

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

NEPR

Received:

Sep 8, 2022

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IN RE: REVIEW OF LUMA'S INITIAL
BUDGETS

CASE NO. NEPR-MI-2021-0004

**SUBJECT: Submission of Financial Results for the
Fourth Quarter of Fiscal Year 2022**

**MOTION SUBMITTING FINANCIAL RESULTS FOR THE FOURTH QUARTER OF
FISCAL YEAR 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 31, 2021, this honorable Puerto Rico Energy Bureau of the Public Service Regulatory Board (“Energy Bureau”) issued and published a Resolution and Order approving LUMA’s Initial Budgets (“May 31st Resolution and Order”).

2. In the May 31st Resolution and Order, the Energy Bureau listed certain “requirements for LUMA to fulfill during the Interim Period and going forward” including, among others, annual explanations of the differences between accounts expenses and approved budgets and efficiencies, quarterly reports on Initial Budgets spending amounts, and reporting on federal funding activity.” *See* May 31st Resolution and Order at page 36, paragraphs 1 through 4; *see also* Resolution and Order of July 16, 2021 at page 6 (modifying the federal funding reporting requirements stated in the May 31st Resolution and Order) (“July 16th Order”).

3. Per the May 31st Resolution and Order, as amended by the July 16th Order, on April 2, 2022, LUMA submitted to this Energy Bureau its Annual Budgets for Fiscal Years 2023 through 2023 (“Annual Budgets”). LUMA also submitted supporting workpapers on April 8, 2022.

4. On May 19, 2022, this Energy Bureau issued a Resolution and Order with the subject “Fiscal Year 2023 Annual Budget Review: Requirement of Information and Establishing a Procedural Calendar” (“May 19th Order”). On page 5 of said May 19th Order, this Energy Bureau outlined the applicable filing requirements that were adopted in the May 31st Order. To wit, this Energy Bureau identified as relevant two annual filing requirements: the annual explanation of the differences between account expenses and approved budgets and the annual report on efficiencies. Regarding the former, this Energy Bureau recognized that as of the filing of the Annual Budgets on April 2, 2022, LUMA did not have the information that corresponded to the end of FY 2022 on expenses. Consequently, this Energy Bureau ordered that LUMA shall file the information on the differences between expenses and approved budgets “to the extent available based on the first nine months of operations.” *See* May 19th Order at page 5¹; *see also* Attachment B to the May 19th Order (requesting information for the first nine months of operations).

5. The Energy Bureau also issued one hundred and sixteen (116) requests for information, stated in Attachments A through F of the May 19th Order. Additionally, in the May 19th Order, this Energy Bureau scheduled a Technical Conference for June 10, 2022, which conference convened and was cancelled minutes after the record opened and witnesses were sworn in.

6. In compliance with the May 31st Resolution and Order as amended by the July 16th Resolution and Order, LUMA has submitted to date, three quarterly reports for the Fiscal Year

¹ The Energy Bureau further stated that this “does not modify the full requirement following FY 2022 and FY 2023.”

2022 on November 15, 2021 (“Q1 Report”); February 15, 2022 (“Q2 Report”), and May 16, 2022 (“Q3 Report”) (jointly, “the Quarterly Reports”).² The Quarterly Reports cover the information regarding the T&D System Initial Budget spending amounts and the information on federal funding activity required in the May 31st Resolution and Order, as modified by the July 16th Resolution and Order. Additionally, LUMA also submitted the Quarterly Reports in the dockets of Case No. NEPR-MI-2020-0019, *In Re: Review of the Puerto Rico Electric Power Authority’s System Remediation Plan*, and Case No. NEPR-MI-2021-0002, *In Re: Review of Puerto Rico Electric Power Authority’s 10 Year Infrastructure Plan*.

7. On August 12, 2022, LUMA filed a “Request to Align the Filing of Quarterly Report for Fourth Quarter of Each Fiscal Year (“Q4 Report”) with Year-End Reporting under the T&D OMA” (“Request for Alignment”), whereby it requested that this Energy Bureau align reporting with LUMA’s year-end report.³ In what is pertinent, LUMA proposed to align a Q4 Report with a year-end report to be filed 120 days after the end of the fiscal year consistent with the reporting requirement for financial information under the T&D OMA, Annex I, Section VI(B), paragraph 4, which requires that LUMA submit interim and unaudited financial statements within one hundred and twenty days after the end of each fiscal year.

