

**GOVERNMENT OF PUERTO RICO
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: Determination on LUMA's FY23 Annual Budgets and LUMA's FY24 Annual Budgets pre-filing requirements.

RESOLUTION AND ORDER

I. Introduction

On July 13, 2022, LUMA Energy, LLC and LUMA Energy ServCo, LLC (jointly referred to as "LUMA") filed a document titled *Motion Submitting Fiscal Year 2023 Annual Budget as Approved and Certified by the Financial Oversight and Management Board for Puerto Rico* ("FOMB") ("July 13 Petition"), requesting that the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau") approve LUMA's proposed Fiscal Year 2023 ("FY23") Annual Budget.

Pursuant to the Energy Bureau's 2017 Rate Order, the overall revenue requirements for proposed annual budgets must not result in a change to the base rates or rate structure approved in the 2017 Rate Order¹, unless the proposed budget is subject to the rate review process under Section 6.25(c) of Act 57-2014, as amended, known as the *Puerto Rico Energy Transformation and RELIEF Act* ("Act 57-2014").² Accordingly, the Energy Bureau must determine, , whether the FY23 Annual Budget complies with 2017 Rate Order. For the reasons set forth below, the Energy Bureau finds that the FY23 Budget does not result in either an increase or a decrease in the revenue requirement as set by the 2017 Rate Order.

Under Act 57-2014³ and Act 17-2019, known as the *Puerto Rico Energy Public Policy Act* ("Act 17-2019"),⁴ the Energy Bureau is tasked with the enforcement of public policy to ensure that electric service companies provide services at reasonable and just prices. This duty entails the review and monitoring of budgets, fiscal, and operational practices, and the prudence of spending activities. Consistent with the foregoing, in the 2017 Rate Order, the Energy Bureau established a yearly procedure under which, the Energy Bureau periodically evaluates the appropriate and efficient use of the revenues collected from its ratepayers.⁵

As for budgetary matters, Section 4.2(e) of the OMA,⁶ provides:

(e) Initial Budgets. As soon as practicable following the Effective Date, ManagementCo shall prepare and submit to Administrator the proposed

¹ Final Resolution and Order, *In Re: Puerto Rico Electric Power Authority Rate Review*, Case No. CEPR-AP-2015-0001, January 10, 2017 ("2017 Rate Order").

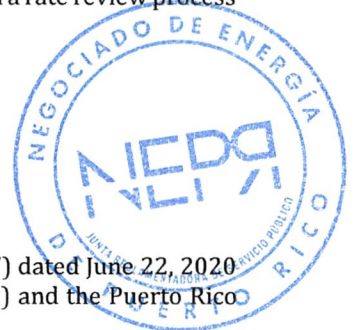
² Section 6.25(c) of Act 57-2014 establishes the procedure to modify a rate previously approved by the Energy Bureau. Neither the Puerto Rico Electric Power Authority ("PREPA") nor LUMA petitioned a rate review process from the Energy Bureau.

³ See Act 57-2014, Articles 1.2, 6.3, 6.4 and 6.25.

⁴ See Act 17-2019, Article 1.5(1)(a).

⁵ See 2017 Rate Order, ¶¶ 439-444, pp. 149-150.

⁶ Transmission and Distribution System Operation and Maintenance Agreement ("OMA") dated June 22, 2020 and executed by and among LUMA, the Puerto Rico Electric Power authority ("PREPA") and the Puerto Rico Public-Private Partnerships Authority.



Initial Budgets; provided that for purposes of the Generation Budget, ManagementCo shall only be required to submit (if received by ManagementCo) the Generation Budget as prepared by Owner and delivered to ManagementCo by Owner. ManagementCo shall have a reasonable time to review such Generation Budget prior to completing and submitting the balance of the Initial Budgets to Administrator hereunder. Within thirty (30) days following its receipt of such proposed Initial Budgets, Administrator, acting reasonably, shall provide ManagementCo comments on the appropriateness of the proposed Initial Budgets and recommend any changes or modifications it believes are necessary or appropriate. If Administrator does not respond within such thirty (30) day period, Administrator shall be deemed to have no objection to such proposed Initial Budgets being submitted by ManagementCo to Energy Bureau. The Parties agree that, within thirty (30) days following receipt of Administrator's comments, if any, or the end of Administrator's review period described in the immediately preceding sentence, if Administrator has no comments, Operator shall submit for Energy Bureau's review the revised Initial Budgets, incorporating or rejecting any of the modifications or changes suggested by Administrator, together with an explanation of any of Administrator's comments, as ManagementCo shall reasonably deem appropriate in its sole discretion. **Energy Bureau shall review, and approve, deny, or propose modifications to, such proposed Initial Budgets in accordance with Applicable Law.** ManagementCo shall be required to respond promptly to any changes or modifications from Energy Bureau to the proposed Initial Budgets and submit any updates to the proposed Initial Budgets to Energy Bureau for its approval. If Energy Bureau does not respond within ninety (90) days after receipt of the proposed Initial Budgets or any update thereto, ManagementCo may proceed for purposes of this Agreement as if Energy Bureau had approved such proposed Initial Budgets."⁷

After reviewing the administrative record, the Energy Bureau issued a Resolution and Order dated May 31, 2021 ("May 31 Resolution"), approving LUMA's Initial Budgets Petition relating to the budgets for Fiscal Year 2022 ("FY22"), which included the budget for each component of the PREPA electric system: generation, transmission, and distribution.

The May 31 Resolution also required LUMA to file with the Energy Bureau, no later than October 31, 2021, the FY23 proposed budgets in accordance with the process delineated in the 2017 Rate Order. Upon request by LUMA,⁸ on July 16, 2021, the Energy Bureau issued a Resolution and Order through which it modified the filing date of the FY23 Budget to April 1, 2022.

Then, on March 25, 2022, the Energy Bureau issued a Resolution and Order pertaining the FY23 Budget Filing Requirements ("March 25 Resolution") ordering LUMA to submit all applicable workpapers and supporting material used to develop its FY23 budget proposal and to correlate its proposed FY23 budget with the figures of the FOMB and provide adequate supporting material.

II. Procedural Background for FY23 Proposed Budget Filing

On April 2, 2022, LUMA filed with the Energy Bureau a document titled *Submission of Annual Budgets for Fiscal Years 2023 Through 2025* ("FY23 Proposed Budget") including the LUMA Operating Budget and the PREPA Generation Budget. LUMA asserted

⁷ Emphasis added.

⁸ See Request for Clarification or Amendment of May 31 Resolution and Order Approving LUMA's Initial Budgets, *In re: Review of LUMA's Initial Budgets*, Case No.: NEPR-MI-2021-0004, June 8, 2021 (June 8 Request).



throughout its FY23 Proposed Budget Filing it was not requesting an increase in the overall revenue requirement of the current rate structure.

The FY23 Proposed Budget included the Operating Budgets, which further incorporated the Capital Budgets (both Federally Funded and Non-Federally Funded) and the Generation Budget that PREPA provided to LUMA. LUMA represented in the FY23 Proposed Budget that the Annual Budgets aligned with the methodologies used to develop the PREPA 2021 Fiscal Plan later certified by the FOMB on May 27, 2021. LUMA's budget projections were informed by LUMA's first nine months of operational experience, while market estimates were built on existing contracts and relied on the FOMB's assumption that PREPA would exit Title III by December 31, 2022. Finally, LUMA asserted that its updated load forecast was completed using a consistent methodology approved by the Energy Bureau in the 2017 Rate Order and FOMB Certified Fiscal Plans, as well as other various dockets. LUMA stressed that, because the proposed Annual Budget is consistent with the 2017 Rate Order, a formal rate proceeding is unnecessary.

On April 8, 2022, LUMA filed a document titled *Motion in Compliance with Resolution and Order of March 25, 2022 and Submitting Supporting Workpapers to LUMA's Annual Budgets and Request for Confidential Treatment* ("April 8 Motion") in which it submitted to the Energy Bureau LUMA's responses to the March 25 Resolution and accompanying workpapers. On that same day, PREPA filed its *Notice of Intent to File Detailed Explanation of the Generation Budget*, informing the Energy Bureau that it would be filing a detailed explanation of the FY23 Generation Budget that it had provided to LUMA for submission to the Energy Bureau through its FY23 Proposed Budget Filing.

On April 11, 2022, the Energy Bureau issued a Resolution and Order ("April 11 Resolution") ordering PREPA (i) to immediately submit to LUMA, supporting materials, work papers, and other information to be used in hearings and technical conferences; (ii) to coordinate with LUMA to ensure timely filing of necessary documentation; and (iii) to ensure that all of PREPA relevant personnel and/or consultants would be available for any technical conferences to be held in this docket.

Also, on April 11, 2022, LUMA filed before the Energy Bureau a document titled *Memorandum of Law in Support of Confidential Treatment of Portions of Appendix C of LUMA's Annual Budgets* ("April 11 Motion"), arguing the justifications for confidential treatment and designation for portions of Appendix C of the FY23 Proposed Budget Filing that qualify as sensitive commercial information and trade secrets, as well as Critical Energy Infrastructure Information ("CEII").

On April 14, 2022, PREPA submitted to the Energy Bureau a document titled *Motion to Inform Compliance with the April 11 Order*, in which PREPA informed the Energy Bureau it had submitted the required information to LUMA, expecting LUMA to immediately file that information before the Energy Bureau. On the same day, April 14, 2022, LUMA submitted before the Energy Bureau, a document titled *Motion in Compliance with Resolution and Order Dated April 11, 2022*, the information it had received from PREPA pursuant to the Energy Bureau's April 11 Resolution. LUMA advised that it did not have the opportunity to comprehensively review the information before submitting it to the Energy Bureau.

On May 19, 2022, the Energy Bureau issued a Resolution and Order ("May 19 Resolution") that (i) established the procedural calendar for this proceeding. The May 19 Resolution scheduled a Virtual Technical Conference to be held on June 10, 2022. (ii) ordered LUMA to pre-file on or before June 7, 2022, the presentation that would be used during the Virtual Technical Conference and the information identified in Attachments A through F of the May 19 Resolution; and (iii) ordered LUMA to file a summary of the Proposed Initial Budget Petition in Spanish to be available to the public.

On May 23, 2022, LUMA filed a document titled *Motion Requesting Agenda for Virtual Technical Conference Scheduled for June 10, 2022*, requesting the Energy Bureau to issue an Agenda for the Virtual Technical Conference.



On May 25, 2022, the Energy Bureau issued a Resolution and Order setting the time for the Virtual Technical Conference scheduled for June 10, 2022, from 10:00 a.m. to 3:00 p.m. and ordering LUMA to file a proposed Agenda to be used for the Virtual Technical Conference.

On May 26, 2022, in compliance with the May 19 Resolution, LUMA submitted a Spanish translation of Executive Summary of Annual Budgets.

On June 1, 2022, LUMA filed its proposed Agenda for the Virtual Technical Conference as part of the document titled *Motion Submitting Proposed Agenda for Virtual Technical Conference Scheduled for June 10, 2022 in Compliance with Order*.

On June 7, 2022, the Energy Bureau issued a Resolution and Order that established the Agenda for the June 10 Virtual Technical Conference ("June 7 Resolution").

Under the cover of three filings dated May 26, June 3, and June 7, 2022, LUMA submitted its responses to the Energy Bureau's Requirements of Information as requested in the May 19 Resolution. Also, on June 7, 2022, LUMA submitted its presentation for the Virtual Technical Conference.

During the June 10 Virtual Technical Conference, the Energy Bureau postponed the proceeding and issued a Bench Order rescheduling the June 10 Technical Hearing for June 17, 2022, at 10:00 a.m.

On June 13, 2022, the Energy Bureau issued a Resolution and Order ("June 13 Resolution") amending the Procedural Calendar to reflect the June 17 Technical Conference and modifying the Technical Conference's agenda. In the June 13 Resolution, the Energy Bureau ordered LUMA to present and discuss thoroughly the proposed FY23 Budgets at the June 17 Technical Conference.

On June 15, 2022, the Energy Bureau issued a Resolution and Order to require LUMA to certify certain information in anticipation of the Virtual Technical Conference. The Energy Bureau further determined that, if LUMA could not provide such certification, the June 17 Technical Conference and the June 24, 2022, Virtual Public Hearing would be automatically postponed, and the Default Budget, as agreed by the parties to the OMA, would remain in effect until the FY23 consolidated budget is submitted and approved by the Energy Bureau.⁹

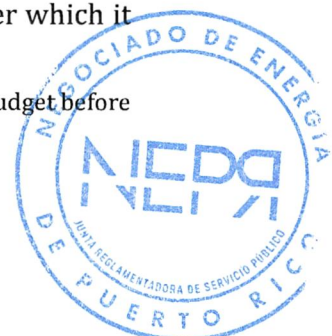
On June 16, 2022, LUMA filed a document titled *Motion to Inform Status of Negotiations Relating to Generation Budget and in Compliance with Order of June 15, 2022*, providing the Energy Bureau notice that, despite LUMA and PREPA's efforts to reach an understanding with regards to the Generation Budget, no agreement had been reached and, thus, it would not be able to file a consolidated budget. The June 17 Technical Conference and the June 24, 2022, Virtual Public Hearing were automatically postponed.

