

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

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IN RE:

REVIEW OF THE PUERTO RICO
ELECTRIC POWER AUTHORITY'S
SYSTEM REMEDIATION PLAN

CASE NO.: NEPR-MI-2020-0019

SUBJECT: Submission of Modifications to
System Remediation Plan

MOTION SUBMITTING MODIFICATIONS TO SYSTEM REMEDIATION PLAN

TO THE HONORABLE PUERTO RICO ENERGY BUREAU:

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

I. Modifications to System Remediation Plan

1. On February 24, 2021, LUMA filed before this Honorable Puerto Rico Energy Bureau (“Energy Bureau”) a Request for Approval of the System Remediation Plan (“SRP Petition”), pursuant to LUMA’s obligations under Section 4.1 (d) of the Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement dated as of June 22, 2020, executed by and among LUMA, the Puerto Rico Electric Power Authority (“PREPA”) and the Puerto Rico Public-Private Partnerships Authority (“P3 Authority”) (“T&D OMA”).

2. After several procedural steps, including requests for information and a technical conference to consider LUMA’s System Remediation Plan (“SRP”), on June 23, 2021, this honorable Energy Bureau issued a Resolution and Order approving LUMA’s proposed SRP (“June 23rd Order”). Among other things, this Energy Bureau determined that “LUMA . . . developed a reasonable approach to identify and prioritize both, physical asset deficiencies and business

process deficiencies, and has developed initiatives designed to remediate those systems.” June 23rd Order at p. 37. The Energy Bureau included several reporting requirements, including:

1. Actual spending amounts, broken down by spending initiative/portfolio, and reflecting in detail any variances from the System Remediation Plan;
2. A detail[ed] timeline per portfolio with sufficient detail to allow the Energy Bureau to assess project status for System Remediation Plan capital expenditures and operational initiatives; and
3. Any capital expenditure or operational initiatives that are behind schedule, compared to the initial System Remediation Plan timeframe and a detail explanation as to the cause of the delay and the corrective actions implemented to prevent further delays, as applicable.

Id. at pages 37 and 38.

3. On page 38 of the June 23rd Order, this honorable Energy Bureau recognized that the SRP could require revisions or updates in the future and thus, ordered LUMA to file any future modifications, along with the rationale and justification for the proposed changes, and an explanation of the impact of such modifications on other initiatives and the overall SRP goals.

4. Furthermore, Section 5.4 of the T&D OMA provides for submission to this Energy Bureau of amendments to the approved SRP.

5. On April 14, 2022, LUMA submitted a *Motion Submitting Proposed Modifications to System Remediation Plan and Request for Confidential Treatment*, whereby it identified proposed modifications to several of the approved SRP improvement programs for FY2023 (“April 14th Motion”).

6. On December 22, 2023, LUMA submitted a second *Motion Submitting Modifications to System Remediation Plan and Request for Confidential Treatment*, whereby it submitted updates to the SRP for FY2024, namely, updates to several of the SRP Improvement Programs, along with an explanation on the progress of the SRP. (“December 22nd Motion”)

7. The record of this proceeding also shows that throughout Fiscal Years 2022, 2023 and 2024, LUMA has consistently submitted reports on spending for SRP Improvement Programs. *See* filings of November 15, 2021; February 15, 2022; May 16, 2022; November 30, 2022; December 9, 2022; February 14, 2023; May 22, 2023; August 14, 2023; October 30, 2023; November 14, 2023; February 15, 2024; and May 15, 2024.

8. In the parallel proceeding titled *In Re: Review of LUMA's Initial Budgets*, Case No. NEPR-MI-2021-0004, LUMA filed before this Energy Bureau a *Request for Approval of T&D Budgets and Submission of GenCo Budgets for FY2025 and Budget Allocations for the Electric Power System* dated May 24, 2024, whereby, amongst other things, LUMA submitted the proposed budgets for the Transmission and Distribution System (“T&D Budgets”) for FY2025.¹ Together with the FY2025 T&D Budgets, LUMA submitted a document outlining the milestones and completion dates for each of its improvement programs, including those programs that are part of the approved SRP, as amended and updated.²

9. As Exhibit 1 of this Motion, and in compliance with Section 5.4 of the T&D OMA, LUMA hereby submits proposed modifications to the SRP, along with an explanation on the progress of the SRP.

10. After three years of operations, LUMA has made significant progress in achieving a more reliable, resilient, customer-focused, and cleaner energy system for its customers. By the end of FY2024, eleven of the originally outlined Improvement Programs have reached a completed state.³ *See* Exhibit 1, pages 3-4. Furthermore, as of FY2024, ten Improvement Programs have

¹ *See* <https://energia.pr.gov/wp-content/uploads/sites/7/2024/05/20240525-MI20210004-Motion-FY2025-TD-GenCo-and-System.pdf>.

² *See* Exhibit 1, Annex A, of the May 24th T&D Budgets Submission.

³ Section 4.1.1 of the SRP explains that a **completed state** “represents the conditions to achieve optimal operations and targeted maturity levels and asset health scores.”

achieved a remediated state.⁴ This progress demonstrates LUMA’s prioritization and commitment to addressing the highest-risk deficiencies that impact its customers. *Id.*, page 4.

11. However, LUMA notes that the identification of the activities required to meet minimum Contract Standards⁵ occurred during the Front-End Transition Period, based off limited initial assessments and a sampling of assets accessible to LUMA during that time. As LUMA’s accessibility has increased, LUMA’s observations on these assets and the results of additional comprehensive assessments have resulted in adjustments in scope across various Improvement Programs to accommodate the additional gaps observed since Front-End Transition. *Id.*, page 4-5. Some of the deficiencies discovered during the course of FY2024 that affected the timeline progression of the SRP are: i) financial limitations, as detailed in the May 24th T&D Budgets Submission; and ii) challenges throughout the procurement process, including delays in execution of vendor contracts. *Id.*, page. 5.

12. LUMA further notes that these deficiencies have been mitigated by: i) prioritizing foundational recovery programs; and ii) implementing a new procurement governance model and stage gate process to improve all procurement and supply chain activities. *Id.*, page. 5.

13. Considering the above, LUMA has updated the Improvement Programs to reflect the progress achieved as well as the unforeseen challenges that impacted timelines, activities, or scopes of various initiatives. Table 3-1 of Exhibit 1 identifies and explains the changes and updates

⁴ Section 4.2.2 of the SRP states that **remediation** is achieved “when all components with high impact are at maturity level ‘3 – Developing’” as defined in Table 4-1 of the SRP. Additionally, Section 4.1.1 of the SRP defines the **remediated state** as “the minimum state required to meet Contract Standards”.

⁵ The T&D OMA defines “Contract Standards” as “the terms, conditions, methods, techniques, practices and standards imposed or required by: (i) Applicable Law; (ii) Prudent Utility Practice; (iii) applicable equipment manufacturer’s specifications and reasonable recommendations; (iv) applicable insurance requirements under any insurance procured pursuant to this Agreement; (v) the Procurement Manuals, as applicable, and (vi) any other standard, term, condition or requirement specifically contracted in this Agreement to be observed by Operator.” See Section 1.1 of the T&D OMA.

to several of the SRP Improvement Programs, in light of delays, new gaps and activities, changes to timelines, or updates to budgets. *Id.*, pages. 6-9.

WHEREFORE, LUMA respectfully requests that the Bureau **take notice** of the aforementioned modifications to LUMA's SRP.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 5th day of June 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 general counsel: Lionel Santa Crispín, lionel.santa@prepa.pr.gov.



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Exhibit I



Exhibit 1: Proposed Modifications to the System Remediation Plan

Annual Update

June 5, 2024

System Remediation Plan

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List of Acronyms

Acronym	Definition
CC&B	Customer care and billing system
FY	Fiscal year
HSEQ	Health, Safety, Environment, & Quality
IT OT	Information Technology/Operational Technology
O&M	Operations and Maintenance
OT	Operational Technology
P3A	Puerto Rico Public-Private Partnerships Authority
PREB	Puerto Rico Energy Bureau
PREPA	Puerto Rico Electric Power Authority
PUP	Prudent Utility Practice
SRP	System Remediation Plan
TPA	Third party administrator
T&D	Transmission and Distribution
T&D OMA	Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement executed by the Puerto Rico Electric Power Authority, the Puerto Rico Public-Private Partnerships Authority, LUMA Energy, and its subsidiary LUMA Energy ServCo, LLC (LUMA Energy and LUMA Servco, together LUMA) and dated as of June 22, 2020

System Remediation Plan

1.0 Introduction

As required by the Puerto Rico Energy Bureau in the Resolution and Order dated June 22, 2021, issued in Case No. NEPR-MI-2020-0019, this document includes a summary of modifications to the System Remediation Plan for fiscal year 2025. The modifications to the SRP contained herein are presented to comply with Section 5.4 of the T&D OMA.

The purpose of the SRP is to provide a plan for the remediation, repair, replacement, and stabilization of the components of the T&D System that do not meet the standards of performance required under the T&D OMA, including Contract Standards,¹ and Prudent Utility Practice,² and enable LUMA to perform the O&M Services in compliance with Contract Standards as soon as reasonably possible.³ The SRP is specific to activities and assets identified as non-compliant during the Front-End Transition and, as such, will be deemed complete once each of the non-compliant activities and assets achieve a remediated state.

2.0 Improvement Programs Progress

After three years of operations, LUMA's men and women have consistently worked toward creating a more reliable, resilient, customer-focused, and cleaner energy system for our customers and Puerto Rico and help advance energy public policy goals, including greater integration of renewable resources. LUMA demonstrates tenacity towards achieving these goals by actively working to address the remediation activities outlined in our SRP Improvement Programs.

COMPLETED IMPROVEMENT PROGRAMS

LUMA has made significant progress across multiple Improvement Program Initiatives over the last three years. During FY2024, LUMA successfully completed four Improvement Programs, bringing the total number of Improvement Programs that have reached completion to eleven. The eleven programs that have been completed and the fiscal year in which completion was achieved are outlined below:

Enabling

- Operator Training (FY2023)
- Project Controls, Risk Management & Estimating Offices (FY2023)

¹ The T&D OMA defines the term "Contract Standards" as "the terms, conditions, methods, techniques, practices and standards imposed or required by: (i) Applicable Law; (ii) Prudent Utility Practice; (iii) applicable equipment manufacturer's specifications and reasonable recommendations; (iv) applicable insurance requirements under any insurance procured pursuant to this Agreement; (v) the Procurement Manuals, as applicable, and (vi) any other standard, term, condition or requirement specifically contracted in this Agreement to be observed by Operator."

² Per the T&D OMA, "Prudent Utility Practice" means, "at any particular time, the practices, methods, techniques, conduct and acts that, at the time they are employed, are generally recognized and accepted by companies operating in the United States electric transmission and distribution business as such practices, methods, techniques, conduct and acts appropriate to the operation, maintenance, repair and replacement of assets, facilities and properties of the type covered by this Agreement. The interpretation of acts (including the practices, methods, techniques, conduct and acts engaged in or approved by a significant portion of the electrical utility industry prior thereto) shall take into account the facts and the characteristics of the T&D System and System Power Supply known at the time the decision was made."

³ See Section 4.1(d) of the T&D OMA.

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- Construction and Commissioning Management Office (FY2023)
- Capital Programs, Risk Management & Estimating Offices (FY2023)
- Capital Programs, Program Management Office & Funding Management Office Setup (FY2023)

Control Center and Buildings

- Critical System Operation Strategy and Procedures (FY2023)

Support Services

- Integrated Safety & Operational Management System (FY2024)
- Improvements to Systems Dispatch for Increased Reliability & Resiliency (FY2024)
- Resource Planning and Processes to Improve Resource Adequacy and Cost Tracking (FY2024)
- Safety Equipment (FY2024)
- Financial Management Functions (FY2023)

REMIEDIATED IMPROVEMENT PROGRAMS

Further, four improvement programs have successfully reached remediation in FY2024, bringing the total number of improvement programs that have reached remediation to ten. The ten programs that have been remediated and the fiscal year in which remediation was achieved are outlined below. This progress demonstrates LUMA's prioritization and commitment to address the highest-risk deficiencies that impact customers. These programs include:

Customer Experience

- Modernize Customer Service Technology (FY2023)

Control Center and Buildings

- Critical System Operation Strategy & Procedures (FY2023)

Enabling

- Operator Training (FY2023)
- HSEQ and Technical Training (FY2024)

Support Services

- Safety Equipment (FY2023)
- Integrated Safety and & Operational Management System (FY2023)
- HR Information Systems and Learning Platforms (Previously Human Resources Program) (FY2023)
- IT OT Cybersecurity Program (FY2024)
- Improvements to Systems Dispatch for Increased Reliability and Resiliency (FY2024)
- Resource Planning and Processes to Improve Resource Adequacy and Cost Tracking (FY2024)

The activities that comprise the SRP and are required to meet minimum Contract Standards were identified by LUMA during the Front-End Transition based on a limited initial assessment and a sampling of assets made available to LUMA. Based on LUMA's experience since taking over responsibility over the operation and maintenance of the T&D System and ongoing assessments, LUMA has made adjustments

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in scope across various Improvement Programs to accommodate the additional gaps that have been identified.

Below are challenges identified in FY2024 that affect the timeline progression of SRP Programs:

- Budget constraints and insufficiencies of the 2017 Base Rate have caused delays in the timeline, as detailed in LUMA's FY2025 Annual Budget submitted in Case Number NEPR-MI-2021-0004
- Challenges throughout the procurement process, including delays in the execution of vendor contracts/agreements and vendor approvals

To mitigate the impacts of these limitations, LUMA's capital plan has been developed with a near-term emphasis on foundational recovery programs within operational constraints to improve infrastructure and organizational health while continuing to pave the way for an increased focus on Transformation programs. Additionally, LUMA implemented a new governance model and stage gate process to streamline and increase the visibility of procurement events. These changes align with industry best practices and will improve the team's ability to execute procurements promptly. They will also foster greater collaboration across the organization and enhance visibility, control, and oversight in all procurement and supply chain activities, further improving current processes.

Some of the key improvement programs that have been delayed due to these deficiencies are:

Customer Experience

- Billing Accuracy & Back Office
- Distribution Streetlighting
- New Business Connections
- Standardized Metering & Meter Shop Setup

Distribution

- Distribution Line Rebuild

Transmission

- IT OT Telecom Systems & Network

Substations

- Substation Reliability

Control Center and Buildings

- Facilities Development & Implementation
- Critical Energy Management System Upgrades
- Control Center Construction & Refurbishment

Enabling

- Vegetation Management and Capital Clearing Implementation
- T&D Fleet
- Tools Repair & Management

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- Permit Processes & Management
- Material Management
- Workflow Processes & Tracking

Support Services

- Critical Financial Systems
- Update to Third Party Use, Audit, Contract and Billing Procedures
- Land Record Management

3.0 Proposed Modifications to the SRP

LUMA has updated the Improvement Programs to reflect the progress achieved and the latest unforeseen challenges that impacted various initiatives' timelines, activities, or scopes. Table 3-1 below identifies which Improvement Programs have new gaps and activities, timeline changes, or budget updates. LUMA includes a brief description of these changes to support the revision. Note that a checkmark in the table below indicates that we have internally updated the corresponding portion of the SRP improvement program brief, last filed under NEPR-MI-2020-0019 on December 19, 2023. Programs listed in Table 3-1 do not include programs completed in FY2024.

During FY2024, the HSEQ and Technical Training, IT OT Cybersecurity Program, Improvements to Systems Dispatch for Increased Reliability and Resiliency, Resource Planning and Processes to Improve Resource Adequacy, and Cost Tracking Improvement Programs have achieved the remediated state and will no longer be a part of the System Remediation Plan.

As part of this filing, LUMA presents those SRP improvement programs with updated gaps, activities, or milestones. Unless otherwise noted, LUMA does not anticipate that modifications outlined in the table below will impact other improvement programs or LUMA's overall goals.

Table 3-1. Improvement Program Changes for FY2025

Improvement Program	Updated Gaps or Activities	Updated Timeline	Updated Budget	Description of Changes and Rationale	Remediated State Milestones FY2024	Remediated State Milestones FY2025
Distribution Streetlighting	✓	✓	✓	A challenge with the CC&B was encountered that required additional time to address, causing a slight shift in program milestones.	FY2031	H2 FY2031
Billing Accuracy & Back Office		✓	✓	The remediated state and milestones have been delayed due to additional activities scoped to achieve remediation, and delays in funding approval for the execution of vendor contracts.	FY2024	FY2027
Standardized Metering & Meter Shop Setup		✓	✓	Remediated state and milestones have been delayed in aligning processes and coordination with the AMI program while continuing to update meter shops as the AMI Program advances.	FY2025	FY2029
Distribution Line Rebuild	✓		✓	Additional gaps and activities identified post-commencement were added.	H2 FY2028	H2 FY2028

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Improvement Program	Updated Gaps or Activities	Updated Timeline	Updated Budget	Description of Changes and Rationale	Remediated State Milestones FY2024	Remediated State Milestones FY2025
Distribution Pole and Conductor Repair			✓	Program spending has been updated to reflect the current budget.	H2 FY2028	H2 FY2028
Distribution Lines Assessment	✓		✓	Additional gaps and activities identified post-commencement were added.	H2 FY2026	H2 FY2026
Transmission Line Rebuild	✓	✓	✓	Additional gaps and activities identified post-commencement were added.	H1 FY2028	H1 FY2028
IT OT Telecom Systems & Network	✓	✓	✓	The timeline was adjusted for additional planned activities, vendor contract execution, and federal funding approvals taking longer than initially anticipated.	H2 FY2028	H2 FY2030
Transmission Priority Pole Replacements			✓	Program spending has been updated to reflect the current budget.	H1 FY2028	H1 FY2028
Assessment of Transmission Lines	✓		✓	Additional gaps and activities identified post-commencement were added.	H2 FY2026	H2 FY2026
Substation Rebuilds	✓		✓	Additional gaps and activities identified post-commencement were added.	H2 FY2028	H2 FY2028
Substation Physical Security			✓	Program spending has been updated to reflect the current budget, and the program name has been updated to clarify the scope.	FY2032	FY2032
Facilities Development & Implementation		✓	✓	A lack of non-federally funded capital has caused delays in activity execution. There have also been difficulties in executing vendor contracts.	H2 FY2032	H2 FY2034
Critical Energy Management System Upgrades			✓	The remediated state milestone has been updated to reflect the new execution timeline after vendor contracting.	H1 FY2025	H1 FY2026
Control Center Construction & Refurbishment		✓	✓	The remediation state was delayed due to the requirement of the FEMA Environmental Assessment and detailed scope of work review; construction cannot begin until this assessment is complete. Additionally, employees must be relocated from the space currently identified as the target Primary Control Center.	H2 FY2026	H1 FY2029
Vegetation Management and Capital Clearing Implementation	✓	✓	✓	Remediated state milestones have been delayed due to additional gaps and activities identified post-commencement; further, delays in federal funding obligation resulted in activity adjustments.	H2 FY2027	H2 FY2028
T&D Fleet		✓	✓	Additional milestones have been included to accurately reflect activities that will contribute to achieving the remediated state.	FY2032	FY2032

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Improvement Program	Updated Gaps or Activities	Updated Timeline	Updated Budget	Description of Changes and Rationale	Remediated State Milestones FY2024	Remediated State Milestones FY2025
Compliance & Studies	✓		✓	Additional gaps and activities identified post-commencement were added. The program budget and activities have been refined to reflect these updates.	H2 FY2026	H2 FY2026
Asset Data Integrity	✓	✓	✓	Additional gaps and activities identified post-commencement were added. Milestones and program activities have been refined to reflect these updates.	H2 FY2028	H2 FY2028
Tools Repair & Management		✓	✓	The remediation date associated with fleet equipment has been deferred due to the delays in revitalizing the T&D Fleet.	H2 FY2025	H2 FY2034
Permit Processes & Management		✓	✓	The remediated state milestone was delayed due to RFP and vendor selection impediments related to the procurement process and the records system implementation.	H1 FY2024	H2 FY2025
Material Management		✓	✓	Lack of funding resulted in a reprioritization of activities that delayed the remediated state, specifically the planning for the Warehousing Facility Improvements.	H2 FY2025	H2 FY2026
Workflow Processes & Tracking	✓	✓	✓	A lack of funding and insufficiencies due to the 2017 Base Rate have caused delays in the remediated state milestone. The program description, additional milestones, and FY2025 focus have been updated to reflect the most recent plan.	H2 FY2027	H2 FY2028
IT OT Asset Management		✓	✓	Establishing the roadmap for production and disaster recovery environments migration has delayed a milestone due to the current status of procurement processes and site selection, which have taken longer than anticipated.	FY2026	FY2026
Critical Financial Systems		✓	✓	New milestones have been added to reflect the most current estimated timeline and activities.	FY2027	FY2027
Update to Third Party Use, Audit, Contract and Billing Procedures	✓	✓	✓	The remediated state is highly dependable on the acceptance and signing of the TPA agreements in addition to the ongoing field assessments to identify and document existing TPAs. Additional gaps and activities identified post-commencement were added.	H2 FY2025	H2 FY2027
IT OT Enablement Program			✓	Program spending has been updated to reflect the current budget.	FY2025	FY2025
Land Record Management		✓	✓	The remediated state milestone has been postponed due to contract execution delays related to record system implementation.	H2 FY2025	H2 FY2026
Critical Financial Controls		✓	✓	Additional milestones were added to reflect activities required to achieve a remediated state accurately.	FY2027	FY2027

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Improvement Program	Updated Gaps or Activities	Updated Timeline	Updated Budget	Description of Changes and Rationale	Remediated State Milestones FY2024	Remediated State Milestones FY2025
Waste Management			✓	Program spending has been updated to reflect the current budget.	FY2025	FY2025
Public Safety Program			✓	Program spending has been updated to reflect the current budget.	FY2025	FY2025