in milestones"
ROI-LUMA-MI-2021-0004-20220519-PREB-E15	Response	Q2 Report FY2022: T&D Activities "Not an SRP program"
ROI-LUMA-MI-2021-0004-20220519-PREB-E16	Response	Q2 Report FY2022: Distribution Automation Variance
ROI-LUMA-MI-2021-0004-20220519-PREB-E17	Response	Q2 Report FY2022: Variance effect on FY2023
ROI-LUMA-MI-2021-0004-20220519-PREB-E20	Response	Q2 Report: Variance Comparison
ROI-LUMA-MI-2021-0004-20220519-PREB-E21	Response	Q2 Report: PRDOH / HUD
ROI-LUMA-MI-2021-0004-20220519-PREB-E22	Response	Q2 Report and Subsequent Quarterly Reports
ROI-LUMA-MI-2021-0004-20220519-PREB-F05	Response	FY 2023: GenCo Non-Labor/Other OpEx Expenses

Note: \*Denotes attachments that have been provided in Microsoft Excel format.

# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

### Response: ROI-LUMA-MI-2021-0004-20220519-PREB-A01

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#### SUBJECT

Inflation

#### REQUEST

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 in section 2.2.1

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

#### RESPONSE

For Operational Expenditures, and as discussed within Schedule 5.2 Note 2, "Above figures [Operational Expenditures] include inflation, as per macro-economic data provided by AAFAF/FOMB January 31, 2022, of 2.7%, 1.7%, and 1.6% in FY2023, FY2024, and FY2025, respectively."

For Federally Funded and Non-Federally Funded Capital, and as discussed within Schedule 5.5 Note 1, inflation applied included "Inflation as per macro-economic data provided by AAFAF/FOMB January 31, 2022, of 2.7%, 1.7%, and 1.6% in FY2023, FY2024, and FY2025, respectively. FY2023 forecast includes 2.7% throughout, while FY2024 and FY2025 are shown separately on line 14."

If inflation exceeds the anticipated level, it will result in LUMA making appropriate adjustments and ultimately may result in fewer activities being performed during the year. There is currently no inflation adjustment on rates and as such, the base rate has remained consistent in nominal dollars since it was determined in 2017.

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<sup>1</sup> April 1 Motion, Exhibit 1, page 25

# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

### Response: ROI-LUMA-MI-2021-0004-20220519-PREB-A02

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#### SUBJECT

T&D Opex for FY2023

#### REQUEST

Based on Table 2.2<sup>1</sup>, the proposed Transmission & Distribution Operating Budget for FY2023 is approximately \$75 Million less than that which was approved for FY2022<sup>2</sup> 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?

#### RESPONSE

The request references the \$625 million T&D Operating Budget on page 36 of the FY2022 Initial Budgets filing and the \$547 million T&D Operating Budget listed on page 26 of Exhibit 1 of the FY2023 Annual Budgets filing. The two numbers are not directly comparable as the FY2023 Annual Budgets filing presents information to conform to current presentation with the LUMA Service Fee being presented within the Other category instead of the T&D Operating Budget. In Schedule 5.2 of the FY2022 Initial Budgets Filing, the \$625 million number referenced is includes \$514 million of LUMA T&D Operating Expenditures and \$111 million for the LUMA Other (which includes the LUMA Fee and LUMA's Operating 2% Excess Expenditures required under the T&D OMA). Schedule 5.1 of the FY2023 Annual budgets filing lists \$547 million for LUMA's Operating Budget including Operating 2% Excess Expenditures. This does not include the LUMA fee component, which is now shown under the "Other" section within Table 5.1 (\$105.7 million).

A more direct comparison between the two years would be:

- LUMA's FY2022 T&D Operating Expenditures Budget = \$514 million + \$10 million (2% Excess Expenditure) = \$525 million
- LUMA's FY2023 T&D Operating Expenditures Budget (including excess expenditures) = \$547 million

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<sup>1</sup> Annual Budgets April 1 filing Exhibit 1, page 26

<sup>2</sup> Initial Budgets Petition, Exhibit 1, p. 36.



Comparing the adjusted representations, LUMA's FY2023 T&D Operating Expenditures Budget is approximately \$22 million higher than in FY2022. Factoring these adjustments, no "diminution of service" is expected to result, as LUMA has increased its FY2023 Operating Budget when compared to the approved FY2022 Operating Budget.

Below is a Table to illustrate the amounts referenced herein for ease of reference.

## 5.1 Annual Budgets Summary

(\$ in 000s)

### Reconciliation of Year over Year Operating Budget Change

<u>Transmission &amp; Distribution</u>		Referenced Amounts	Presentation Reclass	Comparable Presentation
<b>Total Operating Budget</b>	<b>FY 2023 Filing</b>	\$ 547,125	\$ -	\$ 547,125
<u><b>Transmission &amp; Distribution</b></u>				
<b>Total Operating Budget</b>	<b>FY 2022 Filing</b>	<u>\$ 625,478</u>	<u>\$ (100,686)</u>	<u>\$ 524,792</u>
<b>Year over Year Variance</b>		<b>\$ (78,353)</b>		<b><u>\$ 22,333</u></b>
Remove LUMA Fee within \$625M	<b>FY 2022 Filing</b>	<u>\$ (100,686)</u>		
<b>Year over Year Comparable Change</b>		<b><u>\$ 22,333</u></b>		

# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

### Response: ROI-LUMA-MI-2021-0004-20220519-PREB-A03

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#### SUBJECT

Capital Budget FY2023

#### REQUEST

Based on Table 2.2,<sup>1</sup> the proposed Capital Budget for FY2023 is approximately \$113 Million less than that which was approved for FY2022<sup>2</sup> 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?

