

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

**IN RE:** REVIEW OF LUMA'S INITIAL  
BUDGETS

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

**SUBJECT:** Requirement of Information  
("ROI") – Fiscal Year 2023 Annual Budget  
Examination; Annual Report and Report on  
Efficiencies for Fiscal Year 2022

**RESOLUTION AND ORDER**

**I. Introduction**

On July 13, 2022, LUMA<sup>1</sup> filed before the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau") a document titled *Motion Submitting Fiscal Year 2023 Annual Budget as Approved and Certified by the Financial Oversight and Management Board for Puerto Rico* ("July 13 Petition"). Along with the July 13 Petition, LUMA included a resolution from the Financial Oversight and Management Board for Puerto Rico ("FOMB") certifying the Puerto Rico Electric and Power Authority ("PREPA") budget for fiscal year 2023 ("FY23 Certified Budget").<sup>2</sup> The July 13 Petition also includes LUMA's proposed annual budget for FY23, which purportedly are based on the FY23 Certified Budget ("LUMA's FY23 Budget").<sup>3</sup>

On September 8, 2022, LUMA filed before the Energy Bureau, a document titled *Motion Submitting Financial Results for the Fourth Quarter of Fiscal Year 2022* ("September 8 Motion"), through which it submitted, subject to change, its Q4 Report and preliminary financial results compared to budget.

On October 29, 2022, LUMA filed before the Energy Bureau, a document titled, *Motion Submitting LUMA's Annual Report for Fiscal Year 2022 and Report on Efficiencies* ("October 29 Motion"), through which it submitted its FY 2022 Report on Financial Performance and annual report on implementing improved efficiencies and quantification of resulting savings, purportedly in compliance with the May 31 Resolution and Order regarding LUMA's Initial Budgets.

**II. Discussion**

Miguel Tulla In its Annual Budget examination<sup>4</sup>, the Energy Bureau requested detailed information with which to evaluate LUMA's and PREPA's proposed FY23 Budgets<sup>5</sup>. LUMA's responses in many instances was that the information would not be available until 120 days after the close of Fiscal Year 2022, at which time LUMA would provide its Year End Report.<sup>6</sup> The Energy Bureau finds the Year End Report to lack the detail necessary for its Budget

<sup>1</sup> LUMA ENERGY, LLC as ManagementCo, and LUMA ENERGY SERVCO, LLC as ServCo (collectively, "LUMA")

<sup>2</sup> July 13 Petition, Exhibit 1.

<sup>3</sup> Id.

<sup>4</sup> See *In Re: Puerto Rico Electric Power Authority Rate Review*, Case No. CEPR-AP-2015-0001, Final Resolution and Order, January 10, 2017, and Final Resolution, March 8, 2017 (collectively, "2017 Rate Order"), p. 149.

<sup>5</sup> See, *In Re: Review of LUMA's initial Budgets*, Case No. NEPR-MI-2021-0004, Resolution and Order Commencing Review Process FY23 Budgets, July 16, 2022 ("July 16 Resolution").

<sup>6</sup> Motion Submitting Responses in Compliance with Resolution and Order of August 12, 2022, *In Re: Review of LUMA's Initial Budgets*, Case No. NEPR-MI-2021-0004, August 29, 2022 (August 29 Motion) p.5 Exhibit I, pp 3 & 9.



Review.<sup>7</sup> As an example, this report did not provide Year End Generation Actual Expenditures and all other Fiscal Year 2022 Actual Expenditures funded within Base Rates in compliance with the current Rate Order.

Before the Year End Report filing, LUMA provided a Q4 Report. That report as well, lacked necessary detail. The Q4 Report did not have the same level of specificity as in the first three FY 2022 Quarterly Reports and the material in the Year End Report did not adequately supplement the Q4 Report.

The Energy Bureau is aware that PREPA and LUMA must submit weekly, monthly, quarterly, and annual reports to the FOMB which address much of the same information which the Energy Bureau requires. The requirements for weekly, monthly, quarterly, and annual reporting to the FOMB are in the 2022 PREPA Fiscal Plan as Certified by FOMB on June 28, 2022.<sup>8</sup>

To avoid duplication of effort, and because the information contained in the Reports as Post-Certification reporting and Non-Operational Reports,<sup>9</sup> required by the FOMB,<sup>10</sup> are similar to that required by the Energy Bureau for its review, the Energy Bureau **ORDERS** LUMA to provide the reports that were filed with the FOMB for FY22. In addition, the Energy Bureau **ORDERS** LUMA beginning with FY23, to simultaneously submit to the Energy Bureau on a continuing basis, the reports specified in the 2022 PREPA Fiscal Plan as Certified by the FOMB on June 28, 2022, cited in Attachment A.<sup>11</sup>

### III. Requirement of Information

The Energy Bureau **DETERMINES** that further information is required to analyze the FY 2023 Budgets. Note that the requirements in this Resolution and Order are in addition to, and do not supplant, existing requirements in law and as set forth in Energy Bureau Orders.

The Energy Bureau **ORDERS** LUMA to, **on or before November 23, 2022 at 12:00 pm** to provide the information identified in Attachment A of this Resolution and Order.

The Energy Bureau **ORDERS** PREPA to provide LUMA in an expeditious way any information to comply with this Resolution and Order.

The Energy Bureau **WARNS** LUMA and PREPA that, noncompliance with any provision of this Resolution and Order, may result in the imposition fines under Act 57-2014 and the applicable Energy Bureau's regulations and/or any other appropriate administrative sanctions, as considered appropriate by the Energy Bureau.

Be it notified and published.




<sup>7</sup> See, July 16 Resolution.

<sup>8</sup> 2022 Certified Fiscal Plan for the Puerto Rico Electric Power Authority, as certified by the Financial Oversight and management Board for Puerto Rico on June 28, 2022, pp. 179 – 182, <https://drive.google.com/file/d/1f6VCpY8sWmshvshWLNlJn52LFAvLABgk/view> (last visit November 9, 2022)

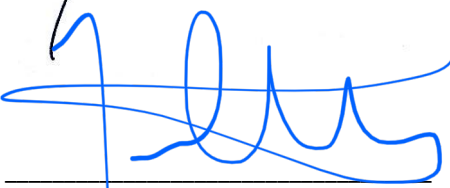
<sup>9</sup> Id., pp. 179 – 180.

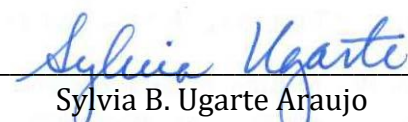
<sup>10</sup> Id., Table 18: Non-Operational Reports, pp. 181 – 182.

<sup>11</sup> Id.

  
Edison Avilés Deliz  
Chairman

  
Lillian Mateo Santos  
Associate Commissioner

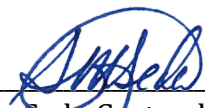
  
Ferdinand A. Ramos Soegaard  
Associate Commissioner

  
Sylvia B. Ugarte Araujo  
Associate Commissioner

### CERTIFICATION

I hereby certify that the majority of the members of the Puerto Rico Energy Bureau has so agreed on November 12, 2022. I also certify that on November 12, 2022 a copy of this Resolution and Order was notified by electronic mail to the following: margarita.mercado@us.dlapiper.com; ana.rodriquezrivera@us.dlapiper.com; jmarrero@diazvaz.law and kbolanos@diazvaz.law. I also certify that today, November 12, 2022, I have proceeded with the filing of the Resolution and Order issued by the Puerto Rico Energy Bureau.

For the record, I sign this in San Juan, Puerto Rico, today November 12, 2022.

  
Sonia Seda Gaztambide  
Clerk



Requirement of Information

- 1. Provide in one consolidated document, tables comparing FY 2022 budgeted amounts, FY 2022 actual expenditures, and FY 2023 proposed amounts, for all expense categories (this includes Bad Debts, Shares Services) incurred or proposed to be incurred by each entity to which the budgets apply, i.e., GenCo, HoldCo, GridCo.
- 2. Provide each of the documents submitted to the FOMB as specified in the 2022 PREPA Fiscal Plan as Certified by FOMB on June 28, 2022 and shown in the table below. This should be considered a continuing request for future fiscal years.

Following are excerpted sections from Table 18: Non-Operational Reports<sup>12</sup>

Report	Detail	Cadence	Responsible Entity
Implementation of Grid Modernization	Grid modernization plan must summarize the major investment categories and projects that PREPA/LUMA is considering to deliver reliable, resilient power and status of project delivery against milestones	Monthly	PREPA/LUMA
Permanent and Emergency Work-Related Federal Funding Report	Updates on FEMA and CDBG-DR funding programs for permanent and emergency work for generation and T&D assets. Provide the following by PW: <ul style="list-style-type: none"><li>Intended use and description of project portfolio</li><li>Obligated amount</li><li>Received amount</li><li>Federal cost-share requirements</li><li>Federal cost-share funded (by source)</li><li>Project timeline and/or milestones</li></ul>	Monthly	PREPA/LUMA
Budget to Actuals  (Reporting requirement is separate from any requirement under Section 203 in PROMESA)	Tracking of certified Budget to Actual for GridCo, GenCo, and HoldCo based on template to be provided by the Oversight Board: <ul style="list-style-type: none"><li>Include explanation for material variances (greater than 10% and \$30 million)</li><li>Include income statement in the reporting package</li><li>Provide monthly budget reporting</li></ul>	Monthly	PREPA/LUMA
	Tracking of certified Budget to Actual for GridCo, GenCo, and HoldCo based on template to be provided by the Oversight Board: <ul style="list-style-type: none"><li>Include explanation for material variances (greater than 10% and \$30 million)</li><li>Include income statement in the reporting package</li><li>Provide quarterly budget reporting</li></ul>	Quarterly	PREPA/LUMA
Accounts Receivable (AR)/Accounts Payable (AP) cash flow reporting	Continued reporting on cash flow, payables and receivables by customer or vendor class.	Monthly	LUMA

- 3. Provide the original Shared Services Agreement and the current Shared Services Agreement, with an explanation of any changes between the original and current.
- 4. Provide a revised Q4 Report, with the same level of detail as provided in the Q1, Q2 and Q3 Reports, including but not limited to, the progress and level of achievement in each of the Improvement Portfolios as well as the Key Activities, Reasons for Variances and Timeline Explanation as provided in the first three Quarterly Reports.

<sup>12</sup> See, 2022 Certified Fiscal Plan for the Puerto Rico Electric Power Authority, as certified by the Financial Oversight and management Board for Puerto Rico on June 28, 2022, Table 18: Non-Operational Reports, pp 181 – 182.



5. In the Report on Efficiencies filed with the October 29 Motion, LUMA describes process efficiencies and savings<sup>13</sup> resulting from collections of past due bills, reduction of line losses and non-technical losses, reduction of customers with no meters, revenues arising from distribution pole third-party attachments, and reduction in field visits to read meters, among others. Some of these process efficiency efforts are aspirational and not yet embraced given that aside from about \$203m in collections of past due bills and \$14m in contracting efficiencies, no other quantification is provided.
  - a. Describe the reason no quantification has been provided for most of these described efficiencies and savings efforts.



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<sup>13</sup> See, *In Re: Review of LUMA's Initial Budget*, Case No. NEPR-MI-2021-0004, Motion Submitting LUMA's Annual Report for Fiscal Year 2022 and Report on Efficiencies filed on October 29, 2022 ("October 29 Motion"), Exhibit 1 pp. 24-26.