² The quarterly reports were filed within 45 days after quarter-end. When a quarter-end is also a year end, then a Q4 report is replaced with a year-end report and as such, would be filed 120 days after the end of the fiscal year in alignment with the reporting requirement for financial information under the Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement (“T&D OMA”), Annex I, Section VI(B), paragraph 4, which requires that LUMA submit interim and unaudited financial statements within one hundred and twenty days after the end of each fiscal year. Year-end financial processes are more involved than quarterly financial processes and result in adjustments typically made in the fourth quarter. Mainly for that reason, on August 12, 2022, LUMA filed the Request for Alignment.

³ The Request for Alignment was submitted to the Energy Bureau via electronic mail as the electronic filing system was not working on the evening of Friday, August 12, 2022. As per the Clerk’s directive, LUMA filed it through the electronic portal on August 15, 2022.

8. Also on August 12, 2022, this Energy Bureau entered a Resolution and Order through which, in its pertinent part, it issued seven (7) additional requests for information in this proceeding due by noon, August 29, 2022. Through these additional requests, this Energy Bureau for the first time, requested information on the comparison between the Budgets approved for Fiscal Year 2022 (“FY2022 Approved Budgets”) and the Certified Budget, required *actual* expenditures, and that LUMA identify any movement or reallocation of funds between portfolios, services, divisions, programs or projects to and from which the monies were reallocated with a detailed explanation of each reallocation. *See* August 12th Order at pages 3 through 4. In the August 12th Order, the Energy Bureau also adjusted the procedural calendar and postponed the Technical Conference to accommodate the aforementioned requests for additional information.

9. On August 19, 2022, LUMA filed a *Request for Modification of Procedural Calendar in Response to Resolution and Order dated August 12, 2022*, whereby it requested that the Energy Bureau proceed with the procedural calendar, without the year-end financial information which, as had been anticipated through the Request for Alignment, would not be available until 120 days after the financial year-end.

10. On August 26, 2022, this Energy Bureau issued a Resolution and Order denying LUMA’s Request for Alignment and the August 19th *Request for Modification of Procedural Calendar in Response to Resolution and Order dated August 12, 2022* (the “August 26th Order”). Consequently, the Energy Bureau reaffirmed its August 12th Resolution and Order as it pertains to the requests for information on the year-end financial information.⁴ In relevant part, this Energy

⁴ Additionally, the Energy Bureau ordered PREPA to immediately deliver to LUMA all the 2022 year-end unaudited financial information, so that “LUMA also using its unaudited financial information can present it to the Energy Bureau on or before Friday, September 2, 2022 at 12:00 p.m., in accordance with the August 12 Resolution and with the requirements included in th[e] Resolution and Order.” *See* August 26th Order at page 5.

Bureau determined that the most recent actual financial data is a critical component of the process to evaluate the Certified Budget and directed LUMA to file on or before September 2, 2022, the Q4 with financial actuals for said quarter of FY2022. *See* August 26th Order at pages 4 and 5. This Energy Bureau also ordered LUMA to show cause as to why this Energy Bureau should not impose an administrative fine pursuant to Act 57-204 upon LUMA in connection with the timing of the filing of the Request for Alignment (“August 26th Order to Show Cause”).

11. Importantly, on August 29, 2022, LUMA submitted its Responses in Compliance with the August 12th Order. With its Responses, LUMA submitted a comparison between the FY2023 Certified Budgets and the FY2022 Budget as approved by the Energy Bureau on August 2, 2021. As part of its Responses, LUMA also referenced the information that it filed on June 3, 2022 which Attachment A-10 includes financial information on three quarters of Fiscal Year 2022 and one quarter of forecasted data for Improvement Programs. *See* ROI-LUMA-MI-2021-0004-20220519-PREB-A10_Attachment.xlsx.