#### RESPONSE

Federally Funded and Non-Federally Funded Capital Budgets forecast an increase in spending versus FY2022 actual spend, including forecasting \$842 million in improvement program spending. LUMA compiled its estimates based on a bottom-up exercise, using an activity-based budgeting approach and on its first nine months of operation, including the multiple and varied challenges as discussed within Section 2.1.3 of the FY2023 Annual Budgets filing, previous experience and market estimates built on existing contracts.

With respect to Federally Funded Capital and as described in LUMA's Quarterly Reports, LUMA has made significant progress in moving critical FEMA projects forward, but PREPA's lack of advancement of federally funded work prior June 1, 2021, as well as the time it has taken to set up the new processes and concepts with COR3 and FEMA, has significantly impacted the timing of construction for these projects.

With respect to Non-Federally Funded Capital, this decrease is associated with an increase in Operational Budget as many of the improvement activities require foundational operational costs in order to advance the Improvement Program.

Any impacts to System Remediation Improvement Program milestones have been provided in Appendix C, including a summary of changes in Table C-2.

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<sup>1</sup> April 1 Motion, Exhibit 1, p. 26.

<sup>2</sup> Initial Budgets Petition, Exhibit 1, p. 36.

# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

### Response: ROI-LUMA-MI-2021-0004-20220519-PREB-A04

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#### SUBJECT

Other Expenses FY2023

#### REQUEST

Based on Table 3-1,<sup>1</sup> proposed Other Expenses for FY2023, excluding the LUMA fee, are greater than those approved for FY2022.<sup>2</sup> 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?

#### RESPONSE

The estimate for HoldCo costs was provided by PREPA, and LUMA is unable to provide information as to why these costs have increased. As discussed in Section 2.2 on page 23 of Exhibit 1 of the FY2023 Annual Budgets filing, PREPA HoldCo costs are outside LUMA's control. Schedule 5.3, Note 3, "PREPA HoldCo costs are an ongoing estimate of all ongoing PREPA residual costs, including the direct labor costs of resources retained."

For Bad Debts, the forecast is based on the same methodology as within the previous and current FOMB Certified Fiscal Plans. As noted within Schedule 5.3 of the FY2023 Annual Budget filing "Bad Debts is consistent with methodology used by PREPA in 2021 Fiscal Plan, with prior year revenues multiplied by 2%, 1.9%, and 1.8% for FY2023-FY2025, respectively". Generally, the forecast of bad debts increases as the forecast cost per kWh increases. In this case, forecast kWh costs have increased mainly due to forecast fuel cost increases impacting rates. For example, when fuel prices increase the cost of each kWh increases, so if the same amount of kWhs are not paid for by customers, then the forecast of that bad debt goes up.

Related to maintaining base rates within the level set in the 2017 Rate Case, as Schedule 5.6 shows, that increases in costs contemplated and included within base rates, such as bad debts, requires a resulting offset of other costs within the base rate.

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<sup>1</sup> April 1 Motion, Exhibit 1, p. 32 — 33.

<sup>2</sup> Initial Budgets Petition, Exhibit 1, p. 41.

Specific to bill collection efforts, and as discussed within LUMA's quarterly reports, LUMA has prioritized efforts for bill collection since commencement by creating multiple new channels of communication protocols, standard billing, and collection practices. LUMA has supported customers with outstanding debts by proactively calling out to offer payment arrangements and to provide information on how to access financial aid available through COVID relief funds and/or low-income funding programs. Specifically, since commencement, LUMA created a new team which develop and execute notices to customers with overdue accounts as part of the newly instituted 30/60/90-day process to collect on past due accounts. In addition, LUMA has made more than 240,000 outbound collection calls, processed over 3,400 bankruptcy cases, and created more than 12,000 new payment plans and has collected more than \$203 million in revenues. LUMA will continue to advance its mission to deliver customer-centric, reliable, resilient, safe, and sustainable electricity through implementation of appropriate communication protocols and standard billing and collection practices that personify courtesy, capture efficiencies, and create proactive solutions for customers.

# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

### Response: ROI-LUMA-MI-2021-0004-20220519-PREB-A05

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#### SUBJECT

Improvement Portfolio FY2023

#### REQUEST

Based on Table 4-5,<sup>1</sup> the proposed FY2023 Improvement Portfolio Spending is approximately \$137 million less than that approved for FY2022,<sup>2</sup> 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.

#### RESPONSE

LUMA is committed to providing safe, reliable and resilient electric service to its customers. The Improvement Program forecasted spend was projected with this same mission and goal to revitalize the grid and improve customer satisfaction.

