

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

IN RE: REVIEW OF LUMA'S INITIAL
BUDGETS

CASE NO.: NEPR-MI-2021-0004

SUBJECT: Establishment of FY 2025 Budgets,
Requirement of Information ("ROI"), and
Procedural Calendar

RESOLUTION AND ORDER

I. Introduction and Factual Background

On December 8, 2023, the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau") issued a Resolution and Order ("December 8 Resolution"), through which, the Energy Bureau ordered PREPA¹ to prepare and submit for the Energy Bureau's review a Detailed Plan with action items, expected results, responsible party(ies), and due dates needed to achieve the reduced headcount footprint and labor expenses, starting on July 1, 2024, to get the HoldCo Organization in line with both staffing levels and business operations that correctly correspond to its substantially downsized mandate and associated approved budgets as originally approved in the June 25 Resolution. The Energy Bureau further ordered PREPA to submit, following the filing of the Detailed Plan, a Monthly Status Update on the defined actions and any added corrective actions needed to achieve the desired results by July 1, 2024.

On March 14, 2024, the Energy Bureau issued a Resolution and Order ("May 14 Resolution"), through which, the Energy Bureau ordered LUMA² to file the FY2025 consolidated annual budget proposals by April 15, 2024.³

On March 22, 2024, PREPA filed a motion titled, *Motion in Compliance with December 8th Order Regarding HoldCo's Rightsizing* ("March 22 Motion"), through which PREPA notified the Energy Bureau that, in compliance with Resolution 5064 issued by PREPA's Governing Board, PREPA's FY2024 labor operating headcount for HoldCo, PropertyCo, Pension Administration and HydroCo totaled 255 full-time employees as of November 28, 2023. However, PREPA emphasized this headcount is insufficient for its operations and responsibilities. PREPA also indicated that due to the ongoing transition process, the employee headcount could not be reduced to the required 255 full-time employees on day one of FY 2024 and extended between July and November 2023. PREPA stated that in its upcoming FY2025 budget submission, it will request an increase in headcount and labor budget, as it has identified more personnel needs in various directorates.

On April 7, 2024, LUMA filed a document titled, *Informative Motion on Status of FY 2025 Budget Allocation Discussion and Request for Additional Time to Conclude Discussion on the Fiscal Year 2025 Consolidated Budget* ("April 7 Motion"), through which LUMA requested that the Energy Bureau grant additional time, until May 15, 2024, to file the FY 2025 Consolidated Budget.

On April 9, 2024, the Energy Bureau issued a Resolution and Order ("April 9 Resolution") granting LUMA's April 7 Motion to extend the deadline to submit the FY2025 Consolidated Annual Budgets until May 15, 2024.

On May 15, 2024, LUMA filed a document titled *Urgent Request for Additional Extension of Time to Submit the FY2025 Budgets* ("May 15 Request"), through which LUMA requested an

¹ Puerto Rico Electric Power Authority ("PREPA")

² LUMA Energy LLC and LUMA Energy ServCo LLC (jointly referred as, "LUMA").

³ March 14 Resolution, pp. 3-4.



additional extension of time until May 20, 2024 to allow the Puerto Rico Public-Private Partnership Authority⁴ to notify the parties of its allocation determination and any additional work that may require such P3A determination.⁵ In the May 15 Request, LUMA asserted that PREPA⁶ should separately file directly with the Energy Bureau, the budgets for its subsidiaries, other than HydroCo.⁷

On May 16, 2024, the Energy Bureau issued a Resolution and Order granting LUMA's request to extend the deadline to file the proposed FY2025 Consolidated Annual Budgets until May 20, 2024 and rejected LUMA's recommendation for PREPA to file its subsidiaries' budgets, such as HoldCo, separately from the FY2025 Consolidated Budget.

On May 17, 2024, LUMA filed a document titled *Urgent Request for Third Extension of Time to Submit FY2025 System Budget* ("May 17 Request") through which LUMA alleged that on May 17, 2024, in the afternoon, it received the P3A Budget Allocation Determination. LUMA states that such determination differed considerably from LUMA, Genera, and PREPA's budget assumptions and the parties required additional time to conform their budgets to the P3A Budget Allocation Determination.

On May 17, 2024, the Energy Bureau issued a Resolution and Order ("May 17 Resolution"), through which, the Energy Bureau determined from the March 22 Motion that PREPA had not modified its labor force in agreement with its approved budgets and that the March 22 Motion did not provide the support necessary for the Energy Bureau to determine whether PREPA had satisfactorily complied with the December 8 Resolution. The Energy Bureau ordered PREPA, to respond within ten (10) business days of notification of the Resolution and Order, to the order in the December 8 Resolution, and submit, "a Detailed Plan with action items, expected results, responsible party(ies), and due dates needed to achieve the reduced headcount footprint and labor expenses, starting on July 1, 2024, to get the HoldCo Organization in line with both staffing levels and business operations that correctly correspond to its substantially downsized mandate and associated approved budgets as it was originally approved in the June 25 Resolution. A Monthly Status Update on the status of the defined actions and any added corrective actions needed to take to achieve the desired results by July 1, 2024, shall be submitted as well". The Energy Bureau did not relieve PREPA of the requirement to provide the required Monthly Status Update.

On May 20, 2024, the Energy Bureau issued a Resolution and Order, through which it granted LUMA's request to extend the deadline to file the proposed FY 2025 Consolidated Annual Budgets until May 24, 2024.

