

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

**NEPR**

**Received:**

**Jun 22, 2023**

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IN RE: REVIEW OF LUMA'S INITIAL  
BUDGETS

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

**SUBJECT: Fiscal Year 2023 Budget Reallocation**

**MOTION SUBMITTING FISCAL YEAR 2023 BUDGET REALLOCATION**

**TO THE HONORABLE PUERTO RICO ENERGY BUREAU:**

**COME NOW LUMA Energy, LLC** (“ManagementCo”), and **LUMA Energy ServCo, LLC** (“ServCo”), (jointly referred to as “LUMA”), and respectfully state and request the following:

1. On July 13, 2022, LUMA submitted to the honorable Puerto Rico Energy Bureau (“Energy Bureau”) a *Motion Submitting Fiscal Year 2023 Annual Budget as Approved and Certified by the Financial Oversight and Management Board for Puerto Rico* (“July 13<sup>th</sup> Motion”) providing notice of the Financial Oversight and Management Board for Puerto Rico’s (the “Oversight Board”) certification of a Fiscal Year 2023 Budget for the Puerto Rico Electric Power Authority (“PREPA”) pursuant to Section 202(e) of the Puerto Rico Oversight, Management and Economic Stability Act (“PROMESA”), which budget is comprised of LUMA’s Transmission and Distribution (“T&D”) System Budgets and PREPA’s Generation and HoldCo budgets (the “Fiscal Year 2023 Consolidated Budget”).

2. Through a Resolution and Order entered on February 27, 2023, the honorable Energy Bureau determined to approve the Fiscal Year 2023 Consolidated Budget certified by the Oversight Board, subject to certain conditions and requirements (“February 27<sup>th</sup> Order”).

3. On June 9, 2023, through transmittal number LUMA-PREB-T-00206, LUMA provided this honorable Energy Bureau notice of the potential need to reallocate funds between Improvement Portfolios within LUMA’s Capital Budget – Non-Federally Funded (the “June 9<sup>th</sup> Notice”). The June 9<sup>th</sup> Notice was provided pursuant to the Energy Bureau’s August 3, 2022 Resolution and Order approving LUMA’s Fiscal Year 2022 Budget Amendment (the “August 3<sup>rd</sup> Order”) whereby the Energy Bureau stated that “any future reallocation or redistribution of funds amongst budget programs or line items shall be timely anticipated and requested before the Energy Bureau.” *See* August 3<sup>rd</sup> Order at p. 7.

4. As anticipated in the June 9<sup>th</sup> Notice, LUMA hereby submits the reallocation between Improvement Portfolios within LUMA’s Fiscal Year 2023 Capital Budget – Non-Federally Funded to reallocate funds between the following Capital Budget – Non-Federally Funded Improvement Portfolios in the following manner: \$9.1 million out of the Substation portfolio, \$5.0 million out of the Support Services portfolio, \$9.5 million in to the Distribution portfolio, \$2.8 million in to the Customer Experience portfolio, and \$1.8 million in to the Transmission portfolio, *See Exhibit 1* to this Motion. The reallocation referenced in *Exhibit 1* to this Motion does not result in any increase to customer rates. LUMA’s aggregate operating and capital expenditure budgets remain within the expenditures limits identified in the Fiscal Year 2023 Consolidated Budget certified by the Oversight Board and the February 27<sup>th</sup> Order.

**WHEREFORE**, LUMA respectfully requests that this honorable Energy Bureau **take notice** of the aforementioned and **make** the determinations it deems necessary to enable LUMA to continue its work to maintain and operate Puerto Rico’s T&D System.

**RESPECTFULLY SUBMITTED.**

In San Juan, Puerto Rico, this 22 day of June, 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 counsel of record: [jmarrero@diazvaz.law](mailto:jmarrero@diazvaz.law) and [mvazquez@diazvaz.law](mailto:mvazquez@diazvaz.law); and to Genera PR LLC, through counsel of record, Jorge Fernandez-Reboredo, [jfr@sbgllaw.com](mailto:jfr@sbgllaw.com) and Alejandro López Rodríguez, [alopez@sbgllaw.com](mailto:alopez@sbgllaw.com).



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*Exhibit 1*



# Annual Budgets

FY2023 Budget Reallocation

June 22, 2023

## Annual Budgets

### Executive Summary

Since taking over operations of the transmission and distribution system on June 1, 2021, LUMA has remained committed to modernizing Puerto Rico's electric grid, while prioritizing operating safely, efficiently and with fiscal responsibility. Throughout the course of the year, LUMA may adjust activities and spending in order to respond to changing circumstances while ensuring that the significant progress that has been made can continue, and that we are able to build a more reliable, more resilient, more customer-focused, and cleaner energy system for our 1.5 million customers.