LUMA has budgeted \$842 million within FY2023 for Improvement Portfolio spending, which is more than actual spend forecasted in FY2022. This means LUMA will be performing more activities in FY2023 than in FY2022 and the proposed FY2023 budget will not impact the level of service being provided nor will it impact the goals of each program. The budget was developed based on the inherited conditions, emerging global factors, and substantive learnings from LUMA's first nine months of operations as described on pages 19 and 20 of Exhibit 1 of the FY2023 Annual Budgets filing.

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<sup>1</sup> April 1 Motion, Exhibit 1, p. 53.

<sup>2</sup> Initial Budgets Petition, Exhibit 1, p. 63.

# Annual Budgets for Fiscal Year 2023

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20220519-PREB-A06**

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## **SUBJECT**

Annual Budget - Loss Recovery Program FY2023

## **REQUEST**

LUMA states that “During the period covered by the Annual Budgets, LUMA will implement a Loss Recovery Program, to reduce losses within the system.”<sup>1</sup>

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

## **RESPONSE**

LUMA has already begun training employees, developing messaging and educational information, and preparing for the start of field investigations in FY2023 to identify energy irregularities. LUMA has also implemented processes to reduce non-technical line loss from unbilled revenue.

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<sup>1</sup> April 1 Motion, Exhibit 1, p. 24.

# Annual Budgets for Fiscal Year 2023

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20220519-PREB-A07**

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## **SUBJECT**

Christmas Bonuses FY2023

## **REQUEST**

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

## **RESPONSE**

LUMA has included a provision for Christmas Bonuses in its proposed Annual Budget. Christmas Bonuses are included in the Transmission & Distribution Operating Budget in Salaries, Wages and Benefits (please refer to Table 5.2 Transmission and Distribution Operating Budget) as well as in LUMA's Capital Budgets (please refer to Table 5.5 – Improvement Portfolios – Capital Expenditures) for labor allocated to capital expenditures.

# Annual Budgets for Fiscal Year 2023

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20220519-PREB-A08**

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## **SUBJECT**

Pre-existing pension expense FY2023

## **REQUEST**

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

## **RESPONSE**

Payments for pre-existing pension expenses are not included in LUMA's proposed FY2023 Annual Budget filing.



# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20220519-PREB-A09**

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### **SUBJECT**

Federally Funded Capital Expenditures FY2023

### **REQUEST**

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

### **RESPONSE**

Yes, LUMA's FY2023 Annual Budget incorporated all forecasted federally funded capital project costs. There is no distinction provided for the funding source as it related to Federally Funded Capital.

Please see response to ROI-LUMA-MI-2021-0004-20220519-PREB-E21 for additional discussion.

# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

### Response: ROI-LUMA-MI-2021-0004-20220519-PREB-A10

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#### SUBJECT

Cumulative information from Q1, Q2, and Q3

#### REQUEST

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 FY2022.
- B. To the extent not explained in the Annual Budget Proposal, explain the reason for any variance and how that will affect the established project or program timeframes for FY2022 and FY2023.

#### RESPONSE

Please refer to ROI-LUMA-MI-2021-0004-20220519-PREB-A10-Attachment 1 for the requested cumulative information for Q1, Q2, and Q3 from LUMA's Quarterly Reports. Variance descriptions have been provided within each quarterly report. The FY2023 Annual Budget was developed based on the inherited conditions, emerging global factors, and substantive learnings from LUMA's first nine months of operations as described on pages 19 and 20 within the FY2023 Annual Budgets filing. Updates to SRP program milestones are provided in Appendix C of the FY2023 Annual Budgets filing.

# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

### Response: ROI-LUMA-MI-2021-0004-20220519-PREB-B01

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#### SUBJECT

Annual Expenses FY2022 and FY2023

#### REQUEST

LUMA shall maintain detailed accounting of annual expenses for FY2022 and FY2023 and account for the use of funds within the budget for that time frame. 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 FY2022 and FY2023.

#### RESPONSE

In LUMA's Quarterly Reports for each of the first three quarters of FY2022, LUMA provided a detailed accounting of expenses incurred in the quarter along with providing details of variances to the approved budget and explanations for significant variances. As requested, LUMA has consolidated the information regarding actual expenses and variances from the approved budget for the nine-month period ending March 31, 2022, from the information included in the Quarterly Reports. Please refer to ROI-LUMA-MI-2021-0004-20220519-PREB-B01-Attachment 1 for Operating Expenditures costs to date and variances.

For Portfolio Program YTD costs and variances, please refer to the response provided in ROI-LUMA-MI-2021-0004-20220519-PREB-A10.

# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20220519-PREB-B02**

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### SUBJECT

9 Month Operation Report FY2022

### REQUEST

LUMA shall provide annual reports on the implementation of improved efficiencies and quantification of resulting savings. (The Energy Bureau CLARIFIES that the reports for FY2022 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 FY2022 and FY2023.

### RESPONSE

LUMA's progress and advancement of efficiencies are detailed in LUMA's FY2022 Quarterly Reports submitted for Q1, Q2 and Q3. Given the amount of improvement to be done, many of these efficiencies have resulted improved performance and increased activities. LUMA will perform further analysis with respect to this requirement following the end of FY2023.

# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

### Response: ROI-LUMA-MI-2021-0004-20220519-PREB-C01

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#### SUBJECT

Workpapers and Witness Attendance

#### REQUEST

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 Resolution<sup>54</sup> 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.

