

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

IN RE: PUERTO RICO ELECTRIC POWER
AUTHORITY RATE REVIEW

CASE NO.: NEPR-AP-2023-0003

SUBJECT: First Requirement of
Information ("ROI") – Clarifying LUMA's
2023 Rate Review – Phase 1 Report.

RESOLUTION AND ORDER

On June 30, 2023, the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau") issued a Resolution and Order initiating this procedure ("June 30 Resolution"). Through the June 30 Resolution, the Energy Bureau ordered a three-phase process to review rates and ordered LUMA¹ to file on October 4, 2023 a report which shall include, among other things, the findings of a review and assessment of the Regulation 8720² filing requirements for a rate review.

On October 4, 2023, LUMA filed a document titled *Motion in Compliance with June 30, 2023 Resolution and Order* ("October 4 Motion"), in which LUMA submitted a document titled 2023 Rate Review – Phase 1 Report ("Report"). In Part 3 of the Report, LUMA concludes the following:

- i. It is currently able to comply with twenty-one (21) of the requirements of Regulation 8720:
- ii. It is currently able to partially comply with nineteen (19) filing requirements of Regulation 8720, for which LUMA seeks partial modifications;
- iii. It is proposing revisions to five (5) filing requirements of Regulation 8720, which according to LUMA would enable such filing requirements to better reflect existing circumstances; and
- iv. Identified sixteen (16) requirements of Regulation 8720 which, according to LUMA, have become irrelevant or obsolete and should no longer apply.³

The Energy Bureau **DETERMINES** additional information is required for its review of LUMA's Phase 1 Report.

The Energy Bureau **TAKES NOTICE** of the October 4 Motion and deems LUMA **COMPLIANT** with the June 30 Resolution.

The Energy Bureau **ORDERS** LUMA, the Puerto Rico Electric Power Authority and Genera PR to each file a separate response, **on or before November 3, 2023** to the Requirements of Information ("ROIs") set forth in **Attachment A** to this Resolution and Order.


Be it notified and published.

¹ LUMA Energy, LLC and LUMA Energy ServCo, LLC (jointly referred as, "LUMA").


² New Regulation on Rate Filing Requirements for the Puerto Rico Electric Power Authority's First Rate Case, March 28, 2016 ("Regulation 8720").

³ October 4 Motion, ¶12.

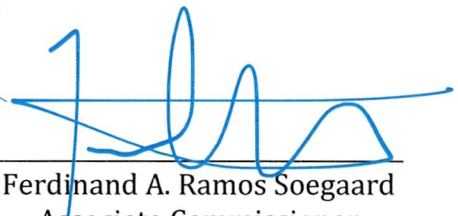




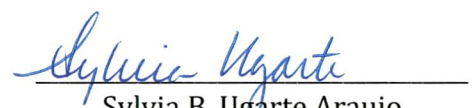
Edison Avilés Deliz
Chairman




Lillian Mateo Santos
Associate Commissioner



Ferdinand A. Ramos Soegaard
Associate Commissioner



Sylvia B. Ugarte Araujo
Associate Commissioner

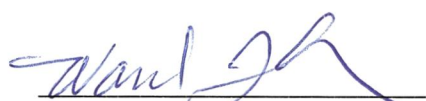


Antonio Torres Miranda
Associate Commissioner

CERTIFICATION

I certify that the majority of the members of the Puerto Rico Energy Bureau has so agreed on October 24, 2023. I also certify that on October 24, a copy of this Resolution and Order was notified by electronic mail: margarita.mercado@us.dlapiper.com; lionel.santa@prepa.com; brannen@genera-services.com; kbolanos@genera-pr.com; regulatory@genera-pr.com. I also certify that on October 24, 2023, I have moved forward with filing the Resolution and Order issued by the Puerto Rico Energy Bureau.

I sign this in San Juan, Puerto Rico, on October 24, 2023.



Wanda I. Cordero Morales
Interim Clerk



ATTACHMENT A

To support its review of the Phase 1 Report, the Energy Bureau requests the following information from LUMA, Genera, and PREPA.

Questions for LUMA:

PREB-LUMA-01-01

Reference: Exhibit 1 – “2023 Rate Review Phase I Report,” Section 2.0 – Progress Since 2017 Rate Order, Subsection 2.2 – Improving Cost-of-Service Study (“COSS”).

