

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

**NEPR**

**Received:**

**May 26, 2023**

**7:45 PM**

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

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

**SUBJECT: Motion Submitting Presentation for  
Virtual Technical Conference in Compliance with  
May 3, 2023 Order**

**MOTION SUBMITTING PRESENTATION FOR VIRTUAL TECHNICAL  
CONFERENCE IN COMPLIANCE WITH RESOLUTION AND ORDER  
DATED MAY 3, 2023**

**TO THE PUERTO RICO ENERGY BUREAU:**

**COME NOW** LUMA Energy, LLC and LUMA Energy ServCo, LLC (“LUMA”), through the undersigned legal counsel, and respectfully submits and requests the following:

1. On May 3, 2023, this Puerto Rico Energy Bureau (“Energy Bureau”) issued a Resolution and Order (“May 3 Order”) whereby it summarized the procedural history of the present matter and established a procedural schedule in this proceeding.
2. On May 4, 2023, LUMA filed an *Informative Motion on Status of FY2024 Budget Allocation Discussions, Request for Additional Time to Conclude Discussions, and Petition for Modification of Procedural Calendar* (“May 4<sup>th</sup> Extension Request”), whereby LUMA provided the Energy Bureau an update on the status of the development of the consolidated FY2024 Annual Budgets and requested an extension to submit the FY2024 Annual Budgets and, consequently, a modification of the procedural calendar.
3. On May 8, 2023, the Energy Bureau issued a Resolution and Order granting LUMA’s May 4<sup>th</sup> request for extension (“May 8<sup>th</sup> Order”). The Energy Bureau further modified the procedural calendar.

4. In what is pertinent here, this Honorable Energy Bureau scheduled a Virtual Technical Conference for June 9, 2023 and ordered LUMA to file the presentation to be used during said conference on or before May 26, 2023.

5. In compliance with the foregoing, LUMA hereby submits as *Exhibit 1*, the presentation to be offered during the Virtual Technical Conference that is scheduled for June 9<sup>th</sup>.

**WHEREFORE**, LUMA respectfully requests that the Energy Bureau **take notice** of the aforementioned and deem its May 3<sup>rd</sup> and May 8<sup>th</sup> Orders complied with insofar as the Energy Bureau asked for submission of LUMA's presentation for the Virtual Technical Conference scheduled for June 9, 2023, in the instant proceeding.

**RESPECTFULLY SUBMITTED.**

In San Juan, Puerto Rico, this 26<sup>th</sup> day of May, 2023.

I hereby certify that this motion was filed using the electronic filing system of this Energy Bureau. I also certify that copy of this motion will be notified to the Puerto Rico Electric Power Authority, through its attorneys of record: [jmarrero@diazvaz.law](mailto:jmarrero@diazvaz.law) and [mvazquez@diazvaz.law](mailto:mvazquez@diazvaz.law); and to Genera PR LLC, through counsels of record: Jorge Fernandez-Reboredo, [jfr@sbgblaw.com](mailto:jfr@sbgblaw.com) and Alejandro López Rodríguez, [alopez@sbgblaw.com](mailto:alopez@sbgblaw.com). A copy of this motion will also be sent to Genera to the following addresses: [kbolanos@genera-pr.com](mailto:kbolanos@genera-pr.com); [legal@genera-pr.com](mailto:legal@genera-pr.com); [regulatory@genera-pr.com](mailto:regulatory@genera-pr.com).



