

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

NEPR

Received:

Jul 6, 2022

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IN RE: REVIEW OF LUMA'S INITIAL
BUDGETS

CASE NO. NEPR-MI-2021-0004

SUBJECT: Motion Submitting Responses in
Compliance with Resolution and Order of June 22,
2022.

**MOTION SUBMITTING RESPONSES IN COMPLIANCE WITH
RESOLUTION AND ORDER OF JUNE 22, 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 July 16, 2021, LUMA filed before the Honorable Puerto Rico Energy Bureau (“Energy Bureau”), a *Request for Modification of Fiscal Year 2022 Budget* (“Modification Request”). LUMA petitioned that the Energy Bureau approve a revised Fiscal Year 2022 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.

2. On September 17, 2021, LUMA filed a motion whereby it submitted a revised version of the Modification Request (“Revised Modification Request”), as Exhibit A.¹

¹ Additionally, in compliance with the September 9th Order, as Exhibit B of the September 17th Motion, LUMA submitted responses to the requests for information identified in Attachment A of the September 9th Order (“Responses to Attachment A to the September 9th Order”).

3. On January 21, 2022, this Energy Bureau issued a Resolution and Order with the subject *Evaluation of LUMA's September 17, 2021, Motion in Compliance with Order* (January 21st Order on LUMA's Revised Modification Request"). Within the Resolution and Order, the Energy Bureau ordered PREPA to respond on or before February 18, 2022 to certain requests for information included as part of the September 9, 2021 Resolution and Order and ordered LUMA to undertake an evaluation of the load forecast and advise the Energy Bureau of the results. The January 21st Order on LUMA's Revised Modification Request did not include a specific deadline for the submission of the basis for LUMA's determination regarding the updated load forecast.²

4. On May 26, 2022, LUMA submitted to this Energy Bureau its response to the Energy Bureau's request regarding an independent assessment of the load forecast in response to one of the 116 Requirements for Information issued by his Energy Bureau as part of a Resolution and Order entered on May 19, 2022 in the instant proceeding.

5. On June 6, 2022, LUMA submitted a Revised Budget Amendment for FY 2022 ("LUMA's Revised Budget Amendment").

6. In a Resolution and Order dated June 22, 2022, sixteen (16) days after receiving the Revised Budget Amendment for FY 2022, and notified to counsel for LUMA at 5:44 pm, this Energy Bureau required that on or before Monday, June 27, 2022, LUMA shall submit responses to a request for information dealing with the Energy Bureau's order to submit an independent assessment of the load forecast and a request for information regarding LUMA's Revised Budget

² It should also be noted that as part of the timeline submitted by LUMA on September 13, 2021 in Case No. NEPR-MI-2021-0001, *In re: Review of the T&D System's Operation Principles*, LUMA contemplated the completion of phase 2 of the System Operation Plan ("SOP"), which included the assessment of current methods and evaluation of future methodologies, by the end of FY2022. This Energy Bureau held a compliance technical hearing on September 17, 2022 to discuss the SOP and did not modify such proposal.

Amendment that includes four requests for information with fourteen (14) questions (“June 22nd Request for Information”).

7. On June 26, 2022, LUMA filed a *Request for Extension of Time to Comply with Resolution and Order of June 22, 2022* whereby it requested a brief extension of time to the short period of time originally granted by this Energy Bureau for LUMA to respond the June 22nd Request for Information.³

8. Specifically, LUMA requested until today to submit its Responses to the June 22nd Request for Information.

9. In compliance with the foregoing, LUMA hereby respectfully submits, as *Exhibit I* hereto, its responses to the June 22nd Request for Information.

WHEREFORE, LUMA respectfully request that this Energy Bureau **take notice** of the foregoing and **deem** its June 22nd Resolution and Order complied with.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this July 6, 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 Petition to the attorneys for PREPA, Joannely Marrero-Cruz, jmarrero@diazvaz.law; and Katuska Bolaños-Lugo, kbolanos@diazvaz.law.

³ This Energy Bureau granted LUMA three business days to review and prepare its responses to the June 22nd Request for Information. As expressed in its Request for Extension, LUMA diligently worked to provide a timely response to the June 22nd Request for Information. The time granted by this Energy Bureau of three business days, however, was not reasonably sufficient for LUMA to prepare its responses.