On p.9, LUMA states, “As described above and because of the steps taken in the Load Forecasting Improvement Program, LUMA intends to file a partial COSS that uses direct allocation of costs, where available. This is an important advance over the previous COSS submitted by PREPA.”

- a) Confirm that the partial COSS cited here is (or is not) the same as the “modified cost of service analysis” described in Appendix A for Schedules G-1, G-2, G-4, and G-6.
- b) Describe in detail how the proposed partial COSS addresses the Energy Bureau’s concerns with PREPA’s COSS from the 2017 Rate Order.
- c) Discuss how the partial COSS will differ from a full COSS currently projected for FY2028.
- d) Detail LUMA’s timeline for drafting and finalizing the partial COSS.
- e) Does LUMA currently plan to submit a draft version of the partial COSS for review by the Energy Bureau and other stakeholders?

PREB-LUMA-01-02

Reference: Exhibit 1 – “2023 Rate Review Phase I Report,” Section 3.0 – Review and Assessment of Regulation 8720 Filing Requirements, Subsection 3.2.1 – Limiting Factors.

In the section on PREPA Bankruptcy, LUMA discusses that “Unable to issue new debt, all utility capital investments must be paid for in the year they are incurred. This is commonly referred to as *cash financing*.”

- a) What is LUMA’s current estimate on the timeframe for PREPA to be able to issue new debt?
- b) When PREPA is capable of issuing new debt, how does LUMA anticipate updating effective rates to address this change in financing utility operations?

PREB-LUMA-01-03

In the section on Modification to the Test Year (p.18), LUMA proposes, “to use a forward-looking test year; in other words, the test year, and the rate year will be the same: FY2025.”

- a) Under this proposed approach, when does LUMA anticipate filing the rate review?
- b) Under this proposed approach, when does LUMA expect new rates to become effective?
- c) Provide a timeline with major milestones in the rate review for this proposal.

PREB-LUMA-01-04

Reference: Exhibit 1 – “2023 Rate Review Phase I Report”, in the section on Modification to the Test Year (p.17-18), LUMA proposes to use “FY2025 for the test year and the rate year” but does not describe how LUMA will estimate and support the revenue requirement in the future test year.

- a) Please describe how LUMA will develop the bottoms-up forecast for FY2025.



- b) Please describe how LUMA will validate the FY2025 forecast from recent actual financial results and Annual Budgets from NEPR-MI-2021-0004.
- c) Please describe how LUMA will reconcile the FY2025 forecast with most recent audited financial statements.

PREB-LUMA-01-05

Reference: Exhibit 1 – “2023 Rate Review Phase I Report,” Section 4.0 Report on Coordination

- a) Has LUMA consulted with PREPA, Genera, and FOMB on the proposed timeline provided in response to PREB-LUMA-01-04-c?
- b) Did each entity confirm they can support the proposed timeline?

PREB-LUMA-01-06

Reference: Appendix A – “Rate Review - Phase I Matrix”

- a) Regarding Schedules A-4 and E-5, clarify whether LUMA anticipates the cost of depreciation being accounted for as an expense in the cost of service evaluated in this proceeding. If the answer is in the affirmative, please identify the schedule on which this expense will be quantified.
- b) Regarding Schedule A-4, clarify whether the requirement of this schedule would be met in part through the construction estimates under Schedule F-3.
- c) Regarding Schedules E-3 and E-4, will LUMA or other parties be able to provide information on *changes in* financial and net position over the test year and three years following the test year, even if the present or past positions are not known with certainty due to the items identified in LUMA’s filing?
- d) Regarding Schedule F-2, will LUMA or other parties be able to provide information on *changes in* financial position at present and proposed rates, even if the present financial position is not known with certainty due to the items identified in LUMA’s filing?
- e) Regarding Schedule M-1, does LUMA anticipate filing a rate design proposal in this proceeding that is based on the partial COSS? If not, on what foundation will LUMA base its rate design proposal?

Questions for PREPA:

PREB-PREPA-01-01

Reference: Appendix A

- a) Confirm that PREPA is prepared to provide the information required to satisfy LUMA’s needs for each Schedule where PREPA is identified in Column F (“LUMA Dependency on Other Entities”).

Questions for Genera:

PREB-GENERA-01-01

Reference: Appendix A

- a) Confirm that Genera is prepared to provide the information required to satisfy LUMA’s needs for each Schedule where PREPA is identified in Column F (“LUMA Dependency on Other Entities”).

