

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

**NEPR**

**Received:**

**Jun 20, 2024**

**12:41 AM**

IN RE: REVIEW OF LUMA'S INITIAL  
BUDGETS

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

**SUBJECT: LUMA's Responses to Requests for  
Information and Request for Confidential Treatment**

**MOTION SUBMITTING RESPONSES TO REQUESTS FOR INFORMATION IN CONNECTION  
WITH FY2025 T&D BUDGETS AND REQUEST FOR CONFIDENTIAL TREATMENT**

**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 Genera PR, LLC ("Genera"), through their respective counsels, and respectfully state and submit the following:

1. On May 24, 2024, LUMA submitted to the Puerto Rico Energy Bureau ("Energy Bureau"), the proposed budget for the Transmission and Distribution System ("T&D Budgets"), developed by LUMA. *See Request for Approval of T&D Budgets and Submission of GenCo Budgets for FY2025 and Budget Allocations for the Electric Power System*, filed by LUMA ("FY2025 Budget Submission"). The FY2025 Budget Submission also included the budget proposal for the legacy thermal generation units (the "GenCo Budget"), developed by Genera, and the budget allocation approved by the Puerto Rico Public-Private Partnerships Authority ("P3A") for the hydroelectric generating units and the public irrigation facilities ("HydroCo Budget"), and the allocation for the Puerto Rico Electric Power Authority ("PREPA") and its subsidiaries ("HoldCo Budget").

2. On June 12, 2024, this Energy Bureau issued a Resolution and Order with the subject *Establishment of FY 2025 Budgets, Requirement of Information ("RoI"), and Procedural*

*Calendar* (“June 12<sup>th</sup> Order”), whereby it set a Procedural Calendar to consider the FY2025 Budget Submission.

3. In the June 12<sup>th</sup> Order, this Energy Bureau issued Requests for Information (“June 12<sup>th</sup> RFIs”) to LUMA and Genera and set a procedural calendar pursuant to which the parties were convened to a Technical Conference to be held on June 20, 2024 (“June 20<sup>th</sup> Technical Conference”). *See* June 12<sup>th</sup> Order, p. 3-4, and Attachment A. This Energy Bureau directed that responses to the June 12<sup>th</sup> RFIs were due on June 17, 2024. *See id.*, p. 4. In the June 12<sup>th</sup> Order, this Energy Bureau also granted the parties three (3) business days, until June 17, 2024, to submit the work papers that support the proposed T&D Budgets, and until June 18<sup>th</sup> to submit their presentations for the June 20<sup>th</sup> Technical Conference. *See id.*, p. 3.

4. On June 15, 2024, LUMA filed an *Informative Motion on LUMA’s Workpapers and Urgent Request for Extension*. Therein, LUMA informed that it had submitted all supporting work papers with the FY2025 Budget Submission. Regarding the June 12<sup>th</sup> RFIs, LUMA requested additional time, until June 19, 2024, to submit its responses.

5. On June 18, 2024, LUMA and Genera filed a joint motion requesting that the Energy Bureau reschedule the June 20<sup>th</sup> Technical Conference and to extend the time to file the presentations for the Technical Conference. *See Joint Request for Continuance of Technical Conference and to Extend Time to File Presentations for the Technical Conference*.

6. In a Resolution and Order dated June 18, 2024, this Energy Bureau re-scheduled the Technical Conference to discuss the FY2025 Budget Submission for June 21, 2024, granted LUMA and Genera until June 19<sup>th</sup> to file their responses to the June 12<sup>th</sup> RFIs, and determined that the parties shall file their presentations on June 21<sup>st</sup> (“June 18<sup>th</sup> Order”).

7. In compliance with the June 12<sup>th</sup> Order, as modified by the June 18<sup>th</sup> Order, LUMA hereby submits its responses to the RFIs issued to LUMA as a part of Attachment A to the June 12<sup>th</sup> Order. *See* Exhibit 1.

8. Several of LUMA's responses to the June 12<sup>th</sup> RFIs include confidential documents or portions thereof, that should be protected from disclosure per Article 6.15 of Law 57-2014, known as the Puerto Rico Energy Transformation and Relief Act and the 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"). LUMA is submitting those documents under seal of confidentiality. On or before June 21, 2024, and in compliance with the Energy Bureau's Policy on Management of Confidential Information, LUMA will submit under separate cover a memorandum of law in support of its request to file and maintain those documents under seal of confidentiality.

**WHEREFORE**, LUMA respectfully requests that the Energy Bureau **take notice** of the above, **accept and keep** under seal of confidentiality the confidential documents that are submitted as part of LUMA's responses to the June 12<sup>th</sup> RFIs, and **deem** that LUMA complied with that portion of the June 12<sup>th</sup> Order, as modified by the June 18<sup>th</sup> Order, that required LUMA to submit responses to the June 12<sup>th</sup> RFIs.

**RESPECTFULLY SUBMITTED.**

In San Juan, Puerto Rico, this 19<sup>th</sup> day of June, 2024

I hereby certify that this motion was filed using the electronic filing system of this Energy Bureau. I also certify that a 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: Jorge Fernandez-Reboredo, [jfr@sbglaw.com](mailto:jfr@sbglaw.com), Alejandro López Rodríguez, [alopez@sbglaw.com](mailto:alopez@sbglaw.com), and [regulatory@genera-pr.com](mailto:regulatory@genera-pr.com).



**DLA Piper (Puerto Rico) LLC**

500 Calle de la Tanca, Suite 401

San Juan, PR 00901-1969

Tel. 787-945-9122

Fax 939-697-6092

*/s/ Margarita Mercado Echegaray*

Margarita Mercado Echegaray

RUA NÚM. 16,266

[margarita.mercado@us.dlapiper.com](mailto:margarita.mercado@us.dlapiper.com)

*Exhibit 1*



# Review of LUMA's Proposed Consolidated FY2025 Budget

NEPR-MI-2021-0004

Responses to June 12, 2024, Requests

June 19, 2024

# List of Responses and Attachments

Response ID	Document Type	Response Subject
ROI-LUMA-MI-2021-0004-20240612-PREB-001	Response in PDF	Vegetation Management
ROI-LUMA-MI-2021-0004-20240612-PREB-002	Response in PDF	Vegetation Management
ROI-LUMA-MI-2021-0004-20240612-PREB-003	Response in PDF	Vegetation Management
ROI-LUMA-MI-2021-0004-20240612-PREB-004	Response in PDF	Vegetation Management
ROI-LUMA-MI-2021-0004-20240612-PREB-005	Response in PDF	Vegetation Management
ROI-LUMA-MI-2021-0004-20240612-PREB-006	Response in PDF	Vegetation Management
ROI-LUMA-MI-2021-0004-20240612-PREB-007	Response in PDF	Vegetation Management
ROI-LUMA-MI-2021-0004-20240612-PREB-008	Response in PDF	Vegetation Management
ROI-LUMA-MI-2021-0004-20240612-PREB-009	Response in PDF	Vegetation Management
ROI-LUMA-MI-2021-0004-20240612-PREB-010	Response in PDF	Vegetation Management
ROI-LUMA-MI-2021-0004-20240612-PREB-011	Response in PDF	FY2024-FY2025 Budgets
	Attachment*	
ROI-LUMA-MI-2021-0004-20240612-PREB-012	Response in PDF	FY2024-FY2025 Budgets
	Attachment*	
ROI-LUMA-MI-2021-0004-20240612-PREB-013	Response in PDF	General
ROI-LUMA-MI-2021-0004-20240612-PREB-014	Response in PDF	Exhibit 1
	Attachment	
	Attachment	
	Attachment*	
ROI-LUMA-MI-2021-0004-20240612-PREB-015	Response in PDF	General
ROI-LUMA-MI-2021-0004-20240612-PREB-016	Response in PDF	General
ROI-LUMA-MI-2021-0004-20240612-PREB-017	Response in PDF	General
ROI-LUMA-MI-2021-0004-20240612-PREB-018	Response in PDF	General
ROI-LUMA-MI-2021-0004-20240612-PREB-019	Response in PDF	General
ROI-LUMA-MI-2021-0004-20240612-PREB-020	Response in PDF	General
	Attachment*	
ROI-LUMA-MI-2021-0004-20240612-PREB-021	Response in PDF	General
ROI-LUMA-MI-2021-0004-20240612-PREB-022	Response in PDF	General
ROI-LUMA-MI-2021-0004-20240612-PREB-023	Response in PDF	General
ROI-LUMA-MI-2021-0004-20240612-PREB-024	Response in PDF	General
ROI-LUMA-MI-2021-0004-20240612-PREB-025	Response in PDF	General

## RESPONSES TO JUNE 12, 2024, REQUESTS

Response ID	Document Type	Response Subject
ROI-LUMA-MI-2021-0004-20240612-PREB-026	Response in PDF	Employee Count
ROI-LUMA-MI-2021-0004-20240612-PREB-027	Response in PDF	Employee Count - Operations
	Attachment	
ROI-LUMA-MI-2021-0004-20240612-PREB-028	Response in PDF	Employee Count – Utility Transformation
ROI-LUMA-MI-2021-0004-20240612-PREB-029	Response in PDF	Employee Count – Customer Experience
ROI-LUMA-MI-2021-0004-20240612-PREB-030	Response in PDF	Employee Count – Support Services
	Attachment*	
ROI-LUMA-MI-2021-0004-20240612-PREB-031	Response in PDF	Lineworkers
ROI-LUMA-MI-2021-0004-20240612-PREB-032	Response in PDF	Workpapers
ROI-LUMA-MI-2021-0004-20240612-PREB-033	Response in PDF	Additional Available Funding
	Attachment*	
ROI-LUMA-MI-2021-0004-20240612-PREB-034	Response in PDF	Additional Available Funding
ROI-LUMA-MI-2021-0004-20240612-PREB-035	Response in PDF	Efficiencies
	Attachment	
ROI-LUMA-MI-2021-0004-20240612-PREB-036	Response in PDF	Efficiencies
ROI-LUMA-MI-2021-0004-20240612-PREB-037	Response in PDF	Efficiencies
ROI-LUMA-MI-2021-0004-20240612-PREB-038	Response in PDF	Efficiencies
ROI-LUMA-MI-2021-0004-20240612-PREB-039	Response in PDF	Efficiencies
ROI-LUMA-MI-2021-0004-20240612-PREB-040	Response in PDF	Third-Party Attachments
ROI-LUMA-MI-2021-0004-20240612-PREB-041	Response in PDF	Third-Party Attachments
ROI-LUMA-MI-2021-0004-20240612-PREB-042	Response in PDF	Third-Party Attachments
ROI-LUMA-MI-2021-0004-20240612-PREB-043	Response in PDF	Third-Party Attachments
ROI-LUMA-MI-2021-0004-20240612-PREB-044	Response in PDF	Third-Party Attachments
ROI-LUMA-MI-2021-0004-20240612-PREB-045	Response in PDF	Third-Party Attachments
ROI-LUMA-MI-2021-0004-20240612-PREB-046	Response in PDF	Bad Debts
ROI-LUMA-MI-2021-0004-20240612-PREB-047	Response in PDF	Bad Debts
ROI-LUMA-MI-2021-0004-20240612-PREB-048	Response in PDF	Bad Debts
ROI-LUMA-MI-2021-0004-20240612-PREB-049	Response in PDF	Bad Debts
ROI-LUMA-MI-2021-0004-20240612-PREB-050	Response in PDF	Bad Debts
ROI-LUMA-MI-2021-0004-20240612-PREB-051	Response in PDF	Advanced Metering Infrastructure
ROI-LUMA-MI-2021-0004-20240612-PREB-051	Response in PDF	Advanced Metering Infrastructure
ROI-LUMA-MI-2021-0004-20240612-PREB-052	Response in PDF	Advanced Metering Infrastructure
ROI-LUMA-MI-2021-0004-20240612-PREB-053	Response in PDF	Advanced Metering Infrastructure



