

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

NEPR

Received:

Sep 8, 2022

2:46 PM

IN RE: REVIEW OF LUMA'S
INITIAL BUDGETS

CASE NO. NEPR-MI-2021-0004

**SUBJECT: Motion Submitting presentation
for Virtual Technical Conference in
Compliance with August 25th Order**

**MOTION SUBMITTING PRESENTATION FOR VIRTUAL TECHNICAL
CONFERENCE IN COMPLIANCE WITH
RESOLUTION AND ORDER DATED AUGUST 25, 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 August 25, 2022, this Energy Bureau issued a Resolution and Order (“August 19 Order”) whereby it summarized the recent procedural history of the present matter and established an amended procedural schedule in this proceeding.
2. In what is pertinent here, this honorable Bureau scheduled a Virtual Technical Conference for September 13, 2022 and ordered LUMA to file the presentation to be used during said conference on or before September 8, 2022.
3. In compliance with the foregoing, LUMA hereby submits as *Exhibit 1* hereto, the presentation to be used during the Virtual Technical Conference.

WHEREFORE, LUMA respectfully requests that the Energy Bureau **take notice** of the aforementioned and **deem** its August 25 Order complied with insofar as it requested the

submission of LUMA's presentation for the Virtual Technical Conference scheduled for September 13, 2022 in the instant proceeding.

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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/s/ Ana Margarita Rodríguez Rivera

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Exhibit 1

FY2023 Annual Budget Technical Conference Presentation



FY2023 Annual Budget Technical Conference

NEPR-MI-2021-0004

September 13, 2022



Agenda

- Summary & Scope
- Operational Activities: O&M Budget Review
- Improvement Programs: Capital Budget Review
- Conclusion

Summary

Summary – Key Outcomes for the People of Puerto Rico

Prioritize Safety

- Investing significantly to prioritize safety, directly impacting the safety of employees and the people of Puerto Rico

Improve Customer Satisfaction

- Customers will continue to receive an improved customer experience and increased service reliability

System Rebuild and Resiliency

- To remain focused on rebuilding and transforming the T&D System to improve its resiliency, LUMA will be facilitating the deployment of significant federal funding

Operational Excellence

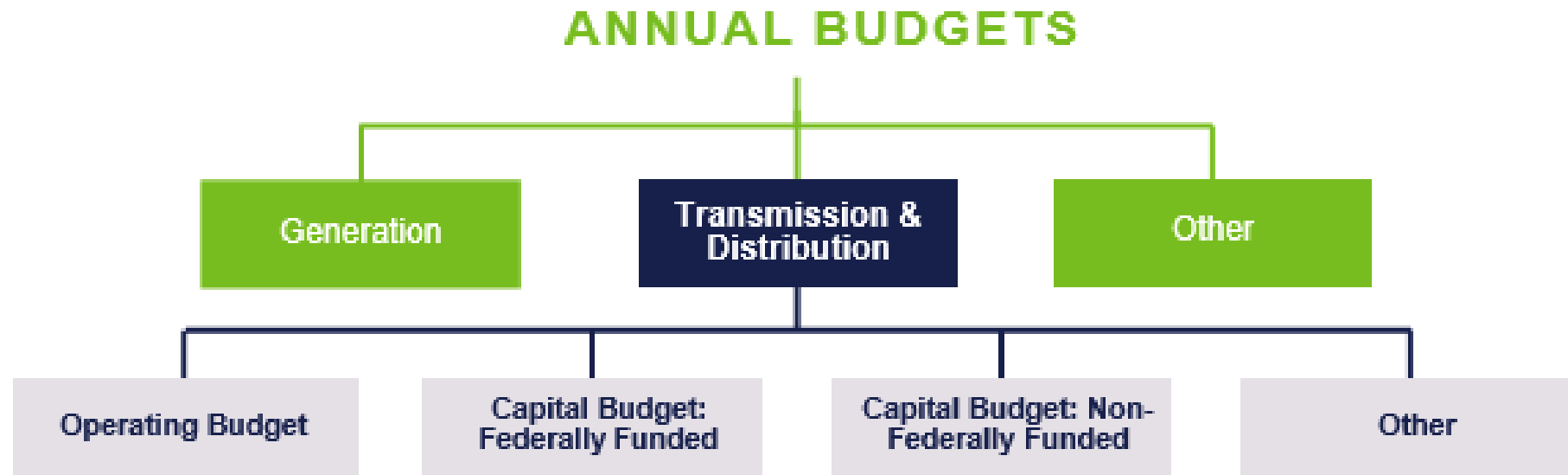
- Driving for operational excellence through systematic approaches to management, project delivery and business operations, as well as providing customers with an increased understanding of electric utility operations