On July 13, 2022, LUMA filed with the Energy Bureau a document filled *Motion Submitting Fiscal Year 2023 Annual Budget as Approved and Certified by the Financial Oversight and Management Board for Puerto Rico* ("July 13 Petition"). LUMA included in its July 13 Petition, a copy of the resolution issued by the FOMB certifying the PREPA budget for FY23 and LUMA's proposed annual budget for FY23, purportedly based on the FY23 Certified Budget.

On July 16, 2022, the Energy Bureau issued a Resolution and Order ("July 16 Resolution"), to commence its review of the July 13 Petition. The July 16 Resolution identified additional information which LUMA was ordered to provide as part of the review process and to facilitate easy review of the budget information by the public. In addition, the Energy Bureau directed LUMA to summarize the July 13 Petition in Spanish.

On July 29, 2022, LUMA filed with the Energy Bureau a document titled *Motion in Compliance with July 16th, 2022 Resolution and Order* ("July 29 Motion") under which it

⁹ Pursuant to Section 7.3(a) of the OMA, LUMA has the obligation to file a proposed consolidated budget before the Energy Bureau that shall include the Generation Budget provided by PREPA.



submitted the additional information as requested by the Energy Bureau, which included direct information from LUMA as Exhibit 1 and the additional information that was provided by PREPA as Exhibit 2. The submission also included an updated Spanish translation of the Executive Summary previously included in the July 13 Petition.

On July 29, 2022, the Energy Bureau issued a Resolution and Order establishing a Procedural Calendar in this proceeding and scheduling a Virtual Technical Conference to take place on August 17, 2022.

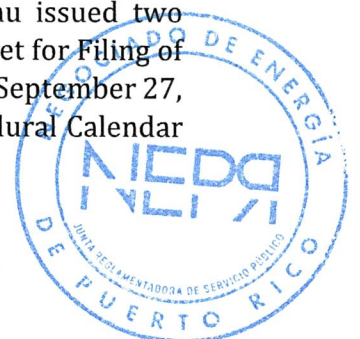
On August 8, 2022, LUMA submitted a document titled *Motion Requesting Modification of Procedural Calendar and Issuance of Agenda for Virtual Technical Hearing* ("August 8 Motion"), in which LUMA requested that the Energy Bureau confirm the agenda as presented in the June 7 Resolution. LUMA further requested that the Energy Bureau modify the Procedural Calendar to afford the parties at least fourteen (14) days to submit any additional information or modified information that may be requested for the Virtual Technical Conference and, correspondingly, modify the dates set for the Virtual Public Hearing and Filing of Public Comments.

On August 9, 2022, the Instituto de Competitividad y Sostenibilidad Económica de Puerto Rico ("ICSE", by its Spanish acronym) filed a document titled *Motion Requesting Amendment of Procedural Calendar*, in which ICSE requested a ten (10) day timeframe between the Filing of Revised and/or Additional Information required by the Energy Bureau and the Virtual Public Hearing and Filing of Comments by the General Public.

On August 12, 2022, the Energy Bureau issued a Resolution and Order finding that further information was required to analyze LUMA's FY 23 Budgets ("August 12 Resolution"). The Energy Bureau ordered LUMA to provide the information identified in the August 12 Resolution and modified the Procedural Calendar and Agenda scheduled in this proceeding, including rescheduling of the Virtual Technical Conference for September 9, 2022.

On August 18, 2022, PREPA filed a document titled *Request for Continuance of the Technical Conference Scheduled for September 9, 2022* notifying the Energy Bureau that Mr. Nelson Morales, PREPA's Chief Financial Officer, and key witness scheduled to appear during the Virtual Technical Conference would not be available on September 9, 2022, due to prior engagements, but would be available to appear on any date after September 13, 2022 and requested a continuance of the Technical Conference. PREPA further notified the Energy Bureau it had conferred with LUMA regarding a continuance and while LUMA did not object to a continuance of the Technical Conference, LUMA would be not available on September 15 nor the 16. Thus, PREPA requested the Energy Bureau to reschedule the Technical Conference for September 13, 14, or any date after September 16, 2022. On August 19, 2022, the Energy Bureau issued a Resolution and Order granting PREPA's request and rescheduled the Virtual Technical Conference for September 13, 2022.

On August 22, 2022, LUMA filed a document titled *Motion Requesting Modification of Procedural Calendar* ("Rescheduling Motion") requesting again a modification of the procedural calendar. LUMA argued that the ten (10) day timeframe between the dates set for the Virtual Technical Conference (September 13, 2022) and the Filing of Revised and/or Additional Information Required by the Energy Bureau was insufficient in view of the nature of the matters at issue in this proceeding and the technical nature of the relevant information, in addition to the fact that no time constraints were applicable to the proceeding. LUMA requested the Energy Bureau to modify the Procedural Calendar to afford the parties in this proceeding a fourteen (14) day timeframe between the referenced phases. LUMA further proposed that the date set for the Virtual Public Hearing/Filing of Comments by the General Public also be postponed by a concomitant term. In response to LUMA's Rescheduling Motion, the Energy Bureau issued two resolutions (i) the first dated August 25, 2022, that rescheduled the date set for Filing of Revised and/or Additional Information Required by the Energy Bureau to September 27, 2022; (ii) the second dated September 7, 2022, that amended the Procedural Calendar



and added an additional day to conduct the Virtual Technical Conference, if warranted. As per the amended Procedural Calendar, the Virtual Technical Conference was rescheduled to take place on September 13, 2022, and September 14, 2022, from 10:00 a.m. to 5:00 p.m.

On September 8, 2022, LUMA submitted its presentation for the September 13 Virtual Technical Conference.

On September 9, 2022, LUMA filed a document titled *Urgent Request to Re-Schedule Second Day of Technical Conference and for Issuance of Agenda* ("September 9 Motion") to further adjust the Technical Conference because of the unavailability of several of LUMA's and PREPA's witnesses and management personnel on the scheduled date of September 14, 2022. LUMA further indicated that, after conferring with PREPA, the earliest availability for both LUMA and PREPA would be on September 27, 2022.

The first day of the Technical Conference was held as scheduled, on September 13, 2022. Since one day for was insufficient and considering the availability of both parties as stated in the September 9 Motion the Energy Bureau issued a Bench Order rescheduling the second day of the Technical Conference for September 27, 2022, from 10:00 a.m. to 5:00 p.m. The Energy Bureau issued several Bench Orders ordering LUMA to provide on or before September 23, 2022, additional information regarding the issues discussed in the Technical Conference.

On September 16, 2022, PREPA filed a document titled *Request for Continuance of Technical Conference Scheduled for September 27, 2022* ("September 16 Motion") in which it informed the Energy Bureau that Mr. Lucas Porter, its leading financial advisor, and key witness for the September 27 Technical Conference, was not available to testify and so requested a continuance until some date after October 7, 2022. On September 20, 2022, the Energy Bureau rescheduled the second day of the Virtual Technical Conference for October 18, 2022, and granted LUMA until October 7, 2022, to file its responses to additional requests of information required by the Energy Bureau during the Technical Conference held on September 13, 2022 ("September 20 Resolution"). Also, through the September 20 Resolution, the Energy Bureau ordered PREPA to file before the Energy Bureau on or before October 7, 2022, all documentation submitted before the FOMB pertaining FY22, including the four (4) quarterly reports for FY22; and all documents filed with the FOMB regarding the FY23 Certified Budget and the responses provided by the FOMB.

On October 5, 2022, LUMA filed a document titled *Urgent Request for Extension of Time to Submit Responses to Requests for Information and Request for an Agenda for the October 18th Technical Conference* notifying the Energy Bureau that it would not be able to complete the full set of requests of information by October 7, 2022. LUMA acknowledged it could submit the first set of responses by October 7, 2022, but requested that the Energy Bureau grant it leave to submit the second set of responses on or before October 12, 2022.

On October 7, 2022, PREPA submitted the documents requested by the Energy Bureau in its September 20 Resolution ("October 7 Motion").

On October 7 and 12, 2022, LUMA provided two sets of responses to requests for information included in the bench orders issued by the Energy Bureau during the Technical Conference held on September 13, 2022, and in the September 20 Resolution. LUMA filed a redacted version of its response to the Request of Information Number 13 ("RFI No. 13") under the seal of confidentiality, while noticing that it would submit a memorandum of law within ten (10) days supporting its request for confidential treatment. On the same date, LUMA filed confidentially, an unredacted version of the response with the Energy Bureau.

On October 14, 2022, PREPA filed a supplement to the October 7 Motion.

On October 17, 2022, PREPA filed its presentation for the October 18 Conference.



On October 18, 2022, the second day of the Virtual Technical Conference was held as scheduled. Throughout the Virtual Technical Conference, the Energy Bureau issued several Bench Orders requiring LUMA and PREPA to provide additional information on or before November 1, 2022, as per the established Agenda.

On October 24, 2022, LUMA filed a document titled *Memorandum of Law in Support of Request for Confidential Treatment of Portions of Response to Request No. 13 Submitted as Part of the Second Set of Responses to Requests for Information Filed on October 12, 2022* ("October 24 Motion") setting forth its legal arguments for its request to the Energy Bureau to designate certain commercial or trade secrets information submitted in response to RFI No. 13 as confidential.

On October 29, 2022, LUMA filed a document titled *Motion Submitting LUMA's Annual Report for Fiscal year 2022 and Report on Efficiencies* ("Annual Report"), in which LUMA included the Annual report as Exhibit 1.

On November 1, 2022, LUMA filed a document titled *Submission of Responses to Requests for Information in Compliance with Bench Orders Issued During Technical Conference of October 18, 2022* including LUMA's responses to the requests for information issued during the October 18 Technical Conference and in the Energy Bureau's September 20 Resolution.

On November 1, 2022, PREPA provided the information and responses to the Energy Bureau's Bench Orders issued as part of the October 18 Technical Conference under the cover of its *Motion in Compliance with Bench Order Entered During the October 18, 2022 Virtual Technical Conference*.

On November 10, 2022, the Virtual Public Hearing was held, as scheduled. The Virtual Public Hearing was intended to allow the general public to have the opportunity to present its comments and suggestions pertaining LUMA's July 13 Petition. However, there were no appearances by the public at the Virtual Public Hearing.

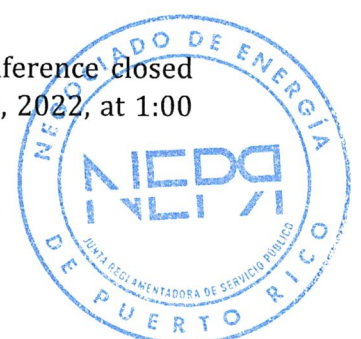
On November 12, 2022, the Energy Bureau issued a Resolution and Order which determined that further information was required to analyze the FY2023 Budgets ("November 12 Resolution"). The Energy Bureau provided LUMA until November 23, 2022, to provide the requested information. The November 12 Resolution indicated that, as part of the process, the Energy Bureau had received one written comment from the public.

On November 14, 2022, PREPA filed a document titled *Memorandum of Law in Support of Request for Confidentiality of Documents Submitted Under Seal with the November 1 Motion*, in support of its request that Annex A-2(a) of the November 1 Motion be declared confidential and remain sealed because the information contains global positioning system ("GPS") coordinates of PREPA's power plants considered CEIL. PREPA further requests confidential treatment for those documents included with the referenced motion that contain confidential business information ("CBI") of PREPA's contractors and protected rights claimed by third parties.

On November 21, 2022, LUMA filed a document titled *Supplemental Information on Questions Posed During Technical Conference of October 18, 2022* ("November 21 Motion"), which included additional information to supplement what was provided during the October 18 Technical Conference and a letter from Francisco Berríos Portela, Deputy Chief of Staff of Energy Affairs for the Government of Puerto Rico Chief of Staff Office, about the availability of matching funds for electric works funded by the Federal Emergency Management Agency ("FEMA").

On November 23, 2022, LUMA filed responses to the Energy Bureau's November 12th requests under cover of LUMA's *Responses to Requirements of Information of November 12, 2022 and Request for Confidential Treatment*.

On November 28, 2022, the Energy Bureau scheduled a Technical Conference closed session with LUMA, its staff, and consultants for Tuesday, December 13, 2022, at 1:00



p.m. EST, to discuss matters and documents for which LUMA requested confidential treatment.