## RESPONSES TO JUNE 12, 2024, REQUESTS

Response ID	Document Type	Response Subject
ROI-LUMA-MI-2021-0004-20240612-PREB-054	Response in PDF	Advanced Metering Infrastructure
ROI-LUMA-MI-2021-0004-20240612-PREB-055	Response in PDF	Shared Services
ROI-LUMA-MI-2021-0004-20240612-PREB-056	Response in PDF	Shared Services
ROI-LUMA-MI-2021-0004-20240612-PREB-057	Response in PDF	Shared Services
	Attachment	
	Attachment	
ROI-LUMA-MI-2021-0004-20240612-PREB-058	Response in PDF	Shared Services
ROI-LUMA-MI-2021-0004-20240612-PREB-059	Response in PDF	Shared Services
ROI-LUMA-MI-2021-0004-20240612-PREB-060	Response in PDF	Shared Services
ROI-LUMA-MI-2021-0004-20240612-PREB-061	Response in PDF	Shared Services
ROI-LUMA-MI-2021-0004-20240612-PREB-062	Response in PDF	Shared Services
ROI-LUMA-MI-2021-0004-20240612-PREB-063	Response in PDF	Shared Services
ROI-LUMA-MI-2021-0004-20240612-PREB-064	Response in PDF	Grid Resilience

Note: \*Denotes attachments that have been provided in Microsoft Excel format.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-001**

---

## SUBJECT

Vegetation Management

## REQUEST

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?

## RESPONSE

The timeline included in the May 16, 2023 filing contemplated clearing all 230 kV lines by the end of FY2024, as ordered by the Energy Bureau.<sup>1</sup> However, it did not contemplate achieving a remediated state in the first half of FY2026. LUMA has made significant progress to this date, clearing over 4,500 miles of vegetation. Continued progress in this area requires ongoing evaluations of the Improvement Program milestones and timelines, which are essential as more information is gathered. However, due to both physical and technical challenges, achieving a fully remediated state by the first half of 2026 is unattainable.

Based on LUMA's experience and expertise, as well as availability of resources (i.e., contractors and equipment), the target for achieving a remediated state has been adjusted to the second half of FY2028. LUMA continues to evaluate and update the Improvement Program milestones and timelines as more information becomes available.

For FY2023, the Energy Bureau approved \$52.5 million for vegetation management work. For FY2025, LUMA proposed \$208 million in funding, achieved through the Operating Budget and the Federally Funded Capital Budget. The significant increase in funding from FY2023 to FY2025 is driven by the federal funding for vegetation clearing.

---

<sup>1</sup> Please refer to ROI-LUMA-MI-2021-0004-20230523-PREB-017 filed with the Energy Bureau on June 6, 2023 for further information.

## RESPONSE TO JUNE 12, 2024, REQUEST

	OpEx Budget	Federally Funded Budget	Total Budget <sup>1</sup>
FY2023 Budget	\$52.5 million	-	\$52.5 million
FY2024 Budget	\$56.0 million	\$125.0 million	\$181.0 million
FY2025 Budget	\$50.0 million	\$158.1 million	\$208.2 million

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

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-002**

---

## **SUBJECT**

Vegetation Management

## **REQUEST**

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?

## **RESPONSE**

Please refer to the response provided in ROI-LUMA-MI-2021-0004-20240612-PREB-001.

Despite challenges in reaching a fully remediated state, LUMA is making progress on Vegetation Management in an effort to meet customer needs and work to reduce outages tied to vegetation – this will be achieved progressively as we continue to execute on Vegetation Management, demonstrated by FEMA's first obligation toward this program which will initiate project work in the region of San Juan this month.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-003**

---

## **SUBJECT**

Vegetation Management

## **REQUEST**

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.

## **RESPONSE**

Following the Puerto Rico Energy Bureau's approval of the Island-Wide Vegetation Clearing initial scope of work, LUMA has submitted to COR3 and FEMA 31 individual detailed scopes of work towards the obligation of the island-wide vegetation clearance program. As of June 18, 2024, LUMA has received an obligation of \$18.1M for one of the projects targeting the Region of San Juan and continues to work with COR3 and FEMA for the obligation of the remaining projects. LUMA expects to commence work on the obligated project at the end of June 2024.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-004**

## SUBJECT

Vegetation Management

## REQUEST

Provide the actual Vegetation Management budget expenditures during FY 2024: Federal, and Non-Federal.

## RESPONSE

Please refer to the table below, which is an extract from LUMA's FY2024 Third Quarterly Report. Figures do not reflect the \$6 million reallocated to the Vegetation Management Operating Expenditures through the Budget Amendment filed and approved by PREB on May 6, 2024.

Program	FY2024 Budget <sup>1</sup>	Q3 Budget <sup>1</sup>	Q3 Actuals <sup>1</sup>	YTD Budget <sup>1</sup>	YTD Actuals <sup>1</sup>	YTD Variance (\$)
<b>Vegetation Management</b>	<b>\$ 179.8</b>	<b>\$ 60.6</b>	<b>\$ 13.4</b>	<b>\$ 119.3</b>	<b>\$ 42.2</b>	<b>\$ 77.0</b>
Federally Funded	125.0	46.9	0.1	78.1	0.1	
Non-Federally Funded	-	-	-	-	-	
OpEx	54.8	13.7	13.3	41.1	42.1	
SRP	179.8	45.0	13.4	103.6	42.2	

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-005**

---

## **SUBJECT**

Vegetation Management

## **REQUEST**

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?

## **RESPONSE**

The requirements outlined by the Energy Bureau in the February 27, 2023, Resolution are reflected in the \$50 million Operating Budget for vegetation management. The clearing of the 230 kV transmission vegetation rights-of-way was completed in Q4 FY2024, cycle maintenance will begin in FY2025 and is covered by the existing operating budget, reflecting our commitment to cost-effectiveness. Additionally, the annual helicopter patrols have been budgeted and will be conducted internally. Out of the \$50 million vegetation management operating budget, \$18 million will be allocated to other activities important for the reliability of the system such as 230 kV transmission vegetation maintenance, substation vegetation control, and distribution assets vegetation clearance.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-006**

---

## SUBJECT

Vegetation Management

## REQUEST

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) FY2025 budget request for Vegetation Management.

## RESPONSE

LUMA's vegetation management budget is split between the Federally Funded Budget and the Operating Budget. The Federal funds allocated for the 2025 fiscal year will focus mainly for distribution. The operating funds are focused on ensuring vegetation activities are maintained yearly.

See details of the breakdown below.

(\$ in 000s)

	Federally Funded Budget	Operating Budget
Transmission	-	18,000
Distribution	158,200	30,000
Susbtation	-	1,000
Reactive	-	1,000
Right-of-way reclamation	-	-
<b>Total</b>	<b>158,200</b>	<b>50,000</b>



# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-007**

## SUBJECT

Vegetation Management

## REQUEST

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.

## RESPONSE

LUMA builds projections based on limited historical data, initial scopes of work, high-level assessments, and assumptions. However, inherent uncertainties and dynamic factors can influence financial projections. The original forecast of \$405 million included primarily federally funded vegetation clearance and included assumptions about the timeline of Federal obligations for these projects. As the first permanent work project of its kind, LUMA has been working with COR3, FEMA, and other stakeholders to develop approaches to move towards obligations of the funds. In June 2024, LUMA received the first obligation for one of the 31 projects and continues to work with COR3 and FEMA on the remaining projects. As LUMA, COR3, and FEMA have made progress in these projects, LUMA is refining the expected timeline for obligation on the remaining projects. When compared to FY2024, the Vegetation Management budget for FY2025 is higher.

	OpEx Budget	Federally Funded Budget	Total Budget <sup>1</sup>
FY2024 Budget	\$56.0 million	\$125 million	\$181.0 million
FY2025 Budget	\$50.0 million	\$158.1 million	\$208.1 million

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

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-008**

---

## **SUBJECT**

Vegetation Management

## **REQUEST**

In the FY 2023 Budget proposal, LUMA projected an expenditure of \$60 million in FY2025 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?

## **RESPONSE**

Please refer to ROI-LUMA-MI-2021-0004-20240612-PREB-001 in regards to LUMA's FY2025 Budget and remediation date. These items have been updated to reflect the latest available information and analysis from our subject matter experts, considering the activities required and the combination of federal and non-federal funding.

For the FY2023 Budget forecast, LUMA's projected spending on vegetation did not include considerations of federally funded vegetation clearing work. LUMA's FY2025 budget proposal includes different funding streams to reduce the impact of vegetation on the grid, including \$158 million from federal sources as well as \$50 million from the Operating Budget, surpassing the \$60 million projection established in FY2023. Please refer to ROI-LUMA-MI-2021-0004-20240612-PREB-006 for details on the different funding sources for this activity.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-009**

---

## **SUBJECT**

Vegetation Management

## **REQUEST**

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?

## **RESPONSE**

LUMA has made significant progress to this date, clearing over 4,500 miles of vegetation. Despite these accomplishments, we continue ongoing evaluations of the Improvement Program milestones and timelines which are essential as more information is gathered. However, due to both physical and technical challenges, achieving a fully remediated state by the first half of 2026 is unattainable. To achieve the remediated state as soon as possible, LUMA has issued a request for proposal to competitively procure the resources necessary to execute the island-wide vegetation clearing program. Following approval from the FOMB and P3A, LUMA has signed four contracts with experienced vegetation companies, who will be providing approximately 1200 full-time employees and their equipment over the life of the program to complete this work.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-010**

---

## **SUBJECT**

Vegetation Management

## **REQUEST**

Describe how is LUMA prioritizing vegetation management activities during FY 2025 and how these activities will translate into near-term system reliability enhancements.

## **RESPONSE**

Activities that will be completed with the Operating Budget will focus on vegetation clearing across all asset functions, which include transmission, distribution, and substations, and will be prioritized by worse-performing circuits based on historical data and vegetation density. Combined with the Island-wide clearing program funds for this fiscal year being allocated to distribution, this focus will help improve vegetation SAIDI (System Average Interruption Duration Index) and vegetation SAIFI (System Average Interruption Frequency Index), which helps system reliability overall.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-011**

---

## **SUBJECT**

FY2024-FY2025 Budgets

## **REQUEST**

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 FY2023. Fully explain and support each variance.

## **RESPONSE**

LUMA is providing this information in response to the request to illustrate trends over the past years. For each fiscal year, LUMA develops budgets and prioritizes expenditures and investments based on the immediate needs of its customers and in alignment with its obligations under the Puerto Rico Transmission and Distribution Operation and Maintenance Agreement. Accordingly, while LUMA has responded to the PREB to the best of its ability, the FY2025 budget reflects the priorities identified for FY2025. It should be evaluated based on the reasonableness of those priorities. No fiscal year is identical to another, and LUMA's budgeting process examines initiatives or programs based on the specifics of each year. Therefore, line-by-line variances from year to year should not drive business decisions. Instead, effective budget management involves adjusting expected costs based on anticipated initiatives or necessary adjustments.

With the foregoing in mind, please refer to ROI-LUMA-MI-2021-0004-20240612-PREB-011\_Attachment1.xlsx.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-012**

---

## **SUBJECT**

FY2024-FY2025 Budgets

## **REQUEST**

Provide in one consolidated document, tables comparing FY 2024 budgeted amounts, FY2023 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.

## **RESPONSE**

Please refer to *ROI-LUMA-MI-2021-0004-20240612-PREB-012-Attachement1*.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-013**

---

## **SUBJECT**

General

## **REQUEST**

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.

## **RESPONSE**

LUMA deems it necessary to emphasize that the reference to the May 31 Motion is inaccurate, as this statement was actually made in the May 25 Motion, a crucial detail for the timeline and sequence of events.

LUMA, Genera, and PREPA follow a contractually mandated process under the Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement, the PREPA-GenCo-HydroCo Operating Agreement, and the Puerto Rico Thermal Generation Facilities Operation and Maintenance Agreement to submit to the P3A consolidated system budgets. Once the P3A receives the proposed budgets, it is charged with reviewing said budgets to ensure compliance with the applicable Rate Order.

When consolidating and filing the system budget on May 24, 2024, LUMA included GenCo's budget, which was \$18 million above the P3A budget allocation. LUMA's position is that PREPA and Genera's budget need to comply with the P3A's budget allocation determination. Absent additional funding or a revision to electricity rates, a determination that alters the P3A's budget allocation determination to reduce the funds allocated to the T&D System would interfere with operations and contractual mandates.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-014**

---

## SUBJECT

Exhibit 1

## REQUEST

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.

## RESPONSE

- a. Please refer to *ROI-LUMA-MI-2024-004-20240612-PREB-014-Attachement1*.
- b. Please refer to *ROI-LUMA-MI-2024-004-20240612-PREB-014-Attachment2*.
- c. Please refer to *ROI-LUMA-MI-2024-004-20240612-PREB-011-Attachement1* for variance explanations.



# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-015**

---

## **SUBJECT**

General

## **REQUEST**

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.

## **RESPONSE**

a. Please refer to *ROI-LUMA-MI-2024-004-20240612-PREB-014-Attachment2*.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-016**

---

## **SUBJECT**

General

## **REQUEST**

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?

## **RESPONSE**

In developing the FY2025 budget, LUMA has assumed that the Title III proceeding will extend past FY2025. Thus, the financial projections and allocations within the budget are formulated under the assumption that the proceeding will not conclude within the fiscal year.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

## NEPR-MI-2021-0004

### Response: ROI-LUMA-MI-2021-0004-20240612-PREB-017

#### SUBJECT

General

#### REQUEST

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.

a. Identify and explain the priority and cost of each of the enumerated deferred activities.

#### RESPONSE

The deferred costs described below represent activities that LUMA would otherwise plan to undertake in FY2025 but has determined not to given budgetary constraints and overall prioritization of other activities to match immediate system and customer needs. These deferred activities total \$65 million, which would mean a budget of \$757 million, \$19 million higher than the budget proposed to the P3A. This reflects that the budget under consideration by the PREB is, based on LUMA's management opinion, the bare minimum with which the T&D System can be reasonably operated and maintained and LUMA can comply with its contractual obligations and other regulatory mandates and responsibilities. Under the *estimated total costs for FY2025* column, we are including the optimal cost of the initiatives for FY2025 using operating and non-federally funded capital budgets (does not include federally funded initiatives). The *deferred costs* column includes the dollar amount from the initiative that will not be achievable during FY2025 due to budget constraints.

Deferred Activities While Operating Within Budget Requirement	Priority Explanation	Estimated Total Costs for FY2025 <sup>1</sup> (In Thousands)	Deferred Costs (In Thousands)
<b>Distribution Streetlighting:</b> Upgrades to currently implemented programs and replacements distribution streetlights; these replacements	As part of the streetlighting program, new light-emitting diode streetlights, components, and poles are being replaced with federal	\$7,429	\$7,429

<sup>1</sup> Figures are based on estimated costs and assumptions

RESPONSE TO JUNE 12, 2024, REQUEST

Deferred Activities While Operating Within Budget Requirement	Priority Explanation	Estimated Total Costs for FY2025 <sup>1</sup> (In Thousands)	Deferred Costs (In Thousands)
require an ongoing maintenance program not presently funded; not having the financial resources to maintain streetlights poses a safety risk for communities.	funding. Currently, funding for continuous maintenance of the streetlight system is unavailable and will hinder the maintenance of the recently replaced/repared streetlights.		
<b>Billing Accuracy &amp; Back Office:</b> 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 in future costs by operating efficiently.	LUMA's CC&B (billing) system is currently an on-premise version that does not enable automated system updates from the vendor. Any system patches and upgrades require significant internal planning and testing due to the on-premise system. A full CC&B system review is required to determine and understand the capabilities of the current system and the alignment with the future billing requirements for the AMI project. The current version of CC&B will not be supported by the vendor in the future, and support costs will increase over time. CC&B is effectively the utility cash register and should be prioritized as an essential function for remediation.	\$18,919	\$4,157
<b>New Business Connections:</b> This new program (previously included in the Distribution Line Rebuild program) will experience slower responses to new business requests with potential non-compliance with OGPE regulation.	LUMA's New Business Connection process requires a web portal that will enable visibility of customer requests for connection and seamless management of the request since many internal stakeholders are required to review each project. Additionally, engineering and project management staff are needed to support this	\$12,399	\$1,968

RESPONSE TO JUNE 12, 2024, REQUEST

Deferred Activities While Operating Within Budget Requirement	Priority Explanation	Estimated Total Costs for FY2025 <sup>1</sup> (In Thousands)	Deferred Costs (In Thousands)
	process and meet the OGPE regulations.		
<b>Distribution Line Rebuild:</b> Underground work on worst-performing feeders.	Funding reductions impact customer reliability and our ability to address the worst-performing underground circuits. To date, FEMA has not obligated any of LUMA's underground distribution projects.	\$16,098	\$3,635
<b>Substation Reliability:</b> 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 an operational hazard (i.e., increased risk of significant outages impacting the entire substation facility). Budget constraints will delay addressing these issues.	\$21,456	\$2,132
<b>Facilities Development &amp; Implementation:</b> 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.	The inadequate CAPEX budget increases the need to continue repairing deteriorated and end-of-life assets. This quickly depletes O&M funding, taking away from routine and preventative maintenance activities. This also increases the risk of building system failures, which could lead to network and system equipment failures, personal injury, or even loss of life. Prior to commencement, facilities have not met the building code, do not have appropriate permits in place, and there is a risk of building closure due to Agency Inspections.	\$9,865	\$5,885
<b>T&amp;D Fleet:</b> LUMA has prioritized the fleet vehicle efforts for the	The limited funds allocated for vehicle purchases in the	\$61,152	\$26,512

RESPONSE TO JUNE 12, 2024, REQUEST

Deferred Activities While Operating Within Budget Requirement	Priority Explanation	Estimated Total Costs for FY2025 <sup>1</sup> (In Thousands)	Deferred Costs (In Thousands)
assets that are inoperable for FY2025; however, the fleet revitalization plan will not be able to be carried out as planned.	FY2025 budget will have the effect of delaying the fleet revitalization plan. At this time, 47% of the active fleet has met or exceeded its life expectancy. We continue efforts to keep the active fleet in compliance with ANSI, DOT, and OSHA. The amount approved in FY2025 is committed to execute the RPO buyout of 30 units whose rental contract expires in August 2024. The lack of funding continues to create a backlog of vehicles that are reaching their life expectancy each year.		
<b>Workflow Processes &amp; Tracking:</b> The program has been deferred in its entirety	Deferred due to budget constraints. Work management and workforce management are crucial to help LUMA improve the use of their workforce and resources to better serve customers. Appropriate work methods and training are necessary to ensure work is done safely and to meet quality standards.	\$10,000	\$10,000
<b>Tools Repair &amp; Management:</b> Delayed the launching of a second centralized tool crib, which enables the team to maximize productivity via better tool management.	Prioritizing the implementation of holistic tool management for LUMA impacts operational effectiveness in activities that require specialized tools. Maintaining visibility to tool status, assignment, and maintenance profiles allows for improved use of funds and forecasting of future needs. This, in turn, allows for strategic procurements to be implemented, which lower unit costs through	\$7,000	\$1,000

RESPONSE TO JUNE 12, 2024, REQUEST

Deferred Activities While Operating Within Budget Requirement	Priority Explanation	Estimated Total Costs for FY2025 <sup>1</sup> (In Thousands)	Deferred Costs (In Thousands)
	economies of scale.		
<b>Fire Mitigation Program:</b> The program has been deferred in its entirety.	The fire mitigation program addresses key wildfire risks present on PR, the risk is heightened due to past storm damage and the status of the rights of way clearance.	\$1,900	\$1,900
<b>Critical Financial Systems:</b> 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.	Prioritizing the ERP transition is critical as it directly impacts the organization's reporting capabilities. Focusing on service contracts and non-inventory items initially allows gradual improvement in operational efficiency and strategic decision-making.	\$2,200	\$438

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-018**

---

## SUBJECT

General

## REQUEST

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.

a. Explain the significant increase.

## RESPONSE

The FY2024 original non-federally funded (NFC) budget of \$91 million reflected the priorities of the T&D system based on the financial constraints for that year. As FY2024 progressed, LUMA completed a comprehensive analysis of its budget and filed a budget amendment with PREB, reallocating \$36 million to NFC budget. For FY2025, while still constrained, LUMA has allocated more to NFC budget compared to the original amount for FY2024 to respond to investments necessary to meet customer needs. After the budget amendment, the variance between the FY2024 and FY2025 NFC budgets is only 3%.



# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-019**

---

## SUBJECT

General

## REQUEST

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.

a. With so significant a positive variance, explain why more funding is being requested in FY 2025 than in FY 2024.

## RESPONSE

LUMA clarifies that the \$68.7 million variance represents a 13% positive variance from the amended budgeted amount. This positive variance reflects LUMA's efforts to assess customer needs and develop a budget aligned with meeting those needs and complying with contractual and regulatory requirements, while also considering funding constraints.