On May 25, 2024, LUMA filed a document titled, *Request for Approval of T&D Budgets and Submission of GenCo Budgets for FY2-25 and Budget Allocations for the Electric Power System* ("LUMA May 25 Motion"), through which LUMA submitted for approval the Transmission & Distribution Budgets and information for which confidentiality was asserted. LUMA also provided, with no representations, the GenCo Budgets. LUMA stated that its workpapers would be separately submitted under seal of confidentiality. LUMA advised that as of the filing date, PREPA had not concluded its budget approval process for HydroCo or HoldCo, and therefore, LUMA's filing did not have HydroCo or HoldCo budgets.

LUMA related that because it had been preparing for a full rate filing, it conducted its budget process in an abbreviated timeline. LUMA also stated that the P3 Authority had identified \$89.655 million of Other Income to be allocated among the parties and \$74.741 million in additional funds to be added to available revenues. The P3 Authority determined that projected revenues of \$1,151.456 million for FY 2025 comply with the 2017 Rate Order and allocated specific percentages to LUMA, Genera and PREPA based on FY 2024. The P3

⁴ Puerto Rico Public-Private Partnership Authority ("P3A" or "P3 Authority").

⁵ May 15 Request, p. 3, ¶ 7.

⁶ Puerto Rico Electric Power Authority ("PREPA").

⁷ May 15 Request, p. 3, ¶ 8.



Authority determination including Other Income and additional funds, results in the total revenues available for distribution and allocation among the parties of \$1.315850 billion for FY 2025.⁸

LUMA asserts that the budget it developed is closely aligned with the FY 2024 Budgets, does not require an increase in Base Rates, is aligned with the 2017 Rate Order and observes the Budget Allocation Determination made by the P3A. LUMA notes that current base rates are inadequate to support growth, maintenance and repair, and modernization required to effectively transform the electric system and that it is hindered because it continues to operate in a financially constrained environment. LUMA states it is the only party who prepared budgets that comply with the FY 2024 System Budgets as required by the Energy Bureau and with the P3 Authority FY 2025 System Budget Allocation.

On May 31, 2024, LUMA filed a document titled, *Memorandum of Law in Support of Request for Confidential Treatment of Supporting Workpapers to LUMA's Proposed Transmission and Distribution Budgets for FY 2025*, through which, LUMA provided support for its assertion of confidentiality for the sections of workpapers containing sensitive commercial information, which it submitted with its May 25 Motion.

II. Discussion

The Energy Bureau recognizes that PREPA has not yet formally provided its budget and that Genera's budget, as proposed, exceeds the allocation among the parties, as determined by the P3 Authority. However, the determination of the Energy Bureau regarding the allocation of funds among LUMA, Genera, and PREPA will be based on the supported needs of the parties to effectively fulfill their respective responsibilities in providing safe and reliable electric service to Puerto Rico, within available funds.

The Energy Bureau establishes as the electric utility operating budget, \$1.315850 billion for FY 2025 under the determination by the P3 Authority. The Energy Bureau will establish the proper allocation of those funds among LUMA, Genera, and PREPA, according to their supported needs, to provide safe and reliable electric supply.

III. Requirement of Information

The Energy Bureau **DETERMINES** that additional information is required for its review of the Proposed FY 2025 Budgets.

The Energy Bureau **ORDERS** LUMA and GENERA to respond, on or before June 17, 2024 to the Requirements of Information ("ROIs") set forth in **Attachment A** to this Resolution and Order.

IV. Procedural Schedule

The Energy Bureau deems it appropriate to establish the following Procedural Calendar for this case:

Date	Phase
June 17, 2024	Filing of Responses to the Energy Bureau's ROIs
June 18, 2024	Filing of LUMA's, Genera's and PREPA's presentations for the Virtual Technical Conference
June 20, 2024	Virtual Technical Conference
June 21, 2024	Filing of any Revised and/or additional information required by the Energy Bureau
June 25, 2024	Virtual Public Hearing/Filing of comments by the General Public.

During the Virtual Technical Conference, LUMA, Genera, and PREPA shall present and discuss thoroughly the proposed FY 2025 Budgets. Company representatives and their consultants must be prepared to answer questions **under oath** from the Energy Bureau, its

⁸ May 25 Motion, pp. 13 - 14.

staff, and consultants, regarding its presentation and all aspects of the proposed FY 2025 Annual Budgets. The agenda will be provided before the Technical Conference.

The general public will have the opportunity to present its comments and suggestions regarding the proposed FY 2025 Annual Budgets during the Virtual Public Hearing. Since the Virtual Public Hearing is designed to obtain comments from the general public, LUMA, Genera and PREPA, or their employees, associates, witnesses or legal representation, and any other party to this proceeding will not be allowed to participate in the Virtual Public Hearing. Any person interested in presenting oral comments during the Virtual Public Hearing shall, **on or before Monday, June 24, 2024, at 3:00 p.m.**, contact the Energy Bureau's Clerk at (787) 523-6262 or via email to secretaria@jrsp.pr.gov to request a turn and to obtain instructions and a link to access the Virtual Public Hearing. The Virtual Public Hearing will be streamed live via the Energy Bureau's YouTube Channel.⁹ The Energy Bureau will provide, at the commencement of the hearing, the rules of conduct, and the order of the proceedings.