On December 2, 2022, LUMA filed a document titled *Motion Requesting Re-scheduling of Confidential Technical Conference and Informing Available Alternate Dates* (“December 2 Motion”) requesting the closed Technical Conference scheduled for Tuesday, December 20, 2022, at 2:00 p.m. (AST) be rescheduled to accommodate its legal representatives’ conflict with a deposition in another legal proceeding in which they are both attorneys of record.

Upon review of the December 2 Motion, on December 9, 2022, the Energy Bureau rescheduled the closed Technical Conference for Tuesday, December 20, 2022, at 2:00 p.m., as requested by LUMA.

On December 20, 2022, the Energy Bureau held the closed Technical Conference. During the Technical Conference, the Energy Bureau issued several requests of information.

LUMA filed its responses to the requests issued during the December 20 Technical Conference under Motions filed on December 28, 2022; January 11; and January 12, 2023.

On January 26, 2023, LUMA filed an amended response to a Request of Information issued during the December 20 Closed Conference and request for confidential treatment.

On February 10, 2023, the Energy Bureau issued a Resolution and Order (“February 10 Order”), in which it ordered PREPA to present to LUMA for LUMA to file with the Energy Bureau, all the documentation that PREPA submitted in connection with its January 11, 2023, letter to the FOMB and copies of all the contracts PREPA has subscribed with the past six months.

On February 17, 2023, LUMA filed a document titled *Motion Submitting Information Delivered by the Puerto Rico Electric Power Authority in Compliance with Resolution and Order dated February 10, 2023* (“February 17 Motion”), in which LUMA presented the documentation provided by PREPA in response to the February 10 Order.

III. Annual Budgets Review

The request for review before the Energy Bureau is, a determination on whether the Fiscal Year 2023 Annual Budgets Petition¹⁰ presented by LUMA comply with the criteria necessary for the Energy Bureau to approve LUMA’s Fiscal Year (FY) 2023 Budget in accordance with Act 57-2014¹¹ and the 2017 Rate Order.¹²

The Energy Bureau notes at the outset of this Resolution and Order it is performing this review pursuant to Section 441 of the 2017 Rate Order which sets forth the procedure for “one year budget examinations” that are to occur annually within each three-year rate case. The purpose of a one-year rate examination is to let the Energy Bureau establish a just and reasonable revenue requirement for the applicable fiscal year.¹³ However, the Energy Bureau need not evaluate in a one-year examination all the factors that are otherwise addressed in a full rate case. While the Energy Bureau’s one-year rate examination can be more constrained than a full rate proceeding, the Energy Bureau reserves its powers to address revenue allocation and rate design in the one-year budget examination. The Energy Bureau can establish specific allocations between the different

¹⁰ See, July 13 Petition.

¹¹ See Act 57-2014.

¹² See 2017 Rate Order.

¹³ *Id.* at p. 149.



components of the utility to appropriately fund those activities having the most reliability impact potential considering the current needs of the system.

On April 2, 2022 LUMA submitted its Annual Budgets Proposal for FY23 through FY 25,¹⁴ which LUMA argued included no increase or other revision to the base rate, revenue requirement, or the current rate structure,¹⁵ and is within the proper revenue requirement limit set in the 2017 Rate Order.¹⁶ LUMA further asserted that the Annual Budgets reflect substantial progress toward implementing the Energy Bureau's approved improvement programs, showing LUMA's commitment to the restoration of the energy system, and the transition of the electric power services towards clean and resilient energy in accordance with Puerto Rico's energy public policy goals, while improving safety and enhancing customer service and utility service.¹⁷

The FY23 Budget presented by LUMA consists of \$547 million for Transmission and Distribution ("T&D") Operating Expenses and \$661 million for T&D System Capital Expenses, comprised of \$581 million in Federally Reimbursed Funding and \$80 million in Non-Federally Reimbursed Funding. The rest of the Budget comprises the Generation Budget and other expenses for \$580 million.¹⁸ The total Non-Federally Funded Transmission & Distribution and Generation Expenditures result in a revenue requirement of 0.0731 \$/kWh as compared with the Base Rate Revenue Requirement established in the 2017 Rate Review of \$0.0747 kWh. LUMA estimates Shared Services to be \$60 million in FY 2023¹⁹ and states that the cost of Shared Services is included in the Generation Budget.²⁰

LUMA represented that its Annual Budgets are a continuation of the strategic planning developed in its Initial Budgets and approved by the Energy Bureau in its May 31 Resolution, in which the Energy Bureau determined that the Initial Budgets were "appropriate to accomplish the goals of effective remediation and transformation of Puerto Rico's electric power system."²¹ In explaining the key assumptions it used in developing the Annual Budgets, LUMA states it based its budget projections on a bottom-up analysis, using activity-based budgeting to support the first three years of operation, limited to the approved base rate of the 2017 Rate Order. LUMA informed its estimates based on its first nine months of operation and its experience. Based on PREPA's status in Title III, LUMA assumed there would be no new debt financing.²²

LUMA also established that its Annual Budgets follow the purposes and energy public policy mandates in Act 120-2018, to advance transforming the energy system in Puerto Rico to be "modern, sustainable, reliable, efficient, cost effective, and resilient to the ravages of nature." LUMA also asserts that it considered Act 17-2019 which sets forth the need for a "reliable and accessible electric system" and its Statement of Motives. LUMA states that in developing the FY 2023 Annual Budgets, it followed the framework for the approved Initial Budgets to further energy public policy.²³

¹⁴ April 2 Motion, p. 1.

¹⁵ *Id.*, p. 2.

¹⁶ *Id.*, p. 7.

¹⁷ *Id.*, pp. 2 – 3.

¹⁸ *Id.*, p. 6.

¹⁹ *Id.*, p. 8.

²⁰ *Id.*, p. 7.

²¹ *Id.*, p. 9.

²² *Id.*, p. 12.

²³ *Id.*, p. 14.



The Energy Bureau's May 31 Resolution approving LUMA's Initial Budgets²⁴ found that the Initial Budgets had satisfied Puerto Rico's energy public policy goals. LUMA explains in its July 13 Petition it had similarly developed the Annual Budgets to support continuation of the strategic planning used in developing its Initial Budgets. It likewise used a bottom-up approach, while considering the approved Initial Budgets and LUMA's first nine months of operating experience. The Energy Bureau finds that the Annual Budgets also satisfy statutory rate requirements for the same reasoning discussed in the May 31 Resolution relative to the Initial Budgets, subject to the determinations and other recommendations specified in this Resolution and Order. It is unnecessary to address each of the same specific issues addressed by the Energy Bureau in its May 31 Resolution.

IV. Analysis and Discussion

A. Consolidated Budgets

The Energy Bureau became aware that the Annual Budget filed by LUMA was not consolidated under the OMA because LUMA and PREPA were not in agreement as to its terms, which PREPA asserted provided it with inadequate Generation funding. This lack of agreement was explored and confirmed by LUMA and PREPA during the Technical Conference that the Energy Bureau held on June 10, 2022. LUMA and PREPA were directed at the Technical Conference and subsequent Resolution and Order²⁵ to develop a consolidated budget. LUMA subsequently reported that it, the P3 Authority, the FOMB, and PREPA (the "Parties") were negotiating in good faith but were unable to reach agreement within the time period the Energy Bureau had prescribed and were unable to file a consolidated budget in conformance with the 2017 Rate Order. However, LUMA related that the Parties continued to work on the consolidated budgets.²⁶

The FOMB by Resolution dated June 30, 2022 stated that discussions regarding the FY 2023 Budget were conducted. It determined that as of June 22, 2022 the proposed FY 2023 Budget was not compliant with Section 202(c)(2) of PROMESA. The FOMB developed a revised, compliant FY 2023 Budget, to be certified and become effective on July 1, 2022.²⁷

On July 13, 2022, LUMA submitted to the Energy Bureau, the FY 2023 Budget as certified by the FOMB.²⁸ LUMA asserts that the Certified Budget does not contain major modifications to the budget that LUMA had submitted to the Energy Bureau on April 2, 2022, and does not increase or change the base rates for Fiscal Year 2023. LUMA stated that the T&D Operations and Non-Federally Funded Capital Budgets remained the same in the Certified Budget, however, the Certified Budget reflected a reduction in Generation and HoldCo Budgets. Further, the Certified Budget revised the assumption for Title III exit from December 31, 2022 until June 30, 2023 which increased LUMA's fee in accordance with the OMA.²⁹ The Certified Budget also reduced Bad Debts.³⁰

In the July 13 Budget Proposal, filed in accordance with the FOMB Certified FY 2023 Budget as compared with LUMA's April 2 Budget Proposal, (i) Total GenCo Operating Expenses were increased in accordance with the FOMB Certified Budget from

²⁴ May 31 Resolution.

²⁵ June 15 Resolution.

²⁶ June 16 Motion, p. 5.

²⁷ July 13 Motion, Exhibit 1.

²⁸ *Id.*, Exhibit 2.

²⁹ July 13 Petition, pp. 5-6.

³⁰ *Id.*, p. 6.



\$83,512,000 to \$87,543,000; (ii) Total Non-Labor/Other Operating Expenses were decreased from \$72,626,000 to \$59,294,000; (iii) Total GenCo NME was decreased from \$125,879,000 to \$99,039,000 for a Total GenCo Operating and Maintenance increase from \$282,017,000 to \$305,624,000³¹ or approximately \$23 million. Other Expenses, including LUMA fee, Bad Debts, Bankruptcy and Advisor Costs and PREPA HoldCo expenses were decreased by \$23 million.³²

B. Funding Adequacy of High Priority Activities

In its review of LUMA's FY 2023 Budget Proposal, the Energy Bureau identified specific high priority efforts that address the current state of the electric system and for which specific directives are issued. The high priority areas for which the Energy Bureau has included specific directives follow below.

1. Vegetation Management

Vegetation Management is the T&D activity that will convey the strongest positive impact on system performance. This is addressed by the Energy Bureau in the Annual Budgets, System Remediation Plan (SRP), and Vegetation Management proceedings. Although LUMA asserts that it recognizes the importance of Vegetation Management, it has not presented a complete and comprehensive Vegetation Management Plan with milestones, corresponding budgets, and completion dates.

In the Initial Budgets, LUMA allocated \$51.3 million for FY 2022 and projected \$51.8 million in FY 2023.³³ LUMA's FY 2023 Budget Proposal, however, allocates a smaller amount of \$50 million.³⁴ In in the July 13 Petition, LUMA states that for FY 2023: "[a]dditional activities have been included in the brief to more accurately reflect the Vegetation Management work that LUMA will be conducting as part of this improvement program. Annual Budget has been updated. Milestones have been refined to align with the work that needs to be completed."³⁵ Little evidence of this, is clear in the FY 2023 Budget Proposal. LUMA's description of the Initial State and Identified Gaps, in which LUMA identifies shortcomings in the current Vegetation Management Program, is the same in its FY 2023 Budget Proposal³⁶ as in the Initial Budgets Proposal.³⁷ From this description, there has been no improvement in the current program over the insufficient Vegetation Management program that LUMA described in its Initial Budget. The same holds true for much of the additional description of the Vegetation Management Program. In addition to the decrease in proposed funding for this essential program, the most significant change identified in the FY 2023 Budget Proposal is the one-year delay in the Remediated State from second half (H2) 2026 as

³¹ April 2 Motion, Exhibit 1, Appendix D, p. 1 of 1; July 13 Petition, Exhibit 2, Appendix D, p. 436.

³² See, April 2 Motion, Exhibit 1, p. 26; July 13 Motion, Exhibit 2, p. 26.

³³ Petition for Approval of Initial Budgets and Related Terms of Service, *In Re: Review of LUMA's Initial Budgets*, Case No.: NEPR-MI-2021-0004, February 24, 2021, Exhibit 1, pp. 66 – 67.

³⁴ July 13 Petition, Exhibit 2, p. 233.

³⁵ *Id.*, p. 73.

³⁶ *Id.*, p. 229.

³⁷ February 24 Motion, Exhibit 1, p. 267.



identified in the Initial Budgets³⁸ until H2 2027 as identified in the FY 2023 Budgets.³⁹

This apparent lack of progress is unacceptable and is reminiscent of the deferred spending and inadequate attention paid to Vegetation Management that occurred. In the May 31 Resolution, the Energy Bureau identified underspending and deficiencies in the prior operator's Vegetation Management Program as a key contributor to power system outages and to the increased vulnerability of the T&D System to storm events. Based upon LUMA's FY 2023 budget proposal, this does not seem to have significantly changed.

The Energy Bureau, **ORDERS** LUMA to increase its FY 2023 fourth Quarter (Q4) funding for Vegetation Management by \$2.5 million. LUMA is directed to reallocate funds from the non-federally funded enabling improvement portfolio to provide the necessary increased funding for FY 2023 Vegetation Management.

