

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

**NEPR**

**Received:**

**May 25, 2024**

**12:01 AM**

IN RE: REVIEW OF LUMA'S INITIAL  
BUDGETS

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

**SUBJECT: T&D and GenCo Budgets for FY2025**

**REQUEST FOR APPROVAL OF T&D BUDGETS AND SUBMISSION OF GENCO  
BUDGETS FOR FY2025 AND BUDGET ALLOCATIONS FOR THE ELECTRIC  
POWER SYSTEM**

**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 the following:

**I. Introduction**

In attention to the order issued by the Puerto Rico Energy Bureau ("Energy Bureau") on March 14, 2024 in this proceeding ("March 14<sup>th</sup> Order"), and the order dated April 12, 2024, issued in Case *In Re: Puerto Rico Electric Power Authority Rate Review*, No. NEPR-AP-2023-0003 ("April 12<sup>th</sup> Rate Proceeding Order"), LUMA hereby submits to this Energy Bureau, the proposed budget for the Transmission and Distribution System ("T&D Budgets"), developed by LUMA.

LUMA worked diligently to develop T&D Budgets for FY2025 that meet the Energy Bureau's directive to continue operating under the terms of the approved T&D Budgets for FY2024, *see* April 12<sup>th</sup> Rate Proceeding Order. The T&D Budgets that are submitted with this Motion are: (i) consistent with the FY2024 Budget that this Energy Bureau approved for LUMA (base rate and additional funding revenues in the FY2025 budget equal the amounts allocated in FY2024), (ii) compliant with the 2017 Rate Order, and (iii) observe the Budget Allocation

Determination made by the Puerto Rico Public-Private Partnerships Authority (“P3A”) for FY2025 (base rate, other income and additional funding).

Applying its expertise and knowledge of the T&D System, LUMA prepared FY2025 T&D Budgets that closely align with the FY2024 T&D Budgets, while also prioritizing activities and investments that address customer needs and enable continued progress towards achieving remediation and transformation objectives. To that end, the FY2025 T&D Budgets do not require an increase in Base Rates, nor a review of the current rate structure established in the Resolution and Order dated January 10, 2017 as amended on reconsideration in Case No. CEPR-AP-2015-0001 (“2017 Rate Order”). LUMA notes, however, that current Base Rates are inadequate to support the growth, maintenance, repair, and modernization required to effectively transform the energy system to the full benefit of our customers. LUMA continues to operate the T&D System in a financially constrained environment, hindering the effectiveness and speed at which LUMA can deliver progress to its customers in line with the Recovery and Transformation Framework that serves as a basis for LUMA’s improvement programs.

As required by this Energy Bureau in the April 12<sup>th</sup> Order, LUMA is also filing the budget proposal for the legacy thermal generation units (the “GenCo Budget”), developed by Genera PR, LLC (“Genera”).<sup>1</sup> Prior to this filing, LUMA received notice that the Puerto Rico Electric Power Authority (“PREPA”) has not concluded its budget approval process for the hydroelectric generating units and the public irrigation facilities (“HydroCo Budget”) nor for PREPA and its subsidiaries (“HoldCo Budget”). Thus, LUMA is not filing the HydroCo and HoldCo Budgets. In *Exhibit 1* of this Motion, LUMA is including the budget allocation approved by the P3A for HydroCo and HoldCo.

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<sup>1</sup> See *Exhibit 1 of this Motion, Appendix C*.

LUMA is not making any representations on the appropriateness or adequacy of any budget proposal other than the T&D Budgets. This filing by LUMA of the FY2025 System Budgets should not be construed as a determination that the current Base Rate structure is adequate nor a waiver of the ability under applicable law to file in the future and, as needed, a request for this Energy Bureau to review current Base Rates.

## **II. LUMA’s contractual duties regarding the T&D Budgets and the Generation Budget**

In accordance with Act 120-2018, known as the “Puerto Rico Electric Power System Transformation Act” (“Act 120”) which enabled PREPA’s transformation through public-private partnerships and the framework detailed in Act 29-2009, as amended, known as the Public-Private Partnership Act (“Act 29”), the annual budgets of Puerto Rico’s Electric Power System are prepared and approved by the Puerto Rico Public Private Partnerships Authority (“P3A”) following a contractually-mandated process set forth in the T&D OMA, the PREPA-GenCo-HydroCo Operating Agreement (“PGHOA”) and the Puerto Rico Thermal Generation Facilities Operation and Maintenance Agreement (“Generation OMA”). In accordance with said contractually mandated budget process, LUMA submits to the P3A the System Budgets that include the T&D Budgets prepared by LUMA and the Generation Budget, which Budget includes the GenCo Budget prepared by the GenCo Operator (Genera).

The threshold contractual provision that dictates LUMA’s role in connection with annual budget processes for the Electric Power System is Section 7.3(a) of the T&D OMA which states, in pertinent part, that:

For any Contract Year (other than the initial Contract Year, for which the procedures for the Initial Budgets set forth in Section 4.2(e) (ManagementCo Responsibilities – Initial Budgets) shall apply, or a year in which a rate adjustment approved by PREB enters into effect, in which case the Budgets used in connection with obtaining such rate adjustment shall be used), Operator shall, no later than

ninety (90) days prior to the commencement of such Contract Year, submit to Administrator the proposed Budgets for such Contract Year . . .

As promptly as practicable in any Contract Year, and sufficiently in advance to allow Operator to comply with the ninety (90) day period set forth above, [PREPA] shall prepare and deliver to [LUMA] the Generation Budget for consolidation with the Operating Budget and the Capital Budgets submitted to [P3A]. [P3A] shall, acting reasonably, review such proposed Budgets to ensure compliance with the applicable Rate Order and Section 7.4 (*Budget Policy*). Within forty-five (45) days following its receipt of such Budgets, [P3A] shall notify [LUMA] whether the proposed Budgets are compliant with the applicable Rate Order and Section 7.4 (*Budget Policy*), and shall request, acting reasonably, any changes or modifications to the proposed Budgets to conform the proposed Budgets with the applicable Rate Order and Section 7.4 (*Budget Policy*). [P3A] and [LUMA] shall collaborate in good faith to resolve any differences with respect to such proposed Budgets as promptly as practicable.

Relatedly, the PGHOA provides that for any Fiscal Year, PREPA (PREPA HydroCo LLC) shall prepare the proposed HydroCo Budget for such Fiscal Year and, no later than one hundred and fifteen (115) days prior to the commencement of the relevant Fiscal Year, submit to GenCo Operator (currently, Genera), the proposed HydroCo Budget for such Fiscal Year. *See* Section 3.1(c)(i) of the PGHOA. Upon receipt of the HydroCo Budget, GenCo Operator shall prepare the proposed GenCo Budget for such Fiscal Year, consolidate such proposed GenCo Budget with the proposed HydroCo Budget and, no later than one hundred and five (105) days prior to the commencement of the relevant Fiscal Year, submit to LUMA the proposed Generation Budget for such fiscal year. *See* Section 3.1(d)(i) of the PGHOA.<sup>2</sup> No later than ninety (90) days prior to the commencement of the Fiscal Year, LUMA shall submit to P3A the Generation Budget

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<sup>2</sup> *See also* Section 7.3(b) of the Generation OMA:

Operator shall prepare the proposed O&M Budgets for such Contract Year, consolidate such budgets with the proposed Hydroco Budget (which Hydroco shall submit to Operator no later than one hundred fifteen (115) days prior to the commencement of the relevant Contract Year), and, no later than one hundred five (105) days prior to the commencement of the relevant Contract Year, submit to T&D Operator the proposed O&M Budgets for such Contract Year.

consolidated with the T&D Budget, pursuant to Section 7.3(a) of the T&D OMA. *See* Section 3.1(d)(ii) of the PGHOA.

Once the P3A receives the proposed Generation Budget and the proposed T&D Budget, it shall review the budgets to ensure compliance with the applicable Rate Order. Within forty-five (45) days following receipt of such budgets, P3A shall notify whether the proposed budgets are compliant with the applicable Rate Order, and shall request, acting reasonably, any changes or modifications to the proposed budgets to conform the proposed budgets with the applicable Rate Order. *See* Section 3.1(d)(iii) of the PGHOA. In the event that the HydroCo Budget or the GenCo Budget does not comply with the budget allocation of the base rate: “Genco and Genco Operator, T&D Operator and, if applicable, Hydroco shall, . . . meet with Administrator and collaborate in good faith to resolve any differences with respect to the proposed budgets to ensure compliance with the applicable Rate Order, . . .”. However, if Administrator, Genco and Genco Operator, T&D Operator and, if applicable, HydroCo, collaborating in good faith cannot resolve any such differences with respect to the proposed budgets to ensure compliance with the applicable Rate Order, then **any of Genco and Genco Operator, T&D Operator and, if applicable, HydroCo** can seek resolution before PREB of any such differences with respect to the proposed budgets. *See id* (emphasis added).

Per the above referenced provisions, LUMA does not have contractually mandated duties in connection with PREPA’s HoldCo Budget nor is it LUMA’s duty to submit the HoldCo Budget to the P3A or this Energy Bureau. Moreover, LUMA is not required to defend the Generation Budget nor the HoldCo Budget before this Energy Bureau.

### **III. The Energy Bureau's Orders Requiring Annual Budgets**

LUMA's proposed T&D Budgets for FY2025 are submitted to this Energy Bureau pursuant to the March 14<sup>th</sup> Order, the April 12<sup>th</sup> Rate Proceeding Order, the May 16<sup>th</sup> Order, and paragraph 441 of the 2017 Rate Order, as amended on March 31, 2017, whereby the Energy Bureau established the concept of "one-year budget examinations" with the purpose of "examin[ing] PREPA's proposed departmental budgets" and "establish a just and reasonable revenue requirement for the fiscal year beginning . . . ."

### **IV. Relevant Procedural Background**

1. On June 25, 2023, this Energy Bureau issued a Resolution and Order (the "June 25<sup>th</sup> Order") whereby it approved the System Annual Budgets, subject to certain amendments to such budgets, including a reduction to the Proposed T&D Budgets.

2. On July 10, 2023, LUMA submitted a *Motion for Partial Reconsideration of Resolution and Order of June 25, 2023 on Fiscal Year 2024 System Budgets* requesting that the Energy Bureau reconsider its determination to reduce LUMA's Proposed T&D Budgets and restore the full amount of funding proposed by LUMA for FY2024.

3. On September 22, 2023, the Energy Bureau issued a Resolution and Order (the "September 22<sup>nd</sup> Order") granting, in part, LUMA's Motion for Reconsideration and reversing the reductions to LUMA's Proposed T&D Budget established in the June 25<sup>th</sup> Order.

4. In the March 14<sup>th</sup> Order, among other matters, this Energy Bureau issued an order to LUMA, Genera, and PREPA stating that the FY2025 Budget Proposal should be filed on or before April 15, 2024. The Energy Bureau based its determination on the procedure previously established to review annual budgets in accordance with the 2017 Rate Order.

5. On April 7, 2024, LUMA filed an *Informative Motion on Status of FY 2025 Budget Allocation Discussions and Request for Additional Time to Conclude Discussions on the Fiscal Year 2025 Consolidated System Budget* (“April 7<sup>th</sup> Motion”), whereby it requested an extension of time, until May 15, 2024, to file the FY2025 System Budgets.

6. On April 9, 2024, this Energy Bureau entered a Resolution and Order whereby it granted the Request for Extension of the April 7<sup>th</sup> Motion and, therefore, extended the deadline for LUMA to submit the consolidated FY2025 System Budgets to May 15, 2024. Thereafter, this Energy Bureau issued the April 12<sup>th</sup> Rate Proceeding Order whereby it ordered LUMA, PREPA and Genera to “continue to operate within the terms and conditions of the 2017 Rate Order similar to what was approved in the June 25, 2023 Resolution and Order and subsequently amended[,] under the Budget Procedure.” *Id.*, pp. 3-4. This Energy Bureau further stated that “if the FY2025 Budget has substantial differences with the terms and conditions of the FY2024 Budget,” such modifications should be submitted to this Energy Bureau. *Id.*, p. 4<sup>3</sup>.

8. On May 15, 2024, LUMA filed an *Urgent Request for Additional Extension of Time to Submit FY2025 System Budgets*, whereby it requested an extension of time, until May 20, 2024, to file the FY2025 System Budgets. LUMA explained that the parties (LUMA, Genera and PREPA) were supporting the P3A’s efforts on the allocation of funds for FY2025 (“Budget Allocation Determination”) and that as of May 15<sup>th</sup>, the P3A had yet to issue said determination.

9. On May 16, 2024, this Energy Bureau entered a Resolution and Order extending the deadline to submit the FY2025 System Budgets up to May 20, 2024.

10. On May 17, 2024, LUMA filed an *Urgent Request for Third Extension of Time to Submit FY2025 System Budgets*, whereby it requested an additional extension of time, until May

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<sup>3</sup> This, until the Title III Court issues a final decision on the Amended Plan and the rate review process concludes, unless the need for a provisional rate is justified. *See* April 14<sup>th</sup> Rate Proceeding Order, p. 4.

24, 2024, to file the FY2025 System Budgets before this Energy Bureau. LUMA notified this Energy Bureau that LUMA received the P3A's Budget Allocation Determination late that afternoon and that said determination differed considerably from the assumptions on which LUMA, Genera and PREPA based the development of their initial budget proposals to the P3A. This meant that the parties had to reassess and perform additional work to conform their proposed budgets to the P3A's Budget Allocation Determination.

11. On May 20, 2024, this Energy Bureau entered a Resolution and Order whereby it once again extended the deadline to submit the FY2025 System Budgets up to May 24, 2024.

#### **V. The FY2025 T&D Budgets**

As LUMA stated in the April 7<sup>th</sup> Motion, LUMA, Genera and PREPA had previously been preparing their proposed FY2025 System Budgets in the context of a rate petition that would be submitted, at the direction of the Energy Bureau, in the Rate Review Proceeding, *In Re: Puerto Rico Electric Power Authority Rate Review*, Case No. NEPR-AP-2023-0003, with an updated revenue requirement. Nonetheless, in the April 12<sup>th</sup> Rate Proceeding Order, this Energy Bureau set aside all milestones and deadlines for the rate review process, “until the Title III Court has rendered its decision on the confirmation of the Amended Plan, so that all matters associated with PREPA's exit from Title III may be considered simultaneously.” *See*, April 12<sup>th</sup> Rate Proceeding Order, p. 3. The Energy Bureau ordered LUMA, PREPA and Genera to “continue to operate within the terms and conditions of the 2017 Rate Order.” *Id.* As a result, LUMA conducted a budget process in an abbreviated timeline to prioritize key activities for FY2025 and evaluate if it could meet the Energy Bureau's requirement and operate the T&D System in FY2025 within the current base rate revenues.



The FY2025 T&D Budgets were prepared to allow LUMA to operate and maintain the T&D System under a budget allocation as closely aligned as practicable to the FY2024 T&D Budgets, while making necessary adjustments, and without altering customer rates. However, LUMA notes that the 2017 Rate Order is no longer sufficient to support the growth, maintenance, repair, and modernization required to effectively transform the energy system to the full benefit of its customers. As was the case in FY2024 and is the case for FY2025, LUMA will continue to operate in a financially constrained environment, hindering the effectiveness and speed at which LUMA can deliver progress to its customers. *See Exhibit 1, Executive Summary, p. 3.*

LUMA's Annual T&D Budgets are comprised of the Operating Budget, the Non-Federally Funded Capital Budget, and the Federally Funded Capital Budget. The T&D Budgets for FY2025 consist of \$568 million of Operating Expenditures, \$124 million of Non-Federally Funded Capital Expenditures, and \$1.21 billion of Federally Funded Capital Expenditures. *See Exhibit 1, Executive Summary, p. 3.* Section 3.1 of *Exhibit 1* includes a description of the key O&M Services overseen by each of LUMA's operational departments: (1) Customer Experience; (2) Operations; (3) Utility Transformation; and (4) Support Services. *See Exhibit 1, p.p. 13-24.*

The T&D Budgets are built to maintain LUMA's continued efforts to implement federally funded and non-federally funded improvement programs, as well as to fund operations and maintenance expenditures required to implement the improvement programs and operate the T&D System and other functions of the utility that are under LUMA's purview.

**A.     *Operating Budget***

LUMA projects Total Labor expenditures of \$268.8 million, Total Non-Labor expenditures of \$288.4 million, \$11.14 million Excess Expenditure Reserve (as required by the Section 7.3(b) of the T&D OMA), for a Total Operating Budget of \$568.3 million. *See Exhibit 1, Schedule 4.2.*

***B. Capital Budget (Federally and Non-Federally Funded)***

The Capital Budget comprises the Capital Budget – Federally Funded and the Capital Budget – Non-Federally Funded and includes the following improvement portfolios that are comprised of improvement programs to further LUMA’s mission to recover and transform PREPA and the T&D System: (1) Customer Experience; (2) Transmission; (3) Distribution; (4) Substation; (5) Control Center and Buildings; (6) Enabling; and (7) Support Services. *See Exhibit 1*, p. 25; *Exhibit 1*, Schedule 4.4.

LUMA projects that it will invest \$1.33 billion (inclusive of 2% Excess Expenditure Reserve required by Section 7.3(b) of the T&D OMA) in capital expenditures, comprised of \$1.2 billion (inclusive of the 2% Excess Expenditure Reserve) of federally funded contributions and \$123.7 million (inclusive of the 2% Excess Expenditure Reserve) of Non-Federally Funded Capital Expenditures. *See Exhibit 1*, Schedule 4.4.

***C. Improvement Portfolios and Programs***

Investment priorities in the FY2025 T&D Budgets continue to build on the Recovery and Transformation Framework and improvement programs that were adopted in LUMA’s Initial Budgets filing, *see* LUMA’s Submission of February 24, 2021, Section 1.4<sup>4</sup>, implemented in LUMA’s T&D Budgets filings for FY2023<sup>5</sup> and FY2024<sup>6</sup>, and approved by this Energy Bureau

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<sup>4</sup> Available at <https://energia.pr.gov/wp-content/uploads/sites/7/2021/03/Petition-for-Approval-of-Initial-Budgets-and-Related-Terms-of-Services-3.pdf>.

<sup>5</sup> *See* Submission of Annual Budgets for Fiscal Years 2023 Through 2025, available at <https://energia.pr.gov/wp-content/uploads/sites/7/2022/06/20220402-LUMA-Submission-of-Annual-Budgets-for-Fiscal-Years-2023-Through-2025-.pdf>.

<sup>6</sup> *See* Submission of Consolidated Annual Budgets for Fiscal Year 2024 and Proposed Annual T&D Projections Through Fiscal Year 2026, available at <https://energia.pr.gov/wp-content/uploads/sites/7/2023/05/20230516-MI20210004-Submission-of-FY2024-System-Annual-Budgets.pdf>.

through resolutions and orders of May 31, 2021<sup>7</sup>, February 27, 2023<sup>8</sup>, and June 25, 2023<sup>9</sup>. LUMA will continue to execute improvement programs to: a) remediate concerns identified through the gap assessment conducted during the Front-End Transition Period<sup>10</sup>, b) conduct known infrastructure repair, replacement or hardening projects, and c) meet regulatory requirements. *See* Exhibit 1, p. 25.

LUMA's improvement programs are organized into portfolios of similar, interdependent programs that together cover all functional areas of the utility. *Id.* The table below provides the budget for each of those portfolios for FY2025.

**Table 1-8. Improvement Portfolio Spending Profile (\$ million)**

Portfolio	FY2025 <sup>1,2</sup>
Customer Experience	396
Distribution	310
Transmission	120
Substations	139
Control Center & Buildings	34
Enabling	376
Support Services	31
<b>Grand Total</b>	<b>1,404</b>

*Id.*

As requested by this Energy Bureau in a Resolution and Order dated February 27, 2023, p. 30, LUMA is submitting a document that outlines the milestones and completion dates for each of

<sup>7</sup>Available at <https://energia.pr.gov/wp-content/uploads/sites/7/2021/06/20210531-MI20210004-Resolution-and-Order-Initial-Budgets.pdf>.

<sup>8</sup> Available at <https://energia.pr.gov/wp-content/uploads/sites/7/2023/02/20230227-MI20210004-Resolution-and-Order.pdf>.

<sup>9</sup> Available at <https://energia.pr.gov/wp-content/uploads/sites/7/2023/06/20230625-MI20210004-Resolution-and-Order.pdf>.