- a. The increase in funding for the FY2025 Operating Budget is primarily driven by an increase in budget for the Utility Transformation and Support Services departments. For further details, please refer to ROI-LUMA-MI-2021-004-20240612-PREB-028 and ROI-LUMA-MI-2021-0004-20240612-PREB-30.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-020**

---

## SUBJECT

General

## REQUEST

Refer to Table 1-2, page 8 of LUMA FY 2025 Budget Filing:

- a. Explain how the Total Base Rate Revenue for FY 2025 was derived.
- b. Provide the specific Base Rate used in the calculation and explain the derivation.
- c. Explain in detail, with component amounts, the derivation of \$275 million of Other Income for FY 2025.
- d. Explain the referenced incremental Government Funding of \$75 million.
- e. 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.
  1. Fully explain and support each variance.
  2. Include the sales forecast ("fcst").
  3. 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

## RESPONSE

- a. The base revenue for the fiscal year 2025 is based on the Energy Bureau's approved costs from the 2017 rate order. LUMA simulates consumption and customer forecasts based on rate and service class. The following steps describe how LUMA derives its base revenues:

**Consumption and Customer Allocation by Rate:** The proportions for allocation by rate were calculated using the observed data profile for the calendar year 2023. The following formula shows

## RESPONSE TO JUNE 12, 2024, REQUEST

how the forecast consumption by class is assigned by rate, with an example for residential class rates:

*Forecasted Consumption RH3 103*

$$= (\text{Observed consumption RH3 103 NY 2023} \\ \div \text{Observed Total Residential Consumption NY 2023}) \\ \times \text{Forecasted Residential Consumption}$$

The proportions applied to residential consumption and customer consumption by rate are illustrated in the following table:

Base Year NY 2023				
Rate	Customers	Proportion	MkWh	Proportion
<b>RESIDENTIAL CLASS</b>				
RH3 103	1,220	0.0009	10,414,673	0.00150
RH3 104	3,420	0.0025	9,088,938	0.00131
RFR 105	7,624	0.0055	28,139,938	0.00406
RFR 106	34,892	0.0252	223,391,801	0.03222
RFR 107	3,740	0.0027	35,679,837	0.00515
LRS 109	102,328	0.0740	263,502,416	0.03801
LRS 110	45,722	0.0331	320,014,473	0.04616
GRS 111	233,552	0.1690	436,097,278	0.06290
GRS 112	949,394	0.6870	5,606,460,009	0.80869
<b>TOTAL</b>	<b>1,381,892</b>	<b>1.0000</b>	<b>6,932,789,363</b>	<b>1.00000</b>

**Demand charge for Industrial and Commercial Customers:** The demand (kVA) applied to industrial and commercial customers to determine the demand charge is equivalent to the average observed for the calendar year 2023. The table below displays the demand profile and the profile of the time-of-use (TOU) rate used for setting the consumption blocks for peak and off-peak periods.

TOU				
Proportions	kWh		kVA	
Rate	On	Off	On	Off
862	225,308	279,153	1,354	1,387
363	10,304,473	16,792,477	76,269	74,600
963	835,965	1,241,786	4,526	4,299

No TOU	KVA	kW
212	1,129,781	1,037,205
213	349,585	306,059
312	38,398	31,749
313	254,928	220,234
333	14,760	14,714
414	1,808	1,656
513	6,493	6,084

**Forecast Base Revenues:** After obtaining the three essential components for calculating the base revenue (customers, consumption, and demand), the next step is to apply the costs to each rate based on the current structure approved by the Bureau in 2017. The following formula illustrates the calculation for the example above, RH3 103 rate:

## RESPONSE TO JUNE 12, 2024, REQUEST

### *RH3 103 forecast base revenue*

$$\begin{aligned}
 &= (RH3\ 103\ Forecasted\ kWh\ block\ 1 * \$0.00694) \\
 &+ (RH3\ 103\ Forecasted\ kWh\ block\ 2 * \$0.05564) \\
 &+ (\$2\ (customer\ charge) \times Forecasted\ Customers)
 \end{aligned}$$

All base revenue derivation is in the Excel file: *ROI-LUMA-MI-2021-0004-20240612-PREB-020\_Attachment 1*.

- b. Please refer to the Excel file: *ROI-LUMA-MI-2021-0004-20240612-PREB-020\_Attachment 1*. The file includes all the revenue calculations with the formula intact.
- c. Please refer to the Excel file: *ROI-LUMA-MI-2021-0004-20240612-PREB-033\_Attachment.xlsx*, and the worksheet/tab *FY2025 Other Income* for details. The total amount projected for FY2025 Other Income is \$89.65 million, of which \$53 million is allocated to LUMA. 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.
- d. For specific details on the additional funding, its allocation, and the funding source, please refer to item #7 in Appendix B: P3A Budget Allocation of the Transmission and Distribution and GenCo Budgets for the FY2025 filing.
- e. In April 2024, LUMA updated the consumption and revenues in accordance with the budget preparation process.

1 and 2: The revised estimate comprises the re-estimation of FY2024, which was conducted using the actual data as of March 2024, and the re-estimation of the remaining months using regression models. The 2024 Re-forecast base revenues re-estimation indicates a 5.24% increase from the current budget approved last year. The actual base revenues for FY2024 as of May 2024 have increased by 13.23% in comparison to the same period in FY2023.

#### Base Rate (M\$)

FY 2024					2024 Re-forecast (Actual as of March 2024)				
Customer Class	FY 2025 Budget	Budget	Abs Variance	% Variance	Customer Class	Budget 2024	Abs Variance	% Variance	
Residential	385.03	373.94	11.09	2.96	Residential	415.20	373.94	41.26	11.03
Commercial	599.97	569.46	30.51	5.36	Commercial	590.86	569.46	21.40	3.76
Industrial	101.82	103.37	(1.55)	(1.50)	Industrial	98.88	103.37	(4.50)	(4.35)
PL	60.48	60.99	(0.51)	(0.84)	PL	61.03	60.99	0.04	0.07
Agriculture	1.89	1.88	0.01	0.71	Agriculture	2.04	1.88	0.16	8.76
Other Auth.	2.26	2.16	0.10	4.79	Other Auth.	2.02	2.16	(0.14)	(6.45)
<b>Total</b>	<b>1,151.46</b>	<b>1,111.81</b>	<b>39.65</b>	<b>3.57</b>	<b>Total</b>	<b>1,170.04</b>	<b>1,111.81</b>	<b>58.23</b>	<b>5.24</b>

#### Consumption GWh

FY 2024					2024 Re-forecast (Actual as of March 2024)				
Customer Class	FY 2025 Budget	Budget	Abs Variance	% Variance	Customer Class	Budget 2024	Abs Variance	% Variance	
Residential	6,371.42	6,167.00	204.42	3.31	Residential	7,104.68	6,167.00	937.68	15.20
Commercial	7,761.98	7,124.20	637.78	8.95	Commercial	7,959.92	7,124.20	835.72	11.73
Industrial	1,720.01	1,863.80	(143.79)	(7.71)	Industrial	1,705.88	1,863.80	(157.92)	(8.47)
PL	266.14	253.10	13.04	5.15	PL	303.74	253.10	50.64	20.01
Agriculture	21.63	21.50	0.13	0.61	Agriculture	23.99	21.50	2.49	11.58
Other Auth.	38.29	36.20	2.09	5.78	Other Auth.	39.25	36.20	3.05	8.43
<b>Total</b>	<b>16,179.47</b>	<b>15,465.80</b>	<b>713.67</b>	<b>4.61</b>	<b>Total</b>	<b>17,137.47</b>	<b>15,465.80</b>	<b>1,671.67</b>	<b>10.81</b>

### Base Rate (M\$) Actual as of May 2024

Customer Class	FY 2024	FY 2023	Abs Variance	% Variance
Residential	382.68	339.53	43.15	12.71
Commercial	536.27	458.67	77.60	16.92
Industrial	88.68	89.78	(1.10)	(1.23)
PL	56.20	51.37	4.83	9.40
Agriculture	1.86	1.73	0.13	7.69
Other Auth.	1.78	1.70	0.08	4.78
<b>Total</b>	<b>1,067.48</b>	<b>942.79</b>	<b>124.69</b>	<b>13.23</b>

### Consumption GWh Actual as of May 2024

Customer Class	FY 2024	FY 2023	Abs Variance	% Variance
Residential	6,622.68	5,668.49	954.18	16.83
Commercial	7,357.01	6,538.37	818.64	12.52
Industrial	1,497.59	1,534.31	(36.73)	(2.39)
PL	283.25	259.26	23.98	9.25
Agriculture	22.05	20.40	1.65	8.09
Other Auth.	36.32	33.59	2.73	8.14
<b>Total</b>	<b>15,818.90</b>	<b>14,054.43</b>	<b>1,764.47</b>	<b>12.55</b>

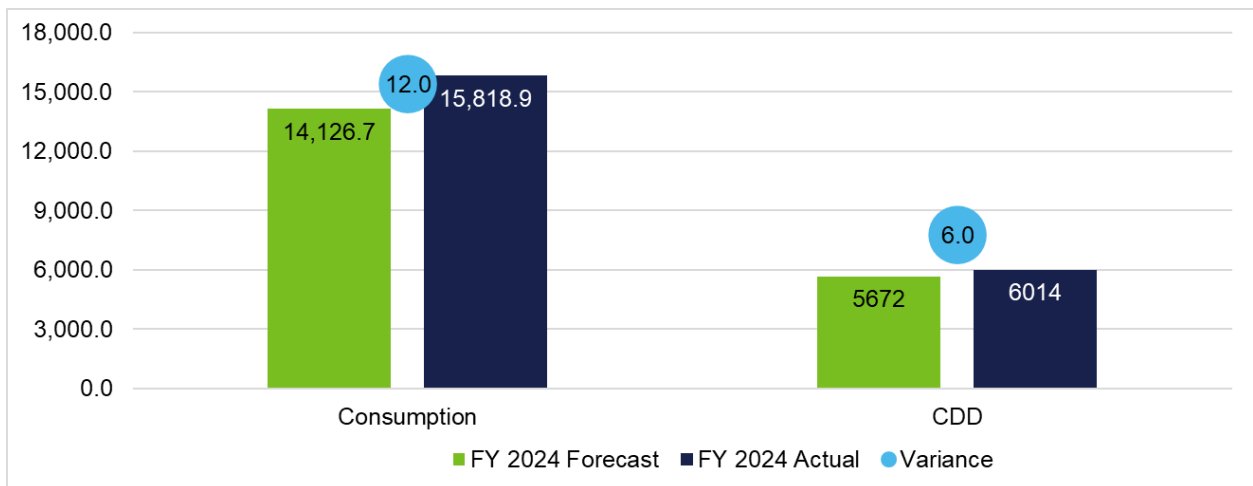
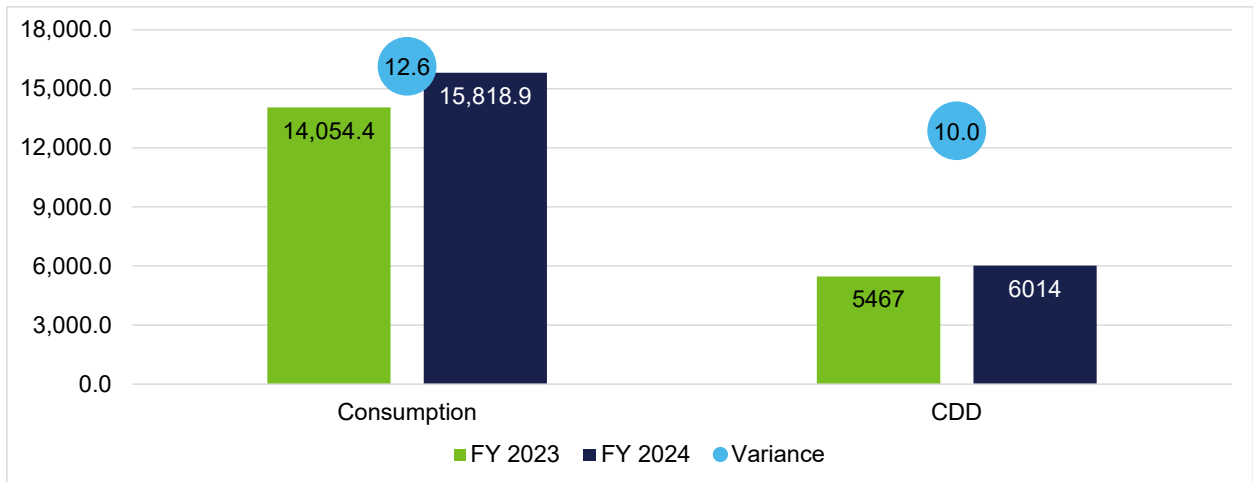
The main factors contributing to the increase in base revenues for FY 2025 and 2024 Re-fcst, as compared to the FY2024 Budget, were a significant rise in residential and commercial consumption due to several factors:

- Heatwave is measured with the cooling degrees days (CDD). The Energy Information Administration defines this:

“Cooling Degree Days (CDDs) are a measure of how hot the temperature was on a given day or during a period of days. It is a measurement designed to quantify the demand for energy needed to cool buildings. CDDs are calculated as the difference between the daily temperature mean and 65°F. If the temperature mean is above 65°F, we subtract 65 from the mean and the result is Cooling Degree Days 34. CDDs can help determine changing energy demands and describe how much cooling is needed to maintain a comfortable indoor temperature.”

The actual data for FY2024 as of May 24 indicates an increase in comparison to the FY2024 Budget and FY2023, which is attributable to an increase in the CDD. This explains why the consumption and base revenue of 2024 Re-fcst are higher than those of the FY2024 Budget. The CDD's impact on load is illustrated in the following figures.

## RESPONSE TO JUNE 12, 2024, REQUEST



- The second driver of the FY2025 Budget and 2024 Re-fcst base revenue increases is the use of higher macroeconomic indicators (population and gross national product) in contrast to the data provided by the Financial Oversight and Management Board for Puerto Rico in the previous fiscal year. These indicators are used to determine the consumption of the main consumer classes. In March 2024, the Financial Oversight and Management Board for Puerto Rico provided a population and gross national product forecast for FY2024 and FY2025. The outlook for FY2024 GNP was 2.5% higher than the previous year's figure used for the approved FY2024 budget, while the forecast for FY2025 was 3.7% higher. The population was 2.0% and 2.6% in each fiscal year. Finally, the current CDD applied this year was 0.2% higher than the one used in the preceding period. The residential class is impacted by the CDD and population, whereas the commercial class is influenced by the population and gross national product and CDD. The industrial class is the only sector experiencing a decline in consumption, whereas LUMA is now evaluating the main factors contributing to this trend. LUMA established two hypotheses: the cessation of certain industrial activities in Puerto Rico and an aggressive adoption of combined heat and power systems.

3. For the "Other" line item, break the details into service fees, bad debts, bankruptcy costs, advisor costs, 2% reserve, and any other pertinent details.

Regarding "Other" line items, the breakdown details are as follows:

## RESPONSE TO JUNE 12, 2024, REQUEST

- Service fee is calculated using the procedures in Annex VIII of the Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement that utilizes Consumer Price Index Factors and Consumer Price Index Values as defined in Section 1.1 – Definitions. For FY2025, it was calculated to be \$134.7 million.
- Bad debts are based on a 1.5% rate that was agreed to be reasonable by the Financial Oversight Management Board (FOMB), Public Private Partnerships Authority (P3A), PREPA, and Genera, and is the same rate used for bad debt calculations in the FY2024 Budget.
- PREPA provided its bankruptcy costs on March 8, 2024, for a total of \$18.7 million.
- The FOMB provided its advisory costs on Feb 28, 2024, for a total of \$28.96 million.
- The 2% reserve is consistent with Section 7.3(b) of the Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement.
- Genera provided its Service Fee on March 5, 2024, for a total of \$25.4 million and its Incentive Fee on May 3, 2024, for a total of \$40 thousand.
- LUMA calculated our own interim costs to be \$8.75 million.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-021**

---

## SUBJECT

General

## REQUEST

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.

a. Compare the Timelines, Milestones and Target Dates set forth in the FY 2024 budget for each Improvement Program.

## RESPONSE

a. Please refer to *ROI-LUMA-MI-2024-004-20240612-PREB-014-Attachment2*.



# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-022**

---

## SUBJECT

General

## REQUEST

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.

## RESPONSE

In response to this request, the \$8 million increase resulting from the \$568 million FY2025 submitted budget and the \$560 million FY2024 original budget is due to a \$14.6M increase in labor costs and a \$6.7M overall decrease in non-labor budget,

The main drivers for the increase in labor are due to:

- i. Increase of headcount in order to address the needs of the customers and size ourselves to accommodate the workload anticipated, along with salary and wage increases in alignment with labor agreements and to align with market rates.
- ii. Increase in LUMA's labor due to Shared Services termination on September 30, 2024.

The main drivers for the decrease in non-labor are due to:

- i. Higher allocation of materials and supplies being allocated to emergency response and outage restoration efforts.
- ii. Decreasing Professional and Technical services related to external consulting firms.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-023**

---

## SUBJECT

General

## REQUEST

As set forth in the LUMA May 25 Motion, Exhibit 1, p. 28, GridCo Non-Federally Capital Expenditures are approximately \$33 million higher than those approved for FY2024. Explain the reasons for the increase.

## RESPONSE

Please refer to ROI-LUMA-MI-2021-0004-20240612-PREB-018.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-024**

---

## SUBJECT

General

## REQUEST

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.

## RESPONSE

The increase in funding is primarily from the Customer Experience and Enabling Portfolio. Within the Customer Experience portfolio, the Advanced Metering Infrastructure Implementation program accounts for \$146 million, and the Distribution Streetlighting program has a ramp-up in expenses totaling \$83 million. In the Enabling Portfolio, the Microgrid Installation and Integration program has a ramp-up of \$60 million while the Vegetation Management and Capital Clearing Implementation program has an increased funding request of \$33 million. Beyond these main drivers, additional increases are seen across several program briefs. Notable programs with increased funding include Compliance and Studies, IT/OT Asset Management, Distribution lines Assessments, Substation Rebuilds, and Substation Reliability.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-025**

---

## SUBJECT

General

## REQUEST

Critical Financial Systems. Reference: LUMA FY2025 Budget page 43. What is the status of the Enterprise Resource Planning (ERP) system transition from Asset Suite to Oracle EBS?

- a. Are any Oracle modules currently being used or expected to be used by June 30, 2024? If so, which ones?
- b. Are any Oracle modules expected to be in use by June 30, 2025? If so, which ones?
- c. What costs have been included in the proposed FY2025 budget for conversion of the ERP from Asset Suite to Oracle?
- d. What efficiencies are anticipated to result from the conversion to Oracle?
- e. How are those efficiencies reflected in the proposed FY 2025 budget?
- f. Will Genera and PREPA use Oracle EBS?

## RESPONSE

- a. The first phase of services contract conversion is projected to conclude in the first quarter of FY2025. The subsequent phase is set to commence in the same fiscal year, and we anticipate its completion within two years. We also anticipate implementing the new modules for serving the first quarter of FY2025. Please note that no new modules will be accessible in FY2024 (ending June 30, 2024).
- b. Yes, we anticipate implementing iSupplier, iProcurement, Contract Management, Supplier Management, and Sourcing by the first quarter of FY2025 (Sept 2024).
- c. The cost included in the proposed FY2025 is budgeted for \$1.5 million.
- d. The benefit that are going to be anticipated to result from the Conversion to Oracle are the following:
  - 1. Improved visibility on financial numbers in real time: With Oracle, financial data and reports will be updated in real time, providing a more accurate and up-to-date view of the organization's financial health. This will enable better decision-making and forecasting based on current information.
  - 2. Expanded use of expenditure classification: Oracle will allow for a more detailed and comprehensive classification of expenditures, overcoming the challenge of limited

classification options in the current system. This will provide better insight into spending patterns and facilitate more effective budget management.

3. Establishment of a library of contract clauses in Oracle: This initiative will streamline our contract creation process, allowing us to quickly store, access, and assemble contracts using standardized language. It will also save time and ensure consistency in contract terms, significantly improving our operational efficiency.
  4. Vendors uploading invoices through a portal: By implementing a vendor portal for invoice submission, the Accounts Payable department can focus on reviewing and processing invoices rather than manual data entry. This automation will improve efficiency, reduce processing times, and minimize errors associated with manual invoice processing.
  5. Enhanced tracking capabilities in one centralized system: Oracle will allow for end-to-end tracking of procurement processes, from requisition to invoice payment, all within a single system. This centralized approach provides visibility into each process step, facilitating better coordination, control, and management of procurement activities.
  6. Elimination of manual integration between Asset Suite and Oracle: Currently, the manual integration between Asset Suite and other systems occurs only twice a month, leading to inefficiencies and delays in data synchronization. With the transition to Oracle, an integrated system, we will eliminate this limited integration frequency. Real-time financial data will be available within Oracle, providing enhanced visibility and accuracy for decision-making processes. This change not only will streamline operations but also reassure stakeholders about the project's progress, ensuring that financial information is always up-to-date and readily accessible.
- e. Although we do have benefits anticipated to result from the Conversion to Oracle that will lead to process improvements, the benefits are not tied to a numerical outcome in the FY2025 budget.
- f. Yes.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-026**

---

## SUBJECT

Employee Count

## REQUEST

Document 20240525 - Confidential FY25 Budget Operating Expenses shows a significant increase in employee count over FY2024.

- a. Fully explain the significant increase in employee count over FY2024 and the increase in total labor cost. Provide full justification and support.
- b. Fully explain the increase in total non-labor cost.

## RESPONSE

On a consolidated basis, the biggest drivers are Operations, Utility Transformation, and Support Services. For details of each, please refer to:

Operations: ROI-LUMA-MI-2021-0004-20240612-PREB-027

Utility Transformation: ROI-LUMA-MI-2021-0004-20240612-PREB-028

Support Services: ROI-LUMA-MI-2021-0004-20240612-PREB-029

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-027**

---

## SUBJECT

Employee Count - Operations

## REQUEST

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.

- a. Fully explain the increase in employee count and decrease in total labor cost.
- b. Fully explain the decrease in non-labor costs.

## RESPONSE

LUMA's headcount and hiring decisions are reflective of the organization being sized to address the needs of our customers and support the utility in order to be responsive to contractual and regulatory requirements. The FY2025 Labor Budget has been developed with this goal in mind.

- a. As mentioned above, overall employee count for FY2025 has increased compared to FY2024 in order to address the needs of the customers and size ourselves to accommodate the workload anticipated. When compared to FY2024, the total labor cost for FY2025 has increased. Please refer to the Budget Amendment approved on May 6, 2024 for details on Operations labor dollar reallocation – included as *ROI-LUMA-MI-2021-0004-20240612-PREB-027\_Attachment 1*.
- b. Based on the information provided by experience and knowledge from previous fiscal years, the decrease in non-labor costs can be primarily attributed to higher-than-anticipated non-labor resources being dedicated to emergency response and outage restoration efforts, based on historical data analysis.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-028**

---

## SUBJECT

Employee Count – Utility Transformation

## REQUEST

Document 20240525 Confidential FY25 Budget Operating Expenditures.xlsx shows a significant increase in employee count over FY2024 in 3.2.1 Utility Transformation, and a significant increase in total cost.

- a. Fully explain the significant increase in employee count over FY2024 and the significant increase in total labor cost. Provide full justification and support.
- b. Fully explain the increase in non-labor costs.

## RESPONSE

a - b. Utility Transformation is increasing its headcount in FY2025 in order to address the needs of the customers and size ourselves to accommodate the workload anticipated. Below are the main drivers for the increase in headcount, as well as labor and non-labor costs:

- Increase in headcount to support the planning and execution of federal and non-federal projects.
- Administrative duties for all resources (newly hired and existing) to execute FEMA and Non-FEMA projects (i.e. performance reviews, meetings to set up processes, onboarding employees, and supporting staff on training)
- Increase in the training budget that is mainly planned for training of the 200+ new engineers and other technical professionals in the team.
- Increase outage investigations and root cause analysis performed by the Political Action Committee and Outage Investigation Teams.
- Increase operational support on outage planning and reliability analysis.
- Increase involvement in operational activities like customer engagements or support for customers on technical matters.
- Introduction of the Advanced Metering Infrastructure (AMI) communications stockholder plan for the next twelve months. This initiative is developed to educate customers on the benefits that meter replacements for AMI will bring.



# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-029**

---

## SUBJECT

Employee Count – Customer Experience

## REQUEST

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.

- a. Fully explain the decrease in employee count and in total labor cost.
- b. Fully explain the increase in non-labor cost.

## RESPONSE

- a. The main drivers for Customer Experience's overall labor budget decrease for FY2025 include lower headcount due to higher call center productivity and an increase in digital customer self-serve functions. Furthermore, the FY2025 Customer Service Operating Expenditure Budget decreased in total labor cost, this variance reflects LUMA's efforts to assess customer needs and develop a budget aligned with meeting those needs and complying with contractual and regulatory requirements, while also taking into account funding constraints.
- b. The non-labor expenditure for FY2024 was amended on May 6, 2024, to \$37.2 million, up from the \$36.7 million originally budgeted for. Therefore, the non-labor budget of \$37.1 million for FY2025 consistent with the amount budgeted for FY2024, as amended.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-030**

---

## SUBJECT

Employee Count – Support Services

## REQUEST

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.

- a. Fully explain the significant increase in employee count over FY2024 and the significant increase in total labor cost. Provide full justification and support.
- b. Explain how these support services employees contribute to the execution of vegetation management activities and/or field maintenance/repair of T&D facilities.
- c. Provide a breakdown of employee numbers by titles, responsibilities, and salaries within each 3.2.1 category.

## RESPONSE

As described on page 12 of LUMA's FY2025 Budget filing, several organizational changes took place in order to better meet customer needs and operate the utility. See reference below.

### 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.

## RESPONSE TO JUNE 12, 2024, REQUEST

- a. Support Services headcount and total labor cost increase from FY2024 to FY2025 are due to a wide range of factors. The main drivers are:
- LUMA organizational changes in Fleet and Operations resulted in a headcount shift of 115 and an aggregated labor cost of these is \$9.5 million. (56% of Support Services' increase in total labor cost is due to department reorganization.)
  - Major headcount changes include: 1) increase in Procurement headcount to support non-federally funded and federally funded projects. 2) increase in Real Estate and Facilities headcount as a result of decreasing Professional and Technical Services.
  - Salaries and wages increase in alignment with labor agreements and to align with market rates to continue to deliver on Transmission and Distribution services
  - For FY2025, LUMA added the new Compliance Department, which has a total headcount of 7, and increased labor by \$1.1 million.
- b. Support services employees provide a crucial role in supporting the execution of vegetation management and field maintenance/repairs, including but not limited to:
- Manage inspection and maintenance of vehicles and equipment necessary for vegetation management and maintenance/repairs crews, ensuring optimal condition for field operators. (Corporate Services - Fleet)
  - Oversee the upkeep of buildings and facilities used by field personnel. (Corporate Services - Facilities)
  - Manage permits required for vegetation clearing and meeting regulatory reporting obligations. (Regulatory)
  - Recruitment of skilled workers and development of safety training programs for field operations. (HR/ Corp Services -HSEQ)
  - Manage the budgeting process of federal funds. (Finance)
  - Manage all purchases needed for the vegetation, maintenance, and repair activities. (Procurement)
  - Ensure that vegetation management and field activities comply with relevant laws, regulations, and internal policies. (Compliance)
  - Provide legal advice on matters related to these activities. (Legal)
- c. Please refer to *ROI-LUMA-MI-2021-0004-20240612-PREB-030\_Attachment 1*.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-031**

---

## SUBJECT

Lineworkers

## REQUEST

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?

## RESPONSE

Below is a table comparing the budgeted headcount of full-time employee lineworkers qualified to work on energized lines for fiscal years 2023, 2024, and 2025.

	FY2023	FY2024	FY2025
Full-time employee Lineworkers qualified to work on energized lines	656	899	1,171

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-032**

---

## SUBJECT

Workpapers

## REQUEST

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.

## RESPONSE

Please refer to *FY25 Budget - Working Papers - Operating Expenditures* file submitted on May 25, 2024 to PREB.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-033**

---

## SUBJECT

Additional Available Funding

## REQUEST

LUMA states in Exhibit 1 at p. 6 that the P3 Authority identified \$90 million in Other Income to supplement base rate revenues. Of this, \$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

## RESPONSE

- a. Please refer to spreadsheet *ROI-LUMA-MI-2021-0004-20240612-PREB-033\_Attachment1*. The spreadsheet contains 4 worksheets (tabs):
  - FY2025 Other Income - based on FY2024 actuals from Jul 2023 through Mar 2024. The monthly averages of the actuals were then utilized to forecast Apr 2024 to Jun 2024.
  - FY2024 Other Income. This is the worksheet that was submitted to the PREB during the FY2024 Budget Allocation process. The amounts were based on actuals from Jul 2022 through Jan 2023. The monthly averages of the actuals were then utilized to forecast Feb 2023 to Jun 2023.
  - FY2023 – Other Income – these are full FY2023 actuals.
  - Variance Analysis—contains variance by line item between FY2024 and FY2023, as well as between FY2025 and FY2024.
- b. Within the same worksheets (tabs) referenced for response #1, please refer to Column T within each tab for the allocation rationale utilized for each line item. It details the decision for the allocations to each entity. Additionally, the budget allocation process involves a series of meetings to review these

allocations each year with P3A, Genera, PREPA, and LUMA. This process ensures that all entities and parties participate, provide input, review, and approve the allocations as presented.

- c. Since Commencement, LUMA has significantly enhanced its revenue/income collection processes, resulting in increased effectiveness across the organization at improving Other Income. By implementing billing systems improvements and streamlining processes, LUMA has improved tracking and collection of Other Income. These strategic improvements have strengthened the financial position of LUMA and benefited PREPA and Genera while also allowing LUMA to better serve its customers. It is important to note that 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.

As noted in the referenced document (*ROI-LUMA-MI-2021-0004-20240612-PREB-033\_Attachment1*), Other Income is comprised of nine (9) categories – with Interest Income, Late Payment Charges, and Miscellaneous Service Revenue making up 96% of the total dollars. While LUMA has made improvements across all categories, we'll focus our response on these three categories.

As it relates to Interest Income, the current high interest rate environment has resulted in higher cash earnings across all accounts. Interest income is the result of the current market environment, and after costs (i.e., bank fees paid by LUMA are recuperated), all entities are equally benefiting.

As it relates to Late Payment Charges, LUMA's Customer Experience department (and within it, the Revenue Protection team) has instituted various improvements that have more effectively targeted Late Payment collections across all customer classes. This includes service calls and email follow-ups to past-due customers after 30, 60, and 90 days. If late payments are not addressed, customers receive disconnection notices 30 days and 48 hours prior to disconnection. Furthermore, LUMA has instituted more payment options than previously available to customers and has fully automated the severance process in the Oracle CC&B system. Since Commencement, LUMA has focused on improving the collections process from end-to-end.

The Miscellaneous Services Revenue is composed of a variety of services including, but not limited to, fees for Tranches and Renewable projects, Disconnection fees, Third Party Attachment fees, Net Metering related fees, and other ancillary fees, such as miscellaneous charges, real estate rent, and administrative charges. Regarding Disconnection fees, it is important to note that PREPA did not collect these fees, as it did not disconnect customers. As of October 2023, LUMA began collecting such fees from commercial and industrial customers. By January 2024 it began collecting these fees from residential customers as well. This, in combination with improvements to the collections process, has ensured that these fees are consistently applied and collected throughout the year. Regarding Third Party Attachments, LUMA has implemented an automated billing process to bill and collect fees from the Telecommunication providers and other providers that utilize LUMA's poles. Regarding Tranches & Renewables, these fees have picked up significantly as renewable energy companies ramp up their renewable projects. As for Net Metering and other fees, LUMA has been able to implement a customer portal where clients can view their invoices, make payments, and track usage, simplifying how this income stream is managed.

Overall, LUMA has demonstrated that the process and system improvements it has implemented have significantly enhanced the collection of other income sources. By applying these improvements, LUMA has accelerated payment cycles and increased overall financial stability. These enhancements have benefited LUMA, PREPA, and Genera and LUMA will continue to seek more ways to continually improve the processes surrounding Other Income.

**RESPONSE TO JUNE 12, 2024, REQUEST**

d. Please refer to response #1. The worksheets in *ROI-LUMA-MI-2021-0004-20240612-PREB-033\_Attachment1* include the details.



# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-034**

---

## **SUBJECT**

Additional Available Funding

## **REQUEST**

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.