The Enabling Portfolio is one of three Portfolios from which the greatest percentage of underspent funds were reallocated from the Non-Federally Funded Capital Budget to the Operating Budget as reflected in the June 6 FY 2022 Budget Amendment. The variance between the May 31 Energy Bureau approved funding and the amended funding was \$10.7 million or 26%.⁴⁰

The Enabling Portfolio was one portfolio reflecting the smallest variance in funds reallocated in the November 2, 2022 Budget Amendment from the Operating Budget back to the Non-Federally Funded Capital Budget. The variance between the August 22 Energy Bureau approved funding and the proposed amended funding for the Enabling Portfolio was \$2.9 million or 10%. In the reallocation of funds among Improvement Portfolios in the November 22 amendment, minimal funds, constituting a 0% variance, were reallocated to the Enabling Portfolio.⁴¹ This underspending continues as shown in the FY 2023 Q2 Report.

The Enabling Portfolio is one of the two portfolios in the FY 2023 Q1 Report with the highest reported level of Q1 underspending. The variance between the Q1 Non-Federally Funded Capital and Q1 Actuals in the Enabling Portfolio was \$4.2 million⁴² or 72% one of the largest percentages of underspending in the Improvement Portfolios.

While all Improvement Portfolios and their funding are important, the Enabling Portfolio is among the Improvement Portfolios with a lower demand upon its established funding levels and a proper fund from which to reallocate funds.

A crucial part of rebuilding the 230kV lines affected by Hurricanes Irma, María, and Fiona is the clearing of vegetation from these lines and associated transmission facilities to rapidly achieve a remediated state and compliance with the clearance standards established in the National Electrical Safety Code® (NESC®). It is expected that the scope of work for the 230kV system federally funded rebuild includes the vegetation clearing of these facilities consistent with satisfying current safety codes and standards.

³⁸ *Id.*, p. 271.

³⁹ July 13 Petition, p. 234.

⁴⁰ Motion Submitting Fiscal Year 2022 Budget Amendment, *In Re: Review of LUMA's Initial Budgets*, Case No.: NEPR-MI-2021-0004, June 6, 2022 (June 6 Motion), Exhibit 1, p. 4.

⁴¹ Motion Submitting Fiscal Year Budget Amendment, *In Re: Review of LUMA's Initial Budgets*, Case No.: NEPR-MI-2021-0004, November 2, 2022 (November 2 Motion), Exhibit 1, Exhibit 1, p. 3.

⁴² Motion to Submit Quarterly Report, *In Re: Review of LUMA's Initial Budgets*, Case No.: NEPR-MI-2021-0004, November 30, 2022 (November 30 Motion), Exhibit 1, p. 16.



In view of the importance of rebuilding and maintaining the 230 kV lines, LUMA is **ORDERED** to develop a plan and corresponding budget with detailed Timeline and Milestones for necessary clearing of vegetation to fully remediate these lines by Q4 FY 2024. LUMA is directed to include its plans for maximizing federal funding. LUMA is **ORDERED** to provide updates on the status of obtaining federal funding for this vegetation clearing in the Quarterly Reports beginning with Q3 FY 2023.

LUMA is also **ORDERED** to increase its budgeted funding for Vegetation Management to a minimum of \$60 million for FY 2024. This will consist of an incremental \$10 million for existing Vegetation Management Programs. When combined with the accelerated 230 kV line clearing, this is expected to enable LUMA to complete the Remediation Stage of the Vegetation Management Program before the five-year period in the Initial Budgets Proposal rather than in six years in the proposed FY 2023 Budget. LUMA is to implement a sustainable four-year cycle for Vegetation Management thereafter. Transmission Lines of 230kV which inject most of the baseload generation, are to be kept clear of vegetation and verified by ground/air patrol at least once before the start of hurricane season.

The Energy Bureau **ORDERS** LUMA to: (i) for FY 2023, increase the Vegetation Management Program budget by \$2.5 million in Q4 from a corresponding reduction in the non-federally funded Enabling Improvement portfolio; (ii) allocate a minimum of \$60 million to Vegetation Management in the FY2024 Budget; (iii) submit in the FY 2024 Budget a funding plan that maximizes federal funding to clear all 230kV lines and reclaim the ROWs by Q4 FY 2024, with a detailed Timeline and Milestones; (iv) submit in the FY 2024 Budget a funding plan to complete the Vegetation Management Remediation Phase by H1 2026 with a detailed Timeline and Milestones and its plans for obtaining and maximizing Federal Funding; (v) report Quarterly, beginning in Q3 FY 2023, the status of its efforts to obtain Federal Funding for Vegetation Clearing; (vi) provide in the Vegetation Management Docket (NEPR-MI-2019-0005) a corresponding detailed implementation plan to complete the Vegetation Management Remediation Phase by H1 2026 with a detailed Timeline and Milestones; (vii) include in its Q3 FY 2023 and subsequent Quarterly Budget Reports, the status of expenditures for the Vegetation Management Program with a full explanation of variances; (viii) report quarterly in the Vegetation Management Docket (Case No.: NEPR-MI-2019-0005) on the number of miles and acres cleared for each T&D voltage level.

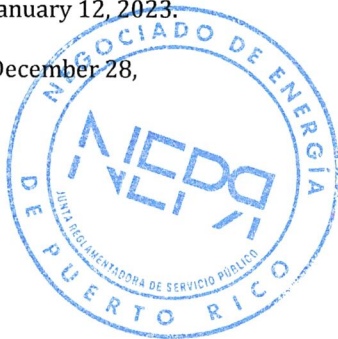
2. *T&D Restoration and Maintenance – Lineworkers*

Lineworkers are an integral part of the provision of electric service. They are essential for day-to-day operation of the electric system as well as in ensuring prompt and effective system restoration after an emergency event and currently, still persistent, blue-sky outages. LUMA stated that its lineworkers are not dedicated to either maintenance or restoration but are qualified for and deployed for both. LUMA provided in ROI responses, the actual FTE lineworker count for FY 2022 and the budgeted FTE lineworker count for FY 2023, showing a reduction in the number of positions budgeted for FY 2023 over the actual number in FY 2022.⁴³ LUMA provided the number of, FY 2022 FTE lineworker positions that were qualified to work on live lines, some with supervision.⁴⁴

The Energy Bureau is cognizant of the difficulties LUMA has related in obtaining qualified lineworkers, however, expects LUMA to develop innovative procedures to achieve necessary hiring levels. The Energy Bureau **ORDERS** LUMA to prioritize

⁴³ LUMA Confidential ROI Response: RFI-LUMA-MI-2021-0004-20221220-PREB-002, Filed January 12, 2023.

⁴⁴ LUMA Confidential ROI Response: RFI-LUMA-MI-2021-0004-20221220-PREB-001, Filed December 28, 2022.



the development of methods to obtain and/or train the necessary number of qualified lineworkers and budget accordingly.

LUMA provided the actual number of FTE lineworkers able to work on energized lines for FY 2023, both with and without the use of contracted workers and the FY 2023 proposed number of FTE lineworkers able to work on energized lines.⁴⁵ The budgeted number of FTE lineworkers able to work on energized lines is greater than the actual number including contracted workers, The Energy Bureau **ORDERS** LUMA to report in its Quarterly Reports t its efforts to obtain the number of FTE lineworkers budgeted in its FY 2023 Budgets, to include at least the FY 2023 budgeted number of FTE lineworkers qualified to work on energized lines.

The Energy Bureau **ORDERS** LUMA to include, in its Quarterly Budget Reports starting in Q3 FY 2023, its efforts to obtain the number of funded FTE lineworkers budgeted FY 2023, with that number to include at least the FY 2023 budgeted number of FTE lineworkers qualified to work on energized lines, the reasons for any variance, and a description of ongoing activities aimed at addressing any difficulties in obtaining those FTE lineworkers; also include the number of FTE lineworkers qualified to work on energized lines as of the day of the Quarterly Budget Report.

3. *Generation Fleet Maintenance – taking effective advantage of FEMA’s Temporary Emergency Generation (NEPR-MI-2022-0003, In Re: LUMA Response to Hurricane Fiona)*

PREPA should focus on the use of Federal Funds for replacement of aged generation facilities. While keeping overall spending within budgeted amounts, PREPA has used funding approved for certain specifically proposed generation related projects for different generation activities. PREPA’s generation spending must provide a preventive maintenance program rather than incur more expenses as a result of delayed or diverted expenditure programs. PREPA has noted in its budget support documents that the amount of budgeted funds allocated for Generation Maintenance is not adequate.

The Energy Bureau notes that since January 24, 2023, the operations and maintenance of PREPA’s generation fleet are being transitioned to Genera PR, LLC. (“Genera”).⁴⁶

To the extent that PREPA receives reimbursement funds from FEMA that are not dedicated to future capital projects, including reimbursement for the Mega-Gen peaking units⁴⁷ at Palo Seco, PREPA is **ORDERED** not to direct the allocation of these funds without prior approval from the Energy Bureau. Genera is **ORDERED** to file quarterly reports beginning in FY 2024, detailing actual NME expenditures, and in those reports, it is to correspond actual spending to the capital expenditure initiatives outlined in its proposed Generation Budget. To the extent there are variances or where NME funds are diverted to address maintenance and repair initiatives not listed in the approved budget, Genera is directed to describe and

⁴⁵ LUMA Confidential Clarification of RFI-LUMA-MI-2021-0004-20221220-PREB-001, filed January 26, 2023 Determined in accordance with criteria for positions that are competent to lead live line work as described in Confidential Response: RFI-LUMA-MI-2021-0004-20221220-PREB-001, filed December 28, 2022.

⁴⁶ See Execution Version, Puerto Rico Thermal Generation Facilities Operation and Maintenance Agreement, Available at: <https://www.p3.pr.gov/wp-content/uploads/2023/01/230124-LGA-OM-Agreement.pdf> (Last visited, February 21, 2023).

⁴⁷ In FY19 PREPA redirected \$58.1 million from the NME budget for the acquisition of these units, see Exhibit A, *Moción en Cumplimiento de Orden Dictada Durante Conferencia Técnica Celebrada el Pasado 3 de Septiembre de 2021*, in NEPR-MI-2021-0014.



explain the cause of the variances, and to describe the impact on the expenditure programs in the approved budget.

The Energy Bureau **ORDERS** LUMA to: (i) to submit Quarterly reports detailing actual NME expenditures and associated activities; NME funding levels and associated activities will remain (\$99 million).

The Energy Bureau **ORDERS** Genera, for FY 2024, to develop an NME plan that takes effective advantage of FEMA's temporary emergency generation arising from LUMA's Generation Stabilization Plan and prioritizes NME of baseload generation.⁴⁸ Genera shall submit Quarterly Reports detailing actual NME expenditures and associated activities.

4. *Grid Resilience-Build Foundational Investments – Advanced Metering Infrastructure (“AMI”)*

AMI provides numerous resilience enhancing capabilities that are foundational to the effective rebuild of a grid that needs to sustain the peril of hurricane season every year. These include the ability for the Operator to dynamically control the grid and address disturbances before they can escalate to service interruptions. AMI will reduce outage duration and improve response, especially during and after an emergency incident, by enabling the detection of outage and restoration events. AMI data is crucial for accurate load profiling purposes and integration of distributed renewable energy. The Energy Bureau notes that recent funding assigned by the US Congress⁴⁹ is poised to significantly animate the adoption of distributed renewable energy throughout the Island. Without the grid situational awareness that AMI affords, feeder and substation hosting capacity will be negatively affected, potentially limiting the number of distributed renewable generation and associated energy storage able to interconnect to the grid.

Restoration times after a hurricane event tend to be longer in the mountainous regions of the Island as these areas are hard to reach. The increase in resilience facilitated by distributed renewable generation (“DG”) is significant in these areas and increase of DG interconnection is expected that could trigger the need for grid upgrades. The AMI sensing capabilities support flexible interconnection that could negate and/or defer the need for these grid upgrades to reliably integrate these DG facilities to the electric system. During an emergency event, AMI, with a compatible Outage Management System (OMS), allows for granular Estimated Times of Restoration (ETRs). These granular ETRs inform the mobilization of emergency personnel and resources.

Some of the specific functionalities enabled by AMI include, but are not limited to:

- Enhanced Customer Engagement & Communications
- Customer Segmentation & Behavioral Analysis
- Customer Power Quality
- Customer Energy Efficiency
- Customer Service & Call Center Performance
- Customer DER/PV/EV
- Customer Device Safety
- AMI Network & Data Operations
- Remote Move in/Move out
- Remote Disconnect / Reconnect
- Network Connectivity Analysis
- Outage Detection/Prediction & Analysis

⁴⁸ In re. LUMA Response to Hurricane Fiona., Case No. NEPR-MI-2022-0003.

