



# Monthly Report on the T&D System

For the Month of February 2023

March 15, 2023

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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 February 2023.

## 2.0 Monthly Sales Summary

- Consumption (GWh) was lower in February 2023 than the previous month (-7.77%), and lower than the same month from the previous year (-7.25%).
- Energy sales (\$) in February 2023 decreased by 3.60% from the previous month and by 16.0% compared to the same month a year ago, mainly driven by the reduction in the load.

**Table 2-1. Energy billed by customer segment**

Consumption (GWh)	Residential	Commercial	Industrial	Public Lighting	Agriculture	Other Authorities	Total <sup>4</sup>
<b>2023 February</b>	395.0	525.1	123.8	17.3	1.7	2.8	<b>1,065.6</b>
<b>2023 January</b>	444.6	554.1	125.9	26.2	1.9	2.7	<b>1,155.4</b>
<b>2022 February</b>	430.8	550.7	141.3	21.9	1.8	2.4	<b>1,148.9</b>

**Table 2-2. Energy sales by rate component**

Energy Sales (\$M)	Base	FCA <sup>1</sup>	PPCA <sup>2</sup>	CILT & Subsidies <sup>3</sup>	Total <sup>4</sup>
<b>2023 February</b>	78.5	126.4	32.3	28.2	<b>265.4</b>
<b>2023 January</b>	82.9	134.2	33.4	24.8	<b>275.5</b>
<b>2022 February</b>	88.6	173.2	33.4	20.9	<b>316.0</b>

**Table 2-3. Energy sales by customer segment**

Energy Sales (\$M)	Residential	Commercial	Industrial	Public Lighting	Agriculture	Other Authorities	Total <sup>4</sup>
<b>2023 February</b>	91.5	136.4	29.6	6.9	0.4	0.6	<b>265.4</b>
<b>2023 January</b>	99.7	136.7	28.7	9.3	0.5	0.6	<b>275.5</b>
<b>2022 February</b>	111.3	158.8	36.3	8.8	0.5	0.3	<b>316.0</b>

<sup>1</sup> FCA: Fuel Charge Adjustment

<sup>2</sup> PPCA: Purchased Power Charge Adjustment

<sup>3</sup> CILT: Contribution In Lieu of Taxes

<sup>4</sup> The Total amount may not equal the sum of numbers for each category due to rounding.

## 3.0 Outage Summary

### Reported Events

- Several Generation forced outages occurred during the month. Three resulted in automatic underfrequency load shed.
- No emergency events occurred during the month of February.

**Table 3-1: Significant Generation Outages**

Date	Description of outage
02/01/2023	AES 1: Planned Outage Costa Sur 6: Derated
02/03/2023	San Juan 5: Derated Costa Sur 6: Forced Outage
02/04/2023	Palo Seco 4: Derated
02/06/2023	San Juan 5: Derated Palo Seco 4: Derated
02/08/2023	San Juan 5: Derated Costa Sur 6: Forced Outage and Loadshed
02/09/2023	Costa Sur 5: Derated San Juan 9: Derated Palo Seco 4: Forced Outage and Loadshed San Juan 5: Derated
02/10/2023	San Juan 5: Derated San Juan 6: Forced Outage and Loadshed San Juan 6: Forced Outage (again)
02/11/2023	San Juan 7: Forced Outage
02/12/2023	San Juan 6: Derated
02/13/2023	San Juan 5 (Steam): Forced Outage
02/15/2023	San Juan 5: Derated San Juan 6: Derated
02/16/2023	Costa Sur 5: Forced Outage San Juan 9: Derated
02/18/2023	Costa Sur 6: Derated AES 2: Derated
02/19/2023	San Juan 9: Planned Maintenance Outage
02/22/2023	Costa Sur 5: Derated San Juan 7: Forced Outage
02/23/2023	AES 2: Derated
02/25/2023	San Juan 6 (Steam): Maintenance Outage
02/28/2023	AES 2: Derated

**Table 3-2: Significant Transmission Outages**

Date	Description of outage
02/01/2023	2 Hato Rey Transformers tripped
02/06/2023	Line 51300 tripped
02/07/2023	Line 36400 tripped
02/08/2023	Line 50300 tripped Line 36400 tripped
02/09/2023	Substation Viaducto tripped
02/10/2023	Line 36400 tripped
2/16/2023	Substation Ciales tripped
02/21/2023	Line 36200 tripped Line 36100 tripped
02/24/2023	Line 38300 tripped Line 36100 tripped
02/27/2023	Line 50200 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 during the month.