#### RESPONSE

Working papers were provided in LUMA's April 6, 2022 filing. LUMA plans to have the available personnel based on the information currently available to LUMA regarding the technical conference. As the Energy Bureau has not set an Agenda for the Technical Conference including topic areas, LUMA will make best efforts to make available its personnel in the shortened time window.

# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

### Response: ROI-LUMA-MI-2021-0004-20220519-PREB-C02

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#### SUBJECT

Workpapers and Witness Attendance

#### REQUEST

Provide all supporting work papers used to determine that Initial Budgets (now Annual Budgets) are consistent with PREPA's current rate order, issued by the Energy Bureau through 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 work papers 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.

#### RESPONSE

Please refer to the response provided in ROI-LUMA-MI-2021-0004-20220519-PREB-C01.

# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

### Response: ROI-LUMA-MI-2021-0004-20220519-PREB-C03

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#### SUBJECT

Workpapers and Witness Attendance

#### REQUEST

Provide all supporting work papers 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 work papers 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 work papers 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.

#### RESPONSE

Please refer to the response provided in ROI-LUMA-MI-2021-0004-20220519-PREB-C01.

# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20220519-PREB-C05**

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### **SUBJECT**

Comparison proposed Annual Budget to Initial Budget

### **REQUEST**

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

### **RESPONSE**

Please refer to ROI-LUMA-MI-2021-0004-20220519-PREB-C05 Attachment 1.



# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20220519-PREB-D03**

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### SUBJECT

Q1 Report FY2022: PREPA Generation Units Impact

### REQUEST

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 FY2022 be achieved as projected?

### RESPONSE

LUMA does not intend to request an increase in the Base Rate established by the Energy Bureau’s 2017 Rate Order. LUMA is forecasting to spend within the overall T&D System allocated budget. LUMA is requesting an amendment to the budget to reallocate budget between budgets. Given the challenges described in the Quarterly Reports some activities planned for FY2022 will be deferred beyond FY2022. Within the FY2023 Annual Budget filing, LUMA outlines changes to improvement programs and milestones within Appendix C.

# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

### Response: ROI-LUMA-MI-2021-0004-20220519-PREB-D04

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#### SUBJECT

Q1 Report FY2022: Non-Federally Funded Capital Expenditures

#### REQUEST

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.

#### RESPONSE

In Q1 the non-federally funded capital expenditures within the Distribution Portfolio exceeded the Q1 budget by \$1.6 million. LUMA applied a broad ramping of capital budgets throughout FY2022 to reflect LUMA starting operations, as such Q1 budgets were a small portion of the overall annual budget. As shown in response to ROI-LUMA-MI-2021-0004-20220519-PREB-A10, for the first three-quarters of FY2022, non-federally funded capital expenditures within the Distribution Portfolio are not exceeding budget.

# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

### Response: ROI-LUMA-MI-2021-0004-20220519-PREB-D05

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#### SUBJECT

Q1 Report FY2022: T&D Activities Variance

#### REQUEST

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 FY2022 Q2, Q3 and Q4 budgeted expenditures.
- B. Explain whether the total FY2022 Budget is expected to be affected. If so, what is the expected impact?

#### RESPONSE

FY2022 Q2 and Q3 reports have been filed with the Energy Bureau and provide details on spending during the quarter. Please refer to the FY2022 Budget Amendment to be filed with PREB shortly following the submission of these responses for revised FY2022 budgets.

# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20220519-PREB-D07**

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### SUBJECT

Q1 Report FY2022: T&D Activities "No variance expected in milestones"

### REQUEST

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 FY2022 Q2, Q3 and Q4 or future Fiscal Year budgeted expenditures.

### RESPONSE

Please refer to the response provided in ROI-LUMA-MI-2021-0004-20220519-PREB-D08.

# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

### Response: ROI-LUMA-MI-2021-0004-20220519-PREB-D09

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#### SUBJECT

Q1 Report FY2022: Distribution Streetlighting Program variance

#### REQUEST

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?

#### RESPONSE

The FY2022 Budgets were developed in Fall 2020 with the expectation that the LUMA procurement manual would be approved in advance of the commencement day allowing for time to procure new contracts. The LUMA procurement manual approval was completed the day before commencement. So as to not interrupt active operations, the T&D OMA provides the authority for LUMA to carry over existing PREPA contracts.

Procurement activity is currently in process, and LUMA has awarded four new distribution streetlight repair contracts, resulting from LUMA’s RFP process. LUMA cannot quantify the savings at this time.

# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

### Response: ROI-LUMA-MI-2021-0004-20220519-PREB-D12

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#### SUBJECT

Q1 Report FY2022: Non-federally funded work variance

#### REQUEST

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?

#### RESPONSE

The "high-level inspection process" refers to the planning and execution of substation visual inspections and general health assessments to identify the high-risk safety items that need to be remediated. The identified deficiencies go into a prioritized planning process to achieve the objectives defined in LUMA's Recovery and Transformation Framework. The timeline noted that substation inspections were on track to be initiated earlier than expected because by the end of Q1 we had already performed more visual inspections than originally expected.