<sup>10</sup> See Resolution and Order of May 31, 2021, p.p. 10-13.

the improvement programs<sup>11</sup>, including those programs that are a part of the approved System Remediation Plan<sup>12</sup>, as amended and updated<sup>13</sup>. *See Appendix A.*

## **VI. LUMA's Key Priorities and Investments for FY2025**

For FY2025, LUMA's T&D Budgets prioritize modernization and improvement activities that are part of recovery and transformation across of Puerto Rico's T&D System to bring enhanced safety and reliability to customers, whilst complying with legal, regulatory, and contractual requirements. Some of the key priorities to be funded in FY2025 include:

- Public Safety: Continue investing in repair and maintenance of vehicles to meet required safety standards in addition to replacing inoperable fleet for FY2025.
- Grid Resilience: Addressing critical infrastructure repairs, including meters, substations, lines, and poles; implementation of a comprehensive Preventative Maintenance (PM) and Corrective Maintenance (CM) Programs across all asset functions, including transmission, distribution, and substations, to identify and address deficiencies proactively, focusing on high-priority issues to increase system reliability and resilience.
- Customer Satisfaction: Continue optimizing LUMA's Customer Care & Billing system to enable benefits for customer bill practices while incorporating additional information requested by this Energy Bureau to be visible on customer bills.

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<sup>11</sup> The program descriptions and objectives have not changed materially from the versions filed for the FY2024 Budget and are not being refilled.

<sup>12</sup> This Energy Bureau approved LUMA's System Remediation Plan on June 23, 2021, Case NEPR-MI-2020-0019, available at <https://energia.pr.gov/wp-content/uploads/sites/7/2021/06/20210622-MI20200019-Resolution-and-Order-SRP.pdf>.

<sup>13</sup> The program descriptions are those filed with the FY2024 T&D Budgets, as amended through LUMA's filing in Case No. NEPR-MI-2020-0019, *see Motion Submitting Modifications to System Remediation Plan and Request for Confidential Treatment* filed on December 22, 2023, available at <https://energia.pr.gov/wp-content/uploads/sites/7/2023/12/20231222-MI20200019-Motion-Submitting-Changes-to-SRP-2024.pdf>.

- Continued Operations Excellence: Continue developing and enhancing existing processes, such as new business connections, while addressing the increased cost of operating in areas including insurance, information technology (IT) agreements, and finance services to ensure operational excellence.
- Energy Transformation: Continue working with large power generators to connect safely and efficiently to the grid while LUMA implements new mechanisms, including wheeling, to enable energy sector transformation.

*See Exhibit I, Executive Summary, p.p. 3-4.*

## **VII. FY2025 Budget Allocation for the System**

On May 9, 2024, LUMA submitted to the P3A the FY2025 System Annual Budget, including the T&D Budgets prepared by LUMA, the HoldCo and HydroCo Budgets prepared by PREPA, and the GenCo Budget prepared by Genera. LUMA noted that PREPA's proposed budgets for HoldCo and HydroCo exceeded the revenues allocated to each operating entity pursuant to the P3A's FY2024 Budget Allocation.<sup>14</sup>

On May 17, 2024, the P3A sent a letter to LUMA notifying its determination with regards to the total amount of base rate revenues that would be available for distribution and allocation across the various entities operating the System and the corresponding percentage of such revenues allocated to LUMA, Genera and PREPA, respectively. *See Exhibit I, Appendix B. As Exhibit I, Appendix B shows, the P3A determined that the projected revenues of \$1,151.456 million for FY2025 are compliant with the 2017 Rate Order. The P3A also determined to allocate revenues based on the following percentages: LUMA - 65.2%, Generation – 31.8% (95.4% of which was*

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<sup>14</sup> *See also this Energy Bureau's May 17<sup>th</sup>, 2024 Resolution and Order (highlighting PREPA's "disregard for budgetary realities" and stating "that PREPA must operate within its approved budgets in accordance with its reduced responsibilities").*

allocated to GenCo and 4.6% to HydroCo) and PREPA – 3%. The allocation methodology adopted by the P3A is the same as for FY2024.

The P3A identified \$89.655 million of Other Income to be allocated among the parties. As explained in *Exhibit 1* of this Motion, the allocation of Other Income, includes supplemental revenue streams associated to specific utility activities. While this supplemental income benefits LUMA (GridCo), GenCo, HydroCo, and HoldCo, there are actual costs incurred in connection with the activities that generate this supplemental income. Accordingly, the allocation of these revenues for FY2025 was updated to match the costs incurred by each of the respective entities in connection with the activities that generate such revenues. For FY2025, \$54 million of Other Income is allocated directly to GridCo to cover expenses incurred, with the remaining \$36 million distributed amongst all entities and \$700,000 directly allocated to GenCo.

Furthermore, the P3A identified and committed \$74.741 million in additional funds to help bridge the gap between available revenues and the minimum funding required to operate, maintain, repair, and restore the electric system.

The P3A determined that the total amount of revenues available for distribution and allocation between the parties pursuant to the allocation mechanism mentioned above was \$1.04 billion for FY2025. Accordingly, and based on the allocation methodology previously described, the P3A allocated \$692 million of such revenues to LUMA, \$301 million to Genera, \$14.5 million to HydroCo (managed by PREPA) and \$33 million to HoldCo (PREPA's remaining subsidiaries other than HydroCo). The table below provides a consolidated view of the FY2025 Budget Allocation for the Electric Power System ("FY2025 System Budget Allocation").

	Budgets FY2025 <sup>1</sup>
<b>Transmission &amp; Distribution</b>	
GridCo Operating Expenditures	568
GridCo Non-Federally Funded Capital Expenditures	124
<b>Transmission &amp; Distribution Total<sup>2</sup></b>	<b>692</b>
T&D Federally Funded Capital Expenditures	1,207
<b>Generation<sup>3</sup></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<sup>3, 4</sup></b>	<b>33</b>
<b>Other</b>	
LUMA Fee	135
Genera PR Fees	24
Bad Debts	60
Bankruptcy and Advisor Costs	56
<b>Other Total</b>	<b>275</b>
<b>Total Non-Federally Funded T&amp;D and Generation Expenditures (Excluding <i>Other</i>)</b>	<b>1,041</b>

See Exhibit 1, p. 7.

The allocations for HoldCo, GenCo and HydroCo include \$62 million for Shared Services to fund administrative and managerial services involving information technology, finance and accounting, that LUMA will provide for PREPA and the Legacy Generation Assets that are currently operated by Genera during the first quarter of FY2025. See Exhibit 1, p. 9. Shared services costs also include insurance costs for FY2025. *Id.*

The table below compares the base rate revenue for FY2025 with the base rate revenue for FY2017 (current rate order).

**Summary Comparison of Available Base Rate Revenue (\$ million)**

	Base Rate Revenue FY2025 <sup>15</sup>	Base Rate Revenue FY2017	Variance
<i>Forecasted Sales (GWh)</i>	16,180	17,268	(1,088)
<b>Transmission &amp; Distribution</b>	<b>648</b>	<b>923</b>	<b>(275)</b>
<b>Generation and HoldCo<sup>16</sup></b>	<b>318</b>	<b>267</b>	<b>51</b>
<b>Other<sup>17</sup></b>	<b>275</b>	<b>99</b>	<b>176</b>
<b>Total</b>	<b>1,241</b>	<b>1,289</b>	<b>(48)</b>
<b>Incremental Government Funding</b>	<b>75</b>		
<b>Modified Total with Additional Funding</b>	<b>1,316</b>		

*See Exhibit 1, p. 8.*

LUMA notes that Genera is proposing a GenCo Budget that exceeds the FY2025 System Budget Allocation. *See Appendix C.* LUMA's filing of the GenCo Budget does not imply endorsement of any component of the GenCo Budget or of the amounts reflected therein.

### **VIII. Conclusion and Request for Notice**

LUMA is the only party who prepared budgets that comply with the FY2024 System Budgets, as required by this Energy Bureau, and with the P3A's FY2025 System Budget Allocation. LUMA respectfully submits that consideration of the T&D Systems should not be delayed due to fact that GenCo is requesting that the Energy Bureau identify additional revenues for GenCo. Expeditious approval of the compliant T&D Budgets will allow LUMA to operate with certainty when implementing the FY2025 T&D Budgets starting on July 1<sup>st</sup>, 2024.

LUMA reserves the right to separately state its position in response to GenCo's budget proposal. LUMA requests that this Energy Bureau notify LUMA if it intends to consider any

<sup>15</sup> Figures only include the available base rate revenue based on P3A allocation.

<sup>16</sup> As provided to LUMA by P3A and Genera PR. For additional details, please refer to the documents provided by P3A and Genera PR in Appendices B and C.

<sup>17</sup> Other includes service fees, bad debts, bankruptcy, and advisor costs, and a 2% reserve for excess expenditures. Some of these costs were not considered in the 2017 Rate Order.



proposal that could reduce the approved allocations for LUMA and that it grants LUMA a reasonable, timely and material opportunity, to present its position in connection with such proposal.

LUMA is committed with the transformation of the T&D System and achieving public policy goals that further the needs of its customers. During FY2025, LUMA will work to remain fiscally responsible while markedly improving service within challenging fiscal constraints. LUMA will continue to implement plans and programs approved or mandated by the Energy Bureau to remediate and transform Puerto Rico's electric system. However, funding limitations will continue hindering the effectiveness and speed at which LUMA can deliver progress to its customers.

**WHEREFORE**, LUMA respectfully requests that this Energy Bureau **take notice** of this Motion, of the T&D Budgets submitted as *Exhibit 1* of this Motion and LUMA's workpapers<sup>18</sup>, and **approve the proposed T&D Budgets for FY2025** that are aligned with the FY2024 T&D Budgets and comply with the FY2025 System Budget Allocation and the 2017 Rate Order. Moreover, without making any representations on the GenCo, Budget, LUMA **states** that *Appendix C* and the spreadsheet to be submitted via email, is the GenCo Budget that Genera shared with LUMA today, May 24, 2024, to submit to this Energy Bureau.

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<sup>18</sup> LUMA is submitting "supporting materials and applicable workpapers used to develop the proposed FY2025 Consolidated Annual Budgets", as ordered by this Energy Bureau in its April 9, 2024, Resolution and Order. LUMA respectfully requests that this Energy Bureau deem LUMA in compliance with said directive. LUMA is submitting under seal of confidentiality, the FY2025 workpaper on Operating Expenditures. LUMA is submitting a redacted public version of the workpaper, as well as a confidential unredacted version. In compliance with the Energy Bureau's Policy on Management of Confidential Information," CEPR-MI-2016-0009, issued on August 31, 2016, as amended on September 21, 2016 ("Energy Bureau's Policy on Management of Confidential Information"), under separate cover and expediently, within the next ten days, as set forth in Section A.2 of the Energy Bureau's Policy on Management of Confidential Information, LUMA will submit a memorandum of law in support of its request to file the FY2025 Operating Expenditures workpaper under seal of confidentiality.

**RESPECTFULLY SUBMITTED.**

In San Juan, Puerto Rico, this 24<sup>th</sup> day of May, 2024.

We hereby certify that this motion was filed using the electronic filing system of this Energy Bureau. We also certify that copy of this motion will be notified to the Puerto Rico Electric Power Authority, through its attorneys of record: Mirelis Valle-Cancel, [mvalle@gmlex.net](mailto:mvalle@gmlex.net), and Alexis G. Rivera Medina, [arivera@gmlex.net](mailto:arivera@gmlex.net); and to Genera PR LLC, through its counsel of record: Jorge Fernández-Reboredo, [jfr@sbgblaw.com](mailto:jfr@sbgblaw.com) and Alejandro López Rodríguez, [alopez@sbgblaw.com](mailto:alopez@sbgblaw.com). order



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*Exhibit 1*

*Schedules and working papers in Excel spreadsheet format to be submitted via email.*



# Presupuestos anuales

Año fiscal 2025

24 de mayo de 2024

## Resumen ejecutivo

### INTRODUCCIÓN

Los hombres y las mujeres de LUMA sienten orgullo por el progreso significativo que hacemos cada día para construir un sistema de energía más confiable, resiliente y limpio para nuestros 1.5 millones de clientes y todo Puerto Rico. Desde que asumimos la operación del sistema de Transmisión y Distribución (T&D) en junio de 2021, nuestro progreso se ha visto alrededor de la isla gracias a la actualización y modernización de más de 33 subestaciones, el reemplazo de más de 11,500 postes por postes resistentes a huracanes, la instalación de más de 115,000 luminarias, la conexión de más de 91,000 sistemas de energía solar de clientes y la poda y eliminación de la vegetación que representa riesgo a lo largo de más de 3,900 millas de líneas eléctricas para mejorar la seguridad y el servicio y reducir los apagones. El alcance y el ritmo históricos de estos avances han sido posibles gracias a nuestro compromiso de construir una empresa de servicios públicos moderna que cuenta con el respaldo de una mano de obra local dotada de las herramientas y la capacitación necesarias para mantener y modernizar el sistema de energía eléctrica y, al mismo tiempo, responder con eficacia ante tormentas, huracanes y otras emergencias.

LUMA tiene el compromiso de continuar con este progreso al tiempo que también prioriza la eficiencia operativa, la rectitud y la responsabilidad fiscal para cumplir con el Acuerdo de Operación y Mantenimiento del Sistema de Transmisión y Distribución de Puerto Rico (T&D OMA, por su sigla en inglés) que firmaron el 22 de junio de 2020 LUMA Energy y nuestros socios, la Autoridad de Energía Eléctrica de Puerto Rico (AEE) y la Autoridad de Alianzas Público-Privadas de Puerto Rico (P3A, por su sigla en inglés).

### RESUMEN DEL PRESUPUESTO

Por órdenes del Negociado de Energía de Puerto Rico (Negociado de Energía), LUMA había estado desarrollando una propuesta de presupuesto anual para el año fiscal 2025 (AF2025) en el contexto de un procedimiento de revisión de tarifas en el caso NEPR-AP-2023-0003. El 12 de abril de 2024, el Negociado de Energía ordenó detener la revisión tarifaria hasta que el Tribunal de Título III confirmara el Plan de Ajuste de la AEE. Como resultado de esta decisión, el Negociado de Energía ordenó a LUMA, PREPA y Genera que operaran dentro del Orden de Tarifas de 2017 para el AF2025 en la medida de lo posible. Este presupuesto para el AF2025 se preparó para operar y mantener el Sistema de T&D dentro de una asignación presupuestaria idéntica a la del AF2024, mientras se hacen los ajustes necesarios y sin alterar las tarifas de los clientes.

Si bien esta presentación presupuestaria se realiza para cumplir con los requisitos del Negociado de Energía, la estructura de la tarifa base de 2017, que tiene casi una década de antigüedad, es inadecuada para apoyar el desarrollo, el mantenimiento, las reparaciones ni la modernización necesarios para transformar con eficacia el sistema de energía eléctrica en beneficio pleno de nuestros clientes. Para el año fiscal 2024, P3A asignó \$130 millones en fondos adicionales necesarios para complementar los ingresos de la tarifa base y permitir que LUMA, PREPA y Genera satisficieran las necesidades de los clientes. De manera similar, para el AF2025, P3A ha asignado \$75 millones en financiamiento adicional como complemento a los ingresos de la tarifa base. Estos fondos adicionales, asignados entre LUMA, AEE y Genera, son necesarios para financiar gastos operativos y de inversión de capital cruciales, a fin de lograr avances en la mejora de la calidad del servicio para los clientes.

## Presupuestos anuales

Si bien LUMA anticipa un modesto aumento en los ingresos para el AF2025 en comparación con el presupuesto actual del AF2024, estos ingresos complementarios, junto con el financiamiento adicional a los ingresos de la tarifa base, se utilizan para compensar los costos crecientes, debidos a la inflación y al aumento de las inversiones en (i) áreas prioritarias y (ii) partidas que se aplazaron en años anteriores debido a la falta de fondos. En resumen, LUMA ha elaborado un presupuesto que se acerca de la manera más razonable al AF2024 ajustándolo a la inflación y, al mismo tiempo, permitiendo la operación y el mantenimiento continuos del Sistema de Transmisión y Distribución. Sin embargo, LUMA continúa operando el Sistema de Transmisión y Distribución en un entorno limitado en términos financieros, lo que obstaculiza la efectividad y velocidad con la que LUMA puede ofrecer progreso a sus clientes.

Los presupuestos anuales de LUMA contenidos en esta presentación se componen del Presupuesto Operativo, el Presupuesto de Capital No Financiado con Fondos Federales y el Presupuesto de Capital Financiado con Fondos Federales. El presupuesto del AF2025 consta de \$568 millones de gastos operativos, \$124 millones de gastos de capital no financiados con fondos federales y \$1,210 millones de gastos de capital financiados con fondos federales. El componente de los presupuestos correspondiente a la financiación con la tarifa base, que consta del presupuesto operativo y el presupuesto de capital no financiado con fondos federales, es de \$692 millones, que incluyen los \$44 millones en fondos adicionales que P3A asignó a GridCo.

La P3A había identificado un total de \$75 millones de financiación adicional, que repartieron de la siguiente manera: \$68 millones se asignaron entre GridCo, GenCo, HydroCo y HoldCo utilizando los porcentos de asignación que determinó P3A, y los \$7 millones restantes se asignaron directamente a GenCo, HydroCo y HoldCo.

De conformidad con la solicitud del Negociado de Energía, LUMA intentó incluir los presupuestos de GenCo, HydroCo y otros presupuestos de la AEE<sup>1</sup> en las tablas y los apéndices de esta presentación (como se establece en los términos del Acuerdo Operativo de PREPA, GenCo y HydroCo, en el que se incluye también a HoldCo). No obstante, LUMA recibió una notificación del presidente de la Junta de Gobierno de la AEE en la que indicaba que la Junta de Gobierno de la AEE no había concluido el proceso para aprobar su presupuesto como lo exigen sus estatutos. En consecuencia, LUMA solo incluyó en esta presentación el presupuesto que Genera PR proporcionó para GenCo, que consta de \$319 millones. Se debe tener en cuenta que LUMA no controla ni se beneficia del presupuesto de GenCo ni de los otros presupuestos de la AEE.<sup>2</sup>

### PRIORIDADES PRESUPUESTARIAS E INVERSIONES CLAVE

Como parte de nuestro compromiso de operar de forma responsable el sistema de transmisión y distribución, LUMA sigue priorizando las actividades de modernización y mejora que forman parte de la recuperación y transformación en los 78 municipios para ofrecer una mayor seguridad y fiabilidad a nuestros clientes, y cumplir con los requisitos legales, reglamentarios y contractuales. Además, el presupuesto propuesto para el AF2025 se elaboró con el objetivo de priorizar los costos adicionales del AF2024, y financiar estos gastos mediante una combinación de los ingresos de la tarifa base existente,

<sup>1</sup> Según se establece en los términos del Acuerdo Operativo de PREPA, GenCo y HydroCo, "La Sección 3.1 establece lo siguiente: "los Presupuestos de GenCo, HydroCo y de la AEE y sus subsidiarias que no sean GenCo ni HydroCo (los "otros Presupuestos de la AEE" y , junto con los Presupuestos de GenCo, HydroCo y Transmisión y Distribución, los "Presupuestos").

<sup>2</sup> De acuerdo con la sección 7.3(a) del T&D OMA, LUMA está obligada a presentar el presupuesto consolidado de generación y los presupuestos de T&D a P3A, pero no está obligada a presentar los presupuestos de HoldCo. De conformidad con la Orden del PREB del 16 de mayo de 2024, LUMA está presentando el presupuesto para el AF2025 de la misma manera que el AF2024.

## Presupuestos anuales

los fondos gubernamentales adicionales que asignó P3A y la financiación federal. En consonancia con el presupuesto general, los gastos adicionales hasta el AF2024 se incluyeron sobre la base del marco de recuperación y transformación, y se vinculan de manera explícita a los objetivos clave de LUMA y a la política pública energética de Puerto Rico. Este enfoque combinado apoya las operaciones diarias al tiempo que continúa adelantando el mantenimiento de la infraestructura del sistema eléctrico de Puerto Rico de la manera más eficaz y segura posible. Los costos adicionales que se priorizaron en el AF2025 incluyen, entre otros, los siguientes:

- **Seguridad pública:** Seguir invirtiendo en la reparación y el mantenimiento de vehículos para cumplir con los estándares de seguridad, además de sustituir la flota inoperativa para el AF2025;
- **Resiliencia de la red:** Reparar la infraestructura crítica, como contadores, subestaciones, líneas y postes; implantar de manera parcial programas abarcadores de mantenimiento preventivo y correctivo en todas las funciones de los activos, como transmisión, distribución y subestaciones, para identificar y atender las deficiencias con prontitud, enfocándonos en los problemas prioritarios para aumentar la fiabilidad y la resiliencia del sistema;
- **Satisfacción del cliente:** Continuar optimizando el sistema de atención al cliente y facturación de LUMA para permitir beneficios para las prácticas de facturación al tiempo que se incorpora información adicional en las facturas, según lo solicitó el PREB, y se mejoran las opciones de autoservicio de los clientes para reducir el costo de la prestación del servicio;
- **Continuación de la excelencia operativa:** Seguir desarrollando y mejorando los procesos existentes, como las nuevas conexiones empresariales, al tiempo que se aborda el aumento de los costos operativos en asuntos como los seguros, los acuerdos relacionados con las tecnologías de la información y los servicios financieros para garantizar la excelencia operativa; y
- **Transformación energética:** Continuar trabajando con los grandes generadores de energía para que se conecten a la red de forma segura y eficiente al tiempo que LUMA implementa nuevos mecanismos, entre otros, los servicios de trasbordo (“wheeling”), para permitir la transformación del sector energético

### RESPONSABILIDAD FISCAL Y OBJETIVOS PARA EL SISTEMA

Si bien la primera prioridad de LUMA es la operación segura y confiable y la modernización del sistema eléctrico, también tenemos el compromiso de asegurarnos de elaborar un presupuesto adecuado y procurar recursos suficientes para cumplir con el alcance y el ritmo de las mejoras y la modernización en todas las facetas del sistema energético. Por ejemplo, LUMA revisa cuidadosa y continuamente sus presupuestos para asegurarse de que se están administrando de manera eficiente en el mejor interés de nuestros clientes y de que ayudarán a alcanzar los objetivos de Puerto Rico. Es importante reconocer que LUMA continúa operando dentro de realidades presupuestarias que limitan el que logremos un ritmo de progreso más significativo, y nos obligan a priorizar de manera estratégica. Para cumplir con los objetivos actuales, LUMA está evaluando de forma continua el presupuesto, así como las necesidades actuales y futuras del sistema, para garantizar que los recursos disponibles sean suficientes y se asignen de la manera más adecuada para construir un futuro energético más fiable, resiliente y limpio para todos nuestros clientes.