Sustainable Energy Transformation

- Laying the groundwork, as well as incorporating solutions, for grid modernization, digital transformation, and renewable energy



Annual Budget Scope – Includes Activities in Next 3 Years



Key Activities

Operating

Improvement
Initiatives
(including SRP)

Day to Day
Operating
Activities

- LUMA Department
 - Customer Experience
 - Operations
 - Utility Transformation
 - Support Services

Capital

CAPITAL BUDGET — FEDERALLY FUNDED
Federally Funded Programs

CAPITAL BUDGET — NON-FEDERALLY FUNDED
Ratepayer-Funded Programs

SYSTEM
REMEDIATION
PLAN

PERFORMANCE
METRICS

*Area of boxes not indicative of budget amount

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



Annual Budgets Within Approved Rates

	2017 Rate Order
PREPA Projected Sales (GWh)	17,268.33
PREPA Base Rate Revenue Requirement (\$ in millions)	1,289.10
Approved Base Rate Revenue Requirement (\$/kWh)	0.0747

“...PREPA shall treat the revenue requirement established in this Order as a cap on annual spending until the Commission changes such revenue requirement and shall prepare departmental budgets that conform to that cap.”

2017 Rate Order

	Annual Budgets		
	FY2023	FY2024	FY2025
Forecast Sales (GWh)	16,510	16,212	15,222
Total Non-Federally Funded Transmission & Distribution and Generation Expenditures (\$ in millions)	1,207.5	1,152.8	1,054.2
Total Non-Federally Funded Transmission & Distribution and Generation (\$/kWh)	0.0731	0.0711	0.0693

\$/kWh in the Annual Budgets is below the \$0.0747 per kWh limit in 2017 Rate Order



Annual Budgets Summary

- Our proposed budget for July 2022 through June 2023 will enable LUMA's more than 3,000 hard-working men and women to continue to build a more reliable, more resilient, more customer-focused and cleaner energy system for our customers and all of Puerto Rico
- As outlined in our Annual Budget for Fiscal Year 2023, LUMA does not request an increase to customers rates related to LUMA's operation of the T&D System.

Certified Budget (\$ million)	Budget FY2023
Transmission & Distribution	
Operating Budget	547
Capital Budget — Total	661
Capital Budget — Federally Funded	581
Capital Budget — Non-Federally Funded	80
Generation Budget ¹	306
Other	275
LUMA Fee	122
Bad Debts	74
Bankruptcy and Advisor Costs	50
PREPA HoldCo	29



Annual Budgets Summary - Key Activities

- Provide for the safe and effective operation of the T&D System, while improving reliability, resilience, and service to customers across Puerto Rico
- Continue to manage and operate the T&D System, as well as work to improve the T&D System through the further development and implementation of policies, procedures and plans
- Support for the large-scale renewable energy procurement processes and the next IRP
- Initiate and establish new emerging workstreams such as electric vehicles, energy efficiency and demand response
- Annual Budgets details LUMA activities within:
 - Operating activities across LUMA departments supporting improvement initiatives and day to day operating activities
 - Capital activities, both federally funded and non-federally funded across all improvement programs

Operational Activities: OpEx Budget

Annual Budget Basis & Assumptions

- Estimates based on a bottom-up exercise, using an activity-based budgeting approach
- Developed on a modified accrual basis consistent with PREPA while under the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) Title III protection
- Annual Budgets are consistent with methodologies used in recent fiscal plans
- FY2023 budget base assumptions include:
 - Salary & Wages: Current LUMA employee salaries were preloaded from our HR Systems; departments then used this to project labor requirements
 - LUMA has informed its estimates based on LUMA's first six months of operations and learnings, while using our experience and market estimates built on existing contracts
- The Annual Budgets are completed and informed based on a particular point in time; as such, they cannot reasonably contemplate further information that may arise in the future, or if additional requirements are determined which are not already contemplated

Key Operating Activities

Operating Budgets presented are required to perform operation and maintenance services for the T&D System. LUMA plans to fulfill its ongoing requirements as the operator under the T&D OMA and continue to advance programs through the following key operating activities:



CUSTOMER EXPERIENCE DEPARTMENT

Continue improving communication protocols and customer billing and collection practices that personify courtesy, capture efficiencies, and demonstrate proactivity.