The public may also submit written comments and suggestions to the Energy Bureau regarding the proposed FY 2025 Annual Budgets ("Written Public Comments"), on or before June 25, 2024. The Written Public Comments to be filed with the Energy Bureau shall: (i) include in their title: "Public Comments on LUMA's Annual Budgets Request Case No. — NEPR-MI-2021-0004"; (ii) be addressed to the attention of Edison Avilés Deliz, Chairman; and (iii) be filed by electronic mail at: comentarios@jrsp.pr.gov; through the Energy Bureau's electronic filing tool at: <https://radicacion.energia.pr.gov/>; by postal mail addressed to the Puerto Rico Energy Bureau's Clerk's Office at World Plaza Building, 268 Muñoz Rivera Ave., Plaza Level Suite 202, San Juan, PR 00918-1925; or in person at the Energy Bureau's Clerk's Office, at the referenced address. The hours of operations of the Clerk's office are Monday through Friday from 8:30 a.m. to 5:30 p.m., excluding holidays.

V. PREPA HoldCo Rightsizing

PREPA has not complied with the Energy Bureau's May 17 Resolution, through which the Energy Bureau ordered PREPA to provide within ten (10) days of publication, a compliant response to the Energy Bureau's December 8 Resolution regarding PREPA Rightsizing. This information is essential for the FY 2025 Budget review now being conducted by the Energy Bureau and PREPA's delay in providing a proper response is unacceptable.

VI. Conclusion

The Energy Bureau **ESTABLISHES** as the FY 2025 operating budget for the electric utility, the amount of \$1.315850 billion under the determination by the P3 Authority.

The Energy Bureau **ORDERS** PREPA (HoldCo, HydroCo) to file its proposed FY 2025 Budgets within three (3) business days of publication of this Resolution and Order.

The Energy Bureau **ORDERS** LUMA, GENERA, and PREPA (HoldCo, HydroCo) to file within three (3) business days of the publication of this Resolution and Order, all workpapers and supporting material used to develop their respective FY 2025 Budget Proposals in native form with all formulas and links intact and any Excel spreadsheets provided unlocked.

The Energy Bureau **ORDERS** PREPA to provide, within three (3) business days of publication of this Resolution and Order, an appropriate response in compliance with the Energy Bureau order: to respond to the orders contained in the December 8 and May 17 Resolutions, and submit, "a Detailed Plan with action items, expected result, responsible party(ies), and due dates needed to achieve the reduced headcount footprint and labor expenses, starting on July 1, 2024, to get the HoldCo Organization in line with both staffing levels and business operations that correctly correspond to its substantially downsized mandate and associated approved budgets as it was originally approved in the June 25 Resolution – this plan should also include employee titles and associated salary and benefit expenses. A Monthly Status

⁹ The Energy Bureau's YouTube channel may be accessed through the following link <https://www.youtube.com/channel/UCxZYn-qt1k0Lu9TX37-11oA> (Last verified June 11, 2024).



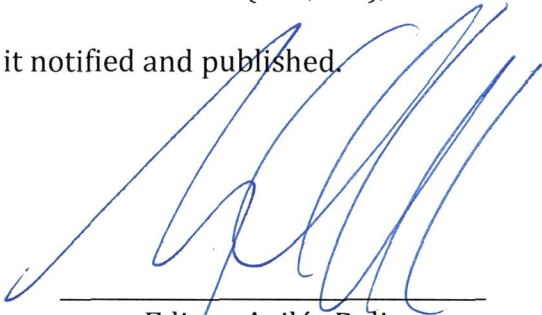
Update on the status of the defined actions and any added corrective actions needed to take to achieve the desired results by July 1, 2024, shall be submitted as well. **Failure to do so will subject PREPA to appropriate administrative remedies.**

The Energy Bureau may modify the foregoing Procedural Calendar as necessary.

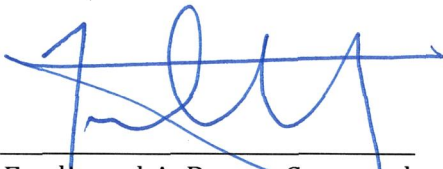
The Energy Bureau **WARNS** LUMA, GENERA, and PREPA that:

- (i) noncompliance with this Resolution and Order, regulations and/or applicable laws may carry the imposition of fines and administrative sanctions of up to \$25,000 per day;
- (ii) any person who intentionally violates Act 57-2014, as amended, by omitting, disregarding, or refusing to obey, observe, and comply with any rule or decision of the Energy Bureau shall be punished by a fine of not less than five hundred dollars (\$500) nor over five thousand dollars (\$5,000) at the discretion of the Energy Bureau; and
- (iii) for any recurrence of non-compliance or violation, the established penalty shall increase to a fine of not less than ten thousand dollars (\$10,000) nor greater than twenty thousand dollars (\$20,000), at the discretion of the Energy Bureau.

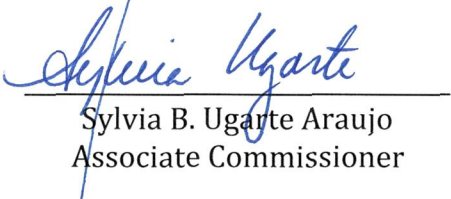
Be it notified and published.