- [NEPR-AP-2020-0025](#) | **LUMA’s Performance Metrics** – Between February 1 and February 7, 2023, PREB issued multiple Resolutions and Orders (“R&Os”) related to outstanding motions from the parties and the pending Evidentiary Hearing. On February 7-10, 2023, PREB held Evidentiary Hearings regarding the Performance Targets for LUMA Energy ServCo, LLC. Hearings for public comment were held on February 16-17, 2023. On February 21, 2023, LUMA issued a Motion in Compliance with Bench Orders Issued During the Evidentiary Hearing, submitting its response to potential relief on Day Sales Outstanding metrics under certain circumstances as well as information on the existing low-income subsidies or other assistance available to customers of other electric utilities in three US southeastern states. On February 22, 2023, PREB issued a R&O granting LUMA’s February 14, 2023 Request for Audio Recording of Evidentiary Hearing Held on February 7-10, 2023 and ordering the recording to be provided as soon as possible.
- [NEPR-MI-2021-0013](#) | **Electric Vehicles** – On February 17, 2023, LUMA submitted a Project Schedule in Compliance with the January 13, 2023 R&O and requested modifications of certain deadlines.
- [NEPR-MI-2020-0001](#) | **Streetlight Report** – On February 10, 2023, LUMA submitted the January 2023 Streetlight Progress report.
- [NEPR-MI-2021-0004](#) | **LUMA’s Budgets** – On February 7, 2023, LUMA submitted an Informative Motion regarding the Organizational Conflict of Interest Avoidance and Mitigation Plan, approved by P3A and COR3, deemed as part of the LUMA Consolidated Procurement Manual. On February 14, 2023, LUMA filed the Quarterly Report for the second quarter of FY2023. On

February 17, 2023, LUMA submitted a Motion on behalf of PREPA submitting information in compliance with the February 10, 2023 R&O. Also on February 17, 2023, LUMA submitted a Motion informing PREB that the Second Quarter Federal Funding Report for FY2023 was filed under case “Review of the Puerto Rico Electric Power Authority’s 10-Year Infrastructure Plan” (NEPR-MI-2021-0002).

- [NEPR-MI-2021-0002](#) | **Federal Funding (10 Year Plan)** – On February 1, 2023, LUMA reported to PREB receipt of seven FEMA Project Obligations, including four for Distribution Pole and Conductor Repair and three for the Distribution Streetlighting Improvement Programs. On February 9, 2023, LUMA reported to PREB receipt of nine FEMA Project Obligations, including eight for Distribution Pole and Conductor Repair and one for the Transmission Priority Pole Replacements Improvement Programs. On February 14, 2023, LUMA submitted the Second Quarter Federal Funding Report for FY2023. On February 23, 2023, LUMA reported to PREB receipt of three FEMA Project Obligations for the Distribution Pole and Conductor Repair Improvement program and submitted a motion informing PREB of the energization of one federally funded project.
- [NEPR-AP-2018-0004](#) | **Unbundling of Assets** – On February 10, 2023, LUMA published the Wheeling Customer Rider (WCR) to the Tariff Book in compliance with PREB’s November 22, 2022 R&O.
- [NEPR-IN-2020-0002](#) | **Customer Disconnection** – On February 1, 2023, PREB issued a R&O accepting LUMA’s continuance request to defer the February 3, 2023 Executive Hearing. On February 15, 2023, the Executive Hearing was held at PREB’s offices.
- [NEPR-MI-2023-0001](#) | **Wheeling Implementation** – On February 2, 2023, LUMA filed its responses to Attachment A in compliance with the January 13, 2023 R&O. On February 10, 2023, LUMA filed a motion announcing its compliance with publishing the Wheeling Customer Rider (WCR) in the Tariffs Book (an order made on the Unbundling docket, NEPR-AP-2018-0004, but relevant to this docket). On February 15, 2023, LUMA filed a proposed Wheeling Services Agreement Application Form and proposal for a Non-Refundable Fee in compliance with the January 13 R&O. Also on February 15, 2023, LUMA filed a motion proposing modifications to the February 23, 2023, Technical Conference Agenda. On February 21, 2023, LUMA filed its Stakeholder comments (previously filed in the Unbundling Docket on August 30, 2022). On February 23, 2023, PREB held a technical conference where LUMA made two presentations on responses to Requests for Information on marginal energy costs, dispatch and unit commitment as well as a proposed wheeling approach, which were subsequently filed in compliance with PREB’s bench order.
- [NEPR-MI-2022-0003](#) | **LUMA’s Response Hurricane Fiona (Generation Stabilization Plan)** – On February 1, 2023, LUMA submitted the Sixth Update for the Generation Stabilization Plan report. On February 15, 2023, LUMA submitted the Seventh Update for the Generation Stabilization Plan report and an Appendix (90-day Resource Adequacy Update).
- [NEPR-AP-2021-0003](#) | **Amendment Punta Lima’s Contract** – On February 9, 2023, LUMA filed an Informative Motion Regarding Interconnection Studies for Punta Lima Project.
- [NEPR-MI-2020-0019](#) | **System Remediation Plan** – On February 14, 2023, LUMA filed the Quarterly Report for the second quarter of FY2023.