- *Modernizing & developing In-House Customer Service*
- *Improving Billing Services (Joint Use & Accuracy) & Billing Collection*
- *Connecting & Improving relations with the Customer*



SUPPORT SERVICES DEPARTMENT

Facilitating utility operations with a safety-first culture, continued focus on training, development of an overall IT OT framework and optimizing systems, procedures and processes for functions including Finance, HR, Regulatory and Procurement.

- *Implementing Financial System & Control processes*
- *Improving monthly closing & reporting processes*
- *Modernize permit & ROW office records*
- *Focusing on cyber security, business continuity, disaster recovery & compliance*
- *Increasing public awareness of electrical safety*
- *Delivering compliance-focused safety training*
- *Improving organizational emergency preparedness*
- *Optimizing Corporate Security using technology*
- *Improving systems to manage organizational labor needs*



UTILITY TRANSFORMATION DEPARTMENT

Providing technical, engineering, planning & programmatic framework required to deliver safe and reliable service to its customers while maintaining focus on the long-term vision of the IRP. Focusing on designing, engineering & capital planning by:

- *Maturing our engineering and asset management capabilities to execute our investment programs and to improve system reliability and resilience*
- *Improving T&D System reliability for our customers while rebuilding the system for the longer term*
- *Safely and reliably integrating renewable energy resources into the grid*
- *Implementing new Energy Management System (EMS)*
- *Develop and start implementing Energy Efficiency and Demand Response programs*
- *Advance federally funded projects through the FEMA process and construction*



OPERATIONS DEPARTMENT

Focusing on providing ongoing safe and reliable services to customers and continuing to build on achievements from Fiscal Year 2022, creating the foundation to support the Recovery and Transformation through optimizing line and substations work as well as vegetation, fleet, and materials management.

- *Upgrading Fleet & implementing Vegetation Management Plan*
- *Training staff – Implementing safety & work procedures*
- *Improving efficiencies within T&D Construction*

FY2023 – 2025 T&D Consolidated O&M Budget

\$, millions	Budget FY2023	Projected FY2024	Projected FY2025
Labor			
Salaries, Wages and Benefits	\$246.5	\$250.7	\$254.6
Total Labor	246.5	250.7	254.6
Non-Labor			
Materials & Supplies	36.7	37.3	37.9
Transportation, Per Diem, and Mileage	28.3	28.8	29.2
Property & Casualty Insurance	21.7	22.1	22.5
Security	9.7	9.9	10.1
IT Service Agreements	25.1	25.5	25.9
Utilities & Rents	10.0	10.2	10.4
Legal Services	7.2	7.3	7.4
Communications Expenses	1.4	1.4	1.4
Professional & Technical Outsourced Services	81.7	83.1	84.4
Vegetation Management	50.0	50.9	51.7
Regulation and Environmental Inspection	0.5	0.5	0.5
Other Miscellaneous Expenses	17.7	18.0	18.2
Total Non-Labor / Other Operating Expense	289.9	295.0	299.5
Subtotal Labor and Non-Labor/Other Operating Expenses	536.4	545.7	554.1
Future Efficiencies ¹	-	(74.7)	(152.2)
2% Reserve Excess Expenditures	10.7	9.4	8.0
Total Operating Expense	\$547.1	\$480.4	\$409.9

¹ Reduction required for 2017 Rate Order Limit with future efficiencies that may be achieved by additional LUMA operational efficiencies & reallocation of ratepayer funds.