⁴⁹ See H.R. 2617-754, *Consolidated Appropriations Act, 2023*, Available at: <https://www.congress.gov/117/bills/hr2617/BILLS-117hr2617enr.pdf> (Last visited February 6, 2023)



- Outage Restoration & Notification
- Voltage Monitoring & Analysis
- Asset Load/Phase Management, Balancing & Power Analysis
- Load Profiling & Forecasting
- Distribution Technical Losses
- Revenue Protection & Assurance
- Conservation Voltage Reduction
- Innovative Rate Development
- EV/PV/Storage Products & Services
- Energy Trading & Market Efficiencies
- Customer Safety
- Usage & Bill Alerts, Saving Tips
- Interactive Energy Demand & Bill Management, Analytics & Self-Service
- Customer Demand Response/DSM
- Critical Peak Rebate
- Optimal Capacitor Bank Design & Placement
- Smart Home (HEM, Sensors, Assistants, Appliances)
- Volt/Var Optimization
- Customer Prepaid Power
- Connected Community (mobility, security, connectivity, sustainability, resiliency)
- Post Storm Analysis & Outage (Utility Analytics)
- Asset Management, Health & Risk
- Reliability Analysis & Optimization
- DA/Distributed Operations Intelligence
- Utility, Customer & Community Energy Storage
- Rate Analyzer & Comparator

The FY 2023 Budget Proposal addresses only the development of research and business planning for new technologies such as AMI and developing a roadmap for AMI implementation. No funding, however, is allocated to AMI Implementation in the FY 2023 Proposed Budget,⁵⁰ although LUMA recognizes AMI as “usually seen as a top priority foundational program due to its large number of related and dependent programs and the savings and customer benefits that are immediately available.”⁵¹ LUMA states it is “Working on obtaining federal funding...”⁵²

The deployment of AMI is foundational to the effective buildup of a resilient grid. The Energy Bureau is concerned that the sequence of the rebuild efforts appears to place the deployment of AMI as an afterthought instead of a core part of the resilient rebuild of the electric system. The power flow of a resilient grid is dynamically managed by using controllable parts and the sensing capabilities that can be found in AMI. Legacy solutions where system constraints and operational violations are mitigated by increasing facilities’ ratings is the brute force approach to system planning,

The smart rebuild of the grid needs to leverage capabilities found in technologies, which, if not correctly sequenced could result in unnecessary costs.

The Energy Bureau **ORDERS** LUMA to: (i) file under Case No. NEPR-MI-2021-0002, within 45 days after the notification of this Resolution and Order, the FEMA Project Scope of Work (SOW DR-4339-PR Public Assistance) for full implementation of AMI throughout its service territory; (ii) include in its FY 2023 and subsequent Quarterly Reports, details on the process it is undertaking and the

⁵⁰ July 13 Motion, Exhibit 2, p. 124.

⁵¹ *Id.*, p. 124.

⁵² *Id.*, p. 125.



status of its efforts to obtain Federal Funding for AMI; and (iii) include in its FY 2024 Budget proposal, funding for implementing an AMI program in accordance with the detailed SOW specified in No. 12 above.

5. *Utility Scale Renewable Energy Integration – Network Upgrades*

Given that the stability of the system and subsequent compliance with industry reliability standards rely on the availability of dependable generation,⁵³ on June 13, 2022 the Energy Bureau directed LUMA in NEPR-MI-2020-0012 (*Funds for Transmission System Network Upgrades that contribute to raising system performance to industry standards*) to seek restoration federal funds that enable the grid to accept the injection of new generation designed to displace the existing unreliable legacy thermal generation facilities,⁵⁴ to raise system performance to industry reliability standards under the FEMA Public Assistance grant DR-4339-PR. The Energy Bureau notes that the electric system overly relies on load shedding operations to prevent its collapse. Industry reliability standards consider this operation (load shedding) to be a last-resort backup measure as it interrupts electric service to blocks of customers. The employment of this operation has been normalized and this is not acceptable and not consistent with the level of service an electric customer should expect in Puerto Rico. During the week of February 6, 2023 there were at least 5 load shedding events resulting from outages at generating units in Palo Seco, Costa Sur, and San Juan.⁵⁵ Currently, and exacerbated by the impact of Hurricane Fiona in 2022, the bulk power system ("BPS") does not have the grid support capabilities to adequately withstand a frequency excursion triggered by the loss of a generating unit. This is why it is imperative that the grid is rebuild incorporating BPS assets that can effectively provide this grid support and enable the integration of new, clean, dependable, dispatchable generation.

While the federal funding process is pursued, the Energy Bureau **ORDERS** LUMA, for FY 2023 (4th Quarter) and FY 2024, to include in its Budget proposal, a specific allocation for Tranche 1 network upgrade funding and identify the priorities it utilized in determining the impact of reallocating those Non-Federal Funds. LUMA is directed to evaluate and determine the prioritization in a manner with the lowest potential impact on system reliability.

The Energy Bureau **ORDERS** LUMA to: (ii) while the federal funding process is being pursued to include a specific allocation for Tranche 1 network upgrade funding in its Q4 FY 2023 (4th Quarter) and FY 2024 Budget proposal and identify the priorities it utilized in determining the impact of reallocating Non-Federal Funds; and (ii) evaluate and determine the prioritization of such allocation in a manner that has the lowest potential impact on system reliability.

6. *Federal Cost Share – FEMA PA Grant DR-4339-PR*

Federal Cost Share Allocation has been afforded inadequate attention in the FY 2023 Budget Proposal. Programs are included in the FY 2023 Budget that require Federal Funding without allocating requisite Cost Share. This is not responsible budgeting as without the availability of matching funds, those programs may not move forward. On November 21, 2022 LUMA filed with the Energy Bureau, a letter from Deputy Chief of Staff for Energy Affairs in the Governor's Office to LUMA dated November 21, 2022 in which the Governor's Office states that it recognizes the importance of identifying the source of matching funds as the

⁵³ NERC Reliability Standard TPL -001-4, Transmission System Planning Performance Requirements.

⁵⁴ See *Daily Availability Reports* of existing generation units from System Operator. Available at: <https://lumapr.com/bps-monitoring/?lang=en> (last visited February 21, 2023).

⁵⁵ System Status Daily Updates to the Energy Bureau – LUMA's System Operations.



budget for Federally Funded work exceeds the \$5,000 million for which \$500 million in matching funds are currently available and that improving and modernizing the electric system are a priority for the Government of Puerto Rico. The letter cites projections that current matching funds will be adequate until at least the end of 2026 and that \$166 million is expected to be required annually beginning in 2027 and states that "With the provided projections, the Government of Puerto Rico's fiscal team will initiate a plan to identify and allocate the required funds for the required matching when the CDBG-DR ER 1 program budget is used."

It is apparent from the November 21 letter, that the Governor's Office expects matching funds to be derived from sources outside of electric rates. To ensure that Federal Funding is not jeopardized due to the unavailability of matching funds, however, the Energy Bureau **ORDERS** LUMA to include an allocation for these funds in its budgets, beginning in FY 2025 to account for the possibility that matching funds may not be available from other sources. This would be reflected and evaluated in **the rate case LUMA is required to file on August 1, 2023**, for rates beginning in FY 2025. In accordance with the November 21 letter, current projections indicate that additional matching funds will not be needed by LUMA until 2027.

The Energy Bureau **ORDERS** LUMA to appropriately address the source and timing of obtaining Federal Cost Share Matching Funds and explain the impact upon its operations if the funds are not available and to report quarterly on its progress in obtaining the Federal Cost Share Matching Funds and include a line item in its budgets to reflect this number.

The Energy Bureau **ORDERS** LUMA to: (i) include, beginning in its FY 2024 Budgets, a line item to reflect Federal Cost Share Matching Funds; (ii) include, in its FY 2024 Quarterly Budget Reports, the identity, source and status of funding sources that have been identified to cover the necessary Federal Cost Share requirements for FEMA Public Assistance Grant DR-4339-PR; and (iii) include in its Rate Filing for FY 2025, an allocation for required Federal Cost Share matching funds to ensure that if not received from other sources, those funds would be available in rates.

C. Prioritization of FEMA Reimbursements

On February 17, 2022, LUMA submitted to the Energy Bureau,⁵⁶ a letter dated January 11, 2022 from PREPA to the FOMB, in which PREPA clarified and provided further information regarding its request to amend the FY 2023 PREPA Certified Budget to address operational and maintenance needs for the legacy generation system.

In the letter, PREPA explained that as of December 8, 2022, the balance in its FEMA reimbursement account totaled \$372 million, consisting of \$147 in restricted COR 3 advances, \$25 for fuel payments and a remaining balance of \$200 million. PREPA initially requested that the FY 2023 Certified Budget be increased by \$200 million, comprised of \$60 million for needed NME and operational expenses and the remainder of \$140 for federally funded projects. PREPA clarified that upon discussion with its advisors, it modified its initial amendment request to include only an incremental \$20 million in operational expenses and \$40 million in NME. PREPA noted that not all of the federally funded projects it intended to undertake had been approved by the Energy Bureau.

PREPA asserts that new budget expense lines are unnecessary and that amendment to the FY 2023 Budget is not required because the Federally Funded projects it

⁵⁶ Motion Submitting Information Delivered by the Puerto Rico Electric Power Authority in Compliance with Resolution and Order Dated February 1-,2022, *In Re: Review of LUMA's Initial Budgets*, Case No.: NEPR-MI-2021-0004, February 17, 2022 ("February 22 Motion").



intends to undertake must be fully reimbursable from Federal and local governmental sources, will not be derived from the sale of electricity and will not have an impact on the FY 2023 PREPA Certified budget.

The Energy Bureau reminds PREPA that although the FOMB may certify the total utility budget, the authority and responsibility to approve budgetary components, including the funds PREPA here seeks to be added to its Budget, rest with the Energy Bureau. Energy Bureau approval is a pre-requisite to the FOMB's determination. In pursuing its amendment request, PREPA should initially submit this and all subsequent amendment requests to the Energy Bureau for review and approval. PREPA is not to direct the allocation of any FEMA reimbursements, including the \$53.7 million reimbursement from FEMA for the Mega-Gen generating units onsite at Palo Seco,⁵⁷ without prior approval from the Energy Bureau. The Energy Bureau prioritizes funding among utility activities to adequately address the most pressing needs of the system. This prioritization is important when the electric system is on the path to recovery and strengthening. The Energy Bureau is well aware of the importance of adequately funding PREPA's Generation Budget and the significant concern that PREPA asserts for the need for additional NME funds. The Energy Bureau will determine the proper allocation of funding between T&D and Generation and focus on the more granular allocation of funding for specific projects. The potentially temporary need for Non-Federally Funded Capital Funds for Tranche 1 generation network upgrades⁵⁸ may, be alleviated, enabling those funds to be allocated for necessary expenditures.

The Energy Bureau is also concerned that it does not have clear visibility of cash flow expenditures and FEMA reimbursements for Federally Funded generation projects. Such projects are not included in the Generation Budget, and neither PREPA nor LUMA have reported such expenditures in the FY2023 Budgets. This despite the Energy Bureau ordered PREPA to provide to LUMA, for LUMA to file with the Energy Bureau, FY 2024 Quarterly Reports, to include budgeted expenditures for Federally-Funded Capital Projects, expected FEMA reimbursements, actual expenditures and reimbursements with a full explanation of any variances.

For the reasons discussed above, the Energy Bureau **ORDERS GENERA** to: (i) provide to LUMA, for LUMA to file with the Energy Bureau, the FY 2024 Quarterly Reports, to include budgeted expenditures for Federally-Funded Capital Projects, expected FEMA reimbursements, actual expenditures and reimbursements with a full explanation of any variances; and (ii) to provide FY 2024 Quarterly Reports, to include budgeted expenditures for Non-Federally-Funded Capital Projects and operating expenditures, for the Generation Budget approved herein, including a listing of actual expenditures and with a full explanation of any variances.⁵⁹

D. Improved Efficiencies and Resulting Savings

Improved efficiencies and resulting savings were a significant area of concern in the Initial Budgets and continue to be so in the F2023 Proposed Budgets. The Energy Bureau notes that Future Efficiencies projected for FY 2023 in the Initial Budgets in the amount of \$59.409,⁶⁰ however, in the FY 2023 Budget Filing, no efficiencies for FY 2023 are reflected.⁶¹ Future Efficiencies for \$74.709 million are projected for FY 2024

⁵⁷ COR3 disbursed \$53,766,422.93 to PREPA on January 30, 2023 for the 90% reimbursement of acquisition and installation of three (3) 27 MVA generating units (Mega-Gen units) currently onsite at Palo Seco, PW 180692 under FEMA FAAS Master 136271.

⁵⁸ Section 4(2)(e) of this Resolution and Order, Utility Scale Renewable Energy Integration – Network Upgrades.

⁵⁹ PREPA was to provide such documents to LUMA, for LUMA to file with the Energy Bureau on behalf of PREPA.

⁶⁰ February 24 Motion, Exhibit 1, p. 67.

⁶¹ July 13 Petition, Exhibit 2, p. 56.



and \$152.274 million for FY 2025.⁶² The Energy Bureau notes as well LUMA's assertions that, although not specifically identified and quantified, efficiencies and cost savings are being achieved throughout the electric system and help enable LUMA to implement necessary projects without the necessity of a rate increase.

Pursuant to the Energy Bureau Directive in the May 31 Resolution and clarified thereafter,⁶³ LUMA included in its Annual Report for FY 2022, an update on the implementation of improved efficiencies and quantification of resulting savings. In response to the Directive in the May 31 Order, LUMA asserted that it could not quantify efficiencies for FY 2022 because FY 2022 would be its first year of operation as Service Provider and it would have no baseline upon which to compare resulting efficiencies other than PREPA's historic spending. This, LUMA asserted, would be inappropriate because LUMA's budget was developed using a bottom-up approach and comparison with PREPA's historic expenditures would not be appropriate.⁶⁴ The Energy Bureau stated that it would uphold the reporting requirement and that the FY 2022 report may reflect the evolving nature of the efficiency efforts.⁶⁵

In its FY 2022 annual report, LUMA addresses the six specific efficiencies and savings specified by the Energy Bureau in its May 31 Resolution. These are:

1. *Efficient contracting of services*

In the Annual Report, LUMA asserts that in FY 2022, it developed a dedicated team to implement cost control, contract administration and scheduling to obtain efficiencies in its procurement processes and contract management with vendors. LUMA states that savings and efficiencies were realized across the business. LUMA identified resulting savings of about \$14 million.⁶⁶

2. *Effective revenue collections from past due bills*

LUMA states that a dedicated team was established upon commencement to address collection from past due bills and that the efforts of this team resulted in the collection of more than \$203 million in past due bills. As a part of this process, LUMA relates that it supported customers in obtaining \$38 million in financial aid.⁶⁷ Although this does not directly benefit all ratepayers, this effort is significant.

3. *Minimizing transmission line losses*

LUMA explains that modern grid practices help improve grid services and reduce energy loss on T&D Systems and that this enables customers to reduce energy consumption, saving money and reducing emissions without changing behavior. LUMA describes the new engineering design standards it implemented for distribution mainline and for substations. LUMA asserts that it implemented plans to support improvement in the longer term.⁶⁸ Specific financial benefits are not quantified.

⁶² *Id.*

⁶³ July 16 Resolution, p. 4.

⁶⁴ June 21 Motion, p. 8.

⁶⁵ July 16 Resolution, p. 4.

⁶⁶ Motion Submitting LUMA's Annual Report for Fiscal year 2022 and Report on Efficiencies, In Re: Review of LUMA's Initial Budgets, Case No.: NEPR-MI-2021-0004, October 29, 2022 (October 29 Motion), Exhibit 1, pp. 24 - 25.

⁶⁷ *Id.*, p. 25.

⁶⁸ *Id.*



4. *Addressing customers without meters or with malfunctioning meters*

LUMA describes the steps it has taken to improve meter reading, including meter replacement, field quality checks, establishing a meter shop and a Quality Management System. LUMA states that it focused on replacing malfunctioning and outdated meters with new meters that can be read remotely which supports more accurate and timely meter reading. LUMA reports this effort increased remote meter readings from 87% to 94.5% and contributed to fewer field visits and associated operating costs.⁶⁹ Specific financial benefits are not quantified.

5. *Reducing energy theft*

LUMA relates that in FY 2022, reducing non-technical line losses has been a significant focus, concentrating on billing and collection related losses. LUMA also states it focused on improving analytics, building a team of specialists to improve theft detection, and conducted training and communicated with stakeholders to impart mindset. LUMA states that its foundational activities in FY 2022 will enable the next steps to be taken in FY 2023 to implement the new processes, procedures, and structure for LUMA's new approach to non-technical line losses.⁷⁰ Specific financial benefits are not quantified.

6. *Revenues from Third-Party Attachments*

LUMA explains that in FY 2022 it launched several efforts to implement industry standard practices in the management of third-party attachments, beginning with a review of the process followed by PREPA. LUMA states it is on track to advance the Third-Party Use, Audit, Contract and Billing Procedures Improvement Program in line with milestones presented and approved in LUMA's SRP Improvement Program.⁷¹ LUMA indicates that new third-party agreements will be developed in H2 2023, and the Remediated State Pole Attachment Installation Standards Program established in H2 2025. Specific financial benefits are not quantified.

7. *Additional Efficiencies and Avoided Costs*

LUMA discusses additional efficiencies and avoided costs. LUMA asserts that future efficiencies generally account for forecasted load reduction and will be achieved through additional operational efficiencies and savings from LUMA's loss reduction program.⁷² LUMA discusses the work that has occupied its first year of operations and explains that during FY 2022 it built a foundation upon which future improvements will be based. LUMA enumerates numerous efficiencies throughout the business that have resulted in more value to customers.⁷³ LUMA explains that the forecasted load declines over the budget period and funding for LUMA's budgets decreases.⁷⁴ LUMA asserts that although it is unable to quantify efficiencies and savings, they enable LUMA to perform necessary electric service while remaining within the approved budget limit.

⁶⁹ *Id.*, p. 26.

⁷⁰ *Id.*

⁷¹ *Id.*

⁷² July 13 Motion, Exhibit 2, p. 22.

⁷³ *Id.*, pp. 26 – 29.

⁷⁴ July 13 Motion, Exhibit 2, p. 22.



The Energy Bureau acknowledges the difficulty LUMA asserts in quantifying cost savings and efficiencies during FY 2022 because FY 2022 was LUMA's first year of operation as Service Provider, and LUMA therefore, had no applicable prior data with which to compare its operations. This recognition is reflected in the Energy Bureau's clarification that for FY 2022, LUMA may reflect the evolving nature of its efficiency efforts in its Annual Report.⁷⁵ Now that FY 2022 has concluded and a baseline is available, the Energy Bureau expects the FY 2023 Annual Report to reflect efficiencies and savings that resulted from LUMA's efficiency efforts.

Clarification is necessary for the efficiencies that LUMA is addressing. LUMA refers to efficiencies realized throughout its operation and asserts these efficiencies cannot be effectively quantified. LUMA explains that the efficiencies result in more value to consumer because LUMA is able to advance its programs without exceeding the base rates specified in the 2017 Rate Order, despite external factors such as inflation and decreasing load. LUMA explains that eliminating projected efficiencies for FY 2023 as compared with the projected FY 2023 efficiencies in the FY 2022 Budget, is because the projected number reflects the required revenues for the following fiscal year to stay within the established base rates, and they are not reflected in that year's proposed budget. LUMA notes that based on these criteria, the projected Operating and Non-Federally Funded Capital Expenditures in proposed FY 2023 Budget is \$23 million less than the FY 2022 budget.⁷⁶ It is not adequate to assert generally that the efficiencies it attains enable it to provide adequate service while staying within approved base rates which reflect expected declines in load and other external factors such as inflation.

The Energy Bureau is interested in LUMA's progress and results in developing the specific programs enumerated in the May 31 Resolution and in other specific programs that will result in efficiencies or cost savings. LUMA related in the Technical Conferences it was assessing those efficiencies and savings and how to quantify those numbers in the FY 2022 Annual Report. Now that LUMA has a FY 2022 baseline with which to compare its savings, the Energy Bureau expects the FY 2023 annual report to more reflect the status of those and other specific efficiency and cost savings programs, the efficiencies, or savings realized and the expected impact of those programs on subsequent budgets and benefit to customers.

For the reasons discussed above, the Energy Bureau **ORDERS** LUMA to provide in its FY 2023 Annual Report, and subsequent annual reports, the status of the efficiency and cost savings programs specifically referenced by the Energy Bureau, and any other specific efficiency and cost savings programs, the efficiencies and cost savings that have been realized, and the expected impact of those programs on subsequent budgets.

E. Continuing High Priority Areas

1. Emergency Preparedness and Response

LUMA describes the Emergency Response Program as focused on emergency response management, implementing the ERP and establishing the Office of Emergency Management and Business Continuity (OEMBC)⁷⁷, and supporting the acquisition of damage assessment software, among other areas of focus.⁷⁸ LUMA allocates \$0.2 million to the Emergency Response Preparedness Program in the

⁷⁵ July 16 Resolution, p. 4.
⁷⁶ Technical Conference, October 18, 2022, Time: 12:45 – 43:58.
⁷⁷ Office of Emergency Management and Business Community.
⁷⁸ July 13 Petition, Exhibit 2, p. 309.



proposed FY 2023 Budget.⁷⁹ LUMA states it has identified that the current emergency response preparedness and readiness is well below Prudent Utility Practice, with the large gap leaving employees, the electric system and customers unprotected. LUMA enumerates specific shortcomings as including:

- a. Major challenges in predicting the severity of storm damage and ensuring adequate resources staffing and materials are on site and ready to go in advance or immediately after the storm.
- b. A poorly functioning OMS (lacking current connectivity information) and lack of proper IT visualization and analytic tools add to the difficulty of focusing on and reporting on restoration efforts, along with adjusting regional staffing levels to match damage levels across the system.
- c. The restoration procedure does not have formal operating procedures and checklists, resulting in inconsistencies in service restoration protocols. This also leads to potential safety and operational hazards.⁸⁰

LUMA also explains that the overall emergency response uses a manually intensive approach from initial damage assessments to coordinating/deploying crews. This creates an undue strain on the management of the service restoration process. Several other gaps are cited as well.⁸¹

When funding for the Emergency Response Plan was discussed at the October 10, 2022 Technical Conference, LUMA indicated that it has adequate funding for the Emergency Response Plan. LUMA stated, however, that the OMS is not connected to the GIS which handicaps the OMS. LUMA also cited continued significant reliance on manual processes with the OMS. LUMA also stated that during Storm mode, calls are focused on to deal with outages and agents are not available for other customer functions. LUMA stated these other customer functions remain available through other forums, for example, email, direct message, and LUMA's website. LUMA asserted this priority of call answering is important to address safety issues. The Energy Bureau notes, however, that not all customers have these other forums available to them and it may be necessary for customers to speak with a Call Center Representative during an emergency event regarding areas other than outage relate emergencies.

LUMA stated at the Technical Conference that the Emergency Response Program is not an SRP program so no milestones or remediation date are established. Although in the July 13 Petition, LUMA provides a description of the Emergency Response Program in a completed state, when asked in the August 20 Technical Conference when this completed state would be achieved, LUMA stated that this program is ongoing and does not have a completion date. In the July 13 Petition, LUMA cites numerous issues and necessary improvements in its description of the program completed state,⁸² however, that description of the issues and necessary improvements is identical to the description of a completed state provided in the Initial Budgets.⁸³ This does not provide the Energy Bureau with the current status of the Emergency Preparedness Program and the ERP making it difficult to determine basic information relative to the adequacy of the Budget for this important area. Inquiry at Technical Conferences and through Requirements of Information should not be necessary to obtain the basic information that should be accurately provided in the Budget Filing.

⁷⁹ *Id.*, p. 333.

⁸⁰ *Id.*

⁸¹ *Id.*, pp. 309 – 310.

⁸² *Id.*, pp. 310 – 311.

⁸³ February 24 Motion, pp. 314 – 315.



The Energy Bureau notes that the content of the Emergency Response Plan is the subject of another Docket⁸⁴ and will not be discussed here. The status of the finding initiatives raised in the Budget proposals, however, should be provided in the Budget proceeding to enable the Energy Bureau to readily determine the adequacy of funding. The Energy Bureau notes as well, that LUMA's response to Hurricane Fiona did not conform to the ERP in certain respects. Primary among these, was LUMA's failure to conform to the ERP regarding providing granular Estimated Times of Restoration (ETRs) and regarding certain reporting requirements.

The OIPC commented on the Proposed FY 2023 Budgets at the October 18, 2022 Technical Conference.⁸⁵ In referencing funding for Emergency Preparedness and Response, the OIPC representative questioned whether funding for emergency storm response was adequate, in view of LUMA's assertion that during emergency events, all employees attend to outages, but other services are not available from the Call Center. LUMA stated that although the services may not be available from the Call Center during Storm Mode to attend to outages, all services continue to be available through other means, for example, email, direct message, and LUMA's website. LUMA asserted this priority of call answering is important to address safety issues. The Energy Bureau recognizes the concern addressed by OIPC, however, also recognizes this must be balanced with the need for adequate staffing during emergency events and has made a determination to address this issue.

The Energy Bureau **ORDERS** LUMA to: (i) update and provide to the Energy Bureau within thirty (30) days of the notification of this Resolution and Order, the information provided in the July 13 Petition with respect to Emergency Response Preparedness and the ERP to accurately reflect its current status; (ii) provide funding in the FY 2024 Budget to achieve a completed state for the ERP, with the understanding that the ERP is subject to continual improvement and refinement; (iii) provide funding in the FY 2024 Budget to enable it to effectively conform to the ERP, in particular, with respect to providing timely and granular ETRs; (iv) provide funding in the FY 2024 Budget to install, test and fully implement the OMS so as to avoid the heavy reliance upon manual processes that is cited in the July 13 Petition; and (vi) provide funding in the FY 2024 Budget to enable customers to speak with a Customer Service Representative with regard to subjects other than outage related emergencies during a storm event, albeit this may be at a reduced level of service.