12. Furthermore, on August 31, 2022, LUMA submitted a motion titled “Motion for Partial Reconsideration of Resolution and Order of August 26, 2022, and Proposing Alternative Schedule for Submission and Consideration of Financial Actuals” (“Motion for Partial Reconsideration”), requesting that this Energy Bureau reconsider that portion of the August 26th Order that determined that consideration of the financial data for the fourth quarter of FY 2022 (“Q4”) was necessary to evaluate the Certified Budget; maintain the order issued on page 6 and Attachment B to the May 19th Order that require that LUMA file financial information for the first nine months of its operations; alter the schedule for submission of the Q4 Report; and authorize LUMA to submit its year-end actual financial information on or before October 28, 2022.

13. On September 2, 2022, LUMA submitted a *Motion in Compliance with the Order to Show Cause*, in response to the August 26th Order to Show Cause.

14. On September 6, 2022, this Energy Bureau issued a Resolution and Order where it denied LUMA's Motion for Partial Reconsideration and directed that LUMA shall submit the financial data for Q4, on or before September 8, 2022.

15. Subject to change, LUMA hereby submits its Quarterly Report and excel schedules including preliminary financial results compared to budget for Q4. *See* Exhibit 1. As part of this submission, LUMA has also included an overview slide highlighting key progress for the fiscal year and quarter. *Id.* As Exhibit 2 to this Motion, LUMA is submitting schedules to the Quarterly Report in excel format.

WHEREFORE, LUMA respectfully requests that the honorable Bureau **take notice** of the aforementioned for all purposes; and **deem** that LUMA complied with the orders of this Energy Bureau of August 26, 2022 and September 6, 2022, that required the submission of financial results for the fourth quarter of FY2022 or the Q4 Report.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 8th day of September 2022.

We hereby certify that this motion was filed using the electronic filing system of this Energy Bureau. We also certify that copy of this motion will be notified to the Puerto Rico Electric Power Authority, through its attorneys of record: jmarrero@diazvaz.law and kbolanos@diazvaz.law.



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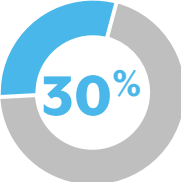
Exhibit 1

Quarterly Report

A Year of Progress

In the past thirteen months*, LUMA has delivered on promises, all without raising the customer base rate and staying within budget.

ENHANCED RELIABILITY



Reduced **SERVICE INTERRUPTIONS** according to SAIFI

EXPANDED RENEWABLES

Connected **25,000+** CUSTOMERS TO ROOFTOP SOLAR representing approximately 130 MW



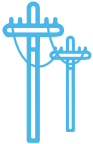
IMPROVED SAFETY

Achieved **68%** OSHA RECORDABLE INJURY RATE IMPROVEMENT
No serious injuries



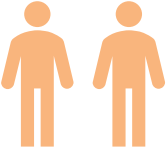
INCREASED RESILIENCY

Replaced **3,000+** BROKEN AND FAILING UTILITY POLES



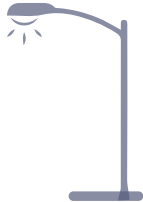
BETTER CUSTOMER SERVICE

Assisted **2,000,000+** CUSTOMERS
Reopened all 25 customer service centers



ACCELERATED FEDERAL PROJECTS

Launched **\$1,000,000,000** COMMUNITY STREETLIGHT INITIATIVE in historic first FEMA approval



Answered **2,700,000+** CUSTOMER CALLS with an average call wait time of <5 minutes



Advanced **188** PROJECTS advanced, representing billions of dollars in investments



*Period between June 1, 2021 and June 30, 2022



LUMA Quarterly Report

Preliminary findings for the period ending
June 30, 2022

September 8, 2022

LUMA Quarterly Report

Disclaimer

This document presents LUMA's Quarterly Report on the operation of the Puerto Rico Transmission and Distribution (T&D) system for the fourth quarter (Q4) of Fiscal Year 2022, from April 1, 2022 to June 30, 2022. As part of our commitment to transparency, LUMA is providing the preliminary financial information contained in this report in response to the PREB's request. As such, the information is preliminary, and subject to revision upon completion of the year-end financial close process and the FY 2022 audit of Puerto Rico Electric Power Authority's (PREPA) financial statements. As would be reasonably expected, preliminary financial information for the period may differ materially from the final numbers. For consistency, LUMA's budget numbers reflect FY2022 Budget as approved on May 31, 2021. LUMA looks forward to providing a complete and final Annual Report for Fiscal Year 2022 by October 28, 2022 that will reinforce our company's commitment to sound and transparent budgeting as we continue our mission to build a better energy future for all of Puerto Rico.