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*Exhibit 1*



# FY2024 Annual Budgets Technical Conference

NEPR-MI-2021-0004

June 9, 2023



# Agenda

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

# Summary

# Summary –

## Key Outcomes for the People of Puerto Rico

### Prioritize Safety

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

### Improve Customer Satisfaction

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

### System Rebuild and Resiliency

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

### Operational Excellence

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

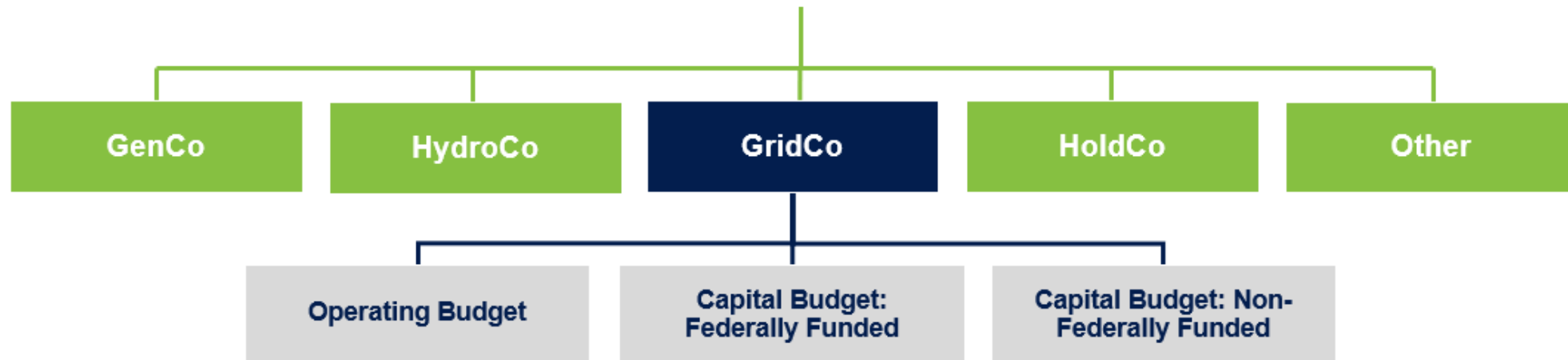
### Sustainable Energy Transformation

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



# Annual Budget Scope – Includes All Activities in Next 3 Years

## ANNUAL BUDGETS





# LUMA Key Activities

## Operating

Improvement  
Initiatives  
(including SRP)

Day to Day  
Operating  
Activities

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

## Capital

CAPITAL BUDGET — FEDERALLY FUNDED  
Federally Funded Programs

CAPITAL BUDGET — NON-FEDERALLY FUNDED  
Ratepayer-Funded Programs

SYSTEM  
REMEDATION  
PLAN

PERFORMANCE  
METRICS

\*Area of boxes not indicative of budget amount

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



# Annual Budgets Within Approved Rates

\$, millions (unless otherwise indicated)	FY2024 Budget	FY2025 Projection	FY2026 Projection
<b>Forecast Sales (GWh)</b>	<b>15,466</b>	<b>14,590</b>	<b>13,925</b>
Projected Sales	1,112	1,072	1,042
Other income	42	43	44
<b>Total Base Rate Revenue</b>	<b>1,154</b>	<b>1,115</b>	<b>1,087</b>
Other Cost Recovery Income Directly Attributed	17	17	17
Additional Available Funding	130	N/A	N/A
<b>Total Non-Federally Funded Expenditure Limit with Additional Available Funding</b>	<b>1,301</b>	<b>N/A</b>	<b>N/A</b>
GridCo Operating and Capital Expenditures	651	732	732
GenCo Operating and Capital Expenditures <sup>1</sup>	301		
HydroCo Operating and Capital Expenditures <sup>1</sup>	15		
HoldCo Operating and Capital Expenditures <sup>1</sup>	30		
Other <sup>1</sup>	304		
<b>Total Non-Federally Funded T&amp;D and Generation Expenditures</b>	<b>1,301</b>	<b>N/A</b>	<b>N/A</b>
<b>Total Base Rate Revenue Requirement</b>	<b>1,154</b>	<b>N/A</b>	<b>N/A</b>
<b>Total Non-Federally Funded T&amp;D and Generation (\$/kWh)</b>	<b>0.0746</b>	<b>N/A</b>	<b>N/A</b>
Surplus / (Deficit)	(1)	N/A	N/A

**Note:**

<sup>1</sup> Projections for FY2025 and FY2026 were not provided by PREPA and Genera PR.

*“...PREPA shall treat the revenue requirement established in this Order as a cap on annual spending until the Commission changes such revenue requirement and shall prepare departmental budgets that conform to that cap.”*  
2017 Rate Order

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

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



# Annual Budgets Summary

- Our proposed budget for July 2023 through June 2024 will enable LUMA to continue to build a more reliable, more resilient and more customer-focused and cleaner energy system for our customers and all of Puerto Rico
- As outlined in our Annual Budget for Fiscal Year 2024, LUMA does not request an increase to customers rates related to LUMA's operation of the T&D System at this time
- Spending constraints have slowed, extended, or delayed some improvement programs