### FUENTES Y SUPOSICIONES

Las fuentes de información y las suposiciones de LUMA para el presupuesto de GridCo se basan en la información disponible durante el proceso de elaboración del presupuesto. El presupuesto anual representa el juicio de LUMA sobre los costos razonables previstos para suministrar electricidad al pueblo de Puerto Rico, dadas las restricciones fiscales en las que se encuentra actualmente la AEE. Con este presupuesto, LUMA planifica llevar a cabo los trabajos operativos y de capital para el AF2025.



# Annual Budgets

Fiscal Year 2025

May 24, 2024



# Annual Budgets

## Executive Summary

### INTRODUCTION

The men and women of LUMA are proud of the significant progress being made every day to build a more reliable, more resilient, and cleaner energy system for our 1.5 million customers and all of Puerto Rico. Since assuming operation of the Transmission and Distribution (T&D) system in June of 2021, our island-wide progress has included upgrading and modernizing more than 33 substations, replacing more than 11,500 utility poles with hurricane-resistant poles, installing over 115,000 streetlights, connecting over 91,000 customers to solar and trimming and removing hazardous vegetation along over 3,900 miles of power lines to improve safety and service and reduce outages for our customers. The historical scope and pace of such progress have been made possible through a commitment to building a modern utility supported by a local energy workforce that is equipped with the tools and training necessary to maintain and modernize the energy system while effectively responding to storm events, hurricanes, and other emergencies.

LUMA is committed to building on this progress while also prioritizing operational efficiency, transparency, and fiscal responsibility in accordance with the Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement (T&D OMA) signed on June 22, 2020, between LUMA Energy and our partners, the Puerto Rico Electric Power Authority (PREPA) and the Puerto Rico Public-Private Partnerships Authority (P3A).

### BUDGET OVERVIEW

At the direction of the Puerto Rico Energy Bureau (PREB or Energy Bureau), LUMA had been developing a proposed FY2025 annual budget in the context of a rate review proceeding in case NEPR-AP-2023-0003. On April 12, 2024, PREB set aside this rate review proceeding until the Title III Court confirms PREPA's Plan of Adjustment. As a result, PREB ordered LUMA, PREPA, and Genera to operate within the 2017 Rate Order for FY2025 to the extent possible. This FY2025 budget was prepared to operate and maintain the T&D System under a budget allocation identical to FY2024 while making necessary adjustments and without altering customer rates.

While this budget submission is made to meet the Energy Bureau's requirements, the near decade-old 2017 base rate structure is inadequate to support the growth, maintenance, repair, and modernization required to effectively transform the energy system to the full benefit of our customers. For FY2024, the P3A allocated \$130 million in additional funding necessary to supplement base rate revenues and enable LUMA, PREPA and Genera to meet customer needs. Similarly, for FY2025, the P3A has allocated \$75 million in additional funding as a supplement to base rate revenues. These additional funds, allocated among LUMA, PREPA and Genera, are necessary to fund critical operation and capital investment expenses and achieve progress in improving service quality for customers.

While LUMA anticipates a modest increase in revenues for FY2025 compared to the current FY2024 budget, this incremental revenue, along with funding additional to base rate revenues, is used to compensate against increasing costs, such as those caused by inflation, as well as increasing investments in (i) priority areas and (ii) items that were deferred in prior years due to funding limitations. In short, LUMA has developed a budget that is as close to FY2024 as practicable, adjusting for inflation while enabling the continued operation and maintenance of the T&D System. However, LUMA continues

## Annual Budgets

to operate the T&D System in a financially constrained environment, hindering the effectiveness and speed at which LUMA can deliver progress to its customers.

LUMA's Annual Budgets contained in this submission are comprised of the Operating Budget, the Non-Federally Funded Capital Budget, and the Federally Funded Capital Budget. The FY2025 budgets consist of \$568 million of Operating Expenditures, \$124 million of Non-Federally Funded Capital Expenditures, and \$1.21 billion of Federally Funded Capital Expenditures. The base rate funded component of the budgets, consisting of the Operating Budget and the Non-Federally Capital Budget, is \$692 million, which includes \$44 million in additional funding allocated to GridCo by the P3A.

The P3A had identified a total of \$75 million of additional funding, which was broken down as follows: \$68 million was allocated among GridCo, GenCo, HydroCo, and HoldCo, utilizing the allocation rates P3A determined, and the remaining \$7 million was allocated to GenCo, HydroCo, and HoldCo directly.

Consistent with the Energy Bureau's request, LUMA intended to include budgets for GenCo, HydroCo and other PREPA Budgets<sup>1</sup> in the tables and appendices in this submission. However, LUMA received notification from the Chairman of the PREPA Governing Board that the PREPA Governing Board has not concluded its process to approve PREPA's budget as required under PREPA's by-laws. Consequently, LUMA has included in this filing only the GenCo budget as provided by Genera PR, which consists of \$319 million<sup>2</sup>. Please note that **LUMA does not control or benefit from either the GenCo budget or the Other PREPA Budgets.**

### KEY BUDGET PRIORITIES AND INVESTMENTS

As part of our commitment to responsibly operate the T&D System, LUMA continues to prioritize the modernization and improvement activities that are part of recovery and transformation across all 78 municipalities to bring enhanced safety and reliability to our customers and meet legal, regulatory, and contractual requirements. In addition, the proposed budget for FY2025 was developed to prioritize the incremental costs from FY2024 and fund these expenditures through a combination of existing base rate revenues, additional funds allocated by the P3A, and federal funding. Consistent with the overall budget, incremental expenditures to FY2024 were included based on the Recovery and Transformation Framework and are tied explicitly to LUMA's key goals and Puerto Rico energy public policy. This combined approach supports daily operations while continuing to progress the maintenance of Puerto Rico's electric infrastructure as efficiently and safely as possible. These incremental costs that were prioritized in FY2025 include, but are not limited to:

- **Public Safety:** Continue investing in repair and maintenance of vehicles to meet required safety standards in addition to replacing inoperable fleet for FY2025;
- **Grid Resilience:** Addressing critical infrastructure repairs, including meters, substations, lines, and poles; implementation of comprehensive Preventative Maintenance and Corrective Maintenance initiatives across all asset functions, including transmission, distribution, and substations, to identify

<sup>1</sup> As such term is defined in the PGHOA, "Per Section 3.1 "the Genco Budget, the HydroCo Budget and the budgets for PREPA and its subsidiaries other than Genco and HydroCo (the "Other PREPA Budgets" and, together with the Genco Budget, HydroCo Budget and T&D Budget, the "Budgets").

<sup>2</sup> Per Section 7.3(a) of the T&D OMA, LUMA is required to submit the consolidated Generation Budget and the T&D Budgets to P3A but is not obligated to submit HoldCo budgets.

## Annual Budgets

and address deficiencies proactively, focusing on high-priority issues to increase system reliability and resilience;

- **Customer Satisfaction:** Continue optimizing LUMA's Customer Care & Billing system to enable benefits for customer bill practices while incorporating additional information on customer bills as PREB requested and improving customer self-serve options to reduce the cost-of-service delivery;
- **Continued Operations Excellence:** Continue developing and enhancing existing processes, such as new business connections, while addressing the increased cost of operating in areas including insurance, information technology (IT) agreements, and finance services to ensure operational excellence; and
- **Energy Transformation:** Continue working with large power generators to connect safely and efficiently to the grid while LUMA implements new mechanisms, including wheeling, to enable energy sector transformation.

### FISCAL RESPONSIBILITY AND SYSTEM GOALS

While LUMA's first priority is the safe and reliable operation and modernization of the electric system, we are also committed to ensuring proper budgeting and sufficient resources to meet the scope and pace of improvements and modernization across every facet of the energy system. For instance, LUMA carefully and continually reviews its budgets to ensure they are being efficiently managed in our customers' best interests and will help achieve Puerto Rico's goals. It is important to recognize that LUMA continues to operate within budget realities that limit achieving a more significant pace of progress and require us to prioritize strategically. To meet current goals, LUMA is continuously evaluating the budget, as well as current and future system needs, to ensure that available resources are sufficient and allocated in the most appropriate manner to build a more reliable, more resilient, and cleaner energy future for all our customers.

### SOURCES AND ASSUMPTIONS

LUMA's source information and assumptions for its GridCo budget are based on information available during the budgeting process. The annual budget represents LUMA's judgment of reasonable forecast costs to deliver electricity to the people of Puerto Rico, given the fiscal constraints PREPA is currently in. With this budget, LUMA plans to carry out the operational and capital work for FY2025.

# Annual Budgets

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# Annual Budgets

## 1.0 Annual Budgets Request

### 1.1 Proposed Annual Budgets Expenditures

The table below outlines the Annual Budgets for FY2025, including the GridCo budget as developed by LUMA and the GenCo budget as developed by Genera PR. The HydroCo Budget and the Other PREPA Budgets (inclusive of HoldCo) developed by PREPA are not included in this submission.<sup>3</sup> For purposes of this filing, LUMA has reflected the amounts allocated to these entities by the P3A's Budget Allocation Determination. The table also illustrates the amounts allocated to each entity by the P3A's Budget Allocation Determination and a comparison of such amounts against the budgets submitted by LUMA and GenCo. Please refer to Schedule 4.1 for further information.

LUMA has developed a FY2025 budget to operate and maintain the T&D System under the same budget allocation as FY2024, making necessary adjustments to comply with the P3A's allocation of available funds, as required by the Energy Bureau's Resolution and Order of April 12, 2024. Perhaps the most noticeable change in the FY2025 budget compared to FY2024 is in *Other Income*, which includes supplemental revenue streams associated to specific utility activities. While this supplemental income benefits GridCo, GenCo, HydroCo, and HoldCo, actual costs are associated with these activities. Accordingly, the allocation of these revenues for FY2025 has been updated to match the costs incurred by each of the respective entities in connection with the activities that generate such revenues. For FY2025, \$54 million of *Other Income* is allocated directly to GridCo to cover expenses incurred, with the remaining \$36 million distributed amongst all entities and \$700,000 directly allocated to GenCo.

*Other Income* allocated to LUMA reflects an increase in FY2025 as LUMA identified that certain costs, such as Bank Fees and Processing Fees, were not properly allocated to GridCo in the FY2024 Budget Allocation process and was accounted for accurately this fiscal year. LUMA has also worked diligently to be more effective and efficient in collecting Other Income that benefits ratepayers, as well as GridCo, GenCo, HydroCo, and HoldCo.

It should be noted that LUMA has worked diligently to develop a budget that (i) is consistent with the PREB-approved FY2024 Budget for LUMA (base rate and additional funding revenues in the FY2025 budget equal the amounts allocated in FY2024), (ii) is within the 2017 Rate Order, and (iii) complies with the Budget Allocation Determination made by the P3A. Table 1-1 below reflects the budget allocation approved by P3A on May 17, 2024, and the budget submitted herein.

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<sup>3</sup> LUMA received notification from the Chairman of PREPA that the PREPA Governing Board has not concluded their process to approve PREPA's budget as required under PREPA's by-laws. Consequently, LUMA has included the budget for generation operated by Genera PR only.

# Annual Budgets

Table 1-1. Annual Budgets – Budgets for Approval (\$ million)

	P3A Allocation FY2025 <sup>4</sup>	Budgets FY2025	Variance <sup>5</sup>
<b>Transmission &amp; Distribution</b>			
GridCo Operating Expenditures	568	568	
GridCo Non-Federally Funded Capital Expenditures	124	124	
<b>Total T&amp;D Operating and Non-Federally Funded Capital Budget<sup>6</sup></b>	<b>692</b>	<b>692</b>	
T&D Federally Funded Capital Expenditures	1,207	1,207	
<b>Generation<sup>3</sup></b>			
GenCo Operating and Capital Expenditures <sup>7</sup>	301	319	(18)
HydroCo Operating and Capital Expenditures <sup>8</sup>	15	15	
<b>Generation Total</b>	<b>316</b>	<b>334</b>	
<b>HoldCo Operating and Capital Expenditures<sup>9</sup></b>	<b>33</b>	<b>33</b>	
<b>Other</b>			
LUMA Fee	135	135	
Genera PR Fees	24	24	
Bad Debts	60	60	
Bankruptcy and Advisor Costs	56	56	
<b>Other Total</b>	<b>275</b>	<b>275</b>	
<b>Total Non-Federally Funded T&amp;D and Generation Expenditures</b>	<b>1,316</b>	<b>1,334</b>	<b>(18)</b>

<sup>4</sup> Figures may not add up due to rounding.

<sup>5</sup> Variance reflects the difference between P3A's approved budget allocation and the expenditures provided by each entity.

<sup>6</sup> T&D Expenditures include a 2% reserve for excess expenditures, but T&D Operating Expenditures do not include Shared Services for GenCo, HydroCo, or HoldCo.

<sup>7</sup> As provided to LUMA by P3A and Genera PR. For additional details, please refer to the documents provided by P3A and Genera PR, in Appendices B and C.

<sup>8</sup> Given LUMA had not received approved PREPA budgets, P3As allocation was included as a placeholder.

<sup>9</sup> Per the PREB Order from October 25, 2023, LUMA has been released from the requirement to file budget filings for PREPA. However, in compliance with PREB's order from May 16, 2024, LUMA is filing FY2025 Budget in the same manner as FY2024.

# Annual Budgets

## 1.2 Rate Order and Additional Funding

As previously stated, the current Base Rate, established in 2017, does not reflect the realities and related challenges of current grid operation and are neither sufficient to remediate the effects of decades of mismanagement and despair of the system nor to support the necessary and critical future goals of achieving Puerto Rico's energy transformation into a modern energy system.

With a load forecast in the 2017 Rate Order significantly higher than current projections for FY2025 and past years, it is evident that the established 2017 rates did not anticipate the evolving energy and macroeconomic landscape. The table below compares the base rate revenue for FY2025 with the base rate revenue for FY2017 (current Rate Order). The base rate revenue amount for FY2025 is \$48 million lower, when compared to FY2017. It is important to state that critical elements such as costs associated with Title III, federal-funded cost-sharing,<sup>10</sup> network upgrades, inflationary impacts were not factored into the 2017 rate order, further exacerbating the mismatch between actual needs and available resources.

Therefore, for FY2024 and FY2025 the P3A identified \$130 million and \$75 million, respectively, of additional funding to supplement base rate revenues and support the minimum levels of investments in the system needed to meet customer needs.

**Table 1-2. Summary Comparison of Available Base Rate Revenues (\$ million)**

	Base Rate Revenue FY2025 <sup>11</sup>	Base Rate Revenue FY2017	Variance
<i>Forecasted Sales (GWh)</i>	16,180	17,268	(1,088)
<b>Transmission &amp; Distribution</b>	<b>648</b>	<b>923</b>	<b>(275)</b>
<b>Generation and HoldCo<sup>12</sup></b>	<b>318</b>	<b>267</b>	<b>51</b>
<b>Other<sup>13</sup></b>	<b>275</b>	<b>99</b>	<b>176</b>
<b>Total</b>	<b>1,241</b>	<b>1,289</b>	<b>(48)</b>
<b>Incremental Government Funding</b>	<b>75</b>		
<b>Modified Total with Additional Funding</b>	<b>1,316</b>		

<sup>10</sup> LUMA has included a line item with an estimate of the total amount of Capital Expenditure (CapEx) to be funded by the state Cost Share match portion for the Federal Funding in Schedule 4.5. The total amount of CapEx cost share is expected to be funded by the Commonwealth of Puerto Rico. It is LUMA's position that the Commonwealth of Puerto Rico is responsible to determine how the cost share match portion of all Federal Funding will be funded.

<sup>11</sup> Figures only include the available base rate revenue based on P3A allocation.

<sup>12</sup> As provided to LUMA by P3A and Genera PR. For additional details, please refer to the documents provided by P3A and Genera PR in Appendices B and C.

<sup>13</sup> Other includes service fees, bad debts, bankruptcy, and advisor costs, and a 2% reserve for excess expenditures. Some of these costs were not considered in the 2017 Rate Order.



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## 1.3 Shared Services

LUMA is responsible for delivering Shared Services to perform certain administrative and managerial services as required for the operation and management of PREPA and Legacy Generation Assets operated by Genera PR. These responsibilities were contemplated as outlined in Annex VI of the T&D OMA and were originally governed by the Shared Services Agreement (SSA) between PREPA, P3A, and LUMA, effective June 1, 2021. These responsibilities were to expire on December 31, 2023, but neither PREPA nor Genera PR were positioned to assume such responsibilities. Therefore, LUMA entered into an Amended and Restated Shared Services Agreement (Amended SSA) with each party. Under the terms of both Amended SSAs, LUMA will provide certain shared services until September 30, 2024. The purpose is to provide additional time for PREPA and Genera PR to conclude the activities needed to assume their respective responsibilities over activities currently provided as shared services by LUMA. During this period under the Amended SSA, known as the Shared Services Period, in FY2025, LUMA will provide PREPA and Genera PR with services that fall into two areas:

- **Information Technology** – This support provides access and services to PREPA and Genera PR on IT OT infrastructure managed by LUMA.
- **Finance and Accounting** – This includes general accounts payable, accounting, and treasury activities provided by LUMA for PREPA and Genera PR and the placement of insurance policies covering PREPA's assets and activities (T&D and generation).

The FY2025 Shared Services budget is \$62 million; 98% of this budget (\$61 million) is for non-labor costs such as insurance policies and Information Technology/ Operations Technology (IT OT) software and infrastructure, 2% or \$1 million, is LUMA's labor costs to provide shared services. The proposed FY2025 budget assumes LUMA provides these services for one quarter (July through September 2024) consistent with the contractual term of each Amended SSA. The insurance costs included in the Shared Services budget represent full-year costs, as all policy costs are incurred in the first quarter of any fiscal year for the entire year. The costs for the Shared Services activities are considered part of Generation Pass-Through Expenditures incurred by Genera PR in accordance with the T&D OMA. Shared Services budget and costs have historically been included in the Generation Operating and Capital line item within Schedule 4.1. However, given the transition of the Legacy Generation Asset operations to a private operator, some of the Shared Services will be allocated between GenCo, HydroCo, and HoldCo.

**Table 1-3. 2025 Shared Services (\$ million)**

Expense Type	FY2025
Labor	1
Materials & Supplies	0
Transportation, Per Diem, & Mileage	0
Property & Casualty Insurance	59
IT Service Agreements	2
Utilities & Rents	0
Professional & Technical Outsourced Services	0
Other	0
<b>Shared Services Total<sup>1</sup></b>	<b>62</b>

<sup>1</sup> Shared Services figures include a 2% reserve for excess expenditures.