## 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.

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

Committee	Bill or Resolution	Date of Last Update	LUMA Response or Legislation Title
House Committee on Development and Control of Public Funds in the Northeast Region	House Resolution 344	February 3, 2023	On February 3, 2023, LUMA participated in an <i>on-site public hearing</i> regarding the Villa Hugo I, Villa Hugo II y Valle Hill communities in the municipality of Canóvanas.
House Committee on Development and Control of Public Funds in the Southeast Region	House Resolution 204	February 7, 2023	On February 1, 2023, LUMA received from the Committee a <b>Request for Information and Documents</b> . On February 7, 2023, LUMA delivered the response to the RFI.
Senate Committee on Economic Development, Essential Services and Consumer Affairs	Senate Resolution 75	February 7, 2023	On February 7, 2023, LUMA received from the Committee a <b>Request for Information</b> .
Senate Committee on Innovation, Telecommunications, Urbanism, and Infrastructure	Senate Resolutions 383, 385, 386, 387, 388, 389	February 14, 2023	On February 14, 2023, LUMA received from the Committee <b>Requests for Comments</b> related to S.Res.383, S.Res.385, S.Res.386, S.Res.387, S.Res.388, S.Res.389.
Senate Committee on the Eastern Region Development	Senate Resolution 390	February 15, 2023	On February 15, 2023, LUMA received from the Committee a <b>Request for Comments</b> related to S.Res.389.
House Committee on Transportation, Infrastructure and Public Works	House Resolution 179	February 22, 2023	On February 14, 2023, LUMA was summoned to participate in an <i>on-site public hearing</i> in the municipalities of Cidra and Cayey. On February 22, 2023, LUMA participated in the <i>on-site public hearing</i> .
Senate Committee on Strategic Projects and Energy	Senate Bill 1064	February 16, 2023	On February 16, 2023, LUMA received from the Committee a <b>Request for Comments</b> related to SB1064.

Table 5-2: Material Litigation Update<sup>5</sup>

Case No.	Party Names	Description	Significant Updates
<b>Adv. Proc. No. 21-00041</b>	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.
<b>Adv. Proc. No. 21-00049</b>	SREAEE v. PIERLUISI et al.	Similar claims to 21-00041 (above) and additionally alleges that the T&D 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.
<b>Case No. KLRA202100406</b>	In re Revisión de los Términos de Servicio de LUMA	ICSE seeks order to annul and overturn 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.
<b>SJ2022CV02868</b>	Ismael Herrero Domenech and the class composed of all residential electrical energy consumers that are customers of LUMA Energy LLC v. LUMA Energy LLC, Wendco of Puerto Rico Inc. et al. v. LUMA Energy LLC	The residential and commercial customers in the consolidated class actions filed with the Puerto Rico State Court ("Plaintiffs") seek to be compensated for damages for LUMA's alleged failure to properly maintain and operate certain equipment pursuant to the T&D OMA which caused an island-wide blackout on April 6, 2022. Plaintiffs claim over \$500 million in damages.  LUMA was served on July 19, 2022, and on July 29, 2022, LUMA filed a Notice of Removal with the Title III Bankruptcy court.	On February 22, 2023, the Court ordered LUMA to respond to Plaintiffs motion requesting the reopening of the case in 20 days. It also ordered Plaintiffs to respond to LUMA's motion in 20 days.

<sup>5</sup> 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.



Case No.	Party Names	Description	Significant Updates
<b>Civil Case No. 22-CV-01357</b>	CADFI Corp. v. PREPA, LUMA and Municipality of San Juan	Plaintiff, CADFI Corp. (Broad Coalition for Functional Diversity and 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.	No changes since last Report.
<b>SJ2022CV08894</b>	UTIER, et. al. V. LUMA Energy Servco, LLC, et. al.	Plaintiffs filed a complaint alