



Monthly Report on the T&D System

For the Month of November 2022

December 15, 2022

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1.0 Mission, Goals and Areas of Responsibility

LUMA assumed operations of Puerto Rico's Transmission and Distribution System (T&D System) on June 1, 2021, with the mission to recover and transform the energy grid and deliver customer-centric, reliable, resilient, safe and sustainable electricity at reasonable prices for the 1.5 million customers LUMA is proud to serve. LUMA manages and operates the government-owned T&D Assets under the Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement ("T&D OMA") executed on June 22, 2020, among the Puerto Rico Electric Power Authority ("PREPA"), the Puerto Rico Public-Private Partnerships Authority ("P3A") and LUMA Energy, LLC and LUMA Energy ServCo, LLC (collectively, "LUMA").

This report outlines LUMA's key activities for the month of November 2022.

2.0 Monthly Sales Summary

- Consumption was higher in November over last month (28.3%), but lower than the same month from the previous year (-5.5%). Month-over-month change is largely due to the lower consumption in October due to widespread outages due to Hurricane Fiona.
- Energy sales in November increased 2.5% from the previous month data and 14.0% compared to the same month a year ago.
- FCA continued to be higher than the same time last year in line with increased global fuel prices.

Table 2-1. Energy billed by customer segment

Consumption (GWh)	Residential	Commercial	Industrial	Public Lighting	Agriculture	Other Authorities	Total
2022 November	560.5	592.7	149.6	25.0	1.8	3.3	1,332.9
2022 October	398.1	497.4	116.1	22.9	1.0	3.0	1,038.5
2021 November	593.2	617.9	171.3	22.5	2.0	3.2	1,410.1

Table 2-2. Energy sales by rate component

Energy Sales (\$M)	Base	FCA ¹	PPCA ²	CILT & Subsidies ³	Total
2022 November	95.9	209.0	44.9	27.3	377.1
2022 October	77.7	225.0	40.4	24.9	368.0
2021 November	93.8	173.2	44.3	19.4	330.7

¹ FCA: Fuel Charge Adjustment

² PPCA: Purchased Power Charge Adjustment

³ CILT: Contribution In Lieu of Taxes

Table 2-3. Energy sales by customer segment

Energy Sales (\$M)	Residential	Commercial	Industrial	Public Lighting	Agriculture	Other Authorities	Total
2022 November	149.6	175.5	40.5	10.10	0.5	0.9	377.1
2022 October	133.1	181.6	40.0	11.9	0.4	1.0	368.0
2021 November	134.5	150.1	36.3	8.6	0.5	0.7	330.7

3.0 Outage Summary

Reported Events

- Several generation forced outages resulting in load shed occurred throughout the month.

Table 3-1: Significant Generation Outages

Date	Description of outage
11/01/2022	AES 1: Derated
11/02/2022	AGCC 1-4: Forced Outage Aguirre 2: Derated
11/03/2022	AES 1: Derated Costa Sur 6: Derated
11/04/2022	Costa Sur 6: Derated San Juan 5: Unplanned Outage
11/05/2022	AES 1: Derated AES 2: Derated San Juan 9: Forced Outage
11/07/2022	AES 1: Derated AES 2: Derated Aguirre 2: Forced Outage and Loadshed
11/08/2022	Palo Seco 3: Forced Outage and Loadshed San Juan 9: Forced Outage
11/09/2022	Aguirre 2: Forced Outage and Loadshed
11/10/2022	AES 1: Derated AES 2: Derated San Juan 9: Derated Costa Sur 6: Derated
11/11/2022	San Juan 9: Forced Outage
11/14/2022	San Juan 7: Forced Outage Palo Seco 3: Forced Outage AES 1: Forced Outage AES 2: Forced Outage Loadshed; as these units tripped at the same time

11/17/2022	Palo Seco 4: Forced Outage
11/18/2022	Palo Seco 4: Derated and Forced Outage AES 1: Derated AES 2: Derated
11/21/2022	San Juan 7: Forced Outage AES 1: Derated AES 2: Derated
11/22/2022	AES 2: Derated
11/23/2022	AES 1: Derated
11/24/2022	Palo Seco 3: Forced Outage and Loadshed
11/25/2022	AES 1: Derated AES 2: Derated
11/26/2022	Palo Seco 3: Derated
11/28/2022	Palo Seco 3: Derated
11/29/2022	AES 1: Forced Outage AES 2: Derated Palo Seco 3: Derated
11/30/2022	AES 2: Derated Palo Seco 3: Derated

Table 3-2: Significant Transmission Outages

Date	Description of outage
11/02/2022	Line 50200 tripped Line 36200 tripped
11/04/2022	Line 38300 tripped
11/05/2022	Line 50200 tripped Line 50400 tripped Line 50700 tripped Line 38300 tripped
11/08/2022	Line 51000 tripped
11/10/2022	Line 39000 tripped Line 50200 tripped
11/14/2022	Line 50900 tripped
11/19/2022	Line 50200 tripped
11/24/2022	Line 50200 tripped
11/26/2022	Line 50700 tripped
11/27/2022	Bank 115/38/13KV Manatí TC tripped;
11/28/2022	Line 6400 tripped

4.0 PREB Filings & Hearings

LUMA participated in and supported discussions with the Puerto Rico Energy Bureau (PREB or Energy Bureau) across a broad range of topics.

- [NEPR-AP-2020-0025](#) | **LUMA's Performance Metrics** – On November 21, 2022, LUMA submitted the Responses to Requests of Information (RFIs) on Additional Metrics by the Independent Consumer Protection Office ("ICPO") On November 28, 2022, LUMA submitted an Initial and Partial Response to Ninth Set of Information Request by the Puerto Rico Local Environmental and Civil Organizations ("LECO").
- [NEPR-MI-2019-0007](#) | **Performance Metrics** – On November 7th, 2022, LUMA filed the Submission in Compliance with Resolution and Orders (R&Os) of October 7 and 20, 2022, filling the underlying data and supporting calculations for certain performance metrics.
- [NEPR-MI-2019-0016](#) | **DG Interconnection** - On November 1, 2022, LUMA submitted the response to the first set of RFIs related to LUMA's previous submission to PREB and on November 14, 2022, LUMA submitted the response to the second set of RFIs.
- [NEPR-MI-2022-001](#) | **Energy Efficiency and Demand Response Transition Plan** - On November 4, 2022, LUMA submitted responses to RFIs in Appendix B of the R&O of October 12, 2022, as revised by the November 2, 2022, R&O. On November 9, 2022, LUMA submitted responses to requests for information in Appendix A of the R&O of October 12, 2022, as revised by the November 2, 2022, R&O.
- [NEPR-MI-2020-0001](#) | **Streetlight Report** - On November 10, 2022, LUMA submitted the October 2022 Streetlight Progress report.
- [NEPR-MI-2021-0004](#) | **LUMA's Budgets** – On November 1, 2022, LUMA submitted its responses to the RFIs posed by the Energy Bureau issued during the Technical Conference (TC) on October 18, 2022. On November 2, 2022, LUMA filed a Motion submitting FY2022 Budget Amendment. On November 4, 2022, LUMA requested an extension to file FY2023 Q1 Report until November 30, 2022. On November 21, 2022, LUMA filed supplemental information on questions posed during the TC of October 18, 2022, regarding "Matching funds for electric works funded by FEMA". On November 23, 2022, LUMA filed for reconsideration of the R&O of November 11, 2022, on LUMA's FY2022 Budget Amendment. On November 23, 2022, LUMA submitted the responses to the RFIs received on November 12, 2022. On November 30, 2022, LUMA submitted FY2023 Q1 Report.
- [NEPR-MI-2021-0002](#) | **Federal Funding** – On November 1, 2022, LUMA submitted six preliminary Scopes of Work to the PREB that may be eligible for funding under FEMA's 404 Hazard Mitigation Grant Program. On November 11, 2022, LUMA submitted 60 initial Scopes of Work, including 57 for the Distribution Line Program, seven for the Substation Rebuilds T&D projects, and an updated Project List. On November 11, 2022, LUMA also submitted a motion informing the energization of four federally funded projects. On November 16, 2022, LUMA submitted one initial Scope of Work for the IT OT Telecom Systems & Network T&D projects, and an updated Project List. On November 23, 2022, LUMA submitted an informative motion on contracted costs for federally funded projects.
- [NEPR-MI-2020-0001](#) | **Permanent Rate** – On November 18, 2022, LUMA filed the informative Motion pertaining to October's monthly reconciliation.
- [NEPR-AP-2018-0004](#) | **Unbundling of Assets** – On November 22, 2022, PREB issued an R&O in which it made determinations regarding LUMA's proposed Wheeling Customer Rider (WCR) and PREB ordered LUMA to publish PREB's approved WCR by December 6, 2022.
- [NEPR-IN-2022-0005](#) | **Bill Objection Process** – On November 1, 2022, LUMA filed response to RFIs in compliance with PREB's October 27, 2022. On November 7, 2022, LUMA filed an additional motion in compliance with PREB's October 27, 2022. On November 22, 2022, PREB

issued an R&O in which it found LUMA to have complied but gave the Office of Consumer Protection (OIPC) until December 1, 2022, to state their position on the matter. On November 30, 2022, The OIPC issued a motion in compliance with PREB's November 22 R&O in which OIPC maintained its position that LUMA's website information and process was not in compliance with Act 57 but requested time to solve the issue internally with LUMA.

- [NEPR-MI-2022-0003](#) | **LUMA's Response Hurricane Fiona (Generation Stabilization Plan)** – On November 15, 2022, LUMA submitted the second update for the Generation Stabilization Plan report and a supplementary motion to inform of the announcement by the Puerto Rico Government and FEMA on temporary emergency generation capacity. On November 18, 2022, LUMA submitted responses to the October 25, 2022, Request of Information regarding LUMA's response to Hurricane Fiona. The 47 responses provided by LUMA included information about pre-event stage reports, restoration stage reports, communication with municipal authorities and the Puerto Rico Emergency Management Bureau, estimated time of restoration, outage management system, call center, staffing/mutual aid, coordination, and unauthorized work on the electric grid.
- [NEPR-IN-2021-0003](#) | **August 22, 2021 Incident** – On November 21, 2022, LUMA filed a Final Amended Report to comply with the September 26, 2022, Resolution.
- [NEPR-AP-2021-0001](#) | **Request for Approval of Amendment to the Renewable Energy Purchase Agreement between PREPA and CIRO One Salinas, LLC** – On November 21, 2022, LUMA submitted a joint motion with PREPA responding to the November 10 R&O naming a representative to appear and participate in the certification of monthly progress reports.
- [NEPR-AP-2021-0002](#) | **Request for Approval of Amendment to the Renewable Energy Purchase Agreement between PREPA and Xzerta Tec Solar, LLC** – On November 16, 2022, LUMA submitted a joint motion with PREPA responding to the November 10 R&O naming a representative to appear and participate in the certification of progress reports.
- [NEPR-MI-2020-0019](#) | **SRP** – On November 10, 2022, LUMA requested an extension to file FY2023 Q1 Report up to November 30, 2022. On November 30, 2022, LUMA submitted FY2023 Q1 Report.

5.0 Legislative Matters and Material Legal Update

- Monitoring legislative activity, responding to requests for comments and preparing LUMA employees for public hearings is an important and significant responsibility, requiring multiple interactions with members and staff of the Puerto Rico Senate and House of Representatives over the course of many weeks and months on some occasions.
- Responding to these inquiries requires considerable resources and time from LUMA.
- On November 17, LUMA participated in a hearing held by the **Natural Resources Committee of the U.S. House of Representatives** on *"Puerto Rico's Post-Disaster Reconstruction & Power Grid Development"*. Dr. Shay Bahramirad, Senior Vice President of Engineering, Capital Programs and Asset Management, provided written and oral testimony to the Committee. Dr. Bahramirad also answered questions from the committee as did Mario Hurtado, Chief Regulatory Officer. Earlier in the month, LUMA provided oral comments to committee staff on a proposed spending measure for residential solar for low-income residents.

Table 5-1: Summary of Requests for Comments or Legislation Filed in the Puerto Rico Senate or House of Representatives

Committee	Bill or Resolution	Comments Requested	LUMA Response or Legislation Title
House Committee on Transportation, Infrastructure and Public Works	Subst. House Bill 16	November 3, 2022	<p>To establish the “Act to Standardize the Planting and Reforestation of Trees in the Right-of-Ways and in the areas adjacent thereto, and to the Infrastructure of the Commonwealth of Puerto Rico”; to provide for general public policy, with respect to “protected trees” and reforestation; to establish the scope and interpretation with other laws and regulations; to provide for the prospectively of this Act; provide for regulations and guidelines; establish duties and responsibilities of all government agencies, instrumentalities, and dependencies, municipalities, public corporations, or entities under a public private partnership contract that have direct control of the easement or infrastructure in question, and of private individuals or legal entities with respect to this Act; among other things.</p> <p>On October 7, 2022, the Committee requested LUMA’s comments.</p> <p>On November 3, 2022, LUMA provided its comments regarding the legislative measure.</p>
Senate of Puerto Rico	Senate RFI 2022-0133	November 8, 2022	<p>On October 17, 2022, a petition was presented by Senator Ramon Ruiz Nieves (Ponce District) and approved by the Senate, related to revenues, payments to PREPA, and cost per kilowatt in each rate adjustment.</p> <p>On November 8, 2022, LUMA provided the information requested.</p>
Senate of Puerto Rico	Senate RFI 2022-0145	November 10, 2022	<p>On October 24, 2022, a petition was presented by Senator Ramon Ruiz Nieves (Ponce District) and approved by the Senate, related to outages following Hurricane FIONA in the municipalities of Adjuntas, Guánica, Guayanilla, Jayuya, Juana Díaz, Lajas, Lares, Maricao, Peñuelas, Ponce, Sabana Grande, Utuado and Yauco.</p> <p>On November 10, 2022, LUMA provided the information requested.</p>

House Committee on Tourism and Cooperatives	House Resolution 161	November 7, 2022	<p>A request for information was presented related to restoration efforts after Hurricane Fiona.</p> <p>On November 10, 2022, LUMA delivered the responses to the RFI.</p>
House Committee on Transportation, Infrastructure and Public Works	House Resolution 179	November 4, 2022	<p>The Committee requested an analysis to examine the possibility of installing new poles and lighting fixtures on Highway #1 (PR1). LUMA continues preparing the analysis as requested by the Committee.</p>
Committee on Public Funds Oversight	House Resolution 301	November 7, 2022	<p>The Committee requested information regarding the credit the clients will received in their bill after Hurricane Fiona.</p> <p>On November 10, 2022, LUMA delivered to the Committee the responses to the RFI.</p>
House Committee on Economic Development, Planning, Telecommunications, Public Private Partnership, and Energy	House Resolution 446	November 10, 2022	<p>HR446 orders the Committee on Economic Development, Planning, Telecommunications, Public-Private Partnerships and Energy of the House of Representatives of the Commonwealth of Puerto Rico to conduct an ongoing investigation on all matters related to the performance, execution, and compliance of LUMA Energy with the obligations assumed in the public-private partnership agreement with the Puerto Rico Electric Power Authority, and for other related purposes.</p> <p>On November 10, 2022, a request for production of documents to be deliver in three (3) working days was received from the Committee.</p> <p>On November 16, 2022, LUMA delivered the Request for Production of Documents.</p>
House Committee on Economic Development, Planning, Telecommunications, Public Private Partnership, and Energy	House Resolution 243	November 30, 2022	<p>The Committee requested information regarding the disposal, reuse and recycling of solar panels or photovoltaic cells and batteries for photovoltaic systems.</p> <p>On November 30, 2022, the Committee requested comments.</p>
House Committee on Economic Development, Planning,	Senate Bill 1053	November 30, 2022	<p>To amend Sec. 6.39 of Act 57-2014 known as the Energy Transformation and RELIEF Act, as amended, to direct the Department of the Treasury to create the Puerto Rico Electric</p>

Telecommunications, Public Private Partnership, and Energy			<p>System Stabilization Fund that may be nourished with special state and federal allocations, with the purpose that said allocations be used to stabilize the cost of electric energy in the face of increases in the rate of electricity as a result of the adjustment for the cost of fuel and energy purchase, and other factors, which affect the cost of electricity as determined by the PREB as part of its regulatory processes; and to amend Article 6.3, also of Act 57-2014, to empower the PREB to develop regulatory processes for the purchase of long-term fuel, considering financial tools and strategies that allow the purchase of fuel in the futures markets by PREPA and any electric service company or independent power producer that sells or supplies energy to PREPA, in the instances and periods of time that the Bureau determines the implementation or non-implementation of this tool; and for other related purposes.</p> <p>On November 30, 2022, the Committee requested comments.</p>
House Committee on Economic Development, Planning, Telecommunications, Public Private Partnership, and Energy	Senate Bill 845	November 30, 2022	<p>To amend subsection (i) of Section 6.42 of Act 57-2014, as amended, known as the "Energy Transformation and RELIEF Act," so that the Independent Office of Consumer Protection (OIPC) may participate and appear as petitioner or intervening party in any action before the General Court of Justice or before the courts of federal jurisdiction, related to possible damages to electrical appliances or damaged food that have been caused as a result of the interruption of electric service or voltage fluctuations, and request the corresponding compensation; to add a new subsection (s) and renumber the current subsection (s) as subsection (t), so that the Independent Office of Consumer Protection (OIPC) may file claims, complaints or legal remedies before LUMA Energy on behalf of and in representation of customers, for possible damages to electrical appliances that have been caused as a consequence of the interruption of electric service and voltage fluctuations and request the corresponding compensation, and for other related purposes.</p>

			On November 30, 2022, the Committee requested comments.
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Table 5-2: Material Litigation Update⁵

Case No.	Party Names	Description	Significant Updates
Adv. Proc. No. 21-00041	UTIER v. Pierluisi et al.	Plaintiffs are requesting the annulment of the T&D OMA because they claim that it violates the Contracts Clause and does not comply with Act 120-2018, given that it allegedly does not recognize UTIER's collective bargaining agreement.	No changes since last Report. The Court has not yet ruled on the pending Motion to Dismiss.
Adv. Proc. No. 21-00049	SREAEE v. PIERLUISI et al.	Similar claims to 21-00041. In addition, alleges that the OMA violates ERISA and would damage the SREAEE due to lack of funds.	No changes since last Report. The Court has not yet ruled on the pending Motion to Dismiss.
Case No. KLRA202100406	In re Revisión de los Términos de Servicio de LUMA	ICSE seeks order to annul and overturn the PREB's approval of Modified Terms of Service and Liability Waiver. They argue the waiver is an infringement of PR's Civil Law tradition as it goes against the Law, Moral, and Public Order.	No changes since last Report.
SJ2022CV02868	Ismael Herrero Domenech and the class composed of all residential electrical energy consumers that are customers of	The residential and commercial customers in the consolidated class actions filed with the Puerto Rico State Court ("Plaintiffs"), seek to be compensated for	On November 14, 2022, LUMA filed its Objection to the R&R alleging, in sum, that the Magistrate Judge erred in her determination because (1) PREPA must account for an indemnification claim in any plan

Case No.	Party Names	Description	Significant Updates
	LUMA Energy LLC v. LUMA Energy LLC, Wendco of Puerto Rico Inc. et al. v. LUMA Energy LLC	<p>damages for LUMA's alleged failure to properly maintain and operate certain equipment pursuant to the T&D OMA that caused an island-wide blackout on April 6, 2022. Plaintiffs claim over \$500 million in damages.</p> <p>LUMA was served on July 19, 2022, and on July 29, 2022, we filed a Notice of Removal with the Title III Bankruptcy court.</p>	<p>of adjustment; and (2) the claim is not peripheral to the Title III because new evidence demonstrates that any determination will affect PREPA. Plaintiffs requested an extension to file their response, and on November 30, 2022, the Court entered an order setting the modified briefing schedule: plaintiffs' reply is due on December 9, 2022, and any replies in support of LUMA's Objection are due on December 16, 2022.</p>
SJ2022CV05387	CADFI Corp. v. PREPA, LUMA and Municipality of San Juan	<p>Plaintiff, CADFI Corp. (Broad Coalition for Functional Diversity on Equality), and other individual Plaintiffs, allege that some electric posts are located in the middle of some sidewalks in San Juan in violation of the American with Disabilities Act ("ADA") and the Standards for Accessible Design promulgated by the US Department of Justice. The Plaintiffs seek from the codefendants the following remedies: (1) a permanent injunction pursuant to ADA Title II and other federal regulation (28 C.F.R. §§35.151(a),(b),(c), or</p>	<p>LUMA and PREPA jointly filed a Reply in support of the automatic stay on November 4, 2022. The Motion regarding the applicability of the automatic stay is pending adjudication.</p>

Case No.	Party Names	Description	Significant Updates
		(i); 45 C.F.R. §§84.22) ordering the Defendants to remedy, reinstall, and/or relocate the electric posts in the sidewalks of San Juan so that they do not interfere with the free mobility of persons with disabilities; (2) nominal damages for \$1 pursuant to ADA and the Rehabilitation Act, and (3) costs and attorneys' fees pursuant to 42 U.S.C. 12205. As provided by the Operations team, a rough estimate of the costs that LUMA would have to incur if the Complaint was to be granted exceeds \$1.5 million.	

Footnote

5: Material Litigation Activity refers to all litigation related to challenges to the OMA, matters that could impede the OMA work or litigation with significant financial risk. This does not include ordinary litigation proceedings that originate as part of the operation of the T&D System, including but not limited to pre-litigation dispute resolution, management of active litigation, discovery, PREB invoice challenges, and other litigation procedures.

6.0 Ongoing External Audits

- LUMA is subject to audits related to its activities under the T&D OMA.
- Responding to these audits requires considerable resources and time from LUMA.

Table 6-1: Summary of Governmental Audits

Government Entity	Audit Description	Significant Updates
Puerto Rico Comptroller's Office, No. 15592	Audit to PREPA fiscal operations during the period from June 1, 2018 to June 30, 2021 by virtue of Article III, Section 22 of the Constitution of the Commonwealth	Latest request received Dec 6, 2022, due Dec 13, 2022

Government Entity	Audit Description	Significant Updates
	of Puerto Rico and Act 9 of July 24 of 1952, as amended.	
KPMG	Audit of PREPA Financial Statements	Fiscal year 2021 – in progress .
PWC	Audit of LUMA Servco and ManagementCo Financial Statements	FY 2021 and FY 2020 – concurrently. PWC completing field work and LUMA addressing requests
P3A	First Year (FY2022) Operations Audit	Working to complete latest request received November 18, 2022.
Office of the Inspector General	Compliance with PR Law and applicable regulations	No current request outstanding, waiting on a revised request clarification.

7.0 Material OMA Items

- On November 30, 2022, LUMA, the P3 Authority and PREPA entered into an extension of the supplemental agreement under which LUMA has been operating PREPA's T&D System since June 1, 2021. The extension is through the date on which PREPA exits from Title III Bankruptcy.

PREPA Reorganization and Title III Exit

- The primary focus of the Puerto Rico government and the FOMB continues to be PREPA's reorganization process.
- The FOMB, PREPA and certain of its creditor constituencies, including its bondholders, have filed briefs on the issues of the extent to which PREPA's bond claims are secured and the potential recourse of the bondholders. The issue is fully briefed, and the outcome of that litigation will inform PREPA's treatment of the bondholders' claims and other creditors' claims under a plan of adjustment.
- The PREPA reorganization remains significantly behind schedule as outlined in the Approved Fiscal Plan. PREPA is awaiting PREB's approval of the Plan of Reorganization and the PGHOA that was submitted to the PREB on September 14, 2022.
- LUMA continues to be deeply concerned with the overall responsiveness of PREPA to LUMA's requests for information associated with various matters including fuel reports, cybersecurity, IT coordination, federal funding requests, financial information, etc.

PREPA Unresponsiveness to LUMA Open Requests

- On November 2, 2022, LUMA transmitted a letter to PREPA to point out our concern with PREPA's ongoing noncompliance with Section 6.1(a)(v) of the T&D OMA which requires PREPA to *"respond promptly (and in any event within thirty (30) days or shorter period required by this Agreement) to all requests of Operator with respect to all matters requiring the approval, review or consent of Owner (and in each such case, unless otherwise specifically stated in this Agreement, Owner shall not unreasonably withhold, delay or condition any such approval, review or consent) and as to such other matters relating to the obligations of Operator hereunder in respect of which Operator shall reasonably request the response of Owner in accordance with the provisions of this Agreement,..."*.
- LUMA previously communicated this same concern regarding PREPA's unresponsiveness in a letter sent on June 21, 2022, titled "PREPA's Cooperation and Responsiveness on Important Matters". LUMA recognizes the large volume of work both PREPA and LUMA undertake daily, however, these delays are resulting in unnecessary and costly efforts, and LUMA is very concerned about the negative impact these delays are causing. In the letter, LUMA identified 19 formal requests issued to PREPA which were overdue, some by as much as 130 days.

PREPA Accounting and Financial Risks

- A Condition Precedent to Service Commencement includes the reorganization of PREPA as stated in Section 4.5(q). Furthermore, in Annex VI, Section II, the T&D OMA states that "PREPA shall be reorganized into two entities: (1) GenCo, acquiring or obtaining ownership of the Legacy Generation Assets and (2) GridCo, acquiring or obtaining ownership for the T&D System. As part of a reorganization of PREPA as described in Annex VI, PREPA's balance sheet, financial systems and other functions must be separated into two separate entities.
- This reorganization has not yet occurred, and as such the associated 'clean up' of PREPA's financial systems was not conducted by PREPA. LUMA was provided access to PREPA's financial systems at commencement (June 1, 2021) and LUMA since being provided access has continued to investigate and uncover serious deficiencies and issues.
- PREPA's pre-commencement financial records are impacting LUMA's ability to comply with its T&D OMA obligations, including providing accurate reporting to P3A and FOMB. Examples of deficiencies include – monthly bank reconciliations had not been completed for 31 Legacy Bank Accounts and in some accounts, this had been not performed for over a year. Given PREPA has provided minimal support for these pre-commencement deficiencies, remedying these reconciliations (which are required to do future reconciliations) will require significant time and resources.
- LUMA also believes the Fixed Asset Subledger has not been meaningfully updated since Hurricane Maria, at the earliest, leaving the subledger incomplete and inaccurate, with nearly \$1.6 billion of top-level adjustments (as of 2019) not reflected in the subledger.
- Per Annex I, Section VI. B.2. of the T&D OMA, LUMA is responsible for the maintenance of the general ledger and all subledgers. Given the pre-Commencement state of the fixed asset subledger, LUMA's ability to fulfill its T&D OMA obligation is currently hindered.
- There are several other major deficiencies such as the inventory subledger which continues to contain numerous obsolete, damaged and off-specification inventory items and lack of reconciliation between the General Ledger and CC&B system which causes discrepancies in records and reporting and impact LUMA's ability to accurately measure the cash management performance metrics (Days Sales Outstanding) as described in the T&D OMA (Annex IX).

- As part of the plan for reorganization as described in Section 4.5(q) and Annex VI, PREPA will need to complete these activities prior to splitting the Balance Sheet into GenCo and GridCo as required in the plan for reorganization.

FY2023 Budget Process and Generation Allocation

- Following significant efforts by P3A, the FOMB and LUMA to reach a consolidated FY2023 Certified Budget by June 30, 2022, LUMA submitted LUMA's revised FY2023 Budget documents to P3A on July 14, 2022, as requested in P3A's June 28, 2022, letter and informatively to the PREB on July 13, 2022.
- On July 16, 2022, the PREB initiated a budget review and approval process by which they issued additional information requests (many pertaining to the unchanged T&D Budgets, for which PREB previously issued information requests in May 2022 and LUMA provided responses in June 2022) and set a procedural schedule which required multiple updates, including rescheduling the August 17, 2022, technical conference to September 9, 2022, then to September 13, 2022, then expanding it over multiple days, with the next technical conference scheduled on September 27, 2022, but rescheduled due to Hurricane Fiona to October 18, 2022.
- On October 18, 2022, LUMA attended day 2 of the FY23 Annual Budgets technical conference. The PREB issued bench orders for additional information to be filed by November 1, 2022, and on this date, LUMA complied and filed information in response to the October 18, 2022, bench orders.
- On November 21, 2022, LUMA also filed supplemental information on questions posed during the TC of October 18, 2022, regarding "Matching funds for electric works funded by FEMA".
- On November 12, PREB issued another round of information requests and, on November 23, 2022, LUMA submitted the requested information.
- On November 28, 2022, the PREB ordered an additional technical conference, for the end of December, almost six months into FY2023, to discuss confidential matters in the FY2023 budget proposal. It should be noted that only LUMA was requested to participate in the confidential technical conference.
- To date, LUMA has received and responded to hundreds of requests for working papers, four additional rounds of information requests, and two sets of bench orders. Additionally, LUMA has prepared 39 witnesses to attend technical conferences on FY2023 budgets on four separate occasions and is now preparing for the upcoming technical conference.

PREB directives on Allocation of Tranche 1 Generator Network Upgrade Costs to LUMA's Budget

- Following the PREB's June 13, 2022, R&O in NEPR-MI-2020-0012, requiring transmission system network upgrade projects associated with selected Tranche 1 projects to be funded from LUMA's Non-Federally Funded Capital Budget or, if approved by FEMA, from the Federally Funded Capital Budget and LUMA's Motion for reconsideration and stay on June 22, 2022, the PREB issued an R&O denying LUMA Motion for reconsideration.
- The PREB's directives on this matter which favor specific generators and conflict with the text of the public RFP documents were issued without a hearing, presentation of evidence or any opportunity to be heard.
- LUMA continues to have grave concerns about the potential negative impacts to reliability and resilience of the system and increased costs to customers. This directive will have a further

impact on LUMA's ability to implement identified critical System Remediation Plan Improvement Programs, meet Contract Standards and Performance Metrics. PREB's directives are also inconsistent LUMA's rights under Section 7.4 of the T&D OMA.

PREB directives regarding LUMA's Incentive Performance Metrics

- LUMA continues to have grave concerns regarding the PREB's handling of these proceedings including the PREB's management of the administrative docket. Most recently PREB issued discovery on not only the new testimony on the record (typical) but also on historical testimony which had already undergone a discovery period. Further, PREB's stance on the imposition of penalties and its rights over the payment of the Incentive Fee, is not aligned with the T&D OMA and what was agreed to by the parties. LUMA's concerns extend to LUMA's access to due process and how PREB's regulatory actions could result in a reduction of the likelihood of LUMA earning the Incentive Fee.

PREB directives regarding PREPA's Performance Metrics (Docket No. NEPR-MI-2019-0007)

- LUMA is gravely concerned about the way the PREB has depicted LUMA's performance, including statements made by Commissioners to the media, and the PREB's utilization of the data reported by LUMA since June 1, 2021. For that reason, LUMA has contested some of the conclusions reached by the PREB, as well as requested the correction of data as multiple charts and assertions made by the PREB misrepresent LUMA's performance. Some of the issues found are charts plotted with data points that are not based on LUMA's filings over the period allegedly analyzed by the PREB, charts and graphs that do not depict LUMA's actual performance, and alleged "non-performance" on metrics that are the result of actions/omissions of PREPA that are not attributable to LUMA. Likewise, the PREB utilized statistics that depict data that responds to statutory mandates required by agencies and municipalities on issues like the implementation of energy efficiency measures but are represented in a way that incorrectly implies that LUMA can influence the results of the implementation of those statutory mandates and/or policies that are not LUMA's responsibility. At this time the PREB has not yet published an R&O addressing or performing the corrections requested by LUMA.

Resource Adequacy

- In the Emergency Event Update reports for Hurricane Fiona to P3A and the PREB, LUMA reported on generation deficiencies and potential Fiona-related damages which delayed restoration progress and significantly increased the risk of additional load shed events. LUMA also reported on material concerns with diesel fuel supply during and after the event and damages to the LNG infrastructure at Ecoeléctrica that also resulted in lower generation availability, higher costs, and threatened system stability and the adequacy of generation to meet demand. LUMA communicated these concerns to the Government of Puerto Rico and to federal agencies and urged them to consider options to add emergency generation resources in Puerto Rico. Subsequent to these communications, FEMA organized a Power System Stabilization Task Force which carried out assessments in Puerto Rico during October and November. LUMA has been involved in the task force and collaborated with FEMA and other federal agencies to facilitates visits and answered requests for information.