Executive Summary

All of us who work for LUMA Energy – over 3,000 strong men and women – are determined to build a more reliable, resilient, customer-centric, and cleaner electric system for the people of Puerto Rico. Since June 1st, 2021, this has been our shared mission and our shared goal. We are determined to fulfil this mission, build on our progress, confront challenges head on, and provide a financially sound utility that will serve the interests of our 1.5 million customers.

Since LUMA began operation of the electric grid, the need to address and overcome an array of historic energy and infrastructure problems has been an ever-present issue and remains a challenge. While these legacy issues persist, our LUMA team remains focused on the future – an energy future that will be more reliable, cleaner, and more resilient. As we move forward, quarter by quarter towards this more promising energy future, we appreciate the importance of working in partnership with our regulator, the government of Puerto Rico, the federal government, and our stakeholders to achieve what the people of Puerto Rico deserve and expect – an electric system that they can trust and depend on. Above all, we want to thank our customers for their support and patience as we confront the consequences of an incredibly fragile state of the T&D System stemming from years – if not decades – of neglect by the prior operator.

All of us at LUMA value our customers profoundly, and that is why we remain focused on making real and measurable progress. To that end, during the fourth quarter of its first year of operations, LUMA continued to build on its significant progress through:

- Modernizing and upgrading the electric grid.
- Expanding the growth of renewable energy.
- Investing in tools, its people, and technical training.
- Improving worker safety and reducing OSHA recordable injury rates.
- Improving customer service by answering calls more quickly, connecting with customers digitally through MiLUMA or social media, as well as in person at LUMA's customer service centers.

LUMA Quarterly Report

- Securing, in the fourth quarter, Federal Emergency Management Agency (FEMA) obligation for 14 federally funded projects/programs and started construction work related to Streetlights and Distribution Poles (setting a historic pace when compared to the past).
- Advancing work on the PREB approved federally funded Projects/Programs initial Scopes of Work (SOWs).

Most important of all given the financial burden our customers have faced from repeated rate increases as a result of fuel costs used by PREPA and other generators, as well as a past that was marked by PREPA's bankruptcy, is a commitment to sound operational budgeting and execution. In fact, the progress made by LUMA in its first year was accomplished while **keeping overall spending within LUMA's FY 2022 budget**. Despite the cost pressures associated with inflation at near four-decade highs, **LUMA did not request any increase in the Base Rate established by the Energy Bureau's 2017 Rate Order**.

Looking forward, it is more important than ever that all of us work together to achieve what the Puerto Rican people deserve given the many hardships they have suffered from poor financial and operational stewardship under the past operator – a better energy future that moves Puerto Rico forward. All of us at LUMA remained committed to this goal even as we all work every day to address our customers concerns and earn the trust they have placed in the over 3,000 men and women of LUMA.

LUMA Quarterly Report

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1.0 Spending over the Quarter

1.1 Summary

LUMA continues to deliver recovery and transformation improvements across the T&D System and organization through our Operation and Maintenance (O&M) and Improvement Program activities and spending. This quarter our spending continued to focus on advancing the Improvement Programs with \$88.3 million spent on operating, capital – non-federally funded and capital – federally funded improvement activities.

Activities focused on critical areas, such as training, vegetation management, fleet, streetlights, distribution poles and lines and substations. In particular, LUMA started federally funded construction activities within the Distribution Streetlights Improvement Program and the Distribution Pole and Conductor Repair Improvement Program. Despite LUMA facing unprecedented upward price pressures with the inflation near four-decade highs, LUMA ended the fiscal year quarter under budget for Operating Expenditures, Non-Federally Funded Capital Expenditures and Federally Funded Capital Expenditures.