## **RESPONSE**

For specific details on the additional funding, its allocation, and the funding source, please refer to item #7 in Appendix B: P3A Budget Allocation of the *T&D and GenCo Budgets for the FY2025* filing.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-035**

---

## SUBJECT

Efficiencies

## REQUEST

What efficiencies have been identified and quantified for FY2024? Identify and quantify YTD.

## RESPONSE

LUMA has not quantified efficiencies for FY2024. Generally, the use of the term “efficiencies” by LUMA in its filing is meant to refer to overall improvements in processes, procedures, capabilities, resource allocation and other activities within the organization implemented by LUMA since June 2021. Particularly, they refer to improvements when compared to the outdated and ineffective system and procedures in place at Service Commencement, as documented in LUMA's System Remediation Plan. LUMA's use of the term “efficiencies” is not meant to ascribe any monetary value to any particular improvement or initiative but rather reflect how we operate efficiently while operating within the budget. Please refer to *ROI-LUMA-MI-2021-0004-20240612-PREB-035\_Attachment 1* for LUMA's position on the matter. Two key excerpts included below for reference:

### ***Exhibit 1, Page 2:***

#### **DEFINING FUTURE EFFICIENCIES REFERRED TO IN LUMA'S INITIAL BUDGETS**

During the initial budgets, LUMA presented PREB with a cost reduction projection it labeled “future efficiencies”. The amounts identified for FY2022-FY2024 were not the result of specific cost saving initiatives implemented by LUMA, nor calculated based on a bottoms-up assessment of the cost reduction potential of any particular initiative. The amounts identified as efficiencies were the result of the expected reductions in available GridCo budget for each fiscal year resulting from declining energy sales. Therefore, LUMA would have to reduce expenditures in future budgets by that amount in order to remain within the prevailing Rate Order and avoid a Rate Modification Request, which LUMA has successfully done to operate within a decreasing budget.

***Exhibit 1, Page 7:***

Therefore, efficiencies are better measured based on desired outcomes, rather than on monetary value. In all cases, the desired outcome would entail a benefit to the ratepayer, be it through improved quality of service, greater operational responsiveness or reduced costs.

The desired outcomes would be driven by certain actions that LUMA would undertake. Ordinarily, for each area of interest, an assessment of opportunity is made, which would be followed by the development of an implementation plan detailing action items and timelines. As the plan is implemented, outcomes are achieved, until the final desired outcome is reached. To the extent the desired outcome produces a savings, then those savings offset other costs.

The Energy Bureau can use the information and outcomes reported by LUMA as one of the inputs in determining rates going forward.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-036**

---

## **SUBJECT**

Efficiencies

## **REQUEST**

What efficiencies are projected for FY2025? Identify and quantify projections.

## **RESPONSE**

Please refer to ROI-LUMA-MI-2021-0004-20240612-PREB-035.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-037**

---

## **SUBJECT**

Efficiencies

## **REQUEST**

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.

## **RESPONSE**

This particular statement concerns the Customer Experience's Process Development and Governance team, which has been established to enable strategic alignment on LUMA's end-to-end processes. This effort will include detailed process maps, standardized approach tools, and technology to manage continuous improvements for operational processes.

Please refer also to ROI-LUMA-MI-2021-0004-20240612-PREB-035.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-038**

---

## **SUBJECT**

Efficiencies

## **REQUEST**

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?

## **RESPONSE**

a-b. Please refer to ROI-LUMA-MI-2021-0004-20240612-PREB-035.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-039**

---

## SUBJECT

Efficiencies

## REQUEST

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

## RESPONSE

- a. Please see the response provided in ROI-LUMA-MI-2021-0004-20240612-PREB-035.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-040**

---

## **SUBJECT**

Third Party Attachments

## **REQUEST**

What is the status of collecting rents from third party attaches for the use of electric utility poles?

## **RESPONSE**

As of June, 2024 LUMA began billing telecommunication companies for the rent on their third-party attachments for FY2022 and FY2023. Invoices for FY2024 have not been sent and will be issued after the fiscal year ends. For details of the contracts, please refer to ROI-LUMA-MI-2021-0004-20240612-PREB-041.



# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-041**

---

## SUBJECT

Third-Party Attachments

## REQUEST

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?

## RESPONSE

Please see below two tables that contain information regarding third-party attachment contracts and revenue each year. FY2025 revenues have been forecasted using historical data. LUMA has not yet collected any revenues from third party attachments, but bills have been sent for FY2022 and FY2023.

**Revenues per year:**

Pole Attachments		
<i>Fiscal Year</i>	<i>Unit</i>	<i>Billed Amount</i>
FY2022	429,438	\$4,424,013
FY2023	452,657	\$4,653,827
FY2024	453,553	\$4,664,494
FY2025	464,712	\$4,787,403

## RESPONSE TO JUNE 12, 2024, REQUEST

### Contracts:

Companies	Contracts	Date
AeroNet Wireless Board-brand Corp	"Uso Mancomunado de postes de la Autoridad de Energía Eléctrica de Puerto Rico"	November 5, 2013
AT&T Mobility PR Inc.	"Joint Use of Poles Owned by the Puerto Rico Electric Power Authority"	October 31, 2011
	First Amendment of Joint Use of Poles Owned by the Puerto Rico Electric Power Authority,	November 22, 2011
Puerto Rico Telephone Company	"Uso Mancomunado de postes de la Autoridad de Energía Eléctrica de Puerto Rico"	
Columbus Networks de Puerto Rico Inc.	"Uso Mancomunado de postes de la Autoridad de Energía Eléctrica de Puerto Rico"	October 5, 2010
Liberty Cablevision of Puerto Rico, LTD	"Uso Mancomunado de postes de la Autoridad de Energía Eléctrica de Puerto Rico"	October 5, 2009
Neptuno Media Inc.	Pole attachment License	September 2020
Critical Hub Networks Inc.	"Uso Mancomunado de postes de la Autoridad de Energía Eléctrica de Puerto Rico"	July 1, 2015
Hub Advanced Networks LLC	Pole Attachment License	May 2021
Netwave Equipment Corp/ Data@ccess Communications Inc	"Uso Mancomunado de postes de la Autoridad de Energía Eléctrica de Puerto Rico"	December 22, 2015
	First Amendment for contract "Uso Mancomunado de postes de la Autoridad de Energía Eléctrica de Puerto Rico"	November 2016
Osnet Wireless Corp.	"Uso Mancomunado de postes de la Autoridad de Energía Eléctrica de Puerto Rico"	July 1, 2024
Worldnet Telecommunications Inc	"Uso Mancomunado de postes de la Autoridad de Energía Eléctrica de Puerto Rico"	August 31, 2009

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-042**

---

## **SUBJECT**

Third-Party Attachments

## **REQUEST**

Provide the total number of distribution poles owned by PREPA and maintained by LUMA in each year, FY 2022, FY 2023, and FY2024.

## **RESPONSE**

LUMA maintains records for approximately 637,000 poles owned by PREPA. We estimate that there are an additional 185,000 secondary poles that are not included in LUMA's GIS system. Number of poles has not materially fluctuated from year to year.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-043**

## SUBJECT

Third-Party Attachments

## REQUEST

Provide the Total Investment in Poles, Towers and Fixtures, by account, for each year, FY2022, FY 2023, and FY 2024.

## RESPONSE

Below is the total investment (capitalized) in poles, towers, and fixtures per year:

Note: In FY2022, there was no capitalization under those categories.

	Group	Description	FY-23			FY-24			Inception to Date		
			Cost	Depreciation	Net Book Value	Cost	Depreciation	Net Book Value	Cost	Depreciation	Net Book Value
Transmission	GR.06.356.00	Overhead Conductors & Devic	-	-	-	651	28	624	651	28	624
Distribution	GR.07.362.03	Power Transformers	-	-	-	7,909	69	7,840	7,909	69	7,840
	GR.07.362.04	Switching, Control Equipment, etc	36,958	413	36,546	1,051,678	34,160	1,017,518	1,088,636	34,573	1,054,063
	GR.07.364.01	Wooden Poles & Crossarm	-	-	-	36,147	5,381	30,765	36,147	5,381	30,765
	GR.07.364.02	Steel Poles	1,652	40	1,611	74,014,532	2,442,392	71,572,140	74,016,184	2,442,433	71,573,751
	GR.07.364.03	Concrete Poles	-	-	-	805,855	5,070	800,785	805,855	5,070	800,785
	GR.07.365.00	Overhead Conductors & Devices	1,070	11	1,059	48,815,418	1,111,024	47,704,394	48,816,488	1,111,035	47,705,452
	GR.07.366.00	Underground Conduit	-	-	-	1,537	24	1,514	1,537	24	1,514
	GR.07.368.00	Line Transformers	20,480	510	19,970	22,848,883	608,332	22,240,551	22,869,363	608,842	22,260,521
	GR.07.369.00	Services	-	-	-	77,977	1,991	75,985	77,977	1,991	75,985
	GR.07.373.00	Street Lighting & Signal Systems	-	-	-	103,205,938	1,960,434	101,245,504	103,205,938	1,960,434	101,245,504
<b>Total</b>			<b>60,160</b>	<b>975</b>	<b>59,185</b>	<b>250,866,524</b>	<b>6,168,906</b>	<b>244,697,618</b>	<b>250,926,684</b>	<b>6,169,881</b>	<b>244,756,803</b>

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-044**

---

## **SUBJECT**

Third-Party Attachments

## **REQUEST**

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.

## **RESPONSE**

For FY2025, total budgeted capital expenditures for distribution poles are approximately \$265 million. The budgeted amount is comprised of the following programs: Distribution Pole and Conductor Repair, Distribution Automation, Distribution Streetlighting, and Distribution Line Rebuild. A portion of the budget is subject to FEMA obligation.

The poles being replaced have been identified and prioritized as part of either our System Remediation Plan, poles that pose safety risks to our customers, crews, and property, or feeders with poor reliability performance, where we are targeting the worst-performing feeders first.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-045**

---

## **SUBJECT**

Third Party Attachments

## **REQUEST**

Provide the Total Depreciation in Poles, Towers and Fixtures, by account, for each year, FY 2022, FY 2023 and FY 2024.

## **RESPONSE**

Please refer to the response provided in ROI-LUMA-MI-2021-0004-20240612-PREB-0043. Total depreciation is included in the response.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-046**

---

## **SUBJECT**

Bad Debts

## **REQUEST**

What program(s) does LUMA have in place in FY 2025 for collection of bad debts?

## **RESPONSE**

Accounts receivable become "bad debt" only after undergoing a standard 30/60/90-day dunning process, which includes disconnection of the service in the field, closure of the account in the billing system, and the write-off of the debt in the billing system. Once we begin writing accounts off in the customer care and billing system, they will be deemed "bad debt." A bad debt is no longer collectible as a standard account and is subtracted from revenues. Therefore, LUMA does not plan to collect amounts deemed as "bad debt", but, as described below, is implementing improvements to enhance collections, reducing the amounts of unpaid bills that are eventually classified as "bad debt".