Edison Avilés Deliz
Chairman



Ferdinand A. Ramos Soegaard
Associate Commissioner



Sylvia B. Ugarte Araujo
Associate Commissioner



Antonio Torres Miranda
Associate Commissioner

CERTIFICATION

I certify that the majority of the members of the Puerto Rico Energy Bureau agreed on June 12, 2024. Associate Commissioner Lillian Mateo Santos did not intervene. Also certify that on June 12, 2024, I have proceeded with the filing of this Resolution and Order and was notified by email to pre@promesa.gov; margarita.mercado@us.dlapiper.com; jan.albinolopez@us.dlapiper.com; julian.angladapagan@us.dlapiper.com; mvalle@gmlex.net; arivera@gmlex.net; legal@genera-pr.com; regulatory@genera-pr.com; jfr@sbgblaw.com; alopez@sbgblaw.com.

I sign in San Juan, Puerto Rico, today, June 12, 2024.


Sonia Seda Gaztambide
Clerk

ATTACHMENT A

Respondent: LUMA (GridCo)

Vegetation Management ("VM")

The Energy Bureau, during its annual examination of the electric utility budgets, identifies operational priorities that need to be funded with the revenues and other income established for the year under evaluation. Given the current challenges with the operation of the T&D system, the Energy Bureau is focusing on ensuring that activities associated with vegetation management are prioritized during FY 2025.

The Energy Bureau is particularly concerned that during FY 2025 LUMA proposes to delay the Vegetation Management Remediation Phase by several years, when the Energy Bureau had directed LUMA to provide for the completion of the Vegetation Management Remediation Phase by H1 2026. It is noted that during the Front-End Transition LUMA had indicated that this Remediated State was going to be reached during H2 2026.¹⁰

1. Does the Timeline and Milestones set forth in the May 16, 2023, Motion at Appendix A, p. 214 comply with the Vegetation Management Requirements set forth in the Energy Bureau's February 27, 2023, Resolution? If not, why not? Why is there such a discrepancy between the budget amounts requested in FY 2023 and the budget amounts now requested for FY 2025?
2. In the Energy Bureau's February 27, 2023 Resolution, it ordered LUMA to provide for completion of the Vegetation Management Remediation Phase by H1 2026, with detailed Timeline and milestones. Where is this reflected in the proposed FY 2025 Budget? How is the H2 2028 Timeline for a fully remediated state in the proposed FY 2025 Budget compliant with Energy Bureau's directives?
3. What is the status of the FEMA funded \$1.2 billion multi-year, island wide vegetation clearance reset referenced at page 50 of LUMA's Fiscal Years 2024 to 2026 Annual Budgets? Include details with respect to the status and expectations of the grant process, approvals, availability of funds and commencement of work.
4. Provide the actual Vegetation Management budget expenditures during FY 2024: Federal, and Non-Federal.
5. Where has LUMA incorporated in the proposed FY 2025 Budget , each of the additional requirements with respect to Vegetation Management, as ordered by the Energy Bureau in its February 27, 2023 Resolution?
6. Provide the breakdown, in detail – transmission, distribution, substation, ROW reclamation, reactive activities – of the \$208.2 million (federally funded \$158.2 million SRP activities + \$50 million O&M) FY 2025 budget request for Vegetation Management.
7. At Appendix A, p. 213 of the May 16, 2023, Motion, in which LUMA presented its proposed FY 2024 Budgets, the FY 2025 Vegetation Management budget need was forecasted at \$405.7 million. Explain the reasons for the reduced request of \$208.2 million.
8. In the FY 2023 Budget proposal, LUMA projected an expenditure of \$60 million in FY 2025 and achievement of a Remediated State in H2 FY 2027 for Vegetation Management. Why is LUMA now requesting 50 million instead of the \$60 million of O&M Expenses for Vegetation Management? Why is LUMA projecting a different achievement date of a remediated state?

¹⁰ See, Section 3.4, LUMA's System Remediation Plan, February 23, 2021.



9. What is LUMA doing to expedite reaching a fully remediated state for Vegetation Management?
 - a. Describe how LUMA is ensuring that enough Vegetation Management crews are available to reach the remediated state in H1 2026 as directed by the Energy Bureau.
 - b. How many more contracted crews will LUMA need to reach this directed milestone?
10. Describe how is LUMA prioritizing vegetation management activities during FY 2025 and how these activities will translate into near-term system reliability enhancements.

General

11. While not determinative, comparison of the proposed FY 2025 Budgets with the approved FY 2024 Budgets, and the FY2023 actuals is instructive in reviewing the proposed FY 2025 Budgets.
 - a. Provide a comparison of the budget lines contained in proposed FY 2025 Tables 4.1 – 4.5, with the analogous budget lines approved in FY 2024 and the actuals for FY 2023. Fully explain and support each variance.
12. Provide in one consolidated document, tables comparing FY 2024 budgeted amounts, FY 2023 actual expenditures, and FY 2025 proposed amounts, for all budget expense categories (this includes Bad Debts, Shares Services) incurred or proposed to be incurred by LUMA.
13. LUMA states in its May 31 Motion at p. 16, that it “reserves the right to separately state its position in response to GenCo’s budget proposal.”
 - a. Provide LUMA’s position regarding GenCo’s budget proposal.
14. At Exhibit 1, beginning on p. 25, *Improvement Programs* LUMA includes, “a high-level summary of activities prioritized for FY2025 by Portfolio.” This is not adequate for the annual budget review.
 - a. Provide for each Improvement Program, the details of the “scope of work, cost estimates, benefits, timeframe, and resource requirements” that LUMA references.
 - b. Compare the information set forth in Appendix A: Improvement Program Milestones and Timeline with the same information as set forth in the approved FY 2024 Budget and explain all differences.
 - c. Provide the proposed FY 2025 cost of each Improvement Program, compared with the corresponding FY 2024 Budget costs and the FY 2023 actuals, with a full explanation of all variances.
15. Appendix A: *Improvement Program Milestones and Timeline* provides program milestones and their target date.
 - a. For each program, compare the Status and Target Dates of the proposed FY2025 Budget with the Status and Target Dates in the approved FY 2024 Budget. Identify areas of achievement with reference to the FY 2024 Budget. Identify and fully explain the reasons for any differences.