Table 1-1. Initial Budgets Summary (\$ in millions)

1		2	3	4	5	6
		<i>Schedule Reference</i>				
		FY 2022 Budget ¹	Q4 Budget	Q4 Actual	Variance (\$)	Variance (%)
Transmission & Distribution						
1	Total Operating Expenditures	2.2	\$ 527.4	\$ 137.0	\$ 117.4	\$ 19.6
2	Non-Federally Funded Capital Expenditures	3.1	\$ 124.1	\$ 55.0	\$ 33.0	\$ 22.0
3	Subtotal		\$ 651.4	\$ 191.9	\$ 150.4	\$ 41.5
						22%
4	Federally Funded Capital Expenditures	3.1	\$ 650.4	\$ 319.8	\$ 6.4	\$ 313.5
						98%

¹ FY 2022 figures above include 2% Reserve for Excess Expenditures.

1.2 Transmission & Distribution Operating Expenditures

While significant progress has been made by LUMA across multiple areas vital to the future of the electric system, the challenges encountered since June 1, 2021 continue to be uncovered, investigated and addressed in the fourth quarter. As is vital to improving the system of the electric system for the future, LUMA continued to focus its effort on understanding the impact of these challenges, assessing risks, developing improvement plans and mitigating the limitations even as actions have been taken to implement these improvement plans and address serious legacy issues where possible.

Overall, total operating expenditure during Q4 FY 2022 was approximately \$117 million, including prior period adjustments, as compared to a budget of approximately \$137 million. This favorable variance is a direct reflection of LUMA's efforts to get back to budget and a commitment to prioritizing resources appropriately in order to meet critical short and long-term energy system goals.

LUMA Quarterly Report

Table 1-2. Transmission & Distribution Total Operating Expenditures (\$ in millions)

	Transmission and Distribution Total Operating Expenditures				
	FY2022 Budget	Q4 Budget	Q4 Actual	Variance (\$)	Variance (%)
1 Total Labor	\$ 212.5	\$ 58.3	\$ 45.4	\$ 12.9	22%
2 Total Non-Labor / Other Operating Expense	\$ 304.5	\$ 76.0	\$ 72.1	\$ 3.9	5%
3 Subtotal	\$ 517.0	\$ 134.3	\$ 117.4	\$ 16.9	13%
4 2% Reserve for Excess Expenditures	10.3	2.7	-	2.7	
5 Total Operating Expenditures	\$ 527.4	\$ 137.0	\$ 117.4	\$ 19.6	14%

1.2.1 Customer Experience

LUMA's Customer Experience Department is core to LUMA's 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.

Table 1-3. Customer Experience Operating Expenditures (\$ in millions)

	Customer Experience				
	FY2022 Budget	Q4 Budget	Q4 Actual	Variance (\$)	Variance (%)
1 Total Labor	\$ 41.3	\$ 11.3	\$ 9.7	\$ 1.7	15%
2 Total Non-Labor / Other Operating Expense	\$ 27.0	\$ 6.7	\$ 2.6	\$ 4.2	62%
3 Total Operating Expense	\$ 68.3	\$ 18.1	\$ 12.2	\$ 5.9	32%

1.2.2 Operations

The LUMA Operations department oversees and manages the day-to-day work on the transmission and distribution infrastructure critical to providing safe and reliable electric service to all our 1.5 million customers. Overall, the highest priority of LUMA operations continues to be the safety of our workforce and our customers, while taking actions to improve reliability and resiliency.

Table 1-4. Operations Operating Expenditures (\$ in millions)

	Operations				
	FY2022 Budget	Q4 Budget	Q4 Actual	Variance (\$)	Variance (%)
1 Total Labor	\$ 114.6	\$ 31.4	\$ 25.3	\$ 6.1	20%
2 Total Non-Labor / Other Operating Expense	\$ 135.3	\$ 33.8	\$ 31.3	\$ 2.5	7%
3 Total Operating Expense	\$ 250.0	\$ 65.2	\$ 56.6	\$ 8.6	13%

1.2.3 Utility Transformation

LUMA's Utility Transformation department provides the technical, engineering, and programmatic framework required to deliver safe, reliable resilient and clean energy service to our 1.5 million customers, supports key initiatives as defined in the System Remediation Plan (SRP) and maintains focus on the long-range vision articulated in the Integrated Resource Plan. This department also plans and implements the capital investment programs, including all federally funded work on the electric grid.