\$, millions	Budget FY2024
<b>Transmission &amp; Distribution</b>	
GridCo Operating Expenditures	560
GridCo Non-Federally Funded Capital Expenditures	91
<b>Transmission &amp; Distribution Total</b>	<b>651</b>
T&D Federally Funded Capital Expenditures	803
<b>Generation</b>	
GenCo Operating and Capital Expenditures	301
HydroCo Operating and Capital Expenditures	15
<b>Generation Total</b>	<b>316</b>
<b>HoldCo Operating and Capital Expenditures</b>	<b>30</b>
<b>Other</b>	
LUMA Fee	129
Genera PR Fee	53
Bad Debts	59
Bankruptcy and Advisor Costs	63
<b>Other Total</b>	<b>304</b>
<b>Total Non-Federally Funded T&amp;D and Generation Expenditures</b>	<b>1,301</b>



# Annual Budgets Summary - Key T&D Activities

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

# Operational Activities: OpEx Budget

# Annual Budget Basis & Assumptions

- Estimates based on a bottom-up exercise, using an activity-based budgeting approach
- Developed on a modified accrual basis consistent with PREPA while under the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) Title III protection
- Annual Budgets are consistent with methodologies used in recent fiscal plans
- FY2024 budget base assumptions include:
  - Salary & Wages: Current LUMA employee salaries were preloaded from our HR Systems; and then used to project labor requirements
  - LUMA has informed its estimates based on LUMA's operations and learnings, while using our experience and market estimates built on existing contracts
- The Annual Budgets are completed and informed based on a particular point in time; as such, they cannot reasonably contemplate further information that may arise in the future, or if additional requirements are determined which are not already contemplated

# Key Operating Activities

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



## CUSTOMER EXPERIENCE DEPARTMENT

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

- *Modernizing & developing In-House Customer Service*
- *Improving Billing Services (Joint Use & Accuracy) & Billing Collection*
- *Connecting & Improving relations with the Customer*
- *Develop and start implementing an Energy Efficiency program*



## SUPPORT SERVICES DEPARTMENT

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

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



## UTILITY TRANSFORMATION DEPARTMENT

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

- *Maturing our engineering and asset management capabilities to execute our investment programs and to improve system reliability and resilience*
- *Improving T&D system reliability for our customers while rebuilding the system for the longer term*
- *Safely and reliably integrating renewable energy resources into the grid*
- *Advance federally funded projects through the FEMA process and construction*



## OPERATIONS DEPARTMENT

Focusing on providing ongoing safe and reliable services to customers and continuing to build on achievements from Fiscal Year 2023, creating the foundation to support the Recovery and Transformation through optimizing line and substations work as well as vegetation, fleet, and materials management.

- *Upgrading Fleet & continue to implement Vegetation Management Plan*
- *Training staff – Implementing safety & work procedures*
- *Improving efficiencies within T&D Construction*
- *Implementing new Energy Management System (EMS)*

# FY2024 – FY2026 T&D Consolidated O&M Budget

\$, millions	Budget FY2024	Projection FY2025	Projection FY2026
<b>Labor</b>			
Salaries, Wages and Benefits	254.2	258.0	261.9
<b>Total Labor</b>	<b>254.2</b>	<b>258.0</b>	<b>261.9</b>
<b>Non-Labor</b>			
Materials & Supplies	40.6	41.3	41.9
Transportation, Per Diem, and Mileage	15.3	15.6	15.8
Property & Casualty Insurance	19.5	19.7	20.0
Security	6.2	6.3	6.4
IT Service Agreements	28.1	28.5	29.0
Utilities & Rents	6.9	7.0	7.1
Legal Services	10.0	10.1	10.3
Communications Expenses	1.5	1.5	1.5
Professional & Technical Outsourced Services	102.3	103.8	105.3
Vegetation Management	50.0	50.8	51.5
Other Miscellaneous Expenses	14.7	14.9	15.2
<b>Total Non-Labor / Other Operating Expense</b>	<b>295.1</b>	<b>299.6</b>	<b>304.1</b>
<b>Subtotal Labor and Non-Labor/Other Operating Expenses</b>	<b>549.3</b>	<b>557.5</b>	<b>565.9</b>
2% Reserve Excess Expenditures	11.0	11.2	11.3
<b>Total Operating Expense</b>	<b>\$560.3</b>	<b>\$568.7</b>	<b>\$577.2</b>