16. What date is LUMA utilizing as the expected conclusion of the Title III proceeding? How is this expectation reflected in LUMA's proposed FY 2025 LUMA's Budget?
17. The Energy Bureau determines the budgets for LUMA, Genera and PREPA based on identified needs. LUMA references at Exhibit 1, p. 42, *Deferred Activities while Operating within Budget Requirement*.
- Identify and explain the priority and cost of each of the enumerated deferred activities.
18. Table 1.1, Annual Budgets for Approval for FY 2024, GridCo Non-federally funded Capital Expenditures was \$91 million. For FY 2025, this is proposed for \$124 million, constituting a 36% increase.
- Explain the significant increase.
19. In its Q3 Report at p. 22, *Summary of Q3 of FY2024 Spending*, LUMA shows a YTD positive variance of \$68.7 million in Operating Expenditures (approximately 47%), of which, \$36 million was the subject of an amendment, for reallocation to Non-Federally Funded Capital Expenditures.
- With so significant a positive variance, explain why more funding is being requested in FY 2025 than in FY 2024.
20. Refer to Table 1-2, page 8 of LUMA FY 2025 Budget Filing:
- Explain how the Total Base Rate Revenue for FY 2025 was derived.
 - Provide the specific Base Rate used in the calculation and explain the derivation.
 - Explain in detail, with component amounts, the derivation of \$275 million of Other Income for FY 2025.
 - Explain the referenced incremental Government Funding of \$75 million.
 - Provide Table 1-2 with a comparison of the Base Rate Revenue as per the 2017 rate order with the proposed FY 2025 Budgets, the approved FY 2024 Budgets, a re-fcst of FY 2024 using ytd-actuals, and the actuals for FY2023.
 - Fully explain and support each variance.
 - Include the sales forecast ("fcst").
 - For the "Other" line item, break the details into service fees, bad debts, bankruptcy costs, advisor costs, 2% reserve and any other pertinent details. Refer to Reference 13 in page 8
21. Explain in detail the status of Timelines, Milestones and Target Dates identified as "In Progress" of the Improvement Programs identified in the proposed FY 2025 Appendix A: Improvement Program Milestones and Timeline.
- Compare the Timelines, Milestones and Target Dates set forth in the FY 2024 budget for each Improvement Program.
22. As set forth in the LUMA May 25 Motion, Exhibit 1, p. 28, GridCo Operating Expenses are approximately \$8 million higher than those approved for FY 2024. Explain the reasons for the increase.
23. As set forth in the LUMA May 25 Motion, Exhibit 1, p. 28, GridCo Non-Federally Funded Capital Expenditures are approximately \$33 million higher than those approved for FY 2024. Explain the reasons for the increase.



24. As set forth in the LUMA May 25 Motion, Exhibit 1, p. 28, GridCo Federally Funded Capital Expenditures are approximately \$405 million higher than those approved pursuant for FY 2024. Explain the reasons for the increase.
25. Critical Financial Systems. Reference: LUMA FY 2025 Budget page 43. What is the status of the Enterprise Resource Planning (ERP) system transition from Asset Suite to Oracle EBS?
- Are any Oracle modules currently being used or expected to be used by June 30, 2024? If so, which ones?
 - Are any Oracle modules expected to be in use by June 30, 2025? If so, which ones?
 - What costs have been included in the proposed FY 2025 budget for conversion of the ERP from Asset Suite to Oracle?
 - What efficiencies are anticipated to result from the conversion to Oracle?
 - How are those efficiencies reflected in the proposed FY 2025 budget?
 - Will Genera and PREPA use Oracle EBS?



LABOR and NON-LABOR

26. Document 20240525 - *Confidential FY25 Budget Operating Expenses* shows a significant increase in employee count over FY 2024.
- Fully explain the significant increase in employee count over FY2024 and the increase in total labor cost. Provide full justification and support.
 - Fully explain the increase in total non-labor cost.
27. Document 20240525 - *Confidential FY25 Budget Operating Expenses* shows an increase over FY2024 in employee count in 3.2.1 *Operations*, and a decrease in total labor cost.
- Fully explain the increase in employee count and decrease in total labor cost.
 - Fully explain the decrease in non-labor cost.
28. Document 20240525 - *Confidential FY25 Budget Operating Expenditures.xlsx* shows a significant increase in employee count over FY 2024 in 3.2.1 *Utility Transformation*, and a significant increase in total cost.
- Fully explain the significant increase in employee count over FY2024 and the significant increase in total labor cost. Provide full justification and support.
 - Fully explain the increase in non-labor cost.
29. Document 20240525 - *Confidential FY25 Budget Operating Expenditures.xlsx* shows a decrease in employee count over FY 2024 in 3.2.1 *Customer Service*, and a decrease in total labor cost.
- Fully explain the decrease in employee count and in total labor cost.
 - Fully explain the increase in non-labor cost.
30. Document 20240525 - *Confidential FY25 Budget Operating Expenditures.xls* shows a significant increase in employee count over FY 2024 in 3.2.1 *Support Services*, and a significant increase in total cost.
- Fully explain the significant increase in employee count over FY2024 and the significant increase in total labor cost. Provide full justification and support.
 - Explain how these support services employees contribute to the execution of vegetation management activities and/or field maintenance/repair of T&D facilities.
 - Provide a breakdown of employee numbers by titles, responsibilities, and salaries within each 3.2.1 category.
31. In the proposed FY 2025 budget, what is the budgeted number of FTE Lineworkers qualified to work on energized lines? How does this compare with the number in FY 2024 and FY 2023?
32. Provide an updated version of the 20220408 CONFIDENTIAL RFI-LUMA-MI-2021-0004-20220325-PREB-0001 Attachment 2_Operating Expenditures for the FY 2025 Budgets containing the same level of specificity.



Additional Available Funding

33. LUMA states in Exhibit 1 at p. 6 that the P3 Authority identified \$90 million in *Other Income* to supplement base rate revenues, of which, \$54 million was allocated to LUMA to cover expenses incurred with the remaining \$36 million distributed amongst all entities and \$700,000 directly allocated to GenCo.

- a. Identify the amounts of the specific components that generate the funds for *Other Income*.
- b. Explain how the allocation among the parties was determined, including the specific reasons for the allocations and components of the referenced expenses incurred.
- c. How has LUMA been more “effective and efficient” in collecting Other Income? Please quantify.
- d. Provide a comparison of the proposed FY 2025 Budget for other income by line item with the approved FY 2024 Budgets for other income, and the FY2023 actuals of other income.
 - a. This request is to be provided by line item component.
 - b. Fully explain and support each variance

34. LUMA specifies in Exhibit 1 at p. 8 that the P3 Authority identified \$75 million in *additional funding*.

- a. Identify the specific components and amounts of *additional funding*.
- b. Explain the allocation among the parties and how it was determined.
- c. Please provide the source of funding for such *additional funding*.

Efficiency Savings

35. What efficiencies have been identified and quantified for FY 2024. Identify and quantify YTD.

36. What efficiencies are projected for FY 2025. Identify and quantify projections.

37. The LUMA May 25 Motion states at Exhibit 1, p. 13 of capturing efficiencies and creating efficiencies that will result in reduced rework and cost savings. Identify and quantify the referenced efficiencies.

38. Throughout the FY 2024 Budget proposal, increased efficiencies are alluded to in multiple areas. For one example of the many area’s efficiencies are alluded to, LUMA cites in Section 2.1 at p. 21, “building capabilities to enable efficiencies.”

- a. How were these efficiencies measured and their success assessed?
- b. Where are these efficiencies quantified and reflected in the proposed FY 2025 Budget?

39. Describe and quantify how the following efforts result in efficiency savings for ratepayers.

- Making Contracting of services more efficient
- Revenue collections from past due bills to be more effectively addressed
- Transmission line losses will be minimized
- Energy theft will be reduced
- Customers without meters or with malfunctioning meters will be addressed



- The electric distribution infrastructure will become more efficient
- a. Quantify the results for FY 2024 and how savings are reflected in the FY 2025 budget proposal.

Third Party Attachments

- 40. What is the status of collecting rents from third party attachers for the use of electric utility poles?
- 41. What contracts/agreements does PREPA have for pole attachments and what are the amounts of pole attachment revenue for each year, FY 2022, FY 2023 and FY 2024 and budgeted for FY 2025? For each year, how much of the billed pole attachment revenue was collected?
- 42. Provide the total number of distribution poles owned by PREPA and maintained by LUMA in each year, FY 2022, FY 2023, and FY 2024.
- 43. Provide the Total Investment in Poles, Towers and Fixtures, by account, for each year, FY 2022, FY 2023, and FY 2024.
- 44. What investment in Poles, Towers and Fixtures is budgeted for FY 2025? Identify the dollar amounts and explain how those projects were identified and prioritized.
- 45. Provide the Total Depreciation in Poles, Towers and Fixtures, by account, for each year, FY 2022, FY 2023 and FY 2024.

Bad Debts

- 46. What program(s) does LUMA have in place in FY 2025 for collection of bad debts?
- 47. What dollar amount of bad debts relating to revenues that were billed in FY2024 and prior years is projected to be collected in the proposed FY 2025 Budgets from FY 2024, and from past years? itemize separately the years.
- 48. How are amounts collected for bad debts accounted for in LUMA’s budget?
- 49. What is the anticipated budgetary use of the funds collected in payment of past bad debts?
- 50. Provide a comparison of the proposed FY 2025 bad debts budget, with the approved FY 2024 bad debts Budgets, and the approved FY2023 bad debts budgeted amount. If there is a(n) assumption change used for the different Budget/fcst, explain why.

Advanced Metering Infrastructure (“AMI”)

- 51. What is the status of AMI deployment? Describe the extent of this deployment, e.g. not constrained to the installation of smart meters.
- 52. How many AMI meters are expected to be installed and useful as of June 30, 2024? How many AMI meters are budgeted to be installed in FY 2025 and what is the total expected number of installed and functioning AMI meters projected for June 30, 2025?
- 53. Specify the non-federally funded amounts budgeted in FY 2025 to support the implementation of the AMI program.



54. How is LUMA using the additional information enabled by the AMI program for:
- Energy efficiency promoting customer billing options such as but not limited to time-of-use billing?
 - Improving grid resiliency?

Shared Services

55. LUMA states in its May 25 Motion, Exhibit 1 at p. 9 that it will provide Shared Services until September 30, 2024 and that the proposed budget includes shared services budget for one quarter.
- How will the determination of whether shared services need to be extended be made.
 - How will any additional costs be accommodated?
56. Provide a detailed breakdown of the \$1 million allocated for LUMA's labor costs in providing Shared Services. This should include the number of employees involved, their roles and responsibilities, and the time allocated to Shared Services activities.
57. The proposed FY 2025 budget states that LUMA will provide Shared Services for one quarter (July through September 2024). Please elaborate on the specific tasks and activities LUMA will undertake during this period and how they align with the transition plan for PREPA and Genera to assume these responsibilities.
58. Detail the specific Information Technology (IT) services that LUMA will provide to PREPA and Genera. This should include details on software licenses, hardware maintenance, and any other IT-related expenses.
59. Elaborate on the "Finance and Accounting" services LUMA will provide. This should include details on the scope of accounting services, treasury activities, and the management of insurance policies.
60. Given the impending termination of the Amended Shared Services Agreement, please provide a detailed transition plan outlining how LUMA will transfer knowledge, processes, and systems to PREPA and Genera to ensure a seamless handover of Shared Services.
61. Are there any opportunities for cost savings in the provision of Shared Services during this transition period? If so, provide specific examples and estimated savings.
62. Could LUMA, PREPA, and Genera potentially purchase IT licenses, insurance, or services together to obtain volume discounts or other savings? If so, estimate the potential savings.
63. Is it possible to run common IT infrastructure for LUMA, PREPA, and Genera to reduce costs? If so, estimate the potential savings and outline the technical feasibility of such a consolidation.



Respondents: LUMA (GridCo) and Genera (GenCo)

Grid Resilience

1. Page 12 of LUMA’s May 25, 2024 Motion states concerning Grid Resilience, that: “Addressing critical infrastructure repairs, including meters, substations, lines, and poles, implementation of a comprehensive Preventative Maintenance (PM) and Corrective Maintenance (CM) Programs cross all asset functions, including transmission, distribution, and substations, to identify and address deficiencies proactively, focusing on high-priority issues to increase system reliability and residence.”
 - a. Are LUMA and Genera aware of the Bahamas’ program to “Rebuild stronger and better” that has been undertaken after 2019’s Hurricane Dorian destroyed electric utility infrastructure on those islands?¹¹ If so, explain the awareness. If not explain why not.
 - b. What are LUMA and Genera proposing specifically in the proposed FY 2025 budget for resiliency features such as installations of solar generation, and transmission and distribution facilities that can withstand +185 mph winds?
 - c. In the development of the proposed FY 2025 budget, how are LUMA and Genera applying lessons learned concerning electric system reliability and resiliency from past extreme weather events such as hurricanes on Puerto Rico and other Caribbean islands?



¹¹ See, available at: <https://ewnews.com/abaco-schools-solar-project-named-best-resilience-project-in-the-caribbean> (last verified June 11, 2024).
and
Available at: <https://rmi.org/press-release/bahamas-bolsters-hurricane-resilient-clean-energy-and-lays-foundations-for-scaling/> (last verified June 11, 2024).

Respondent: GENERA (GenCo)

Necessary Maintenance Expenses ("NME")

The Energy Bureau, during its annual examination of the electric utility budgets, identifies operational priorities that need to be funded with the revenues and other income established for the year under evaluation. Given the persistent challenges with the generation fleet that Genera operates and maintains, the Energy Bureau is focusing on ensuring that activities associated with generation maintenance are prioritized. This is especially important given that the 17 temporary emergency generation units acquired or yet-to-be-acquired by PREPA¹² employing the FEMA obligation of February 29, 2024, Bundle Number PA-02-PR-4339-PW-11628, are to remain in-service through December 2025. The availability of these units facilitates the scheduled maintenance of baseload generators.

1. Refer to 20240525 MI20210004 GenCo Budget.xlsx, NME Tab:
 - a. Where are the budget requirements related to the air heaters, water-wall panels and economizer replacement for Costa Sur Unit 5, and turbine rotors and generator works for Costa Sur Unit 6?
 - b. What are the budget requirements to fund the Critical Component Replacement Program?
 - c. How many remaining years are left in the LTSA for San Juan Units 5 and 6? Can Genera renegotiate and reduce the annual LTSA cost?
2. When does Genera plan to develop the Palo Seco Unit 4 generator stator rewinding work? Why is this activity not contemplated in the NME budget?
3. Given the current limitation of Aguirre Unit 1 due to a low-pressure operation of the generator hydrogen, does Genera contemplate performing the generator stator rewinding during FY 2025 or 2026? Describe rationale for this determination.
4. For NME expenditures, why is only critical NME included in this proposal?
5. For each proposed NME project in excess of \$1 million, please provide a project schedule including engineering, procurement and construction/installation, and description of lead times needed to facilitate equipment procurement.
6. For projects and equipment requirements with lead-times in excess of 2 months, provide a description of what activities have been completed to date, and a description of remaining procurement activities and a schedule for completing such activities and update the master tracker schedule for the FY 2025 NME.
7. Provide an explanation of how the proposed NME budget considers and takes advantage of short-term emergency generation acquired by PREPA and funded by FEMA under Bundle Number PA-02-PR-4339-PW-11628 until December 2025.
8. Describe GENERA's proposed approach for determining cost-efficiency savings in developing the proposed budget. In developing this description, please describe what expectation there is that ratepayers will benefit from such savings, and GENERA's planned approach to develop cost baseline targets for use in assessing cost savings and shared savings under the Generation OMA.