# Annual Budgets

## 2.0 Recovery and Transformation Framework

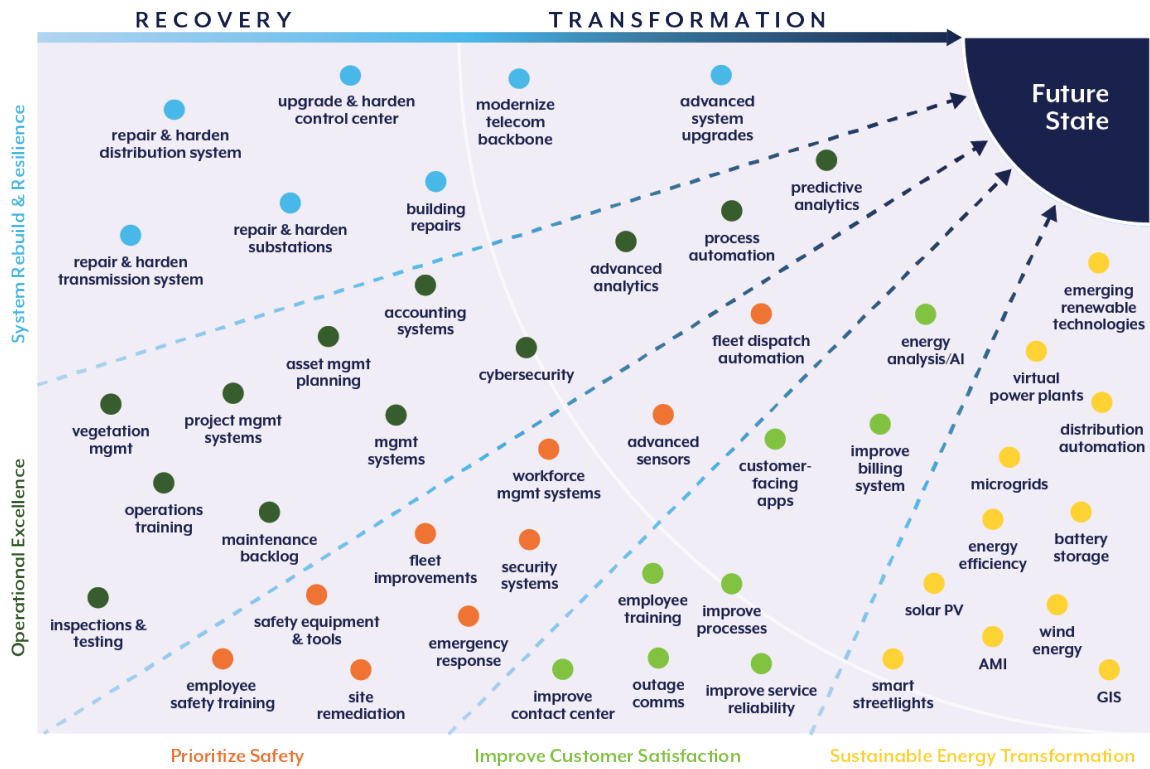
LUMA continues to prioritize the improvement programs using goals established by Puerto Rico's energy public policy and summarized in the Recovery and Transformation Framework to ensure that the right changes are made at the right time to deliver value to our customers and meet legal, regulatory, and contractual requirements.



The Recovery and Transformation programs are designed to deliver customer value according to policy and contract requirements. LUMA's investment plan is characterized by a near-term emphasis on foundational Recovery programs within Title III financial and operational constraints to improve both infrastructure and organizational health while continuing to pave the way for an increased focus on Transformation programs. In three years of operations, LUMA has gained additional knowledge of the electric system in Puerto Rico. It is using that experience to continue updating our Recovery and Transformation programs based on the information available.

The figure below presents a high-level illustration of LUMA's Recovery and Transformation Roadmap. The diagram depicts LUMA's key Recovery and Transformation Initiatives, organized by their primary Key Goal (though most programs have multiple benefits).

# Annual Budgets



## Annual Budgets

### 3.0 Annual Budgets Request

#### 3.1 Department-Level Operation and Maintenance Activities

LUMA continues to carry out its responsibilities to manage and operate the T&D System while striving to improve service delivery by employing data-driven decisions with the information available at the time, paired with knowledge from our LUMA employees. LUMA is driving the execution of policies, procedures, and plans (including the Emergency Response Plan (ERP), Vegetation Management Plan (VMP), and security plans) and continues to lay the foundation to provide for the safe and effective operation of the T&D System while improving the reliability and service to customers across Puerto Rico. LUMA fulfills its ongoing requirements as Operator while building capabilities to enable efficiencies, prioritize activities, deploy federal funds for the recovery of the T&D System, and improve performance. Activities also include advancing improvement programs that support the Recovery and Transformation Framework.

The tables below were created for each of LUMA's departments to reflect the key function and supporting activities required for daily operation. Many of these activities span over multiple years and consequently, may be consistent with the activities detailed in previous annual filings. LUMA has included a paragraph reflecting FY2025 specifically, to highlight the major activities each department will prioritize for the year.

#### Organizational Changes

To support LUMA's continued growth and progress, the organization's Support Services were restructured in 2024 to best support the utility.

- Facilities, Fleet and Health, Safety and Environmental Quality (HSEQ), and Emergency Preparedness are four areas that have been moved under Corporate Services.
- Legal and Procurement have been separated from Corporate Services and are divided into their respective departments.
- Strategic Affairs was separated from Corporate Services and is now operating under Regulatory.
- Compliance was created as a new department.

LUMA's work activities are split between the following four departments.

1. Customer Experience
2. Operations
3. Utility Transformation<sup>14</sup>
4. Support Services

Please refer below to a description of the key O&M Services each department oversees.

<sup>14</sup> It is important to note that the Business Transformation, Metering, and System Operations were historically part of the Utility Transformation department but have transitioned to other LUMA departments. Business Transformation is now a part of the Customer Experience department, and Metering and System Operations are now a part of the Operations department. These changes may result in increases or decreases to the department budgets when compared to previous fiscal years due to the movement of the costs associated with each of those functions.

# Annual Budgets

## 1. CUSTOMER EXPERIENCE DEPARTMENT — KEY OPERATION AND MAINTENANCE ACTIVITIES

LUMA's Customer Experience department augments LUMA's drive to provide reliable and customer-focused electric power by establishing appropriate communication protocols and standard billing and collection practices that personify courtesy, capture efficiencies, and demonstrate proactivity. In executing its responsibilities on a day-to-day basis, LUMA is committed to continually and sustainably improving the customer experience. The Customer Experience department is comprised of Billing, Revenue Management, Payment Processing, Problem Management, Energy Irregularities, Revenue Protection, Regional Customer Experience, Contact Center, Voice of the Customer, Quality Assurance, Process Improvement, Training, Key Accounts, Customer Programs (Net Metering, Energy Efficiency, Demand Response, and Electric Vehicles) and Process Development and Governance functions.

For FY2025 - LUMA's Customer Experience department will focus on activities that support the necessary enhancements to the Oracle Customer Care & Billing (CC&B) system to ensure accurate and timely billing. The department will continue to support new customer programs and resolve issues through direct customer interactions. Additionally, efforts will be directed to continue improvements made through the Revenue Protection function, decreasing Days Sales Outstanding (DSO), and minimizing revenue loss. The Voice of the Customer team will ensure customer feedback guides improvement efforts, resulting in enhanced service to meet and exceed customer expectations, aligning with LUMA's goal of prioritizing customer satisfaction. The Process Development and Governance team will align end-to-end processes across the organization, creating efficiencies that will result in reduced rework and cost savings. The Customer Programs team will continue to expand the net metering, energy efficiency, battery response, and electric vehicle (EV) programs, which enable customers to gain education and control over their energy usage.

### FY2025 Key Activities

Key Customer Experience activities are summarized in the following table.

**Table1-4. FY2025 Customer Experience Key Function and Supporting Activities**

Supporting Activity by Key Function	Primary Goals
<b>Customer Operations (Billing, Revenue Management, Payment Processing, Problem Management, Energy Irregularities)</b>	
Implement address standardization with CC&B vendor	Improve Customer Satisfaction
Implement requirements to improve data quality in the billing system	Operational Excellence
Complete action items related to CC&B optimization to improve billing accuracy and estimation reduction	Improve Customer Satisfaction
Publish, award, and implement RFP for Digital Payment solutions	Operational Excellence
Incident Management supporting CC&B improvements for the Customer Experience team	Improve Customer Satisfaction
Create knowledge transfer protocol for Oracle CC&B	Operational Excellence
Review Billing system functionality	Operational Excellence
Continue to improve meter reading accuracy	Operational Excellence
Improve data access for theft detection to reduce time to intervene in irregularities	Operational Excellence
Address and investigate complaints received from stakeholders, including PREB, <i>Oficina Independiente de Protección al Consumidor</i> , and others	Operational Excellence
Complete necessary system data cleanup/standardization to improve revenue reporting quality	Improve Customer Satisfaction

# Annual Budgets

Supporting Activity by Key Function	Primary Goals
Reduce the number of DSO and improve collections	Operational Excellence
Refine operational dashboards and reporting practices to monitor collections and accounts receivable data	Operational Excellence
Continue to refine processes/practices around targeting customers and executing outbound calling campaigns	Improve Customer Satisfaction
Continue to identify accounts for disconnect due to non-payment	Operational Excellence
Continue to manage and hold customers accountable for payment arrangements	Improve Customer Satisfaction Operational Excellence
Continue to review and ensure adherence to laws and regulations regarding credit policies and collection efforts	Improve Customer Satisfaction Operational Excellence
<b>Regional Customer Experience</b>	
Continue to allow customers easier access and correspondingly quicker / more reliable service, particularly in the areas of receiving payments, establishing payment plans, starting new services, and addressing billing complaints	Improve Customer Satisfaction Operational Excellence
Expand the channels of effective communication by creating a collaborative network between the different departments of our company in order to obtain a faster response to our customers.	Improve Customer Satisfaction
Continue to improve communication and coordination with other LUMA departments, enabling a more proactive approach in dealing with internal and external customers	Improve Customer Satisfaction Operational Excellence
Create a Model Office that is more accessible and personalized, where there are no physical barriers between the advisor and the associate with the client, providing open spaces where people can feel confident.	Improve Customer Satisfaction Operational Excellence
Transforming the work areas with ergonomic equipment to prevent occupational health.	Transformation Prioritize Safety
Complete electrical safety training for all public school fifth-grade students in Puerto Rico	Operational Excellence
<b>Contact Center</b>	
Continue to maintain contact center responsiveness in addressing customer needs through phone, email, chat, and other channels, as well as improve agent response accuracy to reduce the number of times a customer needs to contact LUMA.	Improve Customer Satisfaction Operational Excellence
Enhancement of customer self-service functions including features on our website for customers to select preferences for email or text messages along with the language they prefer for communications with LUMA, adding self-serve functionality for business customers, and upgrading outbound outage messaging	Improve Customer Satisfaction Operational Excellence
Implementation of new agent evaluation scorecards and calibration processes to measure and focus coaching efforts around performance and increase the overall quality of customer experience	Improve Customer Satisfaction Operational Excellence
Maintain the ability to interact with customers through chat and various social media platforms and our website	Improve Customer Satisfaction Operational Excellence
<b>Voice of the Customer</b>	
Implementation of Quality Assurance procedure and scorecards for Contact Centers, Billing, Regionals Centers, and Revenue Protection teams. Daily evaluations, reporting, and coaching sessions as part of the calibration and standardization of processes	Improve Customer Satisfaction
Develop and implement a reporting system in real and historical time	Improve Customer Satisfaction Operational Excellence
Provide training sessions for new hires and all Customer Experience staff. The catalog includes Customer Experience procedures and regulations, Customer Service Excellence, soft skills, and many others upon request	Improve Customer Satisfaction Operational Excellence
Support quarterly summits and agendas, including presentation of results collected from JD Power surveys, verbatims, customer interviews, and case studies to set corporate goals and strategies voice of the customers driven, implementation of speech-to-text analytics	Improve Customer Satisfaction Operational Excellence

## Key Accounts

# Annual Budgets

Supporting Activity by Key Function	Primary Goals
Continue to strengthen relationships with all key customers	Improve Customer Satisfaction Operational Excellence
Ensure to keep working with all departments to streamline referrals and minimize touchpoints to achieve faster resolution for Industrial and Government customers as part of the Key Accounts First Contact Resolution Initiative	Improve Customer Satisfaction Operational Excellence
Communicate proactively to municipalities showcasing the ongoing activities throughout the island specific to each municipality, including the capital, streetlights, large projects, vegetation management, and substations	Improves Customer Satisfaction Operational Excellence
Continue with the Planned Outage Communication process, which enables customers to be aware and understand the scheduling and reasonings of planned work by receiving current communication relating to their areas and facilities	Improves Customer Satisfaction Operational Excellence
Liaise with the Public Safety Office to present the 7 Steps Electrical Safety talk to all 78 municipalities' employees	Operational Excellence
Continue quarterly visits and updates to the hospital inventory list to provide LUMA with specific information about their facilities, self-generation, and operations to be useful in emergency events and restoration efforts	Operational Excellence
Regular visits with large industrial and strategic customers to provide LUMA's exposure as a trusted partner and solutions provider	Improves Customer Satisfaction
Continue to provide integral support during an emergency event through single-point-of-contact communications with mayors/municipalities, hospitals, PRASA, and other essential customers	Operational Excellence
Educate and guide customers on the many regulations and laws relevant to the electric industry in Puerto Rico	Improves Customer Satisfaction Operational Excellence
Identifying and handling escalations from customers involving all areas of the business to ensure prompt attention and to fix the core problem	Improves Customer Satisfaction Operational Excellence
Develop proactive solutions for large industrial, commercial, and municipal customers and improve customer contracts	Operational Excellence

## Customer Programs

Manage and improve the ongoing delivery of the Net Energy Metering (NEM) program	Improve Customer Satisfaction Operational Excellence Sustainable Energy Transformation
Manage and improve the ongoing delivery of energy efficiency, demand response, and electric vehicle programs, and provide input on other regulatory proceedings, such as the Puerto Rico Cost Test.	Improve Customer Satisfaction Sustainable Energy Transformation
Provide input on Distributed Energy Resources (DER) related matters	Sustainable Energy Transformation System Rebuild and Resiliency
Contribute directly to achieving Puerto Rico's energy efficiency savings goals	Improve Customer Satisfaction Sustainable Energy Transformation

## Process Development and Governance

Create end-to-end organizational processes to foster efficiency, consistency, and accountability across the business	Improve Customer Satisfaction Operational Excellence
Lead cross-functional teams in the assessment, design, and optimization processes to ensure alignment with LUMA's strategic objectives	Improve Customer Satisfaction Operational Excellence
Develop process enhancement strategies to drive efficiency and effectiveness	Improve Customer Satisfaction Operational Excellence
Establish and enforce a governance framework to ensure alignment with regulatory requirements, industry standards, and internal policies	Operational Excellence

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## Process Development and Governance

Implement process controls, in collaboration with IT and cybersecurity, to mitigate risks, enhance business continuity, and maintain data integrity	Improve Customer Satisfaction Operational Excellence
Design and deliver training programs with the necessary skills for successful process execution	Improve Customer Satisfaction Operational Excellence
Integrate business continuity planning into the organizational processes, ensuring resilience in the face of disruptions	Operational Excellence

## 2. OPERATIONS DEPARTMENT — KEY OPERATION AND MAINTENANCE ACTIVITIES

The LUMA T&D Operations department oversees and manages day-to-day T&D work on existing and expanding utility infrastructure to ensure that customers continue to receive safe and dependable services. This work is in accordance with plans such as the ERP and Vegetation Management Plan, as well as fulfilling legislative and regulatory obligations where applicable and required. The Operations department is comprised of Operations Excellence, Transmission and Distribution Lines, Transmission and Distribution Substations, Vegetation Management, System Operations and Metering functions.

For FY2025 – LUMA's Operations department will focus on several activities to enhance operational efficiency and reliability. The department will prioritize the implementation of comprehensive Preventative Maintenance and Corrective Maintenance initiatives across all asset functions, including transmission, distribution, and substations, to identify and address deficiencies proactively, focusing on high-priority issues to increase system reliability. Another activity that will be prioritized is returning out-of-service equipment, prioritizing items crucial for system operability. The Vegetation team will prioritize reducing corrective/reactive work, compliance with environmental regulations, and optimization of outage response by efficiently managing vegetation crews. These initiatives aim to improve operational performance and reliability throughout LUMA's infrastructure.

### FY2025 Key Activities

Key Operations activities are summarized in the following table.

**Table 1-5. FY2025 Operation Key Function and Supporting Activities**

Supporting Activity by Key Function	Primary Goals
<b>Operational Excellence</b>	
Ensure quality consistency across completed fieldwork, identify improvement opportunities, and develop applications to improve the implementation of operating processes	Prioritize Safety Improve Customer Satisfaction Operational Excellence
Continue to develop and implement new work methods and field bulletins to communicate to teams about engineering standards, new methodologies, and work practices in the industry	Operational Excellence
Ensure consistency in carrying out quality assurance inspections in work carried out by Operations personnel, identify deviations in construction standards, collaborate in the transition to the standards established by LUMA, and ensure all documentation is in our files	Operational Excellence
Develop and expand dashboards to support data-driven decision-making	Operational Excellence
Review and optimize key performance indicators for tracking, analytics, and reporting	Improve Customer Satisfaction Operational Excellence



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Supporting Activity by Key Function	Primary Goals
Continue developing practical methods relevant to work practices applied to the electrical industry and established by LUMA. This includes new electrical equipment and new working techniques in live lines, resulting in safety and an efficient distribution system at the quality inspection level for all regions. This applies to work order package projects, Intelex safety inspection observation, and daily works to Operation groups, including substations that will be impacted	Improve Customer Satisfaction Operational Excellence
Pursue alternatives to have a coordinated work dispatch system to operate and maintain the electrical system safely and efficiently	Prioritize Safety Improve Customer Satisfaction Operational Excellence

## Transmission and Distribution Lines

Continue to train field employees in safe work methods associated with specific roles, upskill training line workers, and train employees in their new roles in ERP	Prioritize Safety Improve Customer Satisfaction System Rebuild and Resiliency Operational Excellence
Further improve Low Voltage and High Voltage Work Management Systems to better respond to customer requests and requirements effectively, including replacing non-functioning meters, new customer connections, and power quality inspections	Prioritize Safety Improve Customer Satisfaction Sustainable Energy Transformation
Continue to support emergency response planning and the implementation and refinement of the ERP, along with conducting ongoing training exercises and emergency drills	Prioritize Safety Improve Customer Satisfaction Operational Excellence
Maintain inventory of proper tools and equipment to support safe and efficient work	Prioritize Safety Operational Excellence
Expand the initiative to extend outage response coverage	Improve Customer Satisfaction
Ongoing work across the service areas focused on cost controls, reducing energy theft, emergency repairs (outages), maintenance and preventive work, and customer service	Improve Customer Satisfaction Operational Excellence
Develop, implement, and execute the Preventative Maintenance Program, which includes inspections of key assets and maintenance/repairs of failing infrastructure	Prioritize Safety Improve Customer Satisfaction Operational Excellence
Develop, implement, and execute the Corrective Capital Maintenance, which includes imminent failures of key assets and planned capital programs that will extend the life and reliability of the asset	Prioritize Safety Improve Customer Satisfaction Operational Excellence

## Transmission and Distribution Substations

Provide safety training and technical training to align with operational demands and capital improvement apparatus and formalize training through LUMA College	Prioritize Safety Improve Customer Satisfaction Operational Excellence
Improve system reliability through the restoration of assets that are out of service	Improve Customer Satisfaction System Rebuild and Resiliency
Align our safety culture within the group through regularly scheduled training and weekly safety meetings led by craft employees	Prioritize Safety Operational Excellence
Implement the Substation Work Management Process to improve work schedules and field execution	Operational Excellence
Implement a comprehensive Preventive Maintenance and Corrective Maintenance Program	Prioritize Safety Improve Customer Satisfaction Operational Excellence

## Vegetation Management

Reinforce focus on employee and contractor training and safety	Prioritize Safety Operational Effectiveness
Continue to improve system reliability and reduce customer outages by proactively clearing vegetation from distribution and transmission rights of ways	Prioritize Safety Improve Customer Satisfaction Operational Effectiveness



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Supporting Activity by Key Function	Primary Goals
Address vegetation-related reactive and corrective maintenance in support of service restoration efforts or as an attempt to prevent future unplanned outages	Prioritize Safety Improve Customer Satisfaction Operational Effectiveness
<b>System Operations</b>	
Operate the system on a 24-hour / 7-days per week basis	Operational Excellence
Perform the following sub-activities on an ongoing basis as part of operating the system: <ul style="list-style-type: none"> <li>Update energy dispatch tables</li> <li>Assess the impact of weather and pattern changes on system loads and possible outages</li> <li>Conduct system event investigations</li> <li>Coordinate outages between generation and transmission</li> <li>Develop an annual generation outage schedule</li> <li>Maintain emergency operating planning and preparedness for System Operations</li> <li>Report on system performance</li> </ul>	Prioritize Safety Improve Customer Satisfaction Operational Excellence System Rebuild and Resiliency
Prioritize safe operations and restoration process with control and management of outage management system in accordance with the Restoration annex of the LUMA Emergency Response Plan and LUMA's power system work standards	Prioritize Safety Improve Customer Satisfaction Operational Excellence System Rebuild and Resiliency
Continue improving automated generation control in collaboration with plant operators to reduce the impact of load shedding and frequency excursion on the system, focusing on units five and six of the San Juan power plant in collaboration with Genera	Improve Customer Satisfaction
Continue progressing with the Energy Management System (EMS) replacement and Control Center Rebuild projects	Prioritize Safety Improve Customer Satisfaction System Rebuild and Resiliency
Continue the development of transmission and generation procedures and execute training programs for new operators	Operational Excellence
<b>Metering</b>	
Maintain legacy's 24/7 remote reading system in place for the 1.5 million meters, 296 substation equipment, and the recycling meters program	Operational Excellence
Implement the maintenance and installation of: <ul style="list-style-type: none"> <li>Advanced Metering Infrastructure: Advanced Transmission Operations communication equipment</li> <li>Meter change for all polyphase meters and remote terminal units single-phase</li> <li>Metering headend system command center for operations</li> <li>Build an inventory of all meters and test the loggers</li> <li>Implement the road map for advanced metering infrastructure</li> </ul>	Improve Customer Satisfaction Operational Excellence
Develop these programs to support our operations: <ul style="list-style-type: none"> <li>Inventory of all meters with Watt-net and test the recording</li> <li>Auxiliary equipment testing and acceptance programs</li> <li>Dispatch program for field activities, including low voltage and metering</li> </ul>	Operational Excellence
Continue to perform American National Standards Institute-compliant accuracy and communication testing on all new meter shipments, including the advanced metering infrastructure	Operational Excellence
Continue meter testing for all irregularities in meters and support the non-technical loss procedure	Improve Customer Satisfaction System Rebuild and Resiliency Sustainable Energy Transformation
<b>Logistics Materials Management</b>	
Procure equipment to ensure safe and efficient storage and handling of material and hardware at warehouses and storage facilities and execute contracts to procure services and equipment to transport and store environmentally sensitive materials/scrap safely	Prioritize Safety Operational Excellence

# Annual Budgets

Supporting Activity by Key Function	Primary Goals
Continue to prepare for the launch of new capital programs, support existing capital programs, and maintain support for daily operations through organizational growth, including development and refinement of operational processes, recruitment, and acquisition of vital equipment, as well as infrastructure improvements	Operational Excellence System Rebuild and Resiliency
Develop focused safety programs to reduce/mitigate risk to employee safety, property & reputational damage	Prioritize Safety Operational Excellence
Continue to optimize and improve existing resources, systems, and processes	Operational Excellence System Rebuild and Resiliency

## 3. UTILITY TRANSFORMATION DEPARTMENT — KEY OPERATION AND MAINTENANCE ACTIVITIES

LUMA's Utility Transformation department provides the technical and programmatic framework required to deliver safe and reliable service to its customers, supports key initiatives as defined in the System Remediation Plan (SRP), and maintains a focus on the long-range vision articulated in the Integrated Resource Plan (IRP). The Utility Transformation department is comprised of Asset Management, Planning, Engineering and Capital Programs functions.

For FY2025 - LUMA's Utility Transformation department will prioritize activities and spending on system needs and the reliability of the electric grid. Activities related to maintaining critical assets, including substations, streetlights, and transformers, to uphold stability and improve overall reliability remain critical. Further, this department's Large Projects team is responsible for major project construction and will continue to progress on federally funded projects in addition to supporting operations during Outage Event Response. The priority for this department, given the funding constraint, will be to provide a safe and consistent level of support to the organization while nearly doubling the forecasted activity for Federal Emergency Management Agency (FEMA) projects.

### FY2025 Key Activities

Key Utility Transformation activities are summarized in the following table.

**Table 1-6. FY2025 Utility Transformation Key Function and Supporting Activities**

Supporting Activity by Key Function	Primary Goals
<b>Asset Management</b>	
Continue programmatic support and metrics reporting for reliability improvements across operational areas	Prioritize Safety Operational Excellence System Rebuild and Resiliency
Perform outage investigation analysis and support for major and intermediate outages, including contingency planning and equipment sparing	Operational Excellence System Rebuild and Resiliency Safety Improve Customer Satisfaction
Implement and continue planning mitigations to problematic areas within programs relating to protection schemes, supervision, and control of substations	Improve Customer Satisfaction Operational Excellence Sustainable Energy Transformation
Develop/implement asset lifecycle plans and Long-Range Maintenance Program for the most critical asset classes across the asset management tools and asset registers	Improve Customer Satisfaction System Rebuild and Resiliency Operational Excellence

### Planning

# Annual Budgets

Supporting Activity by Key Function	Primary Goals
Continue to support integration of renewable energy sources in an effort to determine more efficient and cost-effective points of interconnection (POI) to the T&D System	Improve Customer Satisfaction Sustainable Energy Transformation
Continue to evaluate and place energy storage to increase reliability and resilience while building a more stable grid	Improve Customer Satisfaction System Rebuild and Resiliency Sustainable Energy Transformation
Coordinate business planning for grid modernization pilot projects and pursue competitive federal funding for them	Sustainable Energy Transformation System Rebuild and Resiliency

## Engineering

Ensure compliance with industry codes and standards and provide resiliency of the system against the conditions to which the system is exposed in Puerto Rico	Operational Excellence Prioritize Safety Improve Customer Satisfaction System Rebuild and Resiliency Operational Excellence
Update / develop maintenance programs for critical system elements with a specific focus on breakers, transformers, relays, batteries, and control buildings	Improve Customer Satisfaction Operational Excellence
Update/develop test and assessment programs, including pole test and treat program and infrared (thermography) programs	Operational Excellence System Rebuild and Resiliency
Implement updated material/equipment specifications and Standards in accordance with LUMA's Design Criteria Documents (DCDs) and industry best practices	Operational Excellence System Rebuild and Resiliency
Process third-party attachment applications and perform load studies to ensure poles are in compliance with applicable codes and standards	Operational Excellence Safety Customer Satisfaction Resiliency

## Capital Programs

Continuously conduct project management training on the full range of project execution steps from initial identification to commissioning and closeout	Prioritize Safety Operational Excellence
Improve and operate project reporting framework to address the informational needs of all stakeholders	Operational Excellence
Improve customer satisfaction while working and identifying customer needs	Operational Excellence Customer Satisfaction

## 4. SUPPORT SERVICES DEPARTMENT — KEY OPERATION AND MAINTENANCE ACTIVITIES

LUMA's Support Services department performs functions that support the Operations, Utility Transformation, and Customer Experience teams and are important to LUMA's success in meeting its mission and achieving its key goals. The Support Services department is comprised of: Corporate Services, IT OT, Finance and Risk Management, Regulatory, Procurement, Human Resources, Legal, and Compliance functions.

For FY2025 – LUMA's Support Services department will focus on supporting operations by implementing telematics in all LUMA vehicles, fortifying electronic and physical security measures, adopting a preventative maintenance approach for facilities, and fostering transparent communication with customers. Other activities that will be prioritized include the development and filing of the IRP, and a potential future rate review once resumed by the Energy Bureau. Concurrently, the Finance function will prioritize the maintenance of the Internal Controls Framework and will continue to support the FEMA reimbursement process.

# Annual Budgets

## FY2025 Key Activities

Key Support Services activities are summarized in the following table.

**Table 1-7. FY2025 Support Services Key Function and Supporting Activities**

Supporting Activity by Key Function	Primary Goals
<b>Corporate Services</b>	
Improve organizational planning, training, and readiness in response to emergencies by enforcing policy on Incident Command System training, publishing and executing an annual training calendar, maintaining an updated recall roster, and developing a culture of readiness 365 days of the year	Prioritize Safety Improve Customer Satisfaction
Improve LUMA's physical security posture with the continued installation and implementation of technology, such as CCTV and electronic access control, as well as enforcing policies to enhance LUMA's physical security culture	Prioritize Safety Operational Excellence System Rebuild & Resiliency
Refinement of facilities management programs, processes, and Computerized Maintenance Management System (CMMS)	Operational Excellence
Architectural and engineering assessment at all facilities; creation of standards and technical specifications	Prioritize Safety Operational Excellence
Continue to perform remediation required to bring the fleet into compliance with the Department of Transportation (DOT) and Occupational Safety and Health Administration (OSHA)/American National Standards Institute (ANSI) regulations	Prioritize Safety Improve Customer Satisfaction Operational Excellence
Continue training/refreshing of Fleet program employees to comply with maintenance requirement standards for heavy-duty fleet vehicles	Prioritize Safety Operational Excellence
Perform remediation required to bring fleet shop facilities into compliance with OSHA, Environmental Protection Agency (EPA), and Health department	Prioritize Safety Operational Excellence
Continue to test, inspect, maintain, and repair usable fleet assets and optimize the maintenance of light-duty and heavy-duty vehicles	Prioritize Safety Improve Customer Satisfaction Operational Excellence
Continue health and safety and technical training for LUMA employees to continue to develop a safe and competent workforce; refine, communicate, and enforce minimum Personal Protective Equipment (PPE) requirements	Prioritize Safety Operational Excellence
Continue to improve and refine the standardized incident investigation process with emphasis on root-cause analysis, reporting of near-misses, and identification of field hazards	Prioritize Safety Operational Excellence
Continue to improve and refine the contractor management program	Prioritize Safety Operational Excellence
Conduct field investigations and inspections to assist with ensuring compliance across the organization; complete environmental evaluations and implement mitigations for system operations and improvement programs	Prioritize Safety Operational Excellence
Implement a telematics program to enhance driver safety, improve driving behaviors, and strengthen fleet management practices	Prioritize Safety Operational Excellence
Develop and implement an Injury Management Action Plan to support employees while they recover from injuries and return to work in a productive way	Prioritize Safety
Continuation of informational and educational content for customers on the safe and efficient use of electricity, such as how the T&D System works	Prioritize Safety Improve Customer Satisfaction
Continue the use of radio and newspaper communications, which provide information to customers who lack access to the Internet or social media	Improve Customer Satisfaction
Continue to support external audit as liaison between LUMA and external parties	Operational Excellence

IT OT

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Supporting Activity by Key Function	Primary Goals
Define, develop, and maintain technology solutions for: <ul style="list-style-type: none"> <li>Technology strategic intelligence and overall technology process framework to support internal procedures</li> <li>Financial, organizational, Human Resources (HR), and sourcing strategies</li> <li>Long-term business-focused technology strategy in collaboration with business representatives</li> </ul>	Operational Excellence
Monitor and map current and emerging technologies to required business capabilities, as well as define and communicate the strategic intent regarding the utility's use of technology	Operational Excellence
Continue to analyze and mitigate potential process and cyber risks	Operational Excellence Prioritize Safety
Ensure continued analysis and mitigation of process and cyber risks while completing the unstructured data classification and protection program.	Prioritize Safety
<b>Finance and Risk Management</b>	
Continue to build, implement, and maintain an Internal Controls Framework to support and monitor corporate financial policies & procedures	Operational Excellence
Continue development of functional design and assist in the implementation of Time Recording Enhancements and other financial systems for the streamlining of the Procure-to-Pay cycle and for automated labor, improved labor recording and non-labor allocation to support FEMA reimbursements and the accurate reporting of capital projects	Operational Excellence
Improve the processes for gathering information in support of the procurement of insurance and claims filing process; continue to develop an enterprise risk management process and a risk management information system to allow a more fulsome analysis of risks	Operational Excellence
Update and enforce industry-standard accounting policies and procedures that comply with the latest laws and regulations	Operational Excellence
Continue to close the monthly books accurately and timely and produce accurate and useful reports, including variance analysis for internal and external stakeholders; specifically, manage the enterprise annual budget process and provide regular forecast updates as well as budget variance reporting; continue the build-out of skills and capabilities in financial planning, reporting, and business partners	Operational Excellence
Manage cash resources and process invoices, allowing for the timely and accurate payment of vendors	Operational Excellence
Development of cash flow report that accurately and timely forecasts outflows and inflows to assist in the planning of capital projects and monitor FEMA reimbursements transfer of accounts processes	Operational Excellence
<b>Regulatory</b>	
Drive the preparation and submittal of the regulatory and T&D OMA-mandated reports; specifically support reporting requirements within over 35 active dockets in front of the Energy Bureau, including Rate Review, IRP, Budgets, SRP, Performance Metrics, Permanent Rate, Energy Efficiency, and Demand Response, among others	Operational Excellence System Rebuild and Resiliency Sustainable Energy Transformation
Prepare and support the upcoming Rate Review process contingent on PREPA's Title III Court Amended Plan	Operational Excellence
Development of the updated Integrated Resource Plan	Operational Excellence System Rebuild and Resiliency Sustainable Energy Transformation
Continue implementation of the EV Infrastructure Plan (Phase 1 EV Plan) and the interim EV rate	System Rebuild and Resiliency Sustainable Energy Transformation
Implement Energy Efficiency and Demand Response Transition Period Plan programs and develop the three-year plan as mandated by regulation	Sustainable Energy Transformation

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Supporting Activity by Key Function	Primary Goals
Develop systems and processes to increase transparency of filings supported by well-defined solutions and data-driven	Operational Excellence
Develop methodology and analysis to calculate and monitor generation marginal costs	Improve Customer Satisfaction Operational Excellence Sustainable Energy Transformation
Support Capital Programs' regulatory and project coordination requirements to facilitate the construction and development of new renewable projects being added to the system	Improve Customer Satisfaction Operational Excellence Sustainable Energy Transformation
Complete digitalization and management of land records; start digitalization, vectorization, and integration of digitalized easements into LUMA's geographic information system (GIS)	Operational Excellence System Rebuild and Resiliency
Develop a quality management system to track all acquisition transactions, land rights, permit applications, renewals, and associated compliance documents	Operational Excellence System Rebuild and Resiliency
<b>Procurement</b>	
Actively manage the competitive bidding process	Operational Excellence
Negotiate and finalize standard terms and conditions	Operational Excellence
Convert approved requisitions into purchase orders and manage the overall purchase order process	Operational Excellence
Continue to work to facilitate the deployment of federal and non-federal funds	Operational Excellence System Rebuild and Resiliency
Develop supply chain and procurement strategy to support procurement and contract management	Operational Excellence System Rebuild and Resiliency
Continue to train the organization on new procurement and contracting processes, procedures, systems, and tools	Operational Excellence
Consolidate LUMA's supply chain functions into a centralized Procurement and Supply Chain department	Operational Excellence System Rebuild and Resiliency
Continue to progress the Procure-to-Pay system consolidation initiative	Operational Excellence
<b>Human Resources</b>	
Revise and relaunch LUMA's vision, mission, and purpose statements to provide direction, achieve better alignment, and facilitate meeting company objectives	Operational Excellence
Improve HR service level of execution by streamlining processes, maximizing efficiency, increasing productivity, and elevating HR role as a strategic partner to the organization	Operational Excellence
Revise and strengthen HR critical processes such as recruitment, performance, disciplinary actions, compensation, rewards, and recognition to support scaling needs and company growth	Operational Excellence
Transform our internal culture by reinforcing appropriate behaviors and values, our employee value proposition, and branding	Operational Excellence
Assess capabilities and develop our people to better serve the needs of the organization, ensuring we have the right talent in the right position	Operational Excellence
<b>Legal</b>	
Prioritize the Investigation and assessment of damages and claims related to customers' objections	Improve Customer Satisfaction Operational Excellence
Manage the workload associated with judicial complaints seeking compensation of damages or injunctive relief	Improve Customer Satisfaction Operational Excellence
Continue to provide competency assessments on labor and employment claims	Operational Excellence

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Supporting Activity by Key Function	Primary Goals
Undertaking the responsibility of an increase in the volume of in-house consults and cases involving the company before the Energy Bureau and the courts	Operational Excellence
Implement technology to improve case management procedures and contribute to the expeditious resolution of complaints in a cost-effective way	Operational Excellence
Centralize the Organization's legal matters, advice requests, and consultations through the Legal Department, streamlining the process and ensuring consistency in legal decision-making	Operational Excellence
<b>Compliance</b>	
Conduct compliance assessments across the organization	Operational Excellence
Develop and establish standards, policies, and procedures to address compliance and ethics matters	Operational Excellence
Communicate periodically on standards, policies, and procedures	Operational Excellence
Develop and conduct training programs on aspects of compliance and ethics	Operational Excellence
Perform investigations of misconduct, compliance and ethics issues, and resolve disputes	Operational Excellence
Provide guidance and analysis on compliance and ethics issues and on corrective actions and remediation	Operational Excellence
Manage confidential reporting mechanisms	Operational Excellence
Manage companywide Compliance & Ethics program	Operational Excellence
Reporting on compliance matters	Operational Excellence
Conduct compliance monitoring, auditing, and controls	Operational Excellence
Promote an organizational ethical culture	Operational Excellence
Exercise due diligence to prevent and detect criminal conduct	Operational Excellence
Continuous improvement, periodic testing, and review of compliance program effectiveness	Operational Excellence



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## 3.2 Improvement Programs

Based on the Recovery and Transformation Framework outlined in LUMA's previous Annual Budgets filings, LUMA's programs were developed to a) remediate concerns identified through gap assessment, b) conduct known infrastructure repair, replacement, or hardening projects, and c) meet regulatory requirements.

LUMA continues to update these Recovery and Transformation activities via Improvement Programs detailing the scope of work, cost estimates, benefits, timeframe, and resource requirements. LUMA's programs have been organized into seven portfolios that together cover all functional areas of the utility. In compliance with the Energy Bureau's February 27, 2023 Order, below LUMA includes a high-level summary of activities prioritized for FY2025 by Portfolio. While the spending constraints have slowed, extended, or delayed some of LUMA's improvement programs, LUMA's SRP, approved by the PREB, continues to advance several aspects of the T&D System to the minimum industry standards and modernize utility operations in Puerto Rico.

Table 1-8 includes the Portfolio Spending Profile summary of each program's Schedule 4.4 reflects the budget for each Improvement Program, and Appendix A includes a summary of each program's milestones and completion dates.

**Table 1-8. Improvement Portfolio Spending Profile (\$ million)**

Portfolio	FY2025 <sup>1,2</sup>
Customer Experience	396
Distribution	310
Transmission	120
Substations	139
Control Center & Buildings	34
Enabling	376
Support Services	31
<b>Grand Total</b>	<b>1,404</b>

<sup>1</sup> Figures may not add up due to rounding.

<sup>2</sup> Figures don't include a 2% reserve for excess expenditures.

### Distribution

The Distribution Portfolio is dedicated to improving the distribution system infrastructure. For FY2025, LUMA's focus will be on prioritizing the installation of automation devices, including 38Kv, three-phase, and single-phase reclosers, alongside communication infrastructure to support Fault Location Isolation and Service Restoration software (FLISR), and commencing the installation of communicating fault circuit indicators (CFCIs) to reduce response time to outages. LUMA will continue with high-level area planning assessments of distribution lines and assets to identify poles and assets that need to be remedied, while also identifying priorities that require feeder rebuild solutions for distribution lines. Procurement activities for materials and construction resources will continue to facilitate the progression of approved projects.



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## Enabling

The Enabling Portfolio focuses on safety and operational excellence and encompasses various activities that enable the overall success of the utility and supporting department. For FY2025, activities include but are not limited to pursuing federal funding obligation for vegetation clearance to ensure distribution T&D rights of way are cleared, ensuring the existing fleet is safe and operable in addition to modernizing existing vehicles in service via telematics and fuel management, continued standardization and improvement management of tools and other property, plant, and equipment to better support operations. This year's efforts around Asset Data Integrity will continue to ensure operational data is accurate and integrated throughout systems used in the utility, effectively using data collected from critical compliance studies that influence strategy and operational decision-making; microgrid efforts will be centered around kickoff and initiation that will enable LUMA's sustainable energy transformation.

## Transmission

The Transmission Portfolio focuses on improving system recovery, resilience, and transformation through the remediation of transmission lines and equipment. In FY2025, activities will focus on the continuing efforts of the transmission lines assessments and detailed engineering proposed projects of the reconstruction of transmission lines to increase resilience and reduce concerns related to safety hazards. Efforts will also target the replacement of critically damaged overhead transmission structures, poles, conductors, and associated hardware to ensure operational reliability.

## Substations

The Substation Portfolio focuses on improving system resiliency and safety through the rebuilding, hardening, and modernizing of substations. For FY2025, efforts will be focused on improving substation reliability by replacing substation arrestors at the end of life and not suitably designed or installed according to industry standards, improving safety by installing new insulating gravel on all substations, and improving equipment for grounding purposes, planning and prioritizing new equipment replacement programs for critical assets like transmission and distribution power transformers, high-voltage transmission gas circuit breakers and distribution vacuum breakers, and installing animal contact mitigation equipment on substations to minimize wildlife contacts with energized high-voltage equipment to reduce outages and improve reliability. The Substation Physical Security Program will continue to focus on meeting utility standards in the areas of fencing and gates, installation of cameras for remote monitoring, yard vegetation clearing, signage, and lighting.

## Customer Experience

The Customer Experience Portfolio is committed to improving customer satisfaction. In FY2025, efforts will concentrate on the procurement of additional materials and construction resources to ensure the upgrading and replacement of the distribution streetlights representing a physical safety hazard, replacing faulty meters, and optimizing and upgrading actual head-end systems like AclaraOne and MV90 to obtain information to use for billing, obtain data from industrial or commercial meters on a large scale, purchase power agreements and various studies. Additionally, LUMA will define business and technical requirements to procure the equipment and services required to implement the PREB-mandated Retail Wheeling program and create a mechanism where retail electricity suppliers can sell energy from private generators to eligible end-user customers while also collaborating with the Geographic Information System team to establish and maintain a process for updating the system of record to reflect newly installed assets accurately for the New Business Connections program. LUMA will also begin the

## Annual Budgets

programmatic deployment of Advanced Metering Infrastructure. These initiatives, among others, aim to empower LUMA to devise strategies to enhance customer satisfaction, provide accessible project lifecycle information and implement feedback mechanisms for continual improvements.

### Control Center and Buildings

The Control Center and Buildings Portfolio focuses on building the necessary infrastructure to deliver economic and reliable energy while meeting applicable laws and regulations. For FY2025, efforts will concentrate on the design and refurbishment of fire control, electrical, and mechanical systems to mitigate safety hazards, managing asset spacing throughout facilities, and implementing computerized maintenance management systems. Additionally, upgrades to energy management systems will continue alongside the security enhancements at regional operations facilities, and the establishment of monitoring and communication standards for renewable and distributed resources.

### Support Services

The Support Services Portfolio focuses on ensuring the overall successful operation of the utility. In FY2025, efforts will be focused on configuring the GIS to allow offline mapping to be able to provide accurate estimated time of restoration outputs, expanding the OMS mobile functionality to not be limited to outage events, and ensuring secure business operation and continuity, as well as improved customer responsiveness. Additionally, through our technology projects for finance and facilities, activities will focus on implementing a risk management information system to capture possible exposures for the organization and facilitate the ability to manage insurance claims in a centralized system to minimize risk and ensure operational excellence. Efforts will continue to implement a configuration database manager through software to manage IT assets and enable LUMA's operations by applying industry best practices.

# Annual Budgets

## 4.0 Schedules

### 4.1 Annual Budgets Summary

(In \$000s)

	Reference	FY2025 <sup>1</sup>
<b>Transmission &amp; Distribution</b>		
GridCo Operating Expenditures	Schedule 4.2	568,320
GridCo Non-Federally Funded Capital Expenditures	Schedule 4.4	123,685
<b>Total T&amp;D Operating and Non-Federally Funded Capital Budget<sup>2</sup></b>		<b>\$ 692,005</b>
T&D Federally Funded Capital Expenditures	Schedule 4.4	1,207,157
<b>Generation<sup>3</sup></b>		
GenCo Operating and Capital Expenditures	Appendix C	319,243
HydroCo Operating and Capital Expenditures		14,527
<b>Total Generation Budget</b>		<b>\$ 333,770</b>
<b>HoldCo Operating and Capital Expenditures<sup>3, 4</sup></b>		<b>\$ 33,038</b>
<b>Other</b>		
LUMA Fee		134,736
Genera PR Fee		24,325
Bad Debts <sup>5</sup>		59,529
Bankruptcy and Advisor Costs <sup>6</sup>		56,418
<b>Total Other</b>		<b>\$ 275,008</b>
<b>Total Non-Federally Funded T&amp;D and Generation Expenditures</b>		<b>\$ 1,333,821</b>

<sup>1</sup> Figures may not add up due to rounding.

<sup>2</sup> T&D Expenditures include a 2% reserve for excess expenditures, but T&D Operating Expenditures do not include Shared Services for GenCo, HydroCo, or HoldCo.

<sup>3</sup> LUMA has included the budget for generation operated by Genera PR, and P3As allocation was included as a placeholder for the HoldCo and HydroCo budgets. For additional details, please refer to the documents provided by P3A and Genera PR in Appendices B and C.

<sup>4</sup> Per the PREB Order from October 25, 2023, LUMA has been released from the requirement to file budget filings for PREPA. However, in compliance with PREB's order from May 16, 2024, LUMA is filing FY2025 Budget in the same manner as FY2024.

<sup>5</sup> FY2025 Bad Debts are consistent with the methodology used in FY2024, based on 1.5% of total revenues.

<sup>6</sup> FY2025 Title III costs were provided by PREPA on March 8, 2024. Estimate includes LUMA's estimated interim expenses for FY2025. The Financial Oversight and Management Board for Puerto Rico advisor costs embedded in this line item is consistent with figures provided on February 28, 2024.

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## 4.2 Transmission & Distribution Operating Budget

(In \$000s)

	FY2025				
	Customer Experience	Operations	Utility Transformation	Support Services	FY2025
<b>Labor</b>					
Salaries, Wages and Benefits	47,202	129,932	21,513	70,108	268,755
<b>Total Labor</b>	<b>47,202</b>	<b>129,932</b>	<b>21,513</b>	<b>70,108</b>	<b>268,755</b>
<b>Non-Labor</b>					
Materials & Supplies	290	16,454	1,516	12,666	30,927
Transportation, Per Diem, and Mileage	1,080	6,825	1,785	6,109	15,800
Property & Casualty Insurance	-	7	2	22,663	22,671
Security	-	-	-	7,982	7,982
IT Service Agreements	268	660	59	28,523	29,509
Utilities & Rents	288	1,338	1,353	6,624	9,604
Legal Services	87	30	2	9,458	9,577
Communications Expenses	124	208	-	1,103	1,435
Professional & Technical Outsourced Services	34,821	17,537	2,038	45,735	100,131
Vegetation Management	-	50,000	-	-	50,000
Other Miscellaneous Expenses	180	1,269	1,731	7,606	10,786
<b>Total Non-Labor / Other Operating Expense</b>	<b>37,138</b>	<b>94,328</b>	<b>8,486</b>	<b>148,469</b>	<b>288,422</b>
<b>Subtotal Labor and Non-Labor/Other Operating Expenses</b>	<b>84,340</b>	<b>224,260</b>	<b>30,000</b>	<b>218,577</b>	<b>557,177</b>
2% Reserve for Excess Expenditures					11,144
<b>Total Operating Budget</b>	<b>84,340</b>	<b>224,260</b>	<b>30,000</b>	<b>218,577</b>	<b>568,320</b>

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### 4.3 Improvement Portfolios – Summary

(In \$000s)

Portfolio	FY2025				
	FY2025 Federal Funded CapEx	FY2025 Non- Federal Funded CapEx	FY2025 OpEx	Total	SRP Total
Customer Experience	351,551	25,827	18,217	395,594	81,724
Distribution	273,922	35,771	0	309,693	138,060
Transmission	113,792	5,863	0	119,655	110,881
Substations	118,960	19,770	400	139,130	50,782
Control Center & Buildings	28,923	3,536	1,460	33,918	27,383
Enabling	278,590	21,658	75,266	375,514	218,635
Support Services	17,750	8,836	4,340	30,925	20,054
<b>Total</b>	<b>\$ 1,183,487</b>	<b>\$ 121,259</b>	<b>\$ 99,683</b>	<b>\$ 1,404,430</b>	<b>\$ 647,518</b>

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### 4.4 Improvement Portfolios – Total Capital Expenditures

(In \$000s)

	<b>Total</b>	<b>=</b>	<b>Federally Funded Contributions</b>	<b>+</b>	<b>Net Non Federally Funded</b>
	<b>2025</b>		<b>2025</b>		<b>2025</b>
<b>Improvement Portfolio</b>					
Customer Experience	377,377		351,551		25,827
Distribution	309,693		273,922		35,771
Transmission	119,655		113,792		5,863
Substations	138,730		118,960		19,770
Control Center & Buildings	32,459		28,923		3,536
Enabling	300,248		278,590		21,658
Support Services	26,586		17,750		8,836
<b>Subtotal</b>	<b>1,304,747</b>		<b>1,183,487</b>		<b>121,259</b>
<b>Other</b>					
2% Reserve for Excess Expenditures	26,095		23,670		2,425
<b>Total Capital Expenditures</b>	<b>1,330,842</b>		<b>1,207,157</b>		<b>123,685</b>
<i>Total Amount of CapEx to be Funded by Federal Cost Share<sup>1</sup></i>	<i>120,716</i>		<i>120,716</i>		<i>-</i>

<sup>1</sup> Line item has been included as per the February 27, 2023, Order from the Energy Bureau. This amount was calculated as the 10% cost share of Federally Funded contributions. The total amount of the cost share is expected to be funded by the Commonwealth of Puerto Rico. It is LUMA's position that the Commonwealth of Puerto Rico is responsible to determine how the cost share match portion of all Federal Funding will be funded.

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## 4.5 2017 Rate Order Base Rate Revenue Requirement Limit Comparison

(In \$000s or otherwise indicated)

	Reference	FY2025
Forecast Sales (GWh)		16,180
Projected Sales		1,151,456
Other Income		35,947
<b>Total Base Rate Revenue</b>		<b>1,187,403</b>
Other Cost Recovery Income Directly Allocated		53,708
Additional Available Funding through Surplus Cash		74,741
<b>Total Non-Federally Funded Expenditure Limit</b>		<b>1,315,852</b>
GridCo Operating and Capital Expenditures	Schedule 4.2 & 4.4	692,005
GenCo Operating and Capital Expenditures <sup>1</sup>	Schedule 4.1	319,243
HydroCo Operating and Capital Expenditures	Schedule 4.1	14,527
HoldCo Operating and Capital Expenditures	Schedule 4.1	33,038
Other (Operator Service Fees, Bad Debts, Bankruptcy and Advisor Costs)	Schedule 4.1	275,008
<b>Total Non-Federally Funded T&amp;D and Generation Expenditures</b>		<b>1,333,821</b>
<b>Total Base Rate Revenue Requirement</b>		<b>1,205,372</b>
Surplus / (Deficit)		(146,418)
Total Non-Federally Funded Transmission & Distribution and Generation \$/kWh		\$ 0.0745
<hr/>		
<hr/>		
<b>2017 Rate Case</b>		
PREPA Projected Sales (kWh)		17,268,325
<b>PREPA Base Rate Revenue Requirement less fuel cost, purchase power, CILT and subsidies</b>		<b>1,289,098</b>
<b>PREPA Base Rate Rev Req (\$/kWh)</b>		<b>\$ 0.0747</b>

<sup>1</sup> Includes budgets for services at GenCo currently provided under the Shared Services Agreement.

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### 5.0 Deferred Activities While Operating within Budget Requirement

For FY2025, LUMA prioritized the activities detailed in prior sections in order to develop a Budget that is consistent with the 2017 Rate Order, the P3A's Budget Allocation Determination and the FY2024 budget approved by the Energy Bureau while also executing initiatives that benefit customers and address their needs. However, to remain within the existing financial constraints, a number of activities had to be excluded or postponed. As an example, the preventive maintenance and corrective maintenance initiatives have been scaled back to match available funding. These initiatives are intended to identify and address deficiencies proactively, focusing on high-priority issues to increase system reliability and resilience. Additional deferred activities include but are not limited to:

#### Customer Experience

**Distribution Streetlighting:** Upgrades to currently implemented programs and replacements distribution streetlights; these replacements require an ongoing maintenance program not currently funded; not having the financial resources to maintain streetlights possesses a safety risk for communities.

**Billing Accuracy & Back Office:** Changes to LUMA's billing system and web portals to prepare for a system upgrade, resulting in a delayed remediation date. Further, LUMA's ability to improve processes across the organization will be impacted, limiting expected decreases of future costs by operating efficiently.

**New Business Connections:** This new program (previously included in the Distribution Line Rebuild program) will experience slower response to new business requests with potential non-compliance with OGPE regulation.

#### Distribution

**Distribution Line Rebuild:** Funding reductions impact our ability to address the worst performing underground circuits. To date, FEMA has not obligated any of LUMA's underground distribution projects.

#### Substation

**Substation Reliability:** Metal clad switchgear will experience a budget reduction; undersized switchgear equipment currently installed represents both a documented worker safety risk (i.e., risk of arc flash) and operational hazard (i.e., increased risk of significant outages impacting the entire substation facility). Budget cuts will delay addressing these issues.

#### Control Center & Buildings

**Facilities Development & Implementation:** A myriad of assets are at their end of life; LUMA has prioritized the assets that pose safety concerns or most impact operations, but various other repairs have been deferred. The lack of funding has impacted the ability to transform working spaces for employees in addition to having insufficient space to relocate employees as needed to complete ongoing repairs.



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## Enabling

**T&D Fleet:** LUMA has prioritized the fleet vehicle efforts for the assets that are inoperable for FY2025; however, the fleet revitalization plan will not be able to be carried out as planned.

**Workflow Processes & Tracking:** Program has been deferred in its entirety.

**Tools Repair & Management:** Delayed the launching of a second centralized tool crib which enables the team to maximize productivity via better tool management. The remediation date associated with fleet equipment has been deferred as a result of the delays in revitalizing the T&D Fleet.

**Fire Mitigation Program:** Program has been deferred in its entirety.

## Support Services

**Critical Financial Systems:** Progress on the enterprise resource planning (ERP) transition from Asset Suite to Oracle EBS has been segmented due to a lack of funding related to IT OT systems; this slows the progress on reporting capabilities throughout the organization.

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# Appendix A: Improvement Program Milestones and Timeline

Please find a summary of the Improvement Program milestones and their target completion date in adherence with the Energy Bureau's February 2023 Order.

SRP / Non-SRP	Program	Program Timeline	Status	Target Date
<b>Customer Experience</b>				
Non-SRP	Modernize Customer Service Technology	Execute contract to procure new platform	Completed	H2 FY2020
		Implement new platform	Completed	H1 FY2021
		Enable platform capabilities	Completed	H2 FY2021
		Deploy unified desktop	Completed	H1 FY2022
		<b>Remediated State</b>	Completed	H1 FY2022
		LUMA has outlined a process to ensure full coverage during an emergency situation	Completed	FY2023
		Developing the IVR to provide customers with self-service options (e.g. account balance, make a payment, report an outage or object a bill)	Completed	FY2024
		Enhancement to our current system, which will allow speech-to-text translation and provide us the opportunity to QA a larger sample every month	In Progress	FY2026
		Develop and launch first call resolution tracking and reporting	In Progress	FY2026
		Further develop our current text messaging platform to include notifications such as "Your bill is ready," "Your account is in default," etc.	In Progress	FY2026
Non-SRP	Voice of Customer	A QA program to review agent interactions and provide coaching/feedback on a regular basis, creating QA evaluation criteria/scorecards and hiring and training new QA analysts to establish the new QA program.	Completed	H1 FY2022
		An enterprise-wide customer experience training program.	Completed	H2 FY2024
		Implementation of speech and text analytics capability	In Progress	H2 FY2024
		Post-interaction customer surveys following phone/chat interactions Implementation of speech and text analytics lexicons	In Progress	H2 FY2025
SRP	Billing Accuracy & Back Office	Execute bill print and delivery via outsourced vendor	Completed	FY2022
		Metric Dashboard and User Roles	In Progress	FY2025
		Increase system automation and data cleanup	In Progress	FY2026
		<b>Remediated State</b>	In Progress	FY2027
Non-SRP	Meter Replacement & Maintenance	Begin the process to determine and replace failed meters	Completed	H1 FY2022
		Select vendors/contractors to complete the work	Completed	H1 FY2022
		Start the improvement of MV90 Program and installing new meters with updated communication devices	In Progress	H2 FY2025
		Optimize/upgrade actual head-end systems (AclaraOne and MV90)	In Progress	H2 FY2025
SRP	Standardized Metering & Meter Shop Setup	Meter shop building identified, and test equipment purchased	Completed	FY 2022
		Requisitions to lease additional test equipment and purchase	Completed	FY 2023
		Operations realignment and procedures	Completed	FY 2023 - FY2024
		Requisitions for additional test equipment and purchase - Next Generation	In Progress	FY 2025
		<b>Remediated State</b>	In Progress	FY 2029

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Non-SRP	Loss Recovery Program	Development of NTL Reduction Plan Field operations and customer team training on NTL identification	Completed	FY2023
		Procurement equipment for field investigations	Completed	FY2024
		Complete boundary metering data analysis	In Progress	FY2025
		Enhance data analytic tools for theft detection	In Progress	FY2026
Non-SRP	AMI Implementation Program	Business process Workshops and Vendor RFI	Completed	H2 FY2024
		RFP development and release Vendor Response evaluation and selection Contract Finalization and Award	In Progress	FY2024
		Start of Implementation	In Progress	H1 FY2025
SRP	Distribution Streetlighting	Start streetlight assessment	Completed	H1 FY2022
		Start streetlight remediation plan and high-risk streetlight replacement	Completed	H2 FY2022
		Finalize process documentation for future audits, lights-out, reporting and dispatch process	Completed	H1 FY2024
		Complete streetlight assessments (Asset Management Audit)	Completed	H2 FY2024
		Start updating Oracle CC&B	In Progress	H2 FY2027
		Finish updating Oracle CC&B	In Progress	H2 FY2029
		<b>Remediated State</b> Complete streetlight remediation	In Progress	H2 FY2031
Non-SRP	New Business Connections	Begin to develop the project management plans	Completed	H1 FY2024
		Prepare service fee estimates	Completed	H2 FY2024
		Submit for approval service fees	In Progress	H2 FY2025
Non-SRP	Retail Wheeling Program	Update business and technical requirements	In Progress	H2 FY2025
		Vendor selection	In Progress	H2 FY2025
		Implement infrastructure, technology and processes	In Progress	H1 FY2028
		Trial operations conclude	In Progress	H1 FY2028

Distribution				
Non-SRP	Distribution Automation	Begin Installation; Completed: 63; Planned: 200	Completed	H2 FY2023
		Begin FLIRS pilot	Completed	H2 FY2024
		Begin installation of CFCI's Comms Devices	In Progress	H1 FY2025
		Start FLISR ATS deployment Start Fault sensor deployment	In Progress	H2 FY2025
		Continue recloser installation on all Distribution feeders and integrate reclosers to FLIRS.	In Progress	H1 Y2027+
SRP	Distribution Line Rebuild	Start inspections (other program) Assessment and reliability planning	Completed	H1 FY2022
		<b>Remediated State</b>	In Progress	H2 FY2028
SRP	Distribution Lines Assessment	Start inspections; assessment and reliability planning	Completed	H1 FY2022
		Develop Remediation Plan	Completed	H2 FY2022
		<b>Remediated State</b> Complete assessment	In Progress	H2 FY2026
SRP	Distribution Pole & Conductor Repair	Start inspections and assessment and reliability planning (other programs) Start materials procurement	Completed	H1 FY2022
		Complete assessments (other program)	In Progress	H2 FY2026
		<b>Remediated State</b>	In Progress	H2 FY2028

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Transmission				
SRP	Transmission Line Rebuild	Start line assessments	Completed	H1 FY2022
		Start remediation plan	Completed	H2 FY2022
		Start remediation repairs/projects	Completed	H2 FY2023
		Complete line assessments	In Progress	H2 FY2026
		<b>Remediated State</b>	In Progress	H1 FY2028
SRP	IT OT Telecom System & Networks	Field mobile devices enrolled in FirstNet First Responder system Repair IP network to enable network connection to remote, commercial offices; Upgrade end of life assets on 4G to 5G (meter modems)	Completed	H2 FY2022
		Begin repair and upgrade telecom infrastructure to support IP-based traffic	In Progress	H1 FY2025
		Begin to expand telecom route diversity on microwave backbone	In Progress	H1 FY2026
		Deploy field worker communication solution	In Progress	H2 FY2026
		Begin repair fiber in foundational sections	In Progress	H2 FY2027
		Expand telecom redundancy using fiber & microwave	In Progress	H1 FY2028
		<b>Remediated State</b>	In Progress	H2 FY2030
SRP	Transmission Priority Pole Replacement	Start assessments (other program) and remediation work	Completed	H1 FY2022
		Complete assessments (other program)	In Progress	H2 FY2025
		<b>Remediated State</b>	In Progress	H1 FY2028
SRP	Assessment of Transmission Lines	Start line assessments	Completed	H1 FY2022
		Start remediation plan and repairs	Completed	H2 FY2022
		Complete assessments	In Progress	H2 FY2025
		<b>Remediated State</b>	In Progress	H2 FY2026