2. Reliability and Resiliency

It is important for LUMA to continue to conform its Budgets with the System Remediation Plan ("SRP"). The SRP addresses capital expenditures and business process improvements, with which, LUMA is expected to improve reliability and resiliency of the Puerto Rico power system and improve the provision of electric service. In its Quarterly and Year End Reports, LUMA addressed the status of its actual expenditures and explained variances in spending regarding SRP programs.

In the Initial Budgets, the Energy Bureau focused on LUMA's plans regarding improving system reliability and resiliency through Distribution, Transmission and Substation improvement. The Energy Bureau found that the Initial Budgets appropriately identified, focused on and sequenced capital and operations expenditures to improve reliability and resiliency. The Energy Bureau recognized, however, that much of the Initial Budget was based on limited data about the asset condition of the underlying T&D System and that LUMA would have improved visibility of the state of the power system and be better positioned

⁸⁴ In re: Puerto Rico Electric Power Authority's Emergency Response Plan, Case No. NEPR-MI-2019-0006.

⁸⁵ Technical Conference, October 18, 2022, Time: 2:48 – 10:32.



to address data quality and data deficiencies identified in the GAP Assessment. The Energy Bureau expressed the expectation that future filings would build upon progress made in repairing the system and upon improved data available through LUMA's actions, expenditures, and remediation programs.⁸⁶

In its July 13 Petition, LUMA states that the Fiscal Year 2023 Federally Funded Capital Budget is predominantly focused on the distribution, transmission, substation portfolios as well as the control center and buildings⁸⁷ and that ongoing system rebuild, and resiliency activities include building transmission and distribution lines.⁸⁸

LUMA allocates \$151 million in Federal Funded Capital Expenditures to the Distribution Improvement Portfolio in the FY 2023 Budget.⁸⁹ The FY 2022 Year End Report indicates that for FY 2022, \$199.2 was allocated and only \$6.3 million was actually expended.⁹⁰ LUMA has explained at great length in its filings, the issues that have impeded its obtaining and utilizing Federal Funds, mainly the failure of the previous operator to advance the work necessary to obtain Federal Funding and the complex nature of the process to obtain those funds. LUMA stated that no additional gaps were identified post commencement and no additional activities were identified post commencement for programs in the Distribution Program Portfolio in the FY 2023 Budgets. The Annual Budgets have been updated for each of the Programs and Milestones have been updated to reflect the time required to complete the work for SRP Programs.⁹¹

LUMA allocates \$126 million in Federally Funded Capital Expenditures to the Transmission Improvement Portfolio in the FY 2023 Budget.⁹² The FY 2022 Annual Report indicates that for FY 2022 \$235.9 million was allocated and only \$13.4 million was actually expended. In the July 13 Petition, no additional gaps were identified post commencement and no additional activities were identified post commencement for programs in the Transmission Improvement Portfolio. The Annual Budgets have been updated for each of the Programs and Milestones have been updated to reflect the time required to complete the work for SRP Programs.⁹³

LUMA allocates \$111 million in Federally Funded Capital Expenditures to the Substation Improvement Portfolio in the FY 2023 Budget.⁹⁴ The FY 2022 Annual Report indicates that for FY 2022 \$89.1 million was allocated and only \$15.1 million was actually expended. LUMA indicates that the Programs in this Portfolio have been consolidated and updated to reflect how LUMA groups the work to optimize Federal Funding and take advantage of efficiencies. The FY 2023 Budget has been updated for the Regional and Technical Facilities Security program.

The Energy Bureau notes that for the programs in these three Improvement Portfolios, no additional gaps were identified post commencement and no additional activities post commencement were identified. The Substation

⁸⁶ May 31 Resolution, pp. 18 – 20.

⁸⁷ July 13 Motion, Exhibit 2, p. 27.

⁸⁸ *Id.*, p. 29.

⁸⁹ *Id.*, p. 126.

⁹⁰ October 29 Motion, p. 16.

⁹¹ July 13 Petition, Exhibit 2, pp. 71 - 72.

⁹² *Id.*, p. 150.

⁹³ *Id.*, p. 72.

⁹⁴ *Id.*, p. 176.



Improvement portfolio has undergone significant changes. In view of the difficulty LUMA cites in obtaining Federal Funding and consequent limited activity in these Portfolios, assessment of Progress in these areas cannot be appropriately ascertained in this One Year Budget Examination. The Energy Bureau will revisit this issue in the FY 2024 Budget proposal.

3. *Electric Distribution Planning Initiative*

The Energy Bureau has not been able to gauge how LUMA is incorporating principles of Integrated Distribution Planning (IDP) and how the resulting capabilities may impact the budget. IDP takes operational advantage of functionalities found in distributed energy resources (DER). It is unclear how LUMA plans to firm these DER and increase demand side management capability. Section 4(2)(d) of this Resolution and Order discusses ways in which AMI can enable these capabilities.

4. *Activities to Achieve Compliance with Current National Codes and Standards*

LUMA filed with the Energy Bureau a Resource Adequacy Study⁹⁵ in which it describes persistent challenges with the generation fleet and the load shedding measures the system operator must rely on to maintain system stability and avert a total blackout. Noting that the integration of dependable generation is crucial in improving the adequacy of supply and compliance with bulk electric system reliability standards, specifically the NERC⁹⁶ transmission planning reliability standards where it is established that a loss of a major bulk power system facility should not result in a loss of load, the Energy Bureau directed LUMA to seek federal funding to enable the grid for the interconnection of this dependable generation that consists of renewable generation paired with strategically sized and located energy storage.⁹⁷ The Energy Bureau also directed LUMA to file a Generation Stabilization Plan to address the impact caused by Hurricane Fiona that further exacerbated the availability of supply.⁹⁸ This Resolution and Order provides certain directives associated with making sure the electric system conforms to industry bulk power system reliability standards.

LUMA has filed with the Energy Bureau certain activities related to the rebuild of the T&D system. It is expected that this work will include the vegetation clearing of these facilities noting that these efforts will ensure compliance with the clearing requirements established in the National Electrical Safety Code® (“NESC®”).

5. *Customer Impact*

Customer Experience is one of the four departments in which LUMA addresses its work activities. This encompasses numerous programs and activities aimed at improving customer satisfaction. These include Billing, Revenue protection, Regional Customer Service, Contact Center, Voice of the Customer and Key Accounts. Various measurements of Customer Service are included in the metrics for which LUMA submits its performance in Case No. NEPR-MI-2019-0007.⁹⁹ In

⁹⁵ Motion to Submit LUMA's Resource Adequacy Study, In re: Resource Adequacy Study, Case No. NEPR-MI-2022-0002, August 30, 2022.

⁹⁶ North American Electric Reliability Corporation (“NERC”).

⁹⁷ June 13, 2022 Resolution and Order in NEPR-MI-2020-0012. Available at: <https://energia.pr.gov/wp-content/uploads/sites/7/2022/06/20220613-MI20200012-Resolution-and-Order.pdf> (Last verified February 6, 2023).

⁹⁸ October 12, 2022 Resolution and Order in NEPR-MI-2022-0003. Available at: <https://energia.pr.gov/wp-content/uploads/sites/7/2022/10/20221012-MI20220003-Resolution-and-Order.pdf> (last verified February 6, 2023).

⁹⁹ In re: The Performance of the Puerto Rico Electric Power Authority, Case No. NEPR-MI-2019-0007.



the areas of Customer Service for which LUMA's performance is assessed, including for example Average Speed of Answer, Call Abandonment Rate, and Percent of Estimated Bills versus Read, LUMA has shown a marked improvement. LUMA addresses Customer Service throughout the July 13 Petition and the Energy Bureau sees this as an area that is amply addressed in the FY 2023 Budgets.

F. Generation Budget

The initial FY23 Proposed Budget Filing included a Generation Budget of \$282,017,000, which included an NME budget of \$125,879,000. After the Energy Bureau directed LUMA and PREPA to submit a coordinated budget, the requested Generation Budget was modified to \$245,876,000 (not including Shared Services), with an NME budget of \$99,039,000.

During the review of the Generation Budget, and as addressed at the October 18, 2022, Technical Conference, there was discussion about the dynamic nature of the generation NME budget, given that during FY22, PREPA often spent funds and completed maintenance projects on power plants that were somewhat different from the list of NME projects included in the approved NME budget.¹⁰⁰ PREPA indicated that such reallocation of the NME budget occurs because as they begin maintenance on a generator, they often find additional issues that must be addressed, and NME budget can be re-allocated from approved budgets and scopes of work.¹⁰¹

The Energy Bureau is concerned that necessary maintenance and repair projects be completed on the generation fleet. This is critically important given the frequent power outages experienced on the Island due to generator breakdowns and unavailability, both before and since Hurricane Fiona. While the Energy Bureau acknowledges PREPA's testimony describing the need for some flexibility to address unforeseen issues at a power plant once it is taken off-line for maintenance, the Energy Bureau also believes that a more prescriptive and pre-emptive preventive maintenance program would improve overall generation reliability.

The Energy Bureau **DOES NOT APPROVE** modifications of the proposed Generation Budget, including the planned NME expenditures of \$99.039 million for FY23. However, the Energy Bureau is directing certain actions that will affect the FY 2024 Budgets. Based on FOMB's recent correspondence with PREPA, additional NME expenditures are being proposed utilizing certain emergency reimbursements.¹⁰² The Energy Bureau also notes that during Q1 of FY23, PREPA underspent its NME budget by \$15 million.

The Energy Bureau notes that since January 24, 2023, the operations and maintenance of PREPA's generation fleet are being transitioned to Genera PR, LLC. ("GENERA").¹⁰³

As discussed above, GENERA Is directed to file quarterly reports beginning in FY24, detailing actual NME expenditures, including a comparison of actual spending to the capital expenditure initiatives outlined in its approved Generation Budget. To the extent there are variances or in cases where NME funds are diverted to address maintenance and repair initiatives not listed in the approved budget, Genera is

¹⁰⁰ Technical Conference, October 18, 2022, Time: 01:29 – 01:37:46.

¹⁰¹ *Id.* Time 01:36 – 01:37:46.

¹⁰² December 27, 2022 correspondence from FOMB to PREPA, Available at: <https://drive.google.com/file/d/1XC22orN7Dr0PR3g1mpjLnFny8AHnU3q2/view> (Last verified February 21, 2023).

¹⁰³ Execution Version, *Puerto Rico Thermal Generation Facilities Operation and Maintenance Agreement*, Available at: <https://www.p3.pr.gov/wp-content/uploads/2023/01/230124-LGA-OM-Agreement.pdf> (Last verified, February 21, 2023).



directed to describe and explain the cause of the variances, and diversions and to describe the impact on the expenditure programs listed in the approved budget. The quarterly reports filed by PREPA are to include both non-federally funded and federally funded expenditures and spending initiatives, reported separately.

The Energy Bureau **ORDERS** to develop a preventive maintenance program for its generation portfolio and to base future NME budgets on such a program. The program developed shall consider both non-federally funded and federally funded initiatives. In addition, the FEMA temporary emergency generation program expected to be operational in July 2023¹⁰⁴ facilitates additional planned maintenance of existing generators. GENERA's preventive maintenance plan is to consider these expanded opportunities and focus its maintenance activities on addressing baseload generation. The plan should extend through the end of FY 2024 and be included in LUMA's proposed FY 2024 Budgets to the Energy Bureau.

The Energy Bureau also **ORDERS** GENERA to (i) file quarterly reports, beginning in Q3 FY 2023, detailing actual vs. budgeted Generation expenditures, including a breakout of NME expenditures, and to explain any variances between planned and actual; (ii) describe and explain the cause of the variances, and to describe the impact on the expenditure programs listed in the approved budget, to the extent there are variances or in cases where NME funds are diverted to address maintenance and repair initiatives not listed in the approved budget.

G. Additional Quarterly Reporting Requirements

The Energy Bureau deems it important to clarify and expand the Quarterly Reporting Requirements. Unless modified herein, all existing Quarterly Reporting Requirements remain in effect. LUMA is **CAUTIONED** to be cognizant of, and adherent, to all budget amendment procedures required by Energy Bureau Order and by the OMA.