LUMA inherited a billing system with exceptionally atypically technical configuration, including the lack of an automated severance process. Additionally, no manual collections had been performed since 2017. Recently, LUMA updated the system configuration and automated the credit and collections process across all customer classes.

The system is now programmed to monitor customer balances and commence collection activity based on age and amount of customer debt. This programming includes the following activities: Outbound call reminder (day 45), overdue letter (day 70), second outbound call reminder (day 93), 30-day disconnection letter(day 100), 48-hour disconnection call (day 130) and disconnection of service (day 132).

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-047**

---

## **SUBJECT**

Bad Debts

## **REQUEST**

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.

## **RESPONSE**

Currently, LUMA does not have any "bad debt" related to revenues billed in FY2024 – FY2024 revenues are in accounts receivable. Please see ROI-LUMA-MI-2021-0004-20240612-PREB-046 for how LUMA accounts for bad debt.

Regarding projected bad debt, please see ROI-LUMA-MI-2021-0004-20240612-PREB-048. Once the CC&B system is optimized, currently anticipated for late 2024, LUMA's goal is to provide a bad debt percentage based on the amount of Accounts Receivable deemed uncollectable and written off each fiscal year. Until the CC&B system reflects accurate data related to Accounts Receivable, the 1.5% application is applied to write off what is deemed uncollectable.



# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-048**

---

## **SUBJECT**

Bad Debts

## **REQUEST**

How are amounts collected for bad debts accounted for in LUMA's budget?

## **RESPONSE**

LUMA has assumed that 1.5% of the total revenues from the rates are allocated for bad debt expenses. This percentage is consistent with the assumption used in developing the FY2024 budget. This 1.5% of the total revenues allocated for bad expenses is treated as a system-wide cost and is deducted from the available funds for the entire system. Consequently, this allocation impacts not only LUMA's specific budget but also the other entities.

Please refer to ROI-LUMA-MI-2021-0004-20240612-PREB-046 for a discussion of how LUMA accounts for "bad debts".

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-049**

---

## **SUBJECT**

Bad Debts

## **REQUEST**

What is the anticipated budgetary use of the funds collected in payment of past bad debts?

## **RESPONSE**

Please see ROI-LUMA-MI-2021-0004-20240612-PREB-046. As stated in that response, LUMA defines bad debts as the revenue in the Customer Care and Billing system that is uncollectable and written off. LUMA is prioritizing activities aimed at enhancing the effectiveness with which it collects payment for past due bills, before such amounts become bad debts. LUMA has not collected bad debts.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-050**

---

## SUBJECT

Bad Debts

## REQUEST

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.

## RESPONSE

Please refer to ROI-LUMA-MI-2021-004-20240612-PREB-048 for assumption details.

Bad Debts Budget per Fiscal Year (\$ million)

	FY2025	FY2024	FY2023
Bad Debts	59,529	59,450	74,466

---

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-051**

---

## **SUBJECT**

Advanced Metering Infrastructure

## **REQUEST**

What is the status of AMI deployment? Describe the extent of this deployment, e.g., not constrained to the installation of smart meters.

## **RESPONSE**

Advanced metering infrastructure pre-deployment walkdowns began in April 2024. As of June 2024, LUMA has assessed approximately 22,000 meters. This assessment involved verifying the meters' condition and verifying meter to transformer connections.

LUMA is currently in final stages of negotiating contracts with a meter technology vendor and forecasts to begin installation of meters in the early second quarter of FY2025.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-052**

---

## **SUBJECT**

Advanced Metering Infrastructure

## **REQUEST**

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?

## **RESPONSE**

Based on the current project timeline, no advanced metering infrastructure meters will have been installed by June 30, 2024. Please refer to ROI-LUMA-MI-2021-0004-20240612-PREB-51 for information on current status. By June 30, 2025, the total number of installed and functioning advanced metering infrastructure meters is projected to reach approximately 200,000 units.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-053**

---

## **SUBJECT**

Advanced Metering Infrastructure

## **REQUEST**

Specify the non-federally funded amounts budgeted in FY 2025 to support the implementation of the AMI program.

## **RESPONSE**

The AMI deployment program is funded entirely by federal funds for FY2025.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-054**

---

## **SUBJECT**

Advanced Metering Infrastructure

## **REQUEST**

How is LUMA using the additional information enabled by the AMI program for:

- a. Energy efficiency promoting customer billing options such as but not limited to time-of-use billing?
- b. Improving grid resiliency?

## **RESPONSE**

LUMA is currently in the final stages of negotiating contracts with a meter technology vendor and project to begin installation of the meters in the early second quarter of 2025. Capabilities to support grid resiliency and energy efficiency will be realized once AMI meters are functional.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-055**

---

## **SUBJECT**

Shared Services

## **REQUEST**

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.

- a. How will the determination of whether shared services need to be extended be made?
- b. How will any additional costs be accommodated?

## **RESPONSE**

- a. The Genera and PREPA Amended Shared Services agreements (SSA's) terminate on September 30, 2024. Both SSA's contain a common Section 2.3.b. whereby the parties mutually agree to extend their terms and conditions in good faith. PREPA and Genera are making separate plans to assume independent operations without LUMA's supporting Shared Services. LUMA is not responsible for or aware of all the parties' plans except to the degree they request LUMA's support. As of June 2024, neither PREPA nor Genera has formally notified LUMA of any intent to specifically extend or amend the Shared Services agreements (as defined in Article III).
- b. There are no plans to accommodate additional costs because neither Genera nor PREPA has requested an extension of services.



# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-056**

---

## SUBJECT

Shared Services

## REQUEST

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.

## RESPONSE

Under the amended Shared Services Agreement, the budgeted labor costs for Finance and IT/OT are fixed cost charges the parties agreed to and have been approved by the P3A. This fixed labor charge was based on an analysis of the functional operating estimates for prior years.

A monthly breakdown of these costs is as follows:

ENTITY	FINANCE LABOR	IT/OT LABOR	TOTAL
Genera	\$112,500	\$90,000	\$202,500
PREPA	\$37,500	\$30,000	\$67,500
Total	\$150,000	\$120,000	\$270,000

The corresponding Q1 FY2025 budget represents three months of these charges.

Exhibit A of each Shared Services Agreement summarizes the employees' roles and responsibilities. It is important to note that no LUMA IT/OT or Finance employee is assigned entirely to PREPA or Genera work; most work simultaneously on LUMA, PREPA and Genera responsibilities in the respective departments and functions.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-057**

---

## **SUBJECT**

Shared Services

## **REQUEST**

The proposed FY2025 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.

## **RESPONSE**

The tasks and activities LUMA will undertake in Q1 FY2025 to provide Shared Services are summarized in Exhibit A of each Shared Services Agreement. Please refer to *ROI-LUMA-MI-2021-0004-20240612-PREB-057\_Attachment1* and *ROI-LUMA-MI-2021-0004-20240612-PREB-057\_Attachment2*.

Neither PREPA nor Genera has provided LUMA with any transition plan sufficient to identify or elaborate on specific tasks to align any work with the respective Genera or PREPA transition plans.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-058**

---

## **SUBJECT**

Shared Services

## **REQUEST**

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.

## **RESPONSE**

Please refer to *ROI-LUMA-MI-2021-0004-20240612-PREB-057\_Attachment1* and *ROI-LUMA-MI-2021-0004-20240612-PREB-057\_Attachment2* for specific information on IT services.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-059**

---

## **SUBJECT**

Shared Services

## **REQUEST**

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.

## **RESPONSE**

Please refer to *ROI-LUMA-MI-2021-0004-20240612-PREB-057\_Attachment1* and *ROI-LUMA-MI-2021-0004-20240612-PREB-057\_Attachment2* for specific information on Finance and Accounting services.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-060**

---

## **SUBJECT**

Shared Services

## **REQUEST**

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.

## **RESPONSE**

Neither PREPA nor Genera has provided LUMA with a detailed transition plan and schedule to enable LUMA to develop supporting plans for the handover of Shared Services. Consequently, LUMA has only provided *ad hoc* services as requested.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-061**

---

## **SUBJECT**

Shared Services

## **REQUEST**

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.

## **RESPONSE**

LUMA is not aware of any cost savings opportunities during the referenced transition period. To the extent such opportunities arise, LUMA will do its best to capture them.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-062**

---

## **SUBJECT**

Shared Services

## **REQUEST**

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.

## **RESPONSE**

For the IT portion of the question please refer to ROI-LUMA-MI-2021-0004-20240612-PREB-063. The current, unexecuted Insurance Collaboration Agreement (which is not part of the Shared Services) anticipates savings in the FY2025 combined insurance program. The actual results of the market solicitation for these policies are not complete and, therefore, are not yet estimated or determined.

LUMA has no current basis to estimate potential savings on potential volume discounts.

# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-063**

---

## **SUBJECT**

Shared Services

## **REQUEST**

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.

## **RESPONSE**

It is not possible to run a common IT infrastructure among LUMA, PREPA, and Genera and for LUMA to simultaneously comply with its Operation and Maintenance Agreement and the Shared Services Agreements (as amended.) The Operation and Maintenance Agreement (through Annex VI) directed the creation of an interim Shared Services Agreement. The original Shared Services Agreement was to expire the sooner of three years (May 31, 2024) or six months after the Commencement of the GenCo Operator (July 1, 2023, plus 6 months; therefore, it would have expired on December 31, 2023.) Delays in Genera and PREPA's ability to establish independent operations has required LUMA to extend the Amended Shared Services Agreement until September 30, 2024.

LUMA, in its diligent assessment, cannot estimate any potential cost savings of a common IT infrastructure because it is contrary to the reorganization needs of PREPA as conceived on the Legacy Generation Assets OMA and the Puerto Rico Transmission and Distribution System OMA, which require each operating entity of the Electric System to be independent of one another, thereby breaking down PREPA's former integrated monopoly.



# Review of LUMA's Proposed Consolidated FY2025 Budgets

NEPR-MI-2021-0004

**Response: ROI-LUMA-MI-2021-0004-20240612-PREB-064**

---

## SUBJECT

Grid Resilience

## REQUEST

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 Donan destroyed electric utility infrastructure on those islands?" 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?

## RESPONSE

- a. As part of LUMA's benchmarking efforts, it is generally aware of the Bahamas' electric utility infrastructure rebuild efforts after Hurricane Dorian.
- b. LUMA's FY 2025 budget includes significant investments to improve resilience in alignment with LUMA's design criteria, which are informed by the National Electric Safety Code, industry standards, and Puerto Rican law (e.g., Act 17). To that end, LUMA is deploying hardened infrastructure on the transmission and distribution systems, including critical substation projects, as well as a targeted microgrid deployment which will include solar generation, battery energy storage, and other distributed energy resources on Vieques and Culebra, as well as battery energy storage projects across the rest of Puerto Rico to improve resilience.

## RESPONSE TO JUNE 12, 2024, REQUEST

- c. LUMA's general benchmarking efforts include lessons learned from responses to extreme weather events, including those in the Carribean, which have informed the development of LUMA's processes in the case of a similar event.