Status of completion of substation inspection and substation repair and rebuilding are as follows:

- **Substation Inspections:** To date, LUMA has completed high-level visual assessments on 113 substation sites (38% of all sites), which meets and exceeds the targeted number of substation inspections for the year.
- **Substation Repairs and Rebuilds:** The majority of the repair and rebuild work planned for the near term has been assigned to internal LUMA resources and A&E firms to prepare the necessary designs as per the latest codes, industry standards and practices to improve long term reliability.

# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

### Response: ROI-LUMA-MI-2021-0004-20220519-PREB-D13

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#### SUBJECT

Q1 Report FY2022: No material variance

#### REQUEST

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?

#### RESPONSE

Certain initiatives (as stated in the variance description in Table 3-20 of the FY2022 Q1 Report) were able to be advanced in Q1 resulting in \$0.2 million of spending. This represents 20% of the annual budget of \$1.0 million. Given LUMA's profiling of spending within FY2022, the first quarter budget was \$0.0 million and so the absolute variance for Q1 is \$0.2 million. Given the very small denominator in the percentage calculation (\$0.0 million) the percent variance of negative 200% appears to be a large but is not material in terms of absolute amount spent.

# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

### Response: ROI-LUMA-MI-2021-0004-20220519-PREB-D15

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#### SUBJECT

Q1 Report FY2022: Legal Service

#### REQUEST

Did LUMA incur any expenditures for legal services other than those cited in No. 14 above during the reporting quarter?

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

#### RESPONSE

Legal expenditures incurred by LUMA that are not T&D Pass-Through Expenditures are not included within the FY2022 approved budgets or are not reported within LUMA's Quarterly Reports. These costs are not funded by the T&D OMA Service Accounts and are not relevant to LUMA's FY2023 Budget application.



# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

### Response: ROI-LUMA-MI-2021-0004-20220519-PREB-D16

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#### SUBJECT

FY2022 Budget & Q1 Report: Variance Comparison

#### REQUEST

Identify and explain any variances in the FY2022 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.

#### RESPONSE

The variances are identified and explained as part of the quarterly report filing. LUMA's FY2022 budget figures within the quarterly reports are as approved as of May 31, 2021, and the actuals reported in the Q1, Q2 and Q3 filings compare the actuals realized to those approved budgeted values from the Initial Budgets filing.

# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

### Response: ROI-LUMA-MI-2021-0004-20220519-PREB-D17

#### SUBJECT

Q1 Report FY2022: PREPA Title III

#### REQUEST

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.

#### RESPONSE

- A. PREPA's exit from Title III Bankruptcy is set for December 31, 2022 as discussed within Section 2.2 – Key Assumptions and Basis of Annual Budgets on page 22 and Section 2.4.2 – Budget processes through FOMB on page 31 of Exhibit 1 of the FY2023 Annual Budget filing.
- B. Please refer to Section 2.4.2 on page 31 of Exhibit 1 of the FY2023 Annual Budget filing "...PROMESA has confirmed that the 2022 Fiscal Plan will assume PREPA will exit Title III as of December 31, 2022"
- C. "LUMA has conservatively assumed that PREPA will not access debt financing until after Fiscal Year 2025", as discussed within Section 2.4.2 – Budget processes through FOMB on page 32 of Exhibit 1 of the FY2023 Annual Budget filing.

Please refer to Section 2.2 – Private Operator Compensation on pages 24-25 of Exhibit 1 of the FY2023 Annual Budget filing, "LUMA has estimated its fee in compliance with the T&D OMA. The fee as set forth in the Supplemental Agreement for the period as of June 1, 2021 until PREPA's exit from Title III (defined as the 'Interim Period') is fixed, with fixed and variable components to be applied after PREPA's exit from Title III and Service Commencement Date (defined as the 'Initial Term')." Changes in the Title III exit assumption would impact the end of the Interim Period and the start of the Initial Term, which is information provided within Table 2.1 (page 25).

- D. PREPA's exit from Title III will impact several factors including, but not limited to, debt restructuring, and any associated post-bankruptcy settlement impacts. These elements are not

contemplated in the FY2023 budget application, and cannot reasonably be contemplated until such time as PREPA exits Title III and the corresponding details are known. Quantifying these impacts are dependent upon assumptions and LUMA is not in a position to speculate.

# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

### Response: ROI-LUMA-MI-2021-0004-20220519-PREB-D18

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#### SUBJECT

Q1 Report FY2022 and subsequent Initial Budget Quarterly Report

#### REQUEST

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.

#### RESPONSE

Along with its quarterly reports, LUMA provides its backup material in support of the calculations within an attached excel schedule. The quarterly reports are an output from our financial systems and the variance calculations are included in the excel schedule.

LUMA is aware of the requirements as dictated by the reporting requirements outlined for the System Remediation Plan and the Initial Budget proceedings and LUMA complies to the Energy Bureau's Resolutions and Orders as applicable. In line with T&D OMA requirements, Quarterly Reports are backward looking, providing current status and activities within the quarter.

# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

### Response: ROI-LUMA-MI-2021-0004-20220519-PREB-E01

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#### SUBJECT

Q2 Report: Reduction in Call Wait Time

#### REQUEST

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 in Exhibit 1, LUMA Quarterly Report, p. 3?