LUMA Quarterly Report

Table 1-5. Utility Transformation Operating Expenditures (\$ in millions)

	1	Utility Transformation				
		2	3	4	5	6
		FY2022 Budget	Q4 Budget	Q4 Actual	Variance (\$)	Variance (%)
1 Total Labor		\$ 20.0	\$ 5.7	\$ 5.7	\$ (0.0)	(0%)
2 Total Non-Labor / Other Operating Expense		\$ 10.1	\$ 2.5	\$ 2.8	\$ (0.3)	(13%)
3 Total Operating Expense		\$ 30.1	\$ 8.2	\$ 8.6	\$ (0.3)	(4%)

1.2.4 Support Services

LUMA's Support Services functions enable the delivery of electric service by supporting the whole business. These include safety, emergency management, IT OT, environmental, legal, procurement, regulatory and other areas that are imperative to LUMA's success in meeting its mission and achieving the key goals.

Table 1-6. Support Services Operating Expenditures (\$ in millions)

	1	Support Services				
		2	3	4	5	6
		FY2022 Budget	Q4 Budget	Q4 Actual	Variance (\$)	Variance (%)
1 Total Labor		\$ 36.6	\$ 9.8	\$ 4.7	\$ 5.1	52%
2 Total Non-Labor / Other Operating Expense		\$ 132.1	\$ 33.0	\$ 35.4	\$ (2.4)	(7%)
3 Total Operating Expense		\$ 168.7	\$ 42.7	\$ 40.0	\$ 2.7	6%

1.3 T&D Capital — Federal and Non-Federal Funded

T&D Capital is comprised of federally funded capital expenditures and non-federally funded capital expenditures and includes projects that are required to recover and transform Puerto Rico's T&D infrastructure while fulfilling LUMA's ongoing maintenance requirements as the operator.

Taking essential actions that are vital to building the critical energy infrastructure that will support the recovery and transformation of Puerto Rico's T&D infrastructure remained a priority in Q4. Specifically, in the fourth quarter, LUMA received FEMA Obligation for 14 Projects and long lead material procurement and advanced projects by submitting 25 detailed SOWs to FEMA bringing the total projects submitted for FEMA approval to 39 projects. LUMA continued advancing work on the PREB approved 136 federally funded Projects/Programs initial SOWs representing an estimated \$8.4 billion through preliminary engineering, planning, and scope development work. At the end of Q4, LUMA had sought a total of 188 FEMA FAAS Projects representing \$5.4 billion in reconstruction activities.

LUMA Quarterly Report

1.3.1 Capital Spending by Portfolio

Table 1-7. Improvement Portfolios – Total Capital Expenditures – Federally Funded (\$ in millions)

1		2	3	4	5	6
Improvement Portfolio		Federally Funded Capital				
		FY2022 Budget	Q4 Budget	Q4 Actual ¹	Variance (\$)	Variance (%)
1	Customer Experience	82.7	41.3	4.5	36.8	
2	Distribution	199.2	99.6	(0.4)	100.0	
3	Transmission	235.9	118.5	1.0	117.5	
4	Substations	89.1	44.5	1.7	42.8	
5	Control Center & Buildings	9.3	2.7	(1.2)	4.0	
6	Enabling	17.1	4.7	0.8	3.8	
7	Support Services	4.3	2.2	(0.1)	2.3	
8	Subtotal	\$ 637.7	\$ 313.6	\$ 6.4	\$ 307.2	98%
9	Other					
10	2% Reserve for Excess Expenditures	12.8	6.3	-	6.3	
11	Total Capital Expenditures	\$ 650.4	\$ 319.8	\$ 6.4	\$ 313.5	98%

¹ Q4 Actuals reflect preliminary adjustments and may be negative to reflect total year end adjustments.