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Annual Budgets



Improvement Programs: Capital Budget

Total Capital Portfolio Spend

\$, millions

Portfolios	Federal Funded	Non- Federal Funded	FY2023 Budget	Federal Funded	Non- Federal Funded	FY2024 Projection	Federal Funded	Non- Federal Funded	FY2025 Projection
Customer Service	107.3	6.6	113.9	70.1	25.2	95.3	80.1	28.0	108.1
Distribution	151.3	14.6	165.9	284.3	21.4	305.7	555.2	21.4	576.6
Transmission	126.2	0.1	126.3	278.9	0.1	279.0	373.7	0.1	373.8
Substations	110.6	22.0	132.6	143.1	28.8	172.0	42.3	28.2	70.5
Control Center & Buildings	45.0	3.7	48.7	70.3	19.1	89.4	52.1	34.9	87.0
Enabling	20.1	21.6	41.7	7.2	43.6	50.8	6.7	43.5	50.2
Support Services	8.8	9.6	18.5	4.3	11.4	15.7	4.1	13.0	17.1
Subtotal	569.3	78.2	647.6	858.1	149.7	1,007.8	1,114.3	169.2	1,283.4
2% Reserve for Excess Expenditures	11.4	1.6	13.0	17.5	3.0	20.5	23.0	3.5	26.5
Inflation ¹	-	-	-	14.9	2.6	17.5	37.0	5.6	42.6
Total Capital Expenditures	580.7	79.8	660.5	890.5	155.3	1,045.8	1,174.2	178.3	1,352.5

Notes: Spending estimates include federally funded and non-federally funded capital expenses. General operations and maintenance expenses not directly allocated to specific programs are not included here and are presented in LUMA's Annual Budget filing.

¹Inflation as per macro-economics provided by AAFAF/FOMB January 31, 2022 of 2.7%, 1.7%, and 1.6% in FY2023, FY2024, and FY2025, respectively. FY23 forecast includes 2.7% throughout, while FY24 and FY25 are shown separately on line 14.



Key Capital Improvement Programs

\$, millions

	Portfolio	Program	2023 Capital Budget	2024 Capital Projection	2025 Capital Projection	FY23-25 Projection Total
1	Distribution	Distribution Line Rebuild	56.3	161.3	422.2	639.8
2	Transmission	Transmission Line Rebuild	85.3	231.8	313.8	630.9
3	Substations	Substation Rebuilds	102.2	138.5	48.9	289.6
4	Customer Service	Distribution Streetlighting	105.0	70.0	80.0	255.0
5	Distribution	Distribution Pole and Conductor Repair	55.0	71.0	81.0	207.0
6	Distribution	Distribution Automation	34.6	53.5	53.5	141.6
7	Transmission	IT OT Telecom Systems & Network	32.0	38.2	51.1	121.3
8	Control Center & Buildings	Facilities Development & Implementation	12.4	22.8	42.0	77.3
9	Control Center & Buildings	Control Center Construction & Refurbishment	9.4	39.4	25.8	74.7
10	Distribution	Distribution Lines Inspection	19.9	19.9	19.9	59.8
11	Enabling	T&D Fleet	9.7	26.3	22.3	58.3
12	Control Center & Buildings	Critical Energy Management System Upgrades	25.7	19.5	6.1	51.4
13	Substations	Substation Reliability	14.1	18.5	18.0	50.6
		Key Program Spend	561.7	910.7	1,184.7	2,657.2
		Additional Program Spend	85.8	97.1	98.7	281.7
		Subtotal	647.6	1,007.8	1,283.4	2,938.8
		2% Reserve for Excess Expenditures	13.0	20.5	26.5	60.0
		Inflation ¹	-	17.5	42.6	60.1
		Total Capital Expenditures	660.5	1,045.8	1,352.5	3,058.9

Note: Key Improvement Programs are programs with FY23-25 anticipated spend of \$50 million or above.

¹Inflation as per macro-economics provided by AAFAF/FOMB January 31, 2022 of 2.7%, 1.7%, and 1.6% in FY2023, FY2024, and FY2025, respectively. FY23 forecast includes 2.7% throughout, while FY24 and FY25 are shown separately on line 14.

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Annual Budgets



Conclusion

Conclusion

- No Increase in Base Rate
- Culmination of bottom-up departmental exercise
- Includes LUMA activities in next three years
- Improvement programs continuation of prioritization and sequencing of Recovery & Transformation Framework

Certified Budget (\$ million)	Budget FY2023
Transmission & Distribution	
Operating Budget	547
Capital Budget — Total	661
Capital Budget — Federally Funded	581
Capital Budget — Non-Federally Funded	80
Generation Budget	306
Other	275
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Thank You



Appendix

LUMA's Major O&M Initiatives by Function & Department

Customer Service

- Leveraging customer service centers to improve community relationships (e.g., school safety programs)
- Enhancing customer self-serve channels
- Improving billing processes to optimize billed revenue
- Cleaning up accounts receivable and bad debt
- Integrating the Voice of the Customer Program throughout the organization



Operations

Focusing on improving reliability metrics while optimizing work shifts for cost-effectiveness by:

- Upskilling field employees to manage the T&D system
- Executing on Vegetation Management Plan
- Upgrading LUMA Fleet through repairs, certifications, and limited new purchases



Utility Transformation

- Maturing our engineering and asset management capabilities to execute our investment programs and to improve system reliability and resilience
- Improving T&D system reliability for our customers while rebuilding the system for the longer term
- Safely and reliably integrating renewable energy resources into the grid



Focusing on improving System Operations and interconnecting Renewables by:

- Implementing new Energy Management System (EMS)
- Improving automated meter reading rates
- Develop and start implementing an Energy Efficiency program
- Coordinating interconnection of Renewables



- Advance federally funded projects through the FEMA process
- Where necessary establish agreed upon approaches with FEMA to support the expedient approval of future projects
- Undertake the construction of multiple projects as forecasted
- Increase the capacity of the team to support the increased volume of project activity
- Adjust & improve Project Control and PMO Systems & Processes



LUMA's Major O&M Initiatives by Function & Department

Support Services

Finance



Improving LUMA's understanding of Financial Accountability & Reporting, Risk & Insurance & Facilities by:

- Implementing Financial System & Control processes
- Improving monthly closing & reporting processes
- Grow with ramp-up of construction activities
- Optimizing insurance procurement

HR



Developing an HR Excellence Program and becoming Strategic Business Partners by:

- Becoming Customer Service centric
- Creating and developing a High Performing/Talent-Based Organization
- Streamlining the Operation - Business Alignment
- Improving systems to manage organizational labor needs

Regulatory



- Progressing new IRP & resource planning for integration of large-scale renewables and resource adequacy
- Filing the first EE/DR and EV plans in Puerto Rico
- Preparing Rate Case application & improving load forecasting
- Modernize permit & ROW office records
- Complete approval of performance incentive metrics & carry out reporting to P3A

Corporate Services



- Execution of Strategic Communication Campaigns
- Expand community grassroots initiatives and partnerships
- Restructuring of the Procurement & Contracts Department
- Optimizing Corporate Security using technology
- Adjusting legal services to respond to company-wide needs
- Execute Internal Audit Plan

IT/OT



Focusing on creating value for the business by:

- Delivering innovative IT OT solutions that enable LUMA to achieve strategic objectives and priorities
- Providing secure, highly reliable systems
- Maximizing value of investments in technology capabilities
- Focusing on cyber security, business continuity, disaster recovery, and technology controls compliance

Strategic Affairs



- Ensure Luma's stakeholder voices are heard across LUMA
- Strengthen relationships with stakeholder organizations to increase public support and help create LUMA advocates
- Collaborate with Luma leadership when engaging Luma stakeholders
- Foster transparency, reciprocity, respect and trust with stakeholders by engaging them in Spanish

HSEQ



- Improving Injury Management
- Increasing public awareness of electrical safety
- Delivering compliance-focused safety training
- Improving organizational emergency preparedness
- Enhancing safety and environmental protection systems



FY2023 – 2025 Customer Service O&M Budget

\$, millions	Budget FY2023	Projected FY2024	Projected FY2025
Labor			
Salaries, Wages and Benefits	\$44.8	\$45.6	\$46.3
Total Labor	44.8	45.6	46.3
Non-Labor			
Materials & Supplies	0.3	0.3	0.3
Transportation, Per Diem, and Mileage	1.0	1.1	1.1
Property & Casualty Insurance	-	-	-
Security	-	-	-
IT Service Agreements	0.9	0.9	0.9
Utilities & Rents	0.1	0.1	0.1
Legal Services	-	-	-
Communications Expenses	0.2	0.2	0.2
Professional & Technical Outsourced Services	33.5	34.1	34.6
Vegetation Management	-	-	-
Regulation and Environmental Inspection	-	-	-
Other Miscellaneous Expenses	0.2	0.2	0.2
Total Non-Labor / Other Operating Expense	36.2	36.8	37.4
Subtotal Labor and Non-Labor/Other Operating Expenses	81.0	82.4	83.7
Total Operating Expense	\$81.0	\$82.4	\$83.7