The Energy Bureau **ORDERS** LUMA to file with the Energy Bureau, Quarterly Reports, including Q1, Q2, Q3, and Q4 Quarterly Reports, within 45 days after each fiscal year quarter. The Quarterly Reports shall include:

- a. T&D Operating Budget; Capital Budgets, both Federally- Funded and Non-Federally Funded; Shared Services and all Other expenses;
- b. project level detail for Capital Budgets;
- c. program level detail for Improvement Portfolios;
- d. both individual quarter and year to date activity;
- e. actual spending amounts, broken out by spending initiative, and detailing all variances from the approved budget;
- f. include detail to enable the Energy Bureau to assess funding, expenditures and outstanding balances in the Operating Budget, the Capital Budget and the Generation Budget accounts as specified in the OMA; and
- g. Load and Sales Forecasts compared with actual Load and Sales.

Finally, the Quarterly Reports shall identify, explain in detail and justify all variances.

H. Streamlining of Reporting between FOMB and PREB

To streamline reporting requirements, the Energy Bureau directs LUMA and PREPA to provide the material and information made available to the FOMB, in accordance with the timeframes set forth by the FOMB for such submissions. The Energy Bureau will review those filings and may determine, based upon its review, that the filings made with the FOMB, and the filings made with the Energy Bureau can be consolidated.

¹⁰⁴ Motion Submitting Seventh Update on Stabilization Plan for Temporary Emergency Capacity, *In re: LUMA's Response to Hurricane Fiona*, Case No. NEPR-MI-2022-0003, February 15, 2023



The Energy Bureau **ORDERS** PREPA, LUMA and Genera to provide the information required in Exhibit 1, Section III of LUMA’s July 13 Petition.¹⁰⁵

The Energy Bureau **ORDERS** LUMA to provide, as PREPA’s agent, each document 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 included as Attachment A of this Resolution and Order, in accordance with the timeframes thereby established. This should be considered a continuing request for future fiscal years.

I. FY 2024 Annual Budget Filing

The Energy Bureau fully expects that in view of the One Year Budget Examination procedure established for the FY 2023 Budget Examination in accordance with the 2017 Rate Order, that LUMA will submit the consolidated FY 2024 Budget proposal within the same timeframe, however, for the avoidance of doubt, the Energy Bureau here specifically directs that the FY 2024 Budget Proposal shall be submitted on or before March 15, 2023.

V. Conclusion

The 2017 Rate Order requires that the proposed annual budgets submitted for review do not increase the overall revenue requirements thus no change be required to the existing base rates or the current rate structure approved by the 2017 Rate Order. As a threshold question, the Energy Bureau must determine whether the Budgets presented in the July 13 Petition, as proposed, comply with these criteria in accordance with that set forth in the 2017 Rate Order. The Energy Bureau **FINDS** that said criteria is satisfied.

The Energy Bureau must evaluate whether the components of the Annual Budgets have been appropriately identified and prioritized. The Annual Budgets must continue to provide for effective remediation and transformation of Puerto Rico’s electric system and reflect and build upon experience from prior year’s budgets. LUMA has explained the process it followed to develop its Annual Budgets utilizing a bottom-up approach, informed by its experience during the first nine months of operation. Upon review of LUMA’s submissions and its responses to the questions posed in the three Technical Conferences, the Energy Bureau **FINDS** that the Annual Budgets are appropriate to accomplish those goals.

The proposed Annual Budgets must comply with the regulatory requirements set forth in statute, regulation, and policy. LUMA has addressed these issues, regarding the 2017 Rate Order, the approved IRP, and other necessary requirements. LUMA asserts that going forward, it will continue to advance the goals those regulatory requirements address. Because of the importance of these issues, the Energy Bureau **ORDERS** LUMA comply with strict reporting requirements as set forth herein.

In accordance with the authority provided to the Energy Bureau, the Energy Bureau **APPROVES** the Fiscal Year 2023 Budgets proposed by LUMA in its July 13 Petition, subject to the conditions and requirements established as part of this Resolution and Order.

As set forth in the May 31 Resolution, a full rate review, in which a comprehensive review of a utility rate proposal is undertaken, and base rates are set for the upcoming fiscal period must be filed with the Energy Bureau not later than August 1, 2023, for rates effective July 1, 2024. This will provide the Energy Bureau with the historic information with which to effectively set rates. In addition, the efficiencies that LUMA is expected to provide can be more accurately quantified and their impact reflected in future rates. That time period will also enable the changing circumstances that accompany LUMA’s operation of the electric system to be reflected as part of the process. Other unique circumstances can be better reflected in a rate filing, including the impact of Federal

¹⁰⁵ July 13 Petition, Exhibit 1, p. 5.



Funding and the results of the Title III process. The Energy Bureau notes that this requirement does not prevent LUMA from filing for rate approval in a full rate proceeding at an earlier date in time, nor does it prevent the Energy Bureau's determination that an annual rate review requested at an earlier date in time may require a full rate review.

A key element of the Energy Bureau's review of the Annual Budgets focused on whether priority items and capital expenditure programs are adequately funded, and whether the Petition, and overall framework maximizes use of federal funding. In developing capital spending programs for the Annual Budgets, LUMA's Budget proposals reflects its gap analyses of the existing electrical system and of existing practices and procedures and future priorities. The Energy Bureau, however, **FINDS** that LUMA's Annual Budgets filing does not appropriately focus on capital investments and spending initiatives and issues the Directives set forth herein, upon which Energy Bureau approval is conditioned.

Upon completing its review of the FY 2023 proposed Budget filings, LUMA personal testimony at the Technical Conferences, and comments from Puerto Rico stakeholders, the Energy Bureau **CONDITIONALLY APPROVES** LUMA's Annual Budgets, as included in Attachment B of this Resolution and Order. The Energy Bureau's approval of LUMA's Annual Budgets is subject to several conditions including, but not limited to, requiring LUMA to periodically report on revenue collections and expenditures and directives to ensure adequate prioritization and funding for certain important programs.

The Energy Bureau's approval of the FY2023 Proposed Budget as per the July 13 Petition is **CONDITIONED** to timely compliance with the robust orders and reporting established in this Resolution and Order and Attachments A and B. The foregoing requirements, unless otherwise expressly and specifically established, are of a continuing nature.

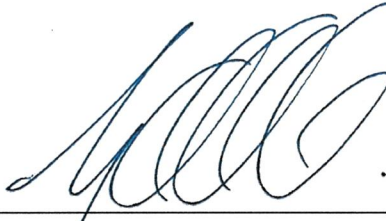
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The Energy Bureau **ADMONISHES** LUMA that future Budget Filings may not reiterate the language of past filings without being updated to reflect the current status of projects and programs related to specific budget expenditures. In addition, milestones and completion dates are to be provided for all budget programs, whether or not they are SRP Programs. This will enable the Energy Bureau to ascertain the extent to which work has been done in accordance with budget expenditures and gain an accurate understanding of the work yet to be done without having to rely on Requirements of Information and Technical Conferences to obtain this basic information.

JAB
The Energy Bureau **WARNS** LUMA, PREPA and Genera, that noncompliance with this Resolution and Order, regulations and/or applicable laws may carry the imposition of fines and administrative sanctions of up to \$25,000.00 per day.

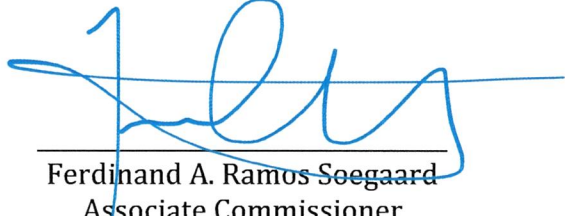
APM
M
The Energy Bureau **WARNS** LUMA, PREPA and Genera that any person who intentionally violates any provision of Act 57-2014, as amended, omits, disregards, or refuses to obey, observe, and comply with any rule or decision of the Energy Bureau shall be punished by a fine of not less than five hundred dollars (\$500) nor over five thousand dollars (\$5,000) at the discretion of the Energy Bureau and that if recurrence occurs, the established penalty shall increase to a fine of not less than ten thousand dollars (\$10,000) nor greater than twenty thousand dollars (\$20,000), at the discretion of the Energy Bureau.

Be it notified and published.




Edison Avilés Deliz
Chairman


Lillian Mateo Santos
Associate Commissioner


Ferdinand A. Ramos Soegaard
Associate Commissioner


Sylvia B. Ugarte Araujo
Associate Commissioner


Antonio Torres Miranda
Associate Commissioner

CERTIFICATION

I hereby certify that the majority of the members of the Puerto Rico Energy Bureau has so agreed on February 27, 2023. I also certify that on February 27, 2023 a copy of this Resolution and Order was notified by electronic mail to jaime.elkoury@promesa.gov; margarita.mercado@us.dlapiper.com; ana.rodriguezrivera@us.dlapiper.com; jmarrero@diazvaz.law; legal@genera-pr.com; fermin.fontanes@p3.pr.gov; administrator@p3.pr.gov; by regular mail to:

GENERA PR LLC
954 PONCE DE LEÓN AVE.
MIRAMAR PLAZA, SUITE 400
SAN JUAN, PR 00907

And I have proceeded with the filing of the Resolution and Order issued by the Puerto Rico Energy Bureau. I sign this in San Juan, Puerto Rico, today, February 27, 2023.


Sonia Seda Gaztambide
Clerk



ATTACHMENT A

Reporting Requirements¹⁰⁶

Following are modified excerpted sections from Table 18: Non-Operational Reports:

Implementation of Grid Modernization	Grid modernization plan must provide an overview of the major investment categories and projects that PREPA/LUMA is considering to deliver reliable, resilient power and status of project delivery against milestones	Monthly	LUMA/Genera
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">• Intended use and description of project portfolio• Obligated amount• Received amount• Federal cost-share requirements• Federal cost-share funded (by source)• Project timeline and/or milestones	Monthly	LUMA/Genera
Budget to Actuals (Reporting requirement is separate from any requirement under Section 203 in PROMESA)	Tracking of certified Budget to Actual for GenCo and HoldCo based on template to be provided by the Oversight Board: <ul style="list-style-type: none">• Include explanation for material variances (greater than 10% and \$30 million)• Include income statement in the reporting package• Provide monthly budget reporting	Monthly	LUMA/Genera/PRE PA
	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">• Include explanation for material variances (greater than 10% and \$30 million)• Include income statement in the reporting package• Provide quarterly budget reporting	Quarterly	LUMA/Genera/PRE PA
Accounts Receivable (AR)/Accounts Payable (AP) cash flow reporting	Continued reporting on cash flow, payables and receivables by customer or vendor class.	Monthly	LUMA



¹⁰⁶ Commencing with FY 2023 Q4, the PREB plans to have formulated Reporting Templates to be used for Quarterly Reporting; the Energy Bureau **plans to seek input from LUMA while establishing these Reporting Templates.**

ATTACHMENT B

FY 2023 Conditionally Approved Budgets

FY 2023 Annual Budgets Summary

(\$ in 000s)

1	Transmission & Distribution		
2	Total Operating Budget	\$	549,675
3			
4	Federally Funded Capital Expenditures		580,733
5	Non-Federally Funded Capital Expenditures		77,228
6	Total Capital Budget	\$	657,961
7			
8	Generation		
9	Operating and Capital Expenditures		245,875
10	Shared Services		59,748
11	Total Generation Budget	\$	305,623
12			
13	Other		
14	LUMA Fees		121,785
15	Bad Debts		74,466
16	Bankruptcy and Advisor Costs		49,500
17	PREPA HoldCo		28,980
18	Total Other	\$	274,731

Transmission & Distribution Operating Budget

(\$ in 000s)

	Customer Service	Operations	Utility Transformation	Support Services	2023	
Labor						
1	Salaries, Wages and Benefits	44,815	119,469	29,117	53,070	246,471
2	Total Labor	44,815	119,469	29,117	53,070	246,471
Non-Labor						
3	Materials & Supplies	329	32,809	1,072	2,475	36,684
4	Transportation, Per Diem, and Mileage	1,039	22,437	2,542	2,285	28,303
5	Property & Casualty Insurance	-	-	-	21,734	21,734
6	Retiree Medical Benefits	-	-	-	-	-
7	Security	-	10	-	9,734	9,744
8	IT Service Agreements	860	818	85	23,310	25,073
9	Utilities & Rents	82	2,973	1,820	5,156	10,032
10	Legal Services	-	-	-	7,150	7,150
11	Communications Expenses	194	59	15	1,094	1,362
12	Professional & Technical Outsourced Services	33,484	14,214	5,550	28,432	81,679
13	Vegetation Management	-	52,500	-	-	52,500
14	Regulation and Environmental Inspection	-	-	-	500	500
15	Other Miscellaneous Expenses	197	13,435	955	3,077	17,665
16	Other Expenses	-	-	-	-	-
17	Total Non-Labor / Other Operating Expense	36,185	139,255	12,039	104,946	292,426
18	Subtotal Labor and Non-Labor/Other Operating Expenses	81,000	258,724	41,157	158,016	538,897
19	Future Efficiencies					-
20	2% Reserve for Excess Expenditures					10,778
21	Total Operating Budget	81,000	258,724	41,157	158,016	549,675