Table 1-8. Improvement Portfolios – Total Capital Expenditures – Non-Federally Funded (\$ in millions)

1		2	3	4	5	6
Improvement Portfolio		Non Federally Funded Capital				
		FY2022 Budget	Q4 Budget	Q4 Actual	Variance (\$)	Variance (%)
1	Customer Experience	13.1	6.5	3.9	2.6	
2	Distribution	35.3	17.7	7.5	10.2	
3	Transmission	1.7	0.8	1.2	(0.3)	
4	Substations	18.9	9.5	7.7	1.7	
5	Control Center & Buildings	3.2	0.8	1.7	(0.9)	
6	Enabling	41.3	16.2	8.3	7.9	
7	Support Services	8.2	2.3	2.7	(0.3)	
8	Subtotal	\$ 121.6	\$ 53.9	\$ 33.0	\$ 20.9	39%
9	Other					
10	2% Reserve for Excess Expenditures	2.4	1.1	-	1.1	
11	Total Capital Expenditures	\$ 124.1	\$ 55.0	\$ 33.0	\$ 22.0	40%

LUMA Quarterly Report

2.0 T&D Activities by Portfolio

LUMA's Improvement Programs were designed to address the significant and substantial gaps identified during the Front-End Transition. These programs were developed in late 2020, subsequently reviewed and approved by P3 Authority, and then reviewed and approved by the Energy Bureau as part of the Initial Budgets in docket NEPR-MI-2021-0004 and the System Remediation Plan in docket NEPR-MI-2020-0019. Program spending includes operating expenditures as well as capital costs within the FY 2022 budget and included in the 2021 Fiscal Plan approved by the FOMB. Within these programs, specific project initial SOWs for federally funded projects have been submitted for review and approval by the Energy Bureau in docket NEPR-MI-2021-0002.

The Improvement Programs are organized into portfolios of similar, interdependent programs that together cover all functional areas of the utility. The seven Improvement Program portfolios are:

- Customer Experience,
- Distribution,
- Transmission,
- Substation,
- Control Center and Buildings,
- Enabling, and
- Support Services.

Table 2-1 below provides a summary of FY 2022 fourth quarter spending by portfolio and includes federally funded capital expenditures, non-federally funded capital expenditures and program-related operational expenditures.

LUMA Quarterly Report

Table 2-1. Improvement Portfolio and Program Summary (\$ in millions)