# Improvement Programs: Capital Budget

# Total T&D Capital Portfolio Spend

\$, millions

Portfolios	Federal Funded	Non- Federal Funded	FY2024 Budget	Federal Funded	Non- Federal Funded	FY2025 Projection	Federal Funded	Non- Federal Funded	FY2026 Projection
Customer Service	122	12	134	248	22	269	301	20	321
Distribution	216	27	243	413	27	440	590	27	616
Transmission	130	1	131	247	1	248	362	1	362
Substations	115	16	131	253	20	273	324	13	338
Control Center & Buildings	39	4	42	49	5	55	50	5	55
Enabling	157	24	181	409	75	484	448	73	521
Support Services	8	6	15	1	9	10	1	8	9
<b>Subtotal</b>	<b>787</b>	<b>89</b>	<b>876</b>	<b>1,621</b>	<b>158</b>	<b>1,779</b>	<b>2,076</b>	<b>147</b>	<b>2,223</b>
2% Reserve for Excess Expenditures	16	2	18	33	3	36	43	3	46
Inflation <sup>1</sup>	-	-	-	25	2	27	63	4	68
<b>Total Capital Expenditures</b>	<b>803</b>	<b>91</b>	<b>894</b>	<b>1,679</b>	<b>164</b>	<b>1,843</b>	<b>2,182</b>	<b>155</b>	<b>2,337</b>

**Notes:** Spending estimates include federally funded and non-federally funded capital expenses. Operations and maintenance expenses are not included.

<sup>1</sup>Inflation as per macro-economics provided by FOMB on February 8, 2023 of 1.5%, and 1.5% in FY2025, and FY2026, respectively, and are shown in a separate line.



# Key T&D Capital Improvement Programs

\$, millions

	Portfolio	Program	FY2024 Capital Budget	FY2025 Capital Projection	FY2026 Capital Projection	FY2024-FY2026 Total Spend
1	Enabling	Vegetation Management & Capital Clearing Implementation	125	350	375	850
2	Distribution	Distribution Line Rebuild	82	221	383	686
3	Substation	Substation Rebuilds	82	198	281	561
4	Transmission	Transmission Line Rebuild	78	161	241	481
5	Customer Experience	Distribution Streetlighting	120	128	136	384
6	Distribution	Distribution Automation	84	135	135	354
7	Customer Experience	AMI Implementation Program	3	121	166	290
8	Distribution	Distribution Pole & Conductor Repair	74	82	97	252
9	Transmission	IT OT Telecom Systems & Network	30	63	86	180
10	Substation	Substation Reliability	34	57	53	144
11	Enabling	T&D Fleet	10	61	60	131
12	Enabling	Microgrid Installation & Integration	10	40	50	100
13	Transmission	Transmission Priority Pole Replacements	22	22	34	78
14	Control Center & Buildings	Control Center Construction & Refurbishment	8	32	30	70
15	Enabling	Compliance and Studies	20	20	20	60
16	Control Center & Buildings	Facilities Development & Implementation	19	19	19	56
		<b>Key Program Spend</b>	<b>801</b>	<b>1,709</b>	<b>2,167</b>	<b>4,677</b>
		<b>Additional Program Spend</b>	<b>75</b>	<b>70</b>	<b>56</b>	<b>201</b>
		<b>Subtotal</b>	<b>876</b>	<b>1,779</b>	<b>2,223</b>	<b>4,878</b>
		2% Reserve for Excess Expenditures	18.0	36	46	99
		Inflation <sup>1</sup>	-	27	68	95
		<b>Total Capital Expenditures</b>	<b>894</b>	<b>1,843</b>	<b>2,337</b>	<b>5,073</b>

**Note:** Key Improvement Programs are programs with FY2024-FY2026 anticipated spend of \$50 million or above.

<sup>1</sup>Figures include inflation, as per macroeconomics provided by FOMB on February 8, 2023, of 1.5% and 1.5% in FY2025, and FY2026, respectively.



# Conclusion

# Conclusion

- No Increase in Base Rate based on ability to access funding in addition to Base Rate revenues for FY2024
- Culmination of bottom-up exercise
- Includes LUMA's provision of O&M Services
- Improvement programs with prioritization and sequencing consistent with Recovery & Transformation Framework
- While SRP continues to progress, there is slowing, extensions or delays in some of LUMA's improvement programs based on spending constraints

\$, millions	Budget FY2024
<b>Transmission &amp; Distribution</b>	
GridCo Operating Expenditures	560
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# Thank You