On February 27, 2023, within its Resolution and Order in Case No. NEPR-MI-2021-0004, the Puerto Rico Energy Bureau (PREB or Energy Bureau) approved, with certain conditions and requirements, the budget for Fiscal Year 2023 (FY2023) that had been certified by the Financial Management and Oversight Board for Puerto Rico and submitted by LUMA to the Energy Bureau on July 13, 2022.

As part of LUMA's commitment to operate the electric grid safely and reliably, and in order to maintain a budget that accurately reflects LUMA's FY2023 actual and forecasted expenditures and year-end adjustments, and as anticipated in LUMA's Notice to the Energy Bureau on June 9, 2023, LUMA hereby submits a FY2023 Budget Reallocation proposal ("Budget Reallocation") to reallocate funds between Capital Budget – Non-Federally Funded Improvement Portfolios.

**To be clear, the Budget Reallocation and the modifications described below do not result in increased customer rates, and do not result in an increase to LUMA's aggregate T&D Pass-Through and Capital Expenditures.** Moreover, expenditures in LUMA's Capital Budget – Non-Federally Funded are forecasted to be within the overall Capital Budget – Non-Federally Funded approved by PREB on February 27, 2023.

LUMA's Budget Reallocation is proposed in reference to the currently approved FY2023 Budget, as reflected on the Energy Bureau's February 27, 2023 Resolution and Order. In this case, LUMA's Operating and Capital Budgets for FY2023 remain unchanged and a budget amendment under the T&D OMA is not required, but, in the interest of transparency, LUMA has notified the PREB and P3A of the Budget Reallocation to reallocate funding within the currently approved Capital Budget - Non-Federally Funded.

All financial data and forecasts in the Budget Reallocation are subject to the limitations of LUMA's System Remediation Plan.

#### **NO CUSTOMER RATE INCREASE PROPOSED**

**The proposed Budget Reallocation does not result in any increase to customer rates and LUMA's aggregate operating and capital expenditure budgets remain within the expenditures limit.**

Consequently, the aggregate Operating Expenditures and Non-Federally Funded Capital Improvement Program costs contemplated in the Energy Bureau's February 27, 2023 Resolution & Order in Case No. NEPR-MI-2021-0004 remain unchanged.

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### REALLOCATION BETWEEN CAPITAL BUDGET – NON-FEDERALLY FUNDED IMPROVEMENT PORTFOLIOS

Please refer to the table below for a summary of the Budget Reallocation, which consists of adjustments to reallocate funds *between* Improvement Portfolios within LUMA's Capital Budget – Non-Federally Funded.

There are no changes to the T&D Operating Budget, the T&D Capital Budget (both Federally Funded and Non-Federally Funded), or any other line items in the summary below.

#### Summary of LUMA's Operational and Capital Budget Modification Requested (\$ in millions)<sup>1</sup>

	FY2023 Proposed: June 22, 2023	FY2023 Approved: February 27, 2023	Variance (\$)	Variance (%)
<b>Transmission &amp; Distribution</b>				
GridCo Operating Expenditures	547	547	0	0%
GridCo Non-Federally Funded Capital Budget	77	77	0	0%
<b>Total T&amp;D Operating and Non-Federally Funded Capital Budget</b>	<b>624</b>	<b>624</b>	<b>0</b>	<b>0%</b>
Federally Funded Capital Expenditures	581	581	0	0%
<b>Generation</b>				
Operating and Capital Expenditures	246	246	0	0%
Shared Services	60	60	0	0%
<b>Total Generation Budget</b>	<b>306</b>	<b>306</b>	<b>0</b>	<b>0%</b>
<b>Other</b>				
LUMA Fees	122	122	0	0%
Bad Debts	74	74	0	0%
Bankruptcy and Advisor Costs	50	50	0	0%
PREPA HoldCo	29	29	0	0%
<b>Total Other</b>	<b>275</b>	<b>275</b>	<b>0</b>	<b>0%</b>

There is no increase to the T&D expenditures in aggregate. The FY2023 total non-federally funded transmission & distribution and generation base rate expenditures per kWh is \$0.0731/kWh which is underneath the \$0.0747/kWh base rate limit as approved in the PREPA 2017 Rate Case.