1	2	3	4	5	6	7	8	9	10	11	12										
												Q4 Budget				Q4 Actuals ¹				Q4 Total Variance	
												Q4 Federal Funded CapEx	Q4 Non- Federal Funded CapEx	Q4 OpEx	Total	Q4 Federal Funded CapEx	Q4 Non- Federal Funded CapEx	Q4 OpEx	Total	\$	%
1	Customer Experience	\$ 41.3	\$ 6.5	\$ 9.7	\$ 57.6	\$ 4.5	\$ 3.9	\$ 3.5	\$ 12.0	\$ 45.6	79%										
2	Distribution Streetlighting	40.0	-	-	40.0	4.5	1.7	-	6.3												
3	Billing Accuracy & Back Office	-	0.7	6.6	7.3	-	0.0	2.2	2.2												
4	Standardized Metering & Meter Shop Setup	0.1	2.8	0.2	3.1	-	0.0	0.3	0.3												
5	AMI Implementation Program	-	2.1	1.0	3.1	0.0	0.1	-	0.1												
6	Programs <5% of Portfolio Total	1.2	0.9	2.0	4.1	0.0	2.1	1.1	3.2												
7	Distribution	\$ 99.6	\$ 17.7	\$ 1.0	\$ 118.3	\$ (0.4)	\$ 7.5	\$ 0.8	\$ 7.9	\$ 110.4	93%										
8	Distribution Line Rebuild	40.9	2.8	-	43.6	(1.6)	3.0	0.7	2.2												
9	Distribution Pole and Conductor Repair	42.6	-	-	42.6	0.9	3.2	0.1	4.3												
10	Distribution Automation	6.3	13.0	0.1	19.5	0.0	0.5	-	0.5												
11	Distribution Lines Inspection	9.9	1.9	0.9	12.7	0.2	0.8	-	1.0												
12	Programs <5% of Portfolio Total	-	-	-	-	-	-	-	-												
13	Transmission	\$ 118.5	\$ 0.8	\$ 1.2	\$ 120.6	\$ 1.0	\$ 1.2	\$ 0.0	\$ 2.2	\$ 118.4	98%										
14	IT OT Telecom Systems & Network	67.9	-	0.0	67.9	(0.7)	0.5	0.0	(0.2)												
15	Transmission Line Rebuild	26.0	-	-	26.0	1.6	0.9	0.0	2.5												
16	Transmission Priority Pole Replacements	23.1	-	-	23.1	(0.1)	(0.4)	-	(0.5)												
17	Programs <5% of Portfolio Total	1.6	0.8	1.2	3.6	0.1	0.2	-	0.3												
18	Substations	\$ 44.5	\$ 9.5	\$ 3.4	\$ 57.4	\$ 1.7	\$ 7.7	\$ 0.2	\$ 9.6	\$ 47.8	83%										
19	Transmission Substation Rebuilds	12.0	3.5	1.3	16.8	1.6	1.2	-	2.8												
20	Distribution Substation Rebuild	12.5	0.5	-	13.0	(0.0)	0.4	-	0.4												
21	Transmission Substation Reliability Improvements	8.5	1.4	-	9.9	(1.0)	0.9	-	(0.1)												
22	Transmission Substation Security	6.5	0.3	1.3	8.1	0.0	0.1	-	0.1												
23	Compliance & Studies	3.2	1.7	0.9	5.7	1.2	5.0	0.2	6.3												
24	Programs <5% of Portfolio Total	1.9	2.1	-	4.0	(0.0)	0.2	-	0.1												
25	Control Center & Buildings	\$ 2.7	\$ 0.8	\$ 1.9	\$ 5.5	\$ (1.2)	\$ 1.7	\$ 1.0	\$ 1.5	\$ 4.0	73%										
26	Facilities Development & Implementation	2.0	0.7	1.5	4.2	(1.0)	0.5	0.2	(0.4)												
27	Critical Energy Management System Upgrades	0.3	0.1	0.1	0.4	(0.1)	0.9	(0.0)	0.8												
28	Control Center Construction & Refurbishment	0.5	-	-	0.5	(0.1)	0.4	-	0.2												
29	Programs <5% of Portfolio Total	-	-	0.4	0.4	(0.0)	0.0	0.8	0.8												
30	Enabling	\$ 4.7	\$ 16.2	\$ 17.0	\$ 37.9	\$ 0.8	\$ 8.3	\$ 19.6	\$ 28.8	\$ 9.1	24%										
31	Vegetation Management	-	-	12.5	12.5	-	-	6.7	6.7												
32	T&D Fleet	0.8	11.8	0.1	12.7	(0.0)	1.6	8.0	9.6												
33	Capital Programs, PMO & Funding Management Office Setup	2.9	0.1	-	3.0	1.0	0.3	-	1.3												
34	Tools Repair & Management	-	2.7	-	2.7	-	3.9	-	3.9												
35	HSEQ and Technical Training	-	-	2.5	2.5	-	-	4.8	4.8												
36	Programs <5% of Portfolio Total	1.0	1.6	1.9	4.5	(0.2)	2.5	0.2	2.5												
37	Support Services	\$ 2.2	\$ 2.3	\$ 22.9	\$ 27.4	\$ (0.1)	\$ 2.7	\$ 23.7	\$ 26.2	\$ 1.2	4%										
38	Renewables integration, minigrids and generation studies	-	-	2.5	2.5	-	-	1.0	1.0												
39	HR Programs	-	0.1	15.8	15.9	-	0.2	22.7	22.9												
40	IT OT Asset Management	2.2	0.6	0.6	3.3	(0.1)	0.6	0.0	0.5												
41	Programs <5% of Portfolio Total	-	1.7	4.0	5.8	-	1.9	(0.1)	1.8												
42	Total	\$ 313.6	\$ 53.9	\$ 57.2	\$ 424.6	\$ 6.4	\$ 33.0	\$ 48.9	\$ 88.3	\$ 336.4	79%										

¹ Q4 Actuals reflect preliminary adjustments and may be negative to reflect total year end adjustments.



Exhibit 2

Schedules in excel format submitted via email