¹² PREPA issued an RFP for the purchase of the 3 yet-to-be acquired GE Gas Turbines TM2500 for the Palo Seco Power Plant on June 7, 2024, <https://aeepr.com/#/avisos> (last accessed June 10, 2024).



9. Provide the Generation Planned Maintenance and Integrated Critical Component Replacement Plans for FY 2025 that will achieve the goal of increasing availability by 340MW and decreasing the Forced Outage Rate to 15% by December 31, 2025. Explain how this can be achieved by budgeting \$60M in NME during FY 2025, a significant reduction from previous years, especially when the availability and forced outage rate of the generation fleet has not significantly improved during FY 2024.
10. Describe how each of the approved FY 2024 NME projects feed into the FY 2025 Generation Planned Maintenance and Integrated Critical Component Replacement Plans.
- a. Include a status of each of the FY 2024 NME projects with the latest expenditure status for the Fiscal Year. Compare this with the Approved FY 2024 Budget
11. Given the historical incidences of unexpected NME requirements occurring due to plant breakdowns, inspections, etc., does the NME budget reflect any contingency funding to ensure fund availability for projects that are necessary to maintain generation plant availability and operation, but which are not forecastable at the time of budget development? If there is no contingency funding included in the budget, explain why not. If there is contingency funding included in the proposed budget, explain how such contingency funding is reflected and provide a breakdown of contingency funding amounts.

Federally Funded Temporary Emergency Generation – San Juan, Palo Seco

12. Refer to 20240525 MI20210004 GenCo Budget.xlsx, Temp Power Tab:

Genera proposes to budget \$32.6M out of NME expenses to fund the operation and maintenance of the temporary emergency generators recently purchased by PREPA that currently sit at the San Juan and Palo Seco power plants. Genera claims that this cost is incremental. However, it is noted that baseload units at Palo Seco are out of service, e.g., Unit 4 of Palo Seco is not operating, thus relieving personnel to potentially operate and maintain the temporary generation units at Palo Seco.

- a. Describe how Genera can utilize current employees in Palo Seco and San Juan to operate and maintain the temporary emergency generation units.
- b. Describe whether Genera considered a Service Agreement instead of in-house maintenance. Explain cost implications of each approach.
- c. The amount of \$3M is budgeted for a communications system in 2024-2025. Describe the communications system proposed.
- d. Genera is considering adding 50 employees to run O&M. Provide an organizational chart, duties, and qualifications of these new employees. Justify the need for 50 new employees when resources are available at power plants where major baseload units are not planned to be operational in the near future, thus potentially freeing up resources to operate and maintain the temporary emergency generation units.

Federal Funding

13. Provide a reconciliation of GenCo Federal Funding cash flow projections for FY2025, including expected monthly expenditures for Federally Funded projects, expected FEMA advancements, expected funding advancements from COR3/AFAAF and FEMA’s Working Capital Advance (WCA) program, and monthly expected balances of federal funding reserve accounts. Within this reconciliation, list anticipated federal cost-shares and funding source for those cost shares. Complete this reconciliation separately for 428,406 and CDBG funding sources/project categories. This reconciliation should cover both FY 2024 actual spending and FY 2025 forecast spending.



14. Describe the status of the Critical Component Replacement Program and how much is budgeted for this program in FY 2025.
15. Where is the line item for federal cost-share in the FY 2025 budgets?

General

16. Provide the up-to-date expenses for each budget item listed in FY 2024 (e.g., Labor Expenses, Materials & Supplies, Transportation, Per Diem & Mileage, Utilities & Rent, and Professional & Technical Outsourced Services, among others) in addition to the FY 2024 approved budget and proposed FY 2025 Budget.
- a. Fully explain and support each variance.
17. What controls and fiscal processes does GENERA/GenCo propose to implement to comply with the budgeted expenditure amounts?
18. For Utilities and Rents, why is this cost increased from the FY 2024 approved quantity (\$3.6M) to the FY 2025 request of \$18.3M? What type of utilities or rentals are considered to justify this cost increase?
19. Describe the reasons of why PREPA is running a Request for Proposals ("RFP") to construct IT communications rooms at generating plants operated and maintained by Genera in the following locations:
- Mayagüez
Cambalache
Costa Sur
Aguirre
Palo Seco
San Juan
20. It appears that Genera may be eligible to earn an Incentive Payment in the FY 2025 Budget Year, however, Genera has apparently not incorporated this potential Incentive Payment into its proposed FY 2025 Budget. Explain how Genera accounts for the potential Incentive Payment and/or how Genera requests that the potential Incentive payment be reflected in the FY 2025 Budget.

Shared Services

21. Are legal services integrated to an outsourcing activity or any other budget item? How was the GenCo budget for legal services determined? Describe how could Shared Services reduce the Legal Expense.
22. What are the justifications and benefits related to the planned expenditures for the Genco IT budget? Describe how Shared Services could reduce the IT Expense.