Substation				
SRP	Substation Rebuilds	Start Substation assessments (other program)	Completed	H1 FY2022
		Start minor distribution substation repairs and development of procedures and agreements for peaking/ hydro units	Completed	H1 FY2023
		Finish installation of high accuracy metering	In Progress	H2 FY2025
		Complete substations assessments	In Progress	H2 FY2025
		<b>Remediated State</b>	In Progress	H2 FY2028
		Complete major substation repair remediation	In Progress	H2 FY2028
Non-SRP	Substation Reliability	Start annual planning process/forecast of emergency replacements	Completed	H2 FY2023
		Begin procurement process for substation equipment, materials, and potential service contracts	Completed	H2 FY2023
		Begin CB, RTU and PAC program development, project initiation, and scheduling	Completed	H1 FY2024
		Begin engineering design and project scheduling	Completed	H1 FY2024
		Begin CB, RTU and PAC engineering design, and material procurement	Completed	H1 FY2024
		Construction, execution, and commissioning	In Progress	H2 FY2024
SRP	Substation Physical Security	Installation and commissioning of new breakers and CB, RTU and PAC program	In Progress	H2 FY2024
		Completion of Programs: breaker and CB, RTU, and PAC program replacements	In Progress	H2 FY2028
		Prioritize sites	Completed	FY2022
		Submit detailed scope of work to FEMA	Completed	FY2023
		Establish and execute design contracts	Completed	FY2023
Non-SRP	Regional & Technical	Execute construction contracts and install CCTV for substations with approved PWs	In Progress	FY2025
		<b>Remediated State</b>	In Progress	FY2032
		Projects execution	In Progress	FY2032
Non-SRP	Regional & Technical	Survey of selected facilities to understand the exact state of the security situation at each	Completed	FY2022 – FY2023

## Annual Budgets

	<b>Facilities Security</b>	For selected facilities, requirements defined, and CCTV equipment ordered	Completed	FY2023
		Migration of CCTV application platform to comply with cybersecurity standards		
		Complete technical operation surveys to order equipment	In Progress	FY2025
		Damaged physical security equipment replaced across selected facilities, with new CCTVs	In Progress	FY2026

Control Center and Buildings				
SRP	<b>Facilities Development &amp; Implementation</b>	Locked out / tagged out systems have been inspected, repaired and are operational	Completed	H1 FY2024
		Decommission of assets	In Progress	H2 FY2028
		Site abatement and remediation for hazardous materials	In Progress	H2 FY2029
		<b>Remediated State</b> and remediation for hazardous materials	In Progress	H2 FY2034
SRP	<b>Critical Energy Management System Upgrades</b>	Business and technical requirements	Completed	H1 FY2022
		Vendor selections	Completed	H2 FY2023
		Project Kickoff	Completed	H1 FY2024
		Project Execution	Completed	H1 FY2024
		<b>Remediated State</b> EMS in service	In Progress	H1 FY2026
		Begin tuning of system with GENCO	In Progress	H2 FY2026
SRP	<b>Control Center Construction &amp; Refurbishment</b>	Business and technical requirements	Completed	H1 FY2022
		PCC define and design project for primary control center	Completed	H2 FY2023
		SCC Land acquisition complete	In Progress	H2 FY2025
		Operations relocated / PPC Construction starts	In Progress	H2 FY2026
		SCC Construction starts	In Progress	H1 FY2028
		<b>Remediated State</b> Primary control center operational	In Progress	H1 FY2029
		SCC Operational	In Progress	H1 FY2030
Non-SRP	<b>Warehouse Security</b>	Survey of selected warehouses to understand exact state of the security situation at each	Completed	FY2022 – FY2023
		For selected warehouses, requirements defined and CCTV equipment ordered		
		Migration of CCTV application platform to comply with cybersecurity standards	Completed	FY2023
		Complete warehouse surveys to order equipment	In Progress	FY2025
		Damaged physical security equipment replaced across selected warehouses, with new CCTVs	In Progress	FY2026

Enabling				
Non-SRP	<b>Project Management Software &amp; Tools</b>	Start developing Project Management IT Tools	Completed	H2 FY2021
		Begin configuration and implementing Project Management IT Tool	Completed	H2 FY2022
		Developed PMO website and Document Control System	Completed	H2 FY2023
		New WBS, DLF and governance models implemented Development of integrated estimation and cost control tool completed	In Progress	H2 FY2025
Non-SRP	<b>HSEQ &amp; Technical Training</b>	Identify those who need specific training (priority); begin training	Completed	FY2022
		Apprenticeship program registered and launched; pre-apprenticeship program launched; initial onboarding training	Completed	FY2022 - FY2023

# Annual Budgets

		Continue with priority training and train new employees	Completed	FY2023 - FY2024
		<b>Remediated State</b> All line workers are either in apprenticeship program or have been grandfathered into journey level; priority HSEQ training is completed.	Completed	FY2025
Non-SRP	Emergency Response Preparedness	Development of the Emergency Response Plan	Completed	FET
		Establish a working primary EOC	Completed	H1 FY2023
		Enhancements to improve data systems to obtain better visibility of outage data and system restoration status	In Progress	H2 FY2025
		Resource and exercise the alternate LEOC	In Progress	H2 FY2026
		Begin implementation of new EOC software to integrate different data systems	In Progress	H2 FY2027
SRP	T&D Fleet	Assume management of fleet operations	Completed	H1 FY2022
		Compliance with Puerto Rico's DTOP, CSP, USDOT and OSHA standards	Completed	H1 FY2022
		Deployment of an FMIS to track maintenance records for all fleet vehicles and preventative maintenance programs	Completed	H2 FY2023
		Start implementation of T&D telematics	In Progress	H2 FY2025
		<b>Remediated State</b>	In Progress	FY2032
SRP	Compliance & Studies	Transmission and distribution protection studies start	Completed	H1 FY2022
		Substation grounding remediation	Completed	H2 FY2022
		Complete transmission protection studies	Completed	H2 FY2024
		Complete distribution protection studies	In Progress	H1 FY2025
		Substation assessment complete (other program)	In Progress	H1 FY2026
		<b>Remediated State</b> Substation grounding remediation achieved	In Progress	H2 FY2026
SRP	Workflow Processes & Tracking	Develop work scope and program requirements	Completed	H1 FY2022
		Complete work management procedures Procure software	Completed	H2 FY2022
		Complete work management procedures	In Progress	H1 FY2025
		Procure workforce management software	In Progress	H1 FY2026
		Set up processes and training to effective use workforce management software	In Progress	H1 FY2027
		Set up monitoring and KPIs for workforce management	In Progress	H2 FY2027
		<b>Remediated State</b>	In Progress	H2 FY2028
SRP	Tools Repair & Management	Start tool and PPE inventory	Completed	H1 FY2022
		Purchase all high priority/replace all unusable tools and PPE Implement training program	Completed	H2 FY2022
		<b>Remediated State</b>	In Progress	H2 FY2034
SRP	Materials Management	Assume management of materials management functions Finalize materials management SOP material	Completed	H1 FY2022
		Compliance with Governance Regulations	Completed	H2 FY2022
		<b>Remediated State</b>	In Progress	H2 FY2026
SRP	Vegetation Management and Capital Clearing Implementation	Form centralized vegetation management team	Completed	H1 FY2022
		Purchase and begin implementation of field-enabled IT tool	Completed	H2 FY2023
		Prepare and submit vegetation clearance initial SOW for PREB approval	Completed	H2 FY2023
		Receive PREB approval	Completed	H2 FY2023
		Submit vegetation clearance initial scope of work to FEMA and receive assigned FEMA Accelerated Awards Strategy number from FEMA	Completed	H2 FY2023

## Annual Budgets

		Submit first detailed scope of work to FEMA	Completed	H1 FY2024
		Award federal contracts for island-wide capital clearing	Completed	H2 FY2024
		All 230kV rights of way cleared	Completed	H2 FY2024
		<b>Remediated State</b> All 115 kV and 38 kV rights of way cleared	In Progress	H2 FY2028
SRP	Permit Processes & Management	Identify and obtain missing and expired permits for operation	Completed	H1 FY2022
		Obligations under operational permits are identified and a record system for operational permits is established	Completed	H2 FY2022
		Procedures for permit compliance are developed and basic operational performance levels are established	Completed	H1 FY2023
		<b>Remediated State</b> Training programs and Quality management system developed but not fully implemented	In Progress	H2 FY2025
SRP	Asset Data Integrity	Start assessments and data requirements determination	Completed	H1 FY2022
		GIS backlog processed and entered	Completed	H2 FY2024
		Standards, processes, procedures, templates and tools developed	In Progress	H1 FY2025
		<b>Remediated State</b> Priority assets configured and managed in central repository	In Progress	H2 FY2028
Non-SRP	Microgrid, Phasor Measurement Units (PMU), and Battery Energy Storage Installations and Integration	Preliminary engineering, procurement and construction award	In Progress	H2 FY2025
		Equipment delivery, mobilization to the site, design completion, implementation	In Progress	H2 FY2026
		Construction complete, and project close-out	In Progress	H2 FY2027

Support Services				
SRP	Critical Financial Controls	Started internal audit revamp and control work	Completed	FY2022
		Policies, guidelines and procedures in place	In Progress	FY2025
		Create a framework to ensure alignment between corporate objectives and the risk assessments of the finance and operations teams	In Progress	FY2026
		<b>Remediated State</b> Internal control framework and Governance, Risk, and Compliance tool implemented Achieved 90% of implementation of SRP- Critical Financial ControlGap Assessment observation	In Progress	FY2027
SRP	Critical Financial Systems	Time tracking and labor costing system implemented	Completed	FY2024
		Non-warehouse procurement moved into Oracle EBS Risk management system completed Estimating software is in place to support the major facilities work that is required with accurate forecasts and progress tracking Warehouse/inventory procurement moved into Oracle EBS	In Progress	FY2025
		Meeting rooms are equipped to support collaboration and communication	In Progress	FY2026
		<b>Remediated State</b> Purchasing consolidation complete	In Progress	FY2027
SRP	Public Safety	Hire Public Safety Manager and develop public safety policy and public safety incident reporting guidelines	Completed	FY2022
		Develop content for prospective presentation; report on and investigate public safety incidents; develop training for employees to deliver public safety training	Completed	FY2024
		<b>Remediated State</b> Trend and analyze public safety data; purchase one visual display; present minimal amount of public safety presentations	In Progress	FY2025
SRP	Waste Management	Initial assessment of sites, begin installing containment and bins, begin restocking spill kits	Completed	FY2022



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		Obtain regulator feedback of approach, complete installation, restock remaining spill kits	Completed	FY2023
		<b>Remediated State</b> Develop plan to remove accumulated waste	In Progress	FY2025
Non-SRP	HR Information Systems and Learning Platforms	Undertake on-line training for all LUMA employees	Completed	FY2021
		<b>Remediated State</b> All Employees trained on core compliance areas	Completed	FY2022
		Development of learning tools and base content	In Progress	H1 FY2025
SRP	IT OT Cybersecurity Program	Governance, risk and compliance model initiated Adequate staff to manage and govern Security awareness program implemented across organization Multifactor authentication NIST CSF self-assessment = 1.8	Completed	FY2022
		Endpoint protection improved Establish vulnerability management program NIST CSF self-assessment = 2.2	Completed	FY2023
		<b>Remediated State</b> Improve segmentation Review third-party master security service provider Vulnerability and penetration testing NIST CSF self-assessment = 2.5	Completed	FY2024
		Reassess the cybersecurity maturity levels to determine future state roadmap	In progress	FY2025
SRP	IT OT Enablement Program	<ul style="list-style-type: none"> <li>Establish end-user device standards</li> <li>Procure and distribute end-user devices for business-critical userbase</li> <li>Implement critical service and IT OT vendor management processes and practices</li> <li>Deploy end-user devices for business priority user base</li> </ul>	Completed	FY2022
		<ul style="list-style-type: none"> <li>Implement end-user image and device management tools</li> <li>Implement priority service management process and practice</li> <li>Select and deploy ITSM strategy and tool</li> <li>Technology Project Management processes and practices defined and implemented</li> </ul>	Completed	FY2023
		<ul style="list-style-type: none"> <li>Implement Service Management training requirements</li> <li>Implement patch management processes, aligned to Cybersecurity Standards</li> <li>Implement Project Management training requirements</li> <li>Define Enterprise Architecture Roadmap and strategy</li> </ul>	Completed	FY2024
		<b>Remediated State</b> <ul style="list-style-type: none"> <li>Establish end-user device standards and lifecycle refresh</li> <li>Strengthen and document Architectural Model for High impact areas in Bus Comp Model</li> </ul>	In Progress	FY2025
SRP	IT OT Asset Management	<ul style="list-style-type: none"> <li>Establish Roadmap and strategy for Disaster Recovery and Business Continuity of critical assets</li> <li>Field mobile devices enrolled in the FirstNet First Responder system</li> </ul>	Completed	FY2022
		<ul style="list-style-type: none"> <li>Identification and Inventory of Technology Assets</li> <li>Establish infrastructure standards and lifecycle refresh</li> <li>Complete application and infrastructure assessment and roadmap for dev, test, and prod environments</li> </ul>	Completed	FY2023
		Roadmap established for Production and Disaster Recovery environments migration to cloud for business-critical systems	In Progress	FY2025
		<ul style="list-style-type: none"> <li>Disaster Recovery Facility Relocated</li> <li>Business Critical systems are updated to industry standards (Vendor supported software and hardware)</li> <li>LUMA's IT OT Asset Management procedures are compliant with the T&amp;D OMA (T&amp;D OMA Annex I, Section II(A))</li> </ul>	In Progress	FY2025
		<b>Remediated</b> <ul style="list-style-type: none"> <li>Backup Control Center capabilities relocated to a secure &amp; resilient facility</li> </ul>	In Progress	FY2026
Non-SRP	IT OT Collaboration & Analytics	<ul style="list-style-type: none"> <li>Implementation of LUMA's internal collaboration space to enable knowledge sharing across the organization</li> <li>Implementation of a central repository of information for all projects</li> </ul>	Completed	FY2023
		<ul style="list-style-type: none"> <li>Defining usability governance and publishing standards for all content</li> <li>Evaluate and implement software solutions to deliver a central repository</li> </ul>	In Progress	FY2025



## Annual Budgets

		for business process models based on best practices aligned with business process modeling standards		
		<ul style="list-style-type: none"> <li>•Evaluate and implement an Enterprise Architecture tool</li> <li>•Implementation of a centralized repository to enable the internal and external reporting of performance metrics.</li> </ul>	In Progress	FY2026
SRP	<b>Update to Third Party Use, Audit, Contract, and Billing Procedures</b>	Studies related to third party attachments complete	Completed	H2 FY2022
		New regulations, standards and codes related to pole attachment	Completed	H1 FY2023
		New agreement developed	Completed	H2 FY2023
		<b>Remediated State</b> Pole attachment installation standards program launched	In Progress	H2 FY2027
Non-SRP	<b>Land Acquisition &amp; Dispute Management</b>	Land acquisition and administration processes will be fully compliant with Applicable Law and settlement options for claims will have been fully developed.	Completed	FY2022
		Develop guidelines for land agents to engage with landowners in order to prevent disputes from arising and to settle claims quickly.	Completed	FY2023
		Ensure that we are using the new software to keep track of new land acquisitions, encroachment, and management of land rights	In Progress	H2 FY2025
SRP	<b>Land Record Management</b>	Review of current land files to determine file structure	Completed	H1 2022
		Develop the land file structure pertinent for Operations	Completed	H2 2022
		Assess and acquire land mgmt. system	In Progress	H1 FY2025
		<b>Remediated State</b> Integrated land mgmt. system fully implemented Conversion of existing files to new structure and land mgmt. system	In Progress	H2 FY2026
Non-SRP	<b>Electric Vehicle Implementation Support</b>	Begin EV TOU Development	Completed	H2 FY2023
		Begin EV webpage and education tools development	Completed	H2 FY2023
		Ongoing customer engagement	Completed	H1 FY2024
		EV Tariff registration open	Completed	H2 FY2024
		Completion of Phase I	In Progress	H2 FY2025

## Annual Budgets

### Appendix B: P3A Budget Allocation

Please find the P3A Budget Allocation letter outlining the approved allocation in the following pages.



GOVERNMENT OF PUERTO RICO  
PUERTO RICO PUBLIC-PRIVATE PARTNERSHIPS AUTHORITY

#### BY ELECTRONIC MAIL

**Mario Hurtado**  
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**LUMA Energy, LLC**  
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#### Re: Fiscal Year 2025 Budget Submission

Dear Mr. Hurtado:

Reference is made to the Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement dated as of June 22, 2020 ("T&D O&M Agreement") among (a) the Puerto Rico Electric Power Authority ("PREPA"), (b) the Puerto Rico Public-Private Partnerships Authority ("P3A"), (c) LUMA Energy, LLC ("ManagementCo"), and (d) LUMA Energy ServCo, LLC ("ServCo" and, together with ManagementCo, "LUMA").

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Reference is also made to the Puerto Rico Thermal Generation Facilities Operation and Maintenance Agreement dated as of January 24, 2023, ("Generation O&M Agreement") among (a) PREPA, (b) P3A, and (c) Genera PR, LLC ("GeneraPR") and to the Puerto Rico PREPA-GenCo-HydroCo Operating Agreement dated as of June 16, 2023 ("PGHOA") among (a) PREPA as Owner of the T&D System, (b) PREPA GenCo LLC, as Owner of the Legacy Generation Assets, (c) PREPA HydroCo LLC as Owner of the Hydropower Assets, (d) ServCo, and P3A as Administrator.

On May 3, 2024, P3A held an FY2025 Budget Allocation Meeting with LUMA, PREPA and GeneraPR, in compliance with Section 3.1(b)(i) of the PGHOA. On May 6, 2024, LUMA submitted to P3A its proposed Fiscal Year 2025 ("FY2025") Budget Allocation Petition ("Petition"), pursuant to Section 3.1(b)(i) of the PGHOA and Section 7.3(a) of the T&D O&M Agreement.<sup>1</sup> LUMA requested the same allocation determined by P3A for

<sup>1</sup> Petition at 1. As part of the Petition, LUMA included the document "24.05.03\_Rate Buildup\_FY25.xlsx" which contained LUMA's proposed allocation, including supporting information.

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FY2025 Budget Submission

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Fiscal Year 2024 ("FY2024").<sup>2</sup> The proposed allocations are as follows: GridCo 65.2%, Generation 31.8% and HoldCo 3.0%.<sup>3</sup> Additionally, on May 9, 2024, LUMA submitted to P3A its FY2025 System Annual Budget Submission ("May 9 Filing"), pursuant to Section 7.3 of the T&D O&M Agreement and Section 3.1 of the PGHOA.<sup>4</sup> LUMA noted that the PREPA proposed budgets for HoldCo and HydroCo exceeds the revenues allocated to each operating entity pursuant to the P3A's May 9, 2024 Budget Allocation.<sup>5</sup>

## P3A Determinations

### 1. Available Funds and the 2017 Rate Order Limit

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All three entities agree that, for FY2025 the projected sales are 16,180 GWh with projected revenues (i.e., the "Available Funds") equal to \$1,151.456 million.<sup>6</sup> This represents a levelized base rate equal to 7.12 ¢/kWh, which is under the 2017 Rate Order limit of 7.47 ¢/kWh.<sup>7</sup> Therefore, P3A determines that the projected revenues for FY2025 are compliant with the 2017 Rate Order.

### 2. Projected Net Available Funds Allocation Rates and Generation Budget Allocation Rate

As detailed in P3A's May 1, 2023 letter, it is P3A's responsibility to allocate the FY2025 Net Available Funds based upon the most recent PREB analysis contained in Docket No. NEPR-MI-2021-0004, In re: Review of LUMA's Initial Budgets.<sup>8</sup> After reviewing the

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

<sup>4</sup> The May 9 Filing included the following documents: (i) FY2025 T&D Budget Schedules workbook, as prepared by LUMA; (ii) FY2025 Budget Allocation workbook, as prepared by LUMA; (iii) FY2025 HoldCo and HydroCo Budgets, as prepared by PREPA; and (iv) FY2025 GenCo Budget, as prepared by GeneraPR.

<sup>5</sup> May 9 Filing at 3. During the May 3, 2024 Allocation Meeting, P3A determined to the FY2025 Net Available Revenues using the same allocation factors used in the FY2024 budget allocation process (i.e., 65.2%, 31.8% and 3% for GridCo, Generation and HoldCo respectively). Similarly, the Generation of the FY2025 Net Available Revenues would be allocated 95.4%-4.6% for GenCo and HydroCo respectively. P3A reiterated this determination in a communication sent to LUMA, PREPA and GeneraPR on May 9, 2024.

<sup>6</sup> 24.05.09\_Rate Buildup\_FY25.xlsx, Tab "Summary", Cells F5 and F15.

<sup>7</sup> In Case No. CEPR-AP-2015-0001, the Puerto Rico Energy Bureau ("PREB") determined that, for the first rate year, the projected sales were 17,268 GWh, whereas the Base Rate revenue requirement was \$1,289 million. This resulted in a levelized base rate equal to 7.47 ¢/kWh, which represents a limitation on the revenues the electric system can collect from base rates on a given year. This is also called the base rate limit. It is important to note that, the current Base Rate structure for each client class contains fixed charges (i.e., \$/client-month) and volumetric charges (i.e., ¢/kWh). For some clients (e.g., industrial, and large commercial clients) it also includes demand charges (i.e., \$/kVA). The projected revenues are calculated applying the current rate structure to the projected consumption per class. The base rate limit of 7.47 ¢/kWh resulted from applying the projected consumption per class during the first year the new rate structure was to be in place. The projected consumption varies year to year which results in changes in total sales and, more importantly, the distribution among classes. This yield different levelized rates each year, which are required to be under the aforementioned limit in order to be consistent and compliant with the PREB-approved rate.

<sup>8</sup> May 1, 2023 letter to LUMA at 1. To that effect, P3A considered the Non-Federally Capital Expenditures as part of GridCo's budget (i.e., GridCo budget = Total T&D Operating Budget + Non-Federally Capital Expenditures). P3A also included HoldCo's expenditures as part of the analysis. It is important to note that these allocation rates were very similar to the 2017 Rate Order-based allocation rates, as proposed by LUMA for the FY2024 Budget Allocation.

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FY2025 Budget Submission

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May 9 Filing, and in light of the discussions held among P3A, LUMA, GeneraPR and PREPA during the FY2025 Budget Allocation process, P3A determines that the resulting Projected Net Available Funds Allocation Rates are as follows: GridCo 65.2%, Generation 31.8% and HoldCo 3.0%.<sup>9</sup>

Similarly, in the May 1, 2023 letter to LUMA, P3A determined that a 95.4% - 4.6%, GenCo – HydroCo allocation of the Generation Budget was reasonable and appropriate at that time.<sup>10</sup> After reviewing the May 9 Filing and the May 1, 2023 determination, P3A reaffirms that the 95.4% - 4.6%, GenCo – HydroCo allocation of the Generation Budget is reasonable and appropriate for FY2025.

### 3. Other Income Allocation

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The total projected Other Income for FY2025 is \$89.655 million.<sup>11</sup> LUMA proposes that this income can be classified and allocated as follows: (i) \$35.948 million attributable to all entities (i.e., GridCo, Generation and HoldCo); (ii) \$53.011 million attributable to GridCo; and (iii) \$0.697 million attributable to Generation (i.e., GenCo and HydroCo).<sup>12</sup>

It is a rate review principle to align costs with cost causation. Some of the revenue collected through sources other than base rates corresponds to activities attributable to specific entities (e.g., late payment charges, which is a customer service activity). As such, these entities should benefit from the revenue these activities bring. On the other hand, in those instances in which a non-base rate revenue cannot be attributable to a specific entity, such revenue should be allocated to all entities (e.g., interest from the Operating, Construction and Sinking Funds). Therefore, P3A determines that Other Income will be allocated as detailed in Table 1 below.

**Table 1: FY2025 Other Income Allocation**

Component		P3 Authority FY2025 Other Income Allocation (in \$,000)	
All Entities		\$	35,948
GridCo		\$	53,011
Generation		\$	697
HoldCo		\$	-

<sup>9</sup> *Id.* at 4.

<sup>10</sup> *Id.* The P3A based its determination on PREPA's March 22, 2023, document submission to GeneraPR and GeneraPR's acceptance of such allocation.

<sup>11</sup> 24.05.09\_Rate Buildup\_FY25.xlsx, Tab "INPUT-Other Income", Cell O18.

<sup>12</sup> *Id.*, Cells Q18, S18 and R18, respectively.

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## 4. Genera's O&M Fixed Fee

Pursuant to Section 7.1 (b) of the Generation O&M Agreement, the GeneraPR's projected O&M Fixed Fee is \$24.285MM. P3A recognizes that the Generation O&M Agreement establishes that the CPI Factor growth should be capped at 3% per year.<sup>13</sup> Therefore, the numerator of the CPI Factor should be the growth from the end of November 2021 (i.e., the end of the twelve-month period from and including December 2020) until the end of June 2024 (i.e., 31 months), capped at the aforementioned level. Therefore, the CPI Factor applicable to the projected FY2025 Genera's O&M Fixed Fee is:<sup>14</sup>

$$CPI\ Factor = \frac{(1.03)^{31/12} \times CPI\ Value_0}{CPI\ Value_0} = (1.03)^{31/12} = 1.07935$$

Therefore, the projected FY2025 Genera's O&M Fixed Fee is:

$$FY2025\ O\&M\ Fixed\ Fee = 1.07935 \times \$22.50\ MM = \$24.285\ MM$$

## 5. GeneraPR Incentive Payment

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Section 7.1(c) of the Generation O&M Agreement states that "Owner and Administrator agree that an amount equal to the maximum amount of the Incentive Payments available in any given Contract Year shall be included in the Operating Budget or the Decommissioning Budgets, as applicable, for such Contract Year." Notwithstanding, in the May 3, 2024, letter from GeneraPR to LUMA, GeneraPR requested an Incentive payment in the amount of \$40,000.<sup>15</sup>

Based on GeneraPR's request to LUMA, P3A determines that the budgeted FY2025 GeneraPR Incentive Payment will be \$40,000.

This determination should not be construed as a reduction of GeneraPR's FY2025 incentives, as a violation of the Generation O&M Agreement or as an infringement of GeneraPR's rights.

## 6. Title III and FOMB Advisor Expenses; Bad Debt Expense

LUMA proposed to include as part of the reduction to the Available Funds the expenses related to Title III costs, the Fiscal Oversight Management Board ("FOMB")

<sup>13</sup> Generation O&M Agreement at 9.

<sup>14</sup> GeneraPR proposed an O&M Fixed Fee of \$25.462 million, which LUMA rounded to \$25.400. See GeneraPR's May 3, 2024 letter to LUMA and 24.05.09\_Rate Buildup\_FY25.xlsx, Tab "Summary", Cell F22. However, this represents a CPI growth of 4.90% percent per year which exceeds the 3% cap established in the Generation O&M Agreement.

<sup>15</sup> May 3, 2024, letter from GeneraPR to LUMA at 1. Emphasis in the original.

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Advisor costs and the Bad Debt Expense.<sup>16</sup> Specifically LUMA proposed to include \$27.450 million as Title III costs and \$28.968 million as FOMB Advisor costs for a total of \$56.418 million. LUMA proposes to include \$59.529 million corresponding to 1.5% of total revenues from rates as Bad Debt Expense.<sup>17</sup>

Title III costs are associated with the current U.S. District Court process in which PREPA's debt restructuring is being litigated. Ever since the Title III process started, PREPA has been required to pay for its and FOMB's advisors. Accordingly, and as was done during the FY2024 Budget Allocation process, the Title III and FOMB Advisor costs should be deducted from the Available Funds.



With respect to Bad Debt Expense, P3A determines that 1.5% of total revenues from rates is a reasonable assumption and that such cost should be deducted from the Available Funds, as proposed by LUMA and as was done during the FY2024 Budget Allocation process.

## 7. Additional Available Funds

During the FY2024 Budget Allocation process, P3A engaged in conversations with LUMA, PREB, the Central Office for Recover, Reconstruction and Resiliency ("COR3") and FOMB to identify additional funds to be applied to the FY2024 Budget.<sup>18</sup> As a result of these efforts, \$130 million was identified and applied to the FY2024 Budget.

This year, P3A has engaged in similar efforts to identify additional funds to be applied to the FY2025 Budget to ensure that the entities will have a fund allocation at least equal to P3A approved allocated funds for FY2024. To that effect, P3A is committed to identifying \$74.741 million in additional funds to be included in the FY2025 Budget. These funds will be available by July 1, 2024, and will be allocated as described in Table 2. P3A determines that, \$3.5 million of the Available Additional Funds shall be allocated directly to PREPA/HoldCo to cover the External Audit Services expense to ensure that PREPA has the required audited FY2024 financial statements.

<sup>16</sup> 24.05.09\_Rate Buildup\_FY25.xlsx, Tab "Summary", Cells F29, F30 and F24, respectively.

<sup>17</sup> See in general, 24.05.09\_Rate Buildup\_FY25.xlsx, Tab "INPUT-Bad Debts", Cells F7 to F10.

<sup>18</sup> May 12, 2023, letter to LUMA at 1.

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**Table 2: FY2025 Additional Available Funds Allocation**

  
FF

Item	P3 Authority FY2025 Additional Available Funds Allocation (in \$,000)
<b>Additional Available Funds to be Allocated</b>	<b>\$ 74,741</b>
Allocated to All (using approved Allocation Factors)	\$ 67,655
Allocated Directly to GridCo/LUMA	\$ -
Allocated Directly to GenCo/GeneraPR	\$ 3,421
Allocated Directly to HydroCo/PREPA	\$ 165
Allocated Directly to HoldCo/PREPA	\$ -
Allocated Directly to HoldCo/PREPA - FY2024 Audit	\$ 3,500
<b>Total Allocated Funds</b>	<b>\$ 74,741</b>

## 8. Projected Net Available Funds Allocation

Based on the foregoing analysis, P3A approves the FY2025 Projected Net Available Funds Allocation, as described on Table 3.

**Table 3: Projected FY2025 Net Available Funds Allocation as approved by the P3A<sup>19</sup>**

Item	P3 Authority FY2025 Net Available Funds Allocation (in \$,000)
Net Available Funds (from base rate revenues)	\$ 912,365
Additional Available Funds Allocated to All	\$ 67,655
Additional Available Funds Directly Allocated	\$ 7,086
Other Income Directly Allocated	\$ 53,708
<b>Total Income to be Allocated</b>	<b>\$ 1,040,844</b>
GridCo/LUMA	\$ 692,005
GenCo/GeneraPR	\$ 301,274
HydroCo/PREPA	\$ 14,527
HoldCo/PREPA	\$ 33,038
<b>Total Allocated Funds</b>	<b>\$ 1,040,844</b>

<sup>19</sup> Appendix A contains a detailed description of the methodology and calculation of the P3A approved allocation.

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If you have any questions, we are happy to discuss them at your convenience. Feel free to contact me at [administrator@p3.pr.gov](mailto:administrator@p3.pr.gov) or at (787) 722-2525 ext. 15330.

Kind Regards,



Fermín E. Fontanés Gómez  
Executive Director  
Puerto Rico Public-Private Partnership Authority

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## Appendix A: The P3A's FY2025 Projected Net Available Funds Allocation Methodology and Calculation

(\$,000)

Budget Revenues		
Projected Sales (GWh)		16,180
Projected Base Rate Revenue	\$	1,151,456
Other Income to All	\$	35,947
Projected Base Rate Revenue + Other Income to All		\$ 1,187,403
less Bad Debt		(59,529)
less Bankruptcy & Restructuring Costs		(56,418)
less LUMA Service Fee		(134,736)
less Genera Incentive Fee		(40)
less Genera Service Fee		(24,285)
Projected Net Available Funds		\$ 912,395
Additional Available Funds to All (from FEMA to FY2024, TBD to FY2025)		\$ 67,655
Additional Available Funds Directly Allocated		\$ 7,086
Other Income Directly Allocated		\$ 53,708
Total Funds to be Allocated		\$ 1,040,844
Allocation - Total Available Funds		
LUMA/GridCo % of Net Available Funds		65.2%
LUMA/GridCo Allocation of Net Available Funds		\$ 638,994
LUMA/GridCo Other Income		53,011
LUMA/GridCo Budget (excluding Service Fee)		\$ 692,005
Generation % of Net Available Funds		31.8%
Generation Allocation of Net Available Funds		311,518
Generation Other Income		697
Generation Budget		\$ 312,215
GeneraPR/GenCo Allocation % of Generation Allocation		95.4%
GeneraPR/GenCo Allocation from Generation Allocation		297,853
Additional Available Funds Allocated to GeneraPR/GenCo		3,421
GeneraPR/GenCo Budget (excluding Service Fee)		\$ 301,274
PREPA/HydroCo Allocation % of Generation Allocation		4.6%
PREPA/HydroCo Allocation from Generation Allocation		14,362
Additional Available Funds Allocated to PREPA/HydroCo		165
PREPA/HydroCo Budget		\$ 14,527
PREPA/HoldCo % of Net Available Funds		3.0%
PREPA/HoldCo Allocation of Net Available Funds		29,538
PREPA/HoldCo Other Income		-
Additional Available Funds Allocated to PREPA/HoldCo		-
Additional Available Funds Allocated to PREPA/HoldCo - FY2024 Audit		3,500
PREPA/HoldCo Budget		\$ 33,038
Total Allocated Funds		\$ 1,040,844

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## Annual Budgets

### Appendix C: GenCo Budget

As per Section 7.3 of the T&D OMA, LUMA is required to submit the Consolidated Budgets as part of its Annual Budgets filings. Please find the GenCo Budget, as prepared by Genera PR below and in the corresponding Excel spreadsheet.

GenCo   FY25 Budget Proposal		
1	<b>Allocated GenCo Budget</b>	<b>FY2025</b>
2	<b>GenCo Projected FY25 Allocation</b>	<b>\$319.2</b>
3		
4	<b>[1] Labor Operating Expenses</b>	<b>\$mm \$76.2</b>
5		
6	Materials & Supplies	\$mm \$20.5
7	Transportation, Per Diem, and Mileage	\$mm \$2.1
8	Utilities & Rent	\$mm \$18.2
9	Professional & Technical Outsourced Services	\$mm \$7.0
10	Insurance	\$mm \$3.0
11	Security	\$mm \$7.1
12	IT Service Agreements	\$mm \$3.1
13	Legal Services	\$mm \$10.0
14	Regulatory & Environmental Inspection	\$mm \$5.8
15	External Audit Services	\$mm \$0.3
16	Communications Expenses	\$mm \$0.9
17	Other Expenses	\$mm \$5.8
18	<b>[2] Total GenCo Non-Labor / Other Operating Expenses</b>	<b>\$mm \$83.8</b>
19		
20	<b>[3] Shared Services Agreement</b>	<b>\$mm \$56.8</b>
21		
22	<b>[A] [1-3] Total GenCo Operating Expenses</b>	<b>\$mm \$216.8</b>
23		
24	<b>[B] Maintenance Projects Expense</b>	<b>\$mm \$90.9</b>
25		
26	<b>[C] Generation Maintenance Reserve Fund</b>	<b>\$mm \$11.6</b>
27		
28	<b>[D] Incentives / Penalties</b>	<b>\$mm -</b>
29		
30	<b>[A+B+C+D] Total Budget</b>	<b>\$mm \$319.2</b>
<p>Proposed Budget includes \$32,604,732 for the operation and maintenance of the Temporary Generators recently purchased by FREPA (total amount is the sum of \$29,664,732 in NME and \$2,940,000 in Utilities &amp; Rents for water consumption). The cost of operating and maintaining these units is incremental and not previously contemplated.</p>		
<p>Total amount of Shared Services as previously provided by LUMA are included in this Budget. Although the current Shared Services agreement is set to terminate on September 30, 2024, the majority of the budgeted amount is earmarked for insurance premiums. Upon termination, the remaining balance will be reapportioned to the corresponding related budget lines necessary to continue the operation.</p>		
<p>The GenCo FY25 Budget has been formulated in alignment with the FY24 Certified Budget. However, the F3A allocation determination has provided GenCo with a total amount of \$301MM for FY25. It is important to note that Genera has been assigned 14 additional units (340MW) operating on a baseload capacity, which has resulted in increased operating costs (which amounts to \$32MM (see note 24 above)). Despite this significant operational expansion, Genera has not requested an increase in the FY25 budget as compared to the GenCo FY24 Certified Budget. In light of these circumstances, Genera respectfully requests FREB to consider identifying additional revenues to cover the gap between the allocation and the budget. It is crucial that such funds do not lead to an increase in base rates, ensuring no impact on customers. It is submitted that the request for additional funding is reasonable, given that Genera has taken on additional operational responsibilities without increasing the budget. Genera believes that a fair and reasonable determination in this matter will uphold the interests of the customers, mainly</p>		

## **GenCo Budget FY2025 – Line Items Explanation**

### **I. Labor Expenses**

FY24 approved: \$75.4M

FY25 request: \$76.2M

The Labor Expenses line is comprised of Salaries & Wages, Pensions & Benefits, Overtime, and Pensions & Benefits for Overtime. Pensions & Benefits include medical insurance, 401k match, SS, Medicare, etc.

The increase in Labor Expense is mainly driven by the medical insurance premium increase of at least 7%.

### **II. Materials & Supplies**

FY24 approved: \$21.1M

FY25 request: \$20.5M

The Materials & Supplies line is comprised of plant materials (caustic soda, oil, etc.), safety supplies, security materials, IT software, and corporate office materials & supplies.

The decrease is due to expenses cuts to comply with the Budget allocation limit of \$319.6M. The Materials & Supplies expenses for next year will be reduced.

### **III. Transportation, Per Diem & Mileage**

FY24 approved: \$1.2M

FY25 request: \$2.1M

The Transportation, Per Diem & Mileage line is comprised of fleet maintenance, repairs and inspections, and employee mileage and accommodation.

The increase in Transportation, Per Diem & Mileage is due to an underestimated FY24 projection. The current expenses are higher than expected.

#### **IV. Utilities & Rent**

FY24 approved: \$3.6M

FY25 request: \$18.2M

The Utilities & Rent line is comprised of \$18.1M in water expense and \$0.05 for an emergency response office rent.

The increase in Utilities & Rent is due to a an underestimated FY24 water projection. The current expenses are higher than expected. Further, the increase is also due to the new water expense from the operation of the TM2500 recently acquired by PREPA (\$2.9M).

#### **V. Professional & Technical Outsourced Services**

FY24 approved: \$11.8M

FY25 request: \$7.0M

The Professional & Technical Outsourced Services line is comprised of environmental expenses, training, and professional service contractors.

The decrease is due to an account reapportionment. Part of what was considered Professional & Technical Outsourced Services in FY24 is now in IT Service Expense, External Audit Services and Communication Expenses.

**VI. Insurance**

FY24 approved: \$0.0M

FY25 request: \$3.0M

The Insurance line is comprised of Genera insurance policies (auto liability, business travel, etc.) and broker fees.

The increase in Insurance costs is due to a an underestimated FY24 projection. This category of insurance expense was not budgeted for FY24.

**VII. Security**

FY24 approved: \$8.0M

FY25 request: \$7.1M

The Security line is comprised of outsourced services expenses related to the Security's department (Genesis contract, professional service contractors, trainings, etc.)

The decrease is mainly driven by a decrease in Genesis's contract cost.

**VIII. IT Service Agreements**

FY24 approved: \$0.0M

FY25 request: \$3.1M

The IT Service Agreements line is comprised of Outsourced & Professional Services expenses related to the IT's Department. This line was not part of the FY24 budget detail.

The increase is due to an account reapportionment. Part of what was considered Professional & Technical Outsourced Services in FY24 is now

in IT Service Expense, External Audit Services and Communication Expenses.

## **IX. Legal Services**

FY24 approved: \$13.0M

FY25 request: \$10.0M

The Legal line is comprised of Outsourced & Professional Services expenses related to the Legal's department.

The decrease in Legal is due to an overestimation in the FY24 projection. The current expenses are less than expected.

## **X. Regulatory & Environmental Inspection**

FY24 approved: \$6.5M

FY25 request: \$5.8M

The Regulatory & Environmental Inspection line is comprised of environmental related expenses such as environmental regulatory permits, waste disposal, etc.

The decrease is due to expenses cuts to comply with the Budget allocation limit of \$319.6M. The Regulatory & Environmental Inspection expenses for next year will be reduced.

## **XI. External Audit Services**

FY24 approved: \$0.0M

FY25 request: \$0.3M

The External Audit Service line is comprised of Professional & Outsource Services costs related to External Audit Services.

The increase is due to an account reapportionment. Part of what was considered Professional & Technical Outsourced Services in FY24 is now in IT Service Expense, External Audit Services and Communication Expenses.

## **XII. Communications Expenses**

FY24 approved: \$0.0M

FY25 request: \$0.9M

The Communication Expenses line is comprised of Professional & Outsource Services costs related to External Audit Services such as advertising and branding.

The increase is due to an account reapportionment. Part of what was considered Professional & Technical Outsourced Services in FY24 is now in IT Service Expense, External Audit Services and Communication Expenses.

## **XIII. Other Expenses**

FY24 approved: \$5.9M

FY25 request: \$5.8M

The Other Expenses line is mainly comprised of IT Licenses and Corporate Affairs Department expenses related with community associations.

The decrease in Other Expenses is due to an overestimation in the FY24 projection. The current expenses are less than expected.

**XIV. Shared Services Agreement**

FY24 approved: \$63.8M

FY25 request: \$56.8M

The Shared Services line is comprised of Insurance and IT/Accounting services managed by LUMA.

The decrease is due to the expectation of all shared services will be terminated by September 24.

**XV. Necessary Maintenance Expense**

FY24 approved: \$96.6M

FY25 request: \$91.2M

The NME line is comprised of capital expenditures and O&M for plants and units. It includes the O&M for the new Temp Power units.

NME for FY25 is projected to be less than FY24 since a significant portion of Genera's projects will be financed through federal funds.

**XVI. Generation Maintenance Reserve Fund**

FY24 approved: \$12.3M

FY25 request: \$11.6M

The Generation Maintenance Reserve Fund line is comprised of contractors under request for Power Plants repairs.