#### RESPONSE

LUMA attributes the reduction in customer call wait time to three main drivers:

- 1) LUMA received less call volume;
  - In December, LUMA had 129,295 fewer calls, which represents a decrease of 37%.
  - It should be noted that call volume decrease is common for the call center industry when holiday season begins, notably for Puerto Rico as well after having a pandemic holiday season.
  - From September to December there was a consistent uptake in Mi LUMA sign ups resulting in additional utilization of customer self-serve options.
- 2) LUMA's customer advisors have more experience and are able to handle more calls reducing average handle time (AHT), from 7:18 min to 4:44 min;
  - Advisors were able to improve their handling capability – representing a 50% increase in productivity per interval.
  - In September, an advisor was able to handle approximately 3 calls per 30-minute interval, equating to 6 calls per hour.
  - In December, an advisor was able to handle approximately 6 calls per 30-minute interval equating to 12 calls per hour.
- 3) Lastly, LUMA increased the call center advisors;
  - An increase in advisors results in handling more calls per interval overall on top of receiving less call volume.

# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

### Response: ROI-LUMA-MI-2021-0004-20220519-PREB-E02

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#### SUBJECT

Q2 Report FY2022: Forecasts its overall spending

#### REQUEST

LUMA states in Exhibit 1, LUMA Quarterly Report, pp. 3 — 4, “LUMA forecasts its overall spending in line with aggregate budgets for the 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 FY2022 be achieved as projected, or is it anticipated that the scope or timeframe will need to be modified?

#### RESPONSE

Please refer to the response provided in ROI-LUMA-MI-2021-0004-20220519-PREB-D03.

# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20220519-PREB-E03**

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### SUBJECT

Q2 Report FY2022: Federally funded projects/programs

### REQUEST

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

- A. Describe each program
- B. Provide the status and anticipated schedule of each.

### RESPONSE

Please refer to LUMA's filings within NEPR-MI-2021-0002 for the initial SOWs and updated project listings, including a description and status, filed for each project. As these are Class 5 estimates, LUMA has not developed an anticipated schedule for these projects at this time.

# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

### Response: ROI-LUMA-MI-2021-0004-20220519-PREB-E04

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#### SUBJECT

Q2 Report FY2022: “Less efficient legacy PREPA contracts”

#### REQUEST

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?

#### RESPONSE

Generally, “less efficient legacy PREPA contracts” means more costly contracts and higher billing rates, a restrictive methodology for performing the work such that scope extras at premium rates are more likely to occur, and limited access to specialized equipment that can enhance crew productivity.

The “newer and more efficient contracts” are developed to deliver of a wider range of services to meet operational goals and customer expectations than historically received from vendors. This includes performance of routine maintenance services such as pruning trees and removal of trees on feeders and line segments to reclaim the rights of way, as well as reactive work in response to tree-caused outages and after-hour call outs, and corrective actions to address reliability issues, respond to customer requests and support construction by providing access. These service providers will also be expected to provide, as part of their core offerings, bare ground treatments at substations, stump and foliar applications of herbicide on/in the rights of ways, and access to specialized mechanical equipment. In so doing, LUMA will be able to gain control of vegetation along electrical facilities in Puerto Rico. The availability of specialized equipment inferred above, (e.g., the use of Skid Steer Mulchers, Small and Medium-Sized Forest Mulchers, and Mini-Giraffe Saws on ROWs) represents unprecedented opportunities to alleviate physically demanding work, thus improving both productivity and safety.

In general, it is estimated that the contracts LUMA has awarded through a competitive bid process will yield a 30% reduction in the overall cost of services. LUMA intends to reinvest these cost savings into the Vegetation Management Program, thus allowing the completion of more work for the same overall annual budget.



# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

### Response: ROI-LUMA-MI-2021-0004-20220519-PREB-E05

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#### SUBJECT

Q2 Report FY2022: Transmission and Distribution Expenditures Variance

#### REQUEST

Exhibit 1, LUMA Quarterly Report (FY2022 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 FY2022 Q1 Quarterly Report filed by LUMA on September 15, 2021, are variance in Transmission and Distribution Expenditures of (\$36.5 million) or (27%) excluding Federally Funded Capital Expenditures. Taken together, the variance in FY2022 Q1 and Q2 is (\$65.5 million).

How will the deficiency be addressed throughout the 2022 Fiscal Year, while remaining on track regarding the 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?

#### RESPONSE

LUMA's Q3 Report showed LUMA's spending coming in below budget for the quarter and LUMA continues to manage spending in order to stay within the 2017 Rate Order. Please refer to the FY2022 Budget Amendment to be filed with PREB shortly following the submission of these responses.

# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

### Response: ROI-LUMA-MI-2021-0004-20220519-PREB-E06

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#### SUBJECT

Q2 Report FY2022: Federally funded Capital Expenditures variance

#### REQUEST

Insert request Exhibit 1, LUMA Quarterly Report (FY2022 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 FY2022 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 FY2022 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?

#### RESPONSE

LUMA's FY2022 capital federally funded budget will remain unchanged. The FY2023 budget was developed based on the inherited conditions, emerging global factors, and substantive learnings from LUMA's first nine months of operations as described on pages 19 and 20 within the FY2023 Annual Budgets filing.