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Exhibit 1

*Responses to June 22 Resolution and Order
Includes a file in Excel format submitted by email on this same date*

Annual Budget June 22, 2022, Resolution and Order Response

NEPR-MI-2021-0004

Response: ROI-LUMA-MI-2021-0004-20220622-PREB-001

SUBJECT

Independent Assessment of the Load Projections that LUMA relies upon in its Modification Request to the Initial Budgets.

REQUEST 1A

Submit the independent assessment of the revised energy forecast upon which LUMA relies in its Modification Request and report the results and basis of that determination to the Energy Bureau.

RESPONSE

The load forecast within LUMA's Modification Request (Updated Load Forecast) for the FY2022 budget was developed consistently with the methodologies used for the load forecast developed within LUMA's Initial Budgets (Initial Budgets Load Forecast). The difference between Initial Budgets Load Forecast and the Updated Load Forecasts that the Updated Load Forecast was updated base on 1) more recent actual energy sales data and 2) updated macroeconomic factors. This is consistent with practice from previous fiscal plans, and the proposed quarterly factors. The methods used to develop the load forecast remain unchanged from previous years and are those that are used when applying for the annual and quarterly factors, CILT and Subsidies and FCA and PPCA, respectively.

It should be noted that the Energy Bureau provides reviews and assesses the annual energy forecasts as part of Docket NEPR-MI-2020-0001. The Updated Load Forecast, including working files, with formulas intact, was submitted confidentially to the Energy Bureau on June 10, 2021, (revised June 16, 2021, on July 16, 2021 and June 24, 2021) within the Docket NEPR-MI-2020-0001. They were submitted in support of LUMA's "*Motion Submitting CILTA, SUBA-HH, and SUBA-NHH Reconciliations and Proposed Factors and Request for Confidential Treatment of Excel Spreadsheets*" and "*Motion Submitting FCA, PPCA and FOS quarterly reconciliations and proposed factors, motion submitting revised annual reconciliations and proposed CILTA, SUBA-NHH and SUBA HH Factors and Requests for Confidential Treatment*", respectively.

As a part of the NEPR-MI-2020-0001 proceeding, the Energy Bureau reviewed the load forecasting files submitted by LUMA, and discussed such files and methodology within the June 22, 2021 Technical Conference. Within the Energy Bureau's June 29, 2021 Resolution and Order in this docket, which approved the updated factors for Fiscal Year 2022 (FY2022), the Energy Bureau provided its independent assessment of the Updated Load Forecast: "The Energy Bureau DETERMINES that the methodology used by LUMA to calculate the annual sales estimate is reasonable and consistent with industry best

RESPONSES TO JUNE 22, 2022 RESOLUTION AND ORDER

practices. Similarly, the Energy Bureau DETERMINES that LUMA correctly calculated the sales estimate of 16,760,960,186 kWh using the methodology described above". (*Translated from the Spanish Resolution and Order.*)

The sales estimate of 16,760,960,186 kWh, is consistent with the Updated Load Forecast presented within LUMA's Modification Request, and was used in determining the CILTA, SUBA-HH and SUBA-NHH factors charged to customers for FY2022 and a portion (the first three months of FY2022) was used in determining the FCA, PPCA and FOS factors charged to customers for the first quarter of FY2022.

Additionally, within the NEPR-MI-2021-0001, System Operation Principles docket, the Energy Bureau's May 31, 2021 Resolution and Order required LUMA to file final versions of its Load Forecasting Procedures. On September 13, 2021, LUMA submitted, confidentially, its day ahead and week ahead Load Forecasting Procedure. LUMA stated that in order to provide long-term and companywide load forecasting and research processes and procedures, which would include power meter load data, load management, DER adoption models and weather normalization and peak allocation, it will take years and not days or months. In support of improving the long-term load forecast, LUMA presented a phased approach to developing improvements for long-term load forecasting. At the time of filing LUMA had already started the internal governance and organization design phase (Phase 1) and was starting the planning for Phase 2 – a review of current and future methodologies – setting a completion date of June 2022.

On September 17, 2021, within the same docket, the Energy Bureau held a technical conference to discuss, among other things, the load forecasting procedures. LUMA presented its phased approach to load forecasting improvements and planning. The Energy Bureau did not modify or request an adjustment to the proposed phases and timeline set forth by LUMA.

Within the same docket (NEPR-MI-2021-0001) and in compliance with LUMA's proposed timeline set in September 2021, LUMA filed its Phase 2 report: *Regulatory Long-Term Load Forecast Review – Current State Assessment & Future Methods Recommendations* on June 30, 2021. The report was prepared by Guidehouse Inc. for LUMA and included an independent review of the current state of load forecasting activities.

Annual Budget June 22, 2022, Resolution and Order Response

NEPR-MI-2021-0004

Response: ROI-LUMA-MI-2021-0004-20220622-PREB-002A

SUBJECT

LUMA's Amendment Request

REQUEST 2A

The recently filed Budget Amendment Request seeks to reallocate \$47 million within the approved FY 2022 budget from its non-federally funded capital budget to the Operating Budget to address higher than anticipated labor expenditures for FY 2022. It is noted that this results from unexpected substantial gaps in safety, and technical skills and qualifications within the existing workforce and addresses the significant backlog of work that remained upon commencement. LUMA states that the revised amendment is primarily drawing funds from Distribution, Substation, and Enabling improvement portfolios, which are forecast to be under budget for FY 2022. LUMA states that much of this work has been deferred or reallocated as adjustments are made to overall capital plans.

- i. What effect will the reallocation of funds have on the individual portfolio programs from which the funds are taken?
- ii. What effect will the reallocation have on the proposed FY 2023 Annual Budget and subsequent budgets?
- iii. What activities will be deferred and for how long?
- iv. How were activities to be deferred decided upon?

RESPONSE

- i. The attached file, "*ROI-LUMA-MI-2021-0004-20220622-PREB-002Ai Summary Table*", shows the effect of the reallocation of funds at a program level.

As discussed within the Budget Amendment filing, the predominant changes to programs include an increase to the HSEQ and Technical Training program within the Enabling portfolio and a decrease in spending on the Distribution Automation program within the Distribution portfolio and, Transmission Substation Rebuilds and Compliance and Studies within the Substation portfolio. The Distribution Automation program is currently seeking federal funding and awaiting receipt of distribution automation equipment. The FY2023 budget reflects an increased proportion of Distribution Automation program being budgeted as Capital – Federally Funded. The decrease of Transmission Substation Rebuilds and the Compliance and Studies program spending can be attributed to additional federal funding related foundational activities being required to support the federally funded work planned within this portfolio. Within LUMA's FY2023 budget, these

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programs have been updated – to reflect the adjusted FY2022 spend and scope of the programs including milestones.

- ii. LUMA's FY2023 budgets remain unchanged from its April 1, 2022 submission. Within the April 1, 2022 Annual Budget submission, milestones have been adjusted for certain Improvement Programs, as shown within *Table C-2. Improvement Program Changes for FY 2023* and *Appendix C*. LUMA will continue to assess milestones as information that affect timelines is updated.
- iii. Please see response ROI-LUMA-MI-2021-0004-20220622-PREB-002Aii.
- iv. LUMA made an assessment based upon the possible operational activities and system risks once LUMA gained access to the systems. This includes adjustments to account for the backlog left by PREPA, impacts of the global supply chain and ability to obtain federal funding. Timelines were also adjusted to account for the available employee skill sets, lack of planning and engineering for many of the federally funded programs, and instances where foundational work was still required in advance of spending capital.

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NEPR-MI-2021-0004

Response: ROI-LUMA-MI-2021-0004-20220622-PREB-002B

SUBJECT

LUMA's Amendment Request

REQUEST 2B

In the gap assessment during the Front-End Transition (FET), LUMA identified a substantial need to bring the workforce to an acceptable level regarding trained and qualified employees.

- i. Explain why LUMA, during the FET, did not become aware of the deficiencies it now points to as justification for the FY 2022 Budget Amendment.
- ii. Is LUMA confident that all unaccounted-for additional challenges and expenses have now been identified?

RESPONSE

- i. As provided within LUMA's response ROI-LUMA-MI-2021-0004-20220519-PREB-D01, LUMA's Initial Budgets were developed in Fall 2020, four months into the Front-End Transition, and based on information known at that time. As of October 30, 2020, LUMA had issued 226 RFIs to PREPA and had received 178 responses. LUMA relied on information provided by PREPA during the first four months of the Front-End Transition and unless specifically noted, such information was assumed as correct and complete based on LUMA's reasonable diligence during such period. LUMA's transition work included the development of an 800-page gap assessment outlining LUMA's findings and forming the basis of LUMA's Improvement Programs. The gap assessment was provided to the Energy Bureau in RFI responses filed on April 5, 2021. At that time, LUMA had not been provided full access to assess:
 - Employee competencies including training needs or history;
 - The customizations or non-standard work flows in several key systems and controls; and
 - Inoperable or unsafe facilities and equipment.

Furthermore, during Fall 2020, PREPA employees were working remotely as a result of the COVID-19 pandemic. This had an impact as in person, on site meetings and discussions and site visits were limited.

- ii. No, LUMA will continue to evaluate and investigate.

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NEPR-MI-2021-0004

Response: ROI-LUMA-MI-2021-0004-20220622-PREB-002C

SUBJECT

LUMA's Amendment Request

REQUEST 2C

In the Amendment Request, LUMA cites a significant investment in intensive onboarding and safety and technical skills training to address the substantial gap it identified.

- i. Describe how LUMA identified and obtained the skilled workers it onboarded to offset the identified shortfall.
- ii. Identify any incentives offered to prospective candidates for hiring as skilled workers, for example, housing assistance, per-diem payments, etc.
- iii. Has an analysis been performed to determine whether it is more cost effective to develop the skills necessary in existing employees as compared to hiring employees with the skills or capabilities being sought?

RESPONSE

- i. During the Front-End Transition, LUMA undertook an extensive process to hire for thousands of positions. Starting in October 2020, job descriptions were posted on LUMA's career site for people to review and apply, LUMA used social media to promote its job postings. Recruiters, technical assessors, and hiring managers reviewed thousands of resumes, completed a series of interviews including a combination of video & phone interviews, in-person interviews, and skills assessments to determine fit and qualification of applicable candidates. A variety of positions (including lineworkers) underwent skills assessments (starting in Spring 2021) which included written knowledge exams and in-person hands-on assessments of an applicant's skillset. These assessments determined the level of position (e.g. groundman, apprentice, journeyman) that a candidate could be provided an offer letter. LUMA gave priority in hiring to any PREPA employees who met the requirements for employment over other external qualified and equally evaluated applicants for the same job category. Unfortunately, the major PREPA union ran campaigns against LUMA, discouraging union members from applying to LUMA, despite LUMA's competitive compensation package for candidates. As of commencement, over 1,300 former PREPA employees accepted LUMA offers.

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After the Front-End Transition, LUMA continued to hire lineworkers and other positions as job postings, interviews, and skills assessments continued to take place in order to identify additional qualified applicants.

The initial skills and competency assessments of all incoming workers conducted by LUMA, including previously PREPA employees, identified numerous deficiencies across multiple critical skillsets. This revealed the existing PREPA workforce as well as the on-island workforce were unqualified to safely perform many of the hazardous tasks associated with maintaining an electric T&D System. Despite LUMA's extensive recruiting process, there were no incoming employees with the line worker certifications (such as journeyman certifications) and qualifications required to lead the required work safely and in compliance with regulations.

Due to the lack of qualified lineworkers available on island at commencement and the immediate need for workers, and despite the wide-spread lack of qualified journeymen across the industry, LUMA leveraged its parent companies' workforce to supplement the skill deficiency. Temporary seconded employees were brought to Puerto Rico at cost and provided transportation, housing and meals while working on island. This mentorship and on-the-job training was deployed in conjunction with the Upskilling and Apprenticeship Programs for technical training to develop a sustainable, long-term and local workforce solution for Puerto Rico.

- ii. LUMA offers competitive compensation packages and makes offers of employment to perspective candidates with qualifications. As a standard practice, LUMA also provides relocation assistance for candidates coming from locations outside of Puerto Rico.
- iii. Please refer to ROI-LUMA-MI-2021-0004-20220622-PREB-002Ci. Due to the lack of qualified lineworkers who applied to LUMA, LUMA was required to supplement the workforce with temporary seconded employees.

In order to have a long-term sustainable workforce for Puerto Rico, the development of qualified personnel is essential. Training remains a key component of LUMA's strategy to provide a sustainable workforce solution to support Puerto Rico's electrical system. LUMA is committed to provide the training required to meet industry requirements through its specialized courses at LUMA College and will continue to develop the permanent workforce necessary to sustain long-term recovery and transformation of the T&D System.

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NEPR-MI-2021-0004

Response: ROI-LUMA-MI-2021-0004-20220622-PREB-002D

SUBJECT

LUMA's Amendment Request

REQUEST 2D

LUMA notes in its Amendment Request that to increase spending in Health, Safety, Environment and Quality (HSEQ) and Technical Training Improvement Program, it seeks to reallocate \$29 million between Improvement Portfolios, moving costs to the Enabling Improvement Portfolio.

- i. Please explain why the other programs in the portfolio, in particular, Substations, Control Center and Buildings, with 17% and 18% reductions respectively, are able to have fewer funds allocated to them for FY 2022 because of the amendment.
- ii. Will there be any diminution in the time frames or goals in those programs?
- iii. If no, will this result in an increase in the FY 2023 or subsequent budgets?
- iv. What type of training and HSEQ equipment or programs are being provided with the increased funds?

RESPONSE

- i. Please refer to response ROI-LUMA-MI-2021-0004-20220622-PREB-002A.
- ii. Please refer to response ROI-LUMA-MI-2021-0004-20220622-PREB-002A.
- iii. Please refer to LUMA's response to ROI-LUMA-MI-2021-0004-20220622-PREB-002A. The FY2023 Annual Budget (which includes FY2023 and projections for FY2024 and FY2025) remains unchanged.
- iv. At commencement, LUMA assumed responsibility for a workforce that required significant training and upskilling, none of the workforce had the journeyman lineworker certification. Planned annual safety training and the apprenticeship program was provided, but LUMA was also required to address the significant skill and competency gaps that were discovered. If those gaps were left unaddressed, it would have posed significant safety risks and challenges in operating, remediating and transforming the T&D System safely and effectively. To remedy this, in Fiscal Year 2022 LUMA provided approximately 130,000 hours of training through a combination of mentorship, on-the-job training, formal programs through the LUMA College, internal and external technical training courses.

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LUMA's Technical Training Improvement Program includes, but is not limited to, the following courses:

- OSHA 10-hour Electrical Transmission and Distribution
- Power System Work Standard Overview
- Hazard Identification and Job Hazard Analysis
- Incident Reporting and Incident Investigation
- Bucket Truck Operation and Maintenance
- Fall Protection / Working at Heights
- Equipotential Grounding and Bounding
- Safe Trenching and Evacuation
- Load Securement
- Pole Breaker Safety
- Confined / Restricted Space Entry and Rescue
- Standard First Aid and CPR
- Underground Storage Tank (TAS) Trainings
- Department of Transportation Inspection
- AT37/AT41/AT48 Maintenance Training
- AA, AN Maintenance Training
- AC40-152S Maintenance Training
- DH45/DH48/DH58 & DB41 Maintenance Training
- Environmental Awareness
- Utility Lineman Program ULP
- Utility Lineman 1 Upskill Training
- Utility Lineman 2 Upskill Training
- Utility Lineman Final Assessments
- Human External Cargo helicopter training
- Low Voltage Assessments
- Final Assessments

In addition to training, LUMA has provided, but is not limited to, the following safety equipment to crews:

- Fire retardant
- Arc-rated clothing
- Coveralls for workers in proximity to the electrical system

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- Insulated and tested clothing
- Face shields and associated tools such as hot sticks and chains for work on energized circuits
- Safety boots
- Safety glasses
- Safety gloves
- Hard hats
- Fall protection equipment, including harnesses, snap hooks, and lanyards for employees working at heights