<sup>1</sup> Figure includes 2% Reserve for Excess Expenditures

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To assist the Energy Bureau's review, LUMA has prepared an analysis of the following items:

1. Reallocation of Funds Within Capital Budget – Non-Federally Funded Improvement Portfolios
2. Schedules

### 1.0 Reallocation of Funds Within Capital Budget – Non-Federally Funded Improvement Portfolios

Throughout FY2023, LUMA has continued to deploy funds to operate the utility safely and effectively in response to the challenging conditions and circumstances that exist and has implemented measures, where appropriate, to contain costs as part of its commitment to operating with fiscal responsibility.

Please refer to the table below for a summary of the Budget Reallocation. This includes a reallocation of funds between the Customer Experience, Distribution, Substation, Support Services, and Transmission portfolios. The drivers for the variances are outlined below:

#### Summary of Reallocation between Improvement Portfolios (\$ in millions)<sup>2</sup>

Improvement Portfolio	FY2023 Proposed: June 22, 2023	FY2023 Approved: February 27, 2023	Variance (\$)	Variance (%)
Customer Experience	9.5	6.7	2.8	42%
Distribution	24.4	14.9	9.5	64%
Transmission	1.9	0.1	1.8	1814%
Substation	13.4	22.5	(9.1)	(41%)
Control Center & Buildings	3.8	3.8	-	0%
Enabling	19.5	19.5	-	0%
Support Services	4.8	9.8	(5.0)	(51%)
<b>Subtotal</b>	<b>77.3</b>	<b>77.3</b>	<b>-</b>	<b>0%</b>

- **Customer Experience:** The forecasted variance within the Customer Experience portfolio is primarily driven by increases in the Distribution Meter Replacement and Maintenance program. Meter purchases for meter replacements are forecasted to be higher than budgeted.
- **Distribution:** The forecasted variance within the Distribution Portfolio is primarily driven by increases in the Distribution Line Rebuild and Distribution Pole and Conductor Repair programs. The Distribution Line Rebuild program variance is being driven by a higher than anticipated

<sup>2</sup> Figure includes 2% Reserve for Excess Expenditures and may not tie directly due to rounding



## Annual Budgets

number of new customer connections. The variance in the Distribution Pole and Conductor Repair program is due to an increase in urgent pole replacements relative to budget.

- **Transmission:** The forecasted variance within the Transmission portfolio is primarily driven by an increase in spending in the Transmission Line Rebuild program. This variance is primarily attributable to higher costs incurred for transmission studies and transmission line extensions associated with connecting new customers to the system.
- **Substation:** The forecasted variance within the Substation portfolio is largely driven by underspending in the Substation Reliability and Substation Rebuild programs. There are several reasons for the variance, including material delays and supply-chain issues that continue to impact the industry and delay work. For example, LUMA is experiencing up to 96-week lead times on substation breakers from purchase orders. In addition, the variance in the Substation Rebuild program is related to Transmission & Generation Demarcation work that has been delayed due to the fact that the Demarcation Agreements had not been executed by PREPA as of May 2023, and PREPA's focus on the upcoming GenCo transition with Genera. Additionally, costs associated with multiple projects are now being reimbursed by FEMA and will no longer be covered by LUMA's Capital Budget – Non-Federally Funded. The variance in the Substation Reliability program is also driven by various costs being reimbursed by FEMA that will no longer be covered by LUMA's Capital Budget – Non-Federally Funded.
- **Support Services:** The forecasted variance within the Support Services portfolio is primarily driven by a variance in three programs. The Renewables Integration Studies & Implementation Studies program budget is being adjusted due to lower than anticipated spend related to procurement delays associated with the energy efficiency/demand response implementation contractor. The Critical Financial Systems program is taking longer than anticipated due to significant legacy issues with the systems. The Land Records Management program is delayed due to the contracting of a land record management provider taking longer than anticipated.

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### 2.0 Schedules

#### 2.1 Summary

(In \$000s)

	Reference	June 22, 2023 Reallocation 2023	February 27, 2023 Approved 2023	Variance (\$)	Variance (%)
<b>Transmission &amp; Distribution<sup>1,2</sup></b>					
GridCo Operating Expenditures		547,125	547,125	-	-
GridCo Non-Federally Funded Capital Expenditures	2.3	77,228	77,228	-	-
<b>Total T&amp;D Operating and Non-Federally Funded Capital Budget</b>		<b>624,353</b>	<b>624,353</b>	<b>\$ -</b>	<b>-</b>
Federally Funded Capital Expenditures	2.3	580,733	580,733	-	-
<b>Generation</b>					
Operating and Capital Expenditures <sup>2</sup>		245,875	245,875	-	-
Shared Services <sup>3</sup>		59,748	59,748	-	-
<b>Total Generation Budget</b>		<b>305,624</b>	<b>305,624</b>	<b>\$ -</b>	<b>-</b>
<b>Other</b>					
LUMA Fees		121,785	121,785	-	-
Bad Debts		74,466	74,466	-	-
Bankruptcy and Advisor Costs		49,500	49,500	-	-
PREPA HoldCo		28,980	28,980	-	-
<b>Total Other</b>		<b>274,730</b>	<b>274,730</b>	<b>\$ -</b>	<b>-</b>

Notes:

1. Includes 2% reserve for Excess Expenditures, but T&D Operating Expenditures do not include Shared Services for GenCo, HydroCo, or HoldCo.
2. PREPA's Certified FY2023 Genco Budget, as certified on July 13, 2022 and submitted by PREPA to LUMA on July 6, 2022.
3. Generation Budget includes budgets for services at GenCo currently provided under the Shared Services Agreement.

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## 2.2 Improvement Portfolio and Program Summary

(In \$000s)

Portfolio	FY2023 June 22, 2023 Reallocation				FY2023 February 27, 2023 Approved			
	FY2023 Federal Funded CapEx	FY2023 Non-Federal Funded CapEx	FY2023 OpEx	Total	FY2023 Federal Funded CapEx	FY2023 Non-Federal Funded CapEx	FY2023 OpEx	Total
Customer Experience	107,343	9,320	21,273	137,936	107,343	6,573	21,273	135,189
Distribution	151,291	23,876	13,177	188,343	151,291	14,575	13,177	179,042
Transmission	126,183	1,914	390	128,487	126,183	100	390	126,673
Substations	110,582	13,089	2,105	125,776	110,582	22,046	2,105	134,733
Control Center & Buildings	45,019	3,679	2,759	51,458	45,019	3,679	2,759	51,458
Enabling	20,093	19,124	71,327	110,544	20,093	19,124	71,327	110,544
Support Services	8,835	4,712	83,735	97,281	8,835	9,617	83,735	102,186
<b>Total</b>	<b>569,346</b>	<b>75,714</b>	<b>194,766</b>	<b>839,826</b>	<b>569,346</b>	<b>75,714</b>	<b>194,766</b>	<b>839,826</b>



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## 2.3 Improvement Portfolios - Total Capital Expenditures

(In \$000s)

Improvement Portfolio	June 22, 2023	February 27,	Total		=	June 22, 2023	February 27,	Federally Funded Contributions		+	June 22, 2023	February 27,	Net Non Federally Funded	
	Reallocation	2023 Approved	Variance (\$)	Variance (%)		Reallocation	2023 Approved	Variance (\$)	Variance (%)		Reallocation	2023 Approved	Variance (\$)	Variance (%)
	2023	2023				2023	2023				2023	2023		
Customer Experience	116,663	113,916	2,747	2%		107,343	107,343	-	-		9,320	6,573	2,747	42%
Distribution	175,167	165,866	9,301	6%		151,291	151,291	-	-		23,876	14,575	9,301	64%
Transmission	128,097	126,283	1,814	1%		126,183	126,183	-	-		1,914	100	1,814	1814%
Substations	123,671	132,628	(8,957)	(7%)		110,582	110,582	-	-		13,089	22,046	(8,957)	(41%)
Control Center & Buildings	48,698	48,698	-	-		45,019	45,019	-	-		3,679	3,679	-	-
Enabling	39,217	39,217	-	-		20,093	20,093	-	-		19,124	19,124	-	-
Support Services	13,546	18,451	(4,905)	(27%)		8,835	8,835	-	-		4,712	9,617	(4,905)	(51%)
<b>Subtotal</b>	<b>645,059</b>	<b>645,059</b>	<b>-</b>	<b>-</b>		<b>569,346</b>	<b>569,346</b>	<b>-</b>	<b>-</b>		<b>75,714</b>	<b>75,714</b>	<b>-</b>	<b>-</b>
<b>Other</b>														
2% Reserve for Excess Expenditures	12,901	12,901	-	-		11,387	11,387	-	-		1,514	1,514	-	-
<b>Total Capital Expenditures</b>	<b>657,961</b>	<b>657,961</b>	<b>-</b>	<b>-</b>		<b>580,733</b>	<b>580,733</b>	<b>-</b>	<b>-</b>		<b>77,228</b>	<b>77,228</b>	<b>-</b>	<b>-</b>