As reported in LUMA's Quarterly Reports and within proceeding NEPR-MI-2021-0002 LUMA has continued its significant progress and actions to help further critical federally funded FEMA projects. As described on page 10 of LUMA's Third Quarter Report, including the following key milestones:

- Submitting 13 detailed SOWs to FEMA for approval in order to enable detailed engineering and construction in the coming months.
- Securing approval from the Energy Bureau for three federally funded projects / programs representing \$355 million.
- Continued to advance work on the PREB approved 135 Projects/Programs initial SOWs, representing an estimated \$8.2 billion, through preliminary engineering, planning and scope development work.

- Following PREB approval and assignment of a FEMA Accelerated Awards Strategy (FAASt) number, LUMA progressed preliminary engineering on 88 projects representing approximately \$1.4 billion and projects are at various stages of preliminary engineering, planning, and scoping.

Since the end of the third quarter, LUMA has received 10 approvals from FEMA for projects as filed with the Federal Funding docket, NEPR-MI-2021-0002.

# Annual Budgets for Fiscal Year 2023

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20220519-PREB-E07**

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## SUBJECT

Q2 Report FY2022: CX Abandonment Rate

## REQUEST

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?

## RESPONSE

The decrease in abandonment rate from 17% to 4% can be attributed to the following three main drivers:

- LUMA received less call volume
- LUMA's customer advisors have more experience and are able to handle more calls, increasing effectiveness and efficiency
- LUMA increased the number of call center advisors

# Annual Budgets for Fiscal Year 2023

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20220519-PREB-E08**

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## **SUBJECT**

Q2 Report FY2022: CX reduction in wait time

## **REQUEST**

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?

## **RESPONSE**

Please refer to the response provided in ROI-LUMA-MI-2021-0004-20220519-PREB-E07.

# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20220519-PREB-E09**

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### SUBJECT

Q2 Report FY2022: CX Act 57-2014 reduction

### REQUEST

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

### RESPONSE

The Act 57-2014 claims reduction represents a reduction in all Act 57 claims filed with the utility regarding a dispute a customer has with their energy bill. The reduction in claims is primarily attributable to explanations being provided to the customer minimizing the requirement to file a claim and the improvement in service being provided to our customers by LUMA's customer experience advisors.

# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20220519-PREB-E10**

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### SUBJECT

Q2 Report FY2022: CX reduction efforts

### REQUEST

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?

### RESPONSE

The Revenue Protection team was stood up on June 1, 2021, as a net new group to develop and execute a standard dunning process. As of June 1, 2022, the team has created and executed a 30/60/90-day process to collect on past due accounts, made more than 240,000 outbound collections calls, processed over 3,400 bankruptcy cases, created more than 12,000 new payment plans and collected more than \$203 million.

LUMA built collaborative partnerships with agencies and other low-income and/or COVID relief agencies to support the connection of customers in need with available funds. As the Revenue Protection team contacted customers in arrears, they also provided information to customers about the low income and COVID relief funding available resulting in the collection of over \$27 million in available funding.

# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

### Response: ROI-LUMA-MI-2021-0004-20220519-PREB-E11

#### SUBJECT

Q2 Report: Worst Performing feeders

#### REQUEST

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.

#### RESPONSE

Work has been completed on 7 of the 37 worst performing feeders. For the remaining 30 feeders, the high-level assessments have been completed, deficiencies identified, and they are in the process of being scoped, planned, and scheduled for remediation prior to the end of FY2023.

The scope includes replacing deficient poles, conductors, components, hardware, and/or equipment identified in the feeders' corresponding high-level assessments.

From a high-level estimate of the expected costs for remediation of the 37 feeders, approximately 80% will be federally funded and 20% will be non-federally funded.

Feeders	Estimated % Federal Funds	Estimated % Non-Federal Funds
1303-02	90%	10%
1646-02	70%	30%
1720-07	90%	10%
2603-08	70%	30%
3205-07	90%	10%
3301-01	40%	60%
3601-02	70%	30%
3601-04	60%	40%
5602-02	70%	30%
6012-02	50%	50%
6014-02	80%	20%



Feeders	Estimated % Federal Funds	Estimated % Non-Federal Funds
6305-03	90%	10%
6406-02	80%	10%
6704-02	0%	100%
6704-03	70%	30%
6705-01	100%	0%
7903-06	0%	100%
8010-01	80%	20%
9703-01	90%	10%
9902-01	80%	20%
8103-02	90%	10%
1657-02	90%	10%
5803-02	100%	0%
8404-03	90%	10%
5007-01	80%	20%
5012-03	70%	30%
5016-01	80%	20%
5018-03	30%	70%
5018-05	70%	30%
5021-01	90%	10%
8301-03	90%	10%
5004-07	0%	100%
5013-02	80%	20%
5303-01	0%	100%
5501-04	90%	10%
5817-02	100%	0%
5901-03	80%	20%

# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

### Response: ROI-LUMA-MI-2021-0004-20220519-PREB-E12

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#### SUBJECT

Q2 Report FY2022: PREPA Federal Funding

#### REQUEST

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?

#### RESPONSE

For specifics on PREPA's lack of progress within the first five months of calendar year 2021 and the activities LUMA has performed during the first three quarters of FY2022 to progress federal funding, please refer to LUMA's FY2022 Quarterly Reports.

In summary the lack of work performed within the first five months of calendar year 2021, which resulted in LUMA having to progress this work within FY2023, included:

- Standards and specifications were not developed to withstand 160mile/hour wind or meet resiliency design standards
- Distribution area planning has never been performed
- Transmission Models have not been developed or updated in years
- Projects were supposed to progress for Class 3 estimate, only one project was completed, and it required a full redesign

# Annual Budgets for Fiscal Year 2023

NEPR-MI-2021-0004

## Response: ROI-LUMA-MI-2021-0004-20220519-PREB-E13

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### SUBJECT

Q2 Report FY2022: T&D Activities Variance

### REQUEST

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 FY2022 Q3 and Q4 budgeted expenditures.
- B. Explain whether the total FY2022 Budget is expected to be affected. If so, what is the expected impact?

### RESPONSE

Please refer to the response provided in ROI-LUMA-MI-2021-0004-20220519-PREB-D05.

# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20220519-PREB-E14**

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### SUBJECT

Q2 Report FY2022: T&D Activities “No expected variance in milestones”

### REQUEST

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?

### RESPONSE

Please refer the response provided in ROI-LUMA-MI-2021-0004-20220519-PREB-E13.

# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20220519-PREB-E15**

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### SUBJECT

Q2 Report FY2022: Program Timelines

### REQUEST

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.

### RESPONSE

Please refer to the response provided in ROI-LUMA-MI-2021-0004-20220519-PREB-D08.

# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

### Response: ROI-LUMA-MI-2021-0004-20220519-PREB-E16

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#### SUBJECT

Q2 Report FY2022: Distribution Automation Variance

#### REQUEST

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 FY2022.”

- A. Will work scheduled for FY2022 be completed during Q4 or will it be delayed until FY2023.
- B. How will either completion or delay impact FY2023 budget request?

#### RESPONSE

Work related to the Distribution Automation Program has continued to be performed in Q4 FY2022 and continue into FY2023. LUMA's FY2023 Annual Budget filing reflects substantive learnings from LUMA's first nine months of operations and as such has taken into account events in Q2 FY2022.

# Annual Budgets for Fiscal Year 2023

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20220519-PREB-E17**

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## SUBJECT

Q2 Report FY2022: Variance Impact on FY2023

## REQUEST

Explain whether the variances LUMA has identified in the LUMA Quarterly Report, both positive and negative, are expected to affect the FY2023 or subsequent Budgets.

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

## RESPONSE

Please refer to Exhibit 1 of the FY2023 Annual Budget filing submitted on April 1, 2022.

# Annual Budgets for Fiscal Year 2023

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20220519-PREB-E20**

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## **SUBJECT**

Q2 Report FY2022: Variance Comparison

## **REQUEST**

Identify and explain any variances in the FY2022 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.

## **RESPONSE**

Please see the response provided in ROI-LUMA-MI-2021-0004-20220519-PREB-D16.



# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

### Response: ROI-LUMA-MI-2021-0004-20220519-PREB-E21

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#### SUBJECT

Q2 Report FY2022: PRDOH / HUD

#### REQUEST

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.<sup>1</sup>

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?

- A. 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?

#### RESPONSE

Identifying and securing funding sources, including any matching funds to federal grants, is a responsibility of the Government of Puerto Rico. LUMA has raised this issue and has urged resolution with multiple levels and agencies within the government. LUMA will continue working cooperatively with COR3 and will comply with HUD or other funding sources' requirements. At this point, however, LUMA is not privy to governmental information with respect to sources to cover deficiencies in cost-shares.

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<sup>1</sup> RDOH Disaster Recovery Action Plan for the Use of CD BG-DR Funds for Electrical Power System Enhancements and Improvements (January 24, 2022).

# Annual Budgets for Fiscal Year 2023

NEPR-MI-2021-0004

## Response: ROI-LUMA-MI-2021-0004-20220519-PREB-E22

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### SUBJECT

Q2 Report FY2022 and Subsequent Quarterly Reports

### REQUEST

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.

### RESPONSE

Please see the response to ROI-LUMA-MI-2021-0004-20220519-PREB-D18.

# Annual Budgets for Fiscal Year 2023

## NEPR-MI-2021-0004

### Response: RFI-LUMA-MI-2021-0004-20220519-PREB-F05

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#### SUBJECT

FY2023: GenCo Non-Labor/Other OpEx Expenses

#### REQUEST

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 the availability and reliability of the PREPA generation resources.

#### RESPONSE

- B. Corporate Security has never been a Shared Service. LUMA & PREPA were using the same contracts, but each administering and managing separately. Both PREPA and LUMA ran RFPs and new and separate contracts were implemented on January 1, 2022, for private security guards, and on June 1, 2022, for CCTV and electronic access control.

*Exhibit II*

*PREPA's Responses to PREB's ROIs A7 A8 and A9*

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

**PREPA response: PREPA has included Christmas bonuses of \$600 per employee in its proposed budgets for FY2023, which totals approximately \$620 thousand for the budget year.**

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

**PREPA response: PREPA has included a proposed employer pension contribution equal to approximately 35% of salaries. This amount of employer pension contribution does not resolve any pension underfunding, which is expected to be addressed as part of the Title III plan of adjustment process.**

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

**PREPA response: PREPA has not included any budget amounts for federally funded capex matching requirements, which are assumed under the PREPA certified fiscal plan to be funded by CDBG.**