FY2023 – 2025 Operations O&M Budget

\$, millions	Budget FY2023	Projected FY2024	Projected FY2025
Labor			
Salaries, Wages and Benefits	\$119.5	\$121.5	\$123.4
Total Labor	119.5	121.5	123.4
Non-Labor			
Materials & Supplies	32.8	33.4	33.9
Transportation, Per Diem, and Mileage	22.4	22.8	23.2
Property & Casualty Insurance	-	-	-
Security	0.0	0.0	0.0
IT Service Agreements	0.8	0.8	0.8
Utilities & Rents	3.0	3.0	3.1
Legal Services	-	-	-
Communications Expenses	0.1	0.1	0.1
Professional & Technical Outsourced Services	14.2	14.5	14.7
Vegetation Management	50.0	50.9	51.7
Regulation and Environmental Inspection	-	-	-
Other Miscellaneous Expenses	13.4	13.7	13.9
Total Non-Labor / Other Operating Expense	136.8	139.1	141.3
Subtotal Labor and Non-Labor/Other Operating Expenses	256.2	260.7	264.7
Total Operating Expense	\$256.2	\$260.7	\$264.7

FY2023 – 2025 Utility Transformation O&M Budget

\$, millions	Budget FY2023	Projected FY2024	Projected FY2025
Labor			
Salaries, Wages and Benefits	\$29.1	\$29.6	\$30.1
Total Labor	29.1	29.6	30.1
Non-Labor			
Materials & Supplies	1.1	1.1	1.1
Transportation, Per Diem, and Mileage	2.5	2.6	2.6
Property & Casualty Insurance	-	-	-
Security	-	-	-
IT Service Agreements	0.1	0.1	0.1
Utilities & Rents	1.8	1.9	1.9
Legal Services	-	-	-
Communications Expenses	0.0	0.0	0.0
Professional & Technical Outsourced Services	5.5	5.6	5.7
Vegetation Management	-	-	-
Regulation and Environmental Inspection	-	-	-
Other Miscellaneous Expenses	1.0	1.0	1.0
Total Non-Labor / Other Operating Expense	12.0	12.2	12.4
Subtotal Labor and Non-Labor/Other Operating Expenses	41.2	41.9	42.5
Total Operating Expense	\$41.2	\$41.9	\$42.5

FY2023 – 2025 Support Services O&M Budget

\$, millions	Budget FY2023	Projected FY2024	Projected FY2025
Labor			
Salaries, Wages and Benefits	\$53.1	\$54.0	\$54.8
Total Labor	53.1	54.0	54.8
Non-Labor			
Materials & Supplies	2.5	2.5	2.6
Transportation, Per Diem, and Mileage	2.3	2.3	2.4
Property & Casualty Insurance	21.7	22.1	22.5
Security	9.7	9.9	10.1
IT Service Agreements	23.3	23.7	24.1
Utilities & Rents	5.2	5.2	5.3
Legal Services	7.1	7.3	7.4
Communications Expenses	1.1	1.1	1.1
Professional & Technical Outsourced Services	28.4	28.9	29.4
Vegetation Management	-	-	-
Regulation and Environmental Inspection	0.5	0.5	0.5
Other Miscellaneous Expenses	3.1	3.1	3.2
Total Non-Labor / Other Operating Expense	104.9	106.8	108.4
Subtotal Labor and Non-Labor/Other Operating Expenses	158.0	160.8	163.3
Total Operating Expense	\$158.0	\$160.8	\$163.3

Top 10 Programs – Including Capital and O&M

\$, millions

	Portfolio	Program	2023 Spend	Projected 2024 Spend	Projected 2025 Spend	FY 23-25 Spend Total
1	Distribution	Distribution Line Rebuild	56.4	161.3	422.2	639.9
2	Transmission	Transmission Line Rebuild	85.3	231.8	313.8	630.9
3	Substations	Substation Rebuilds	102.2	138.5	48.9	289.6
4	Customer Service	Distribution Streetlighting	105.0	70.0	80.0	255.0
5	Distribution	Distribution Pole & Conductor Repair	65.9	71.1	81.1	218.1
6	Support Services	HR Programs	62.8	63.6	64.5	191.0
7	Enabling	Vegetation Management	50.0	60.0	60.0	170.0
8	Distribution	Distribution Automation	35.6	53.5	53.5	142.6
9	Transmission	IT OT Telecom Systems & Network	32.4	38.5	51.3	122.2
10	Control Center & Buildings	Facilities Development & Implementation	14.8	24.6	43.9	83.3
		Key Program Spend	610.3	912.9	1,219.2	2,742.4
		Additional Program Spend	232.0	271.7	244.0	747.7
		Total Capital Program Spend	\$842.3	\$1,184.5	\$1,463.1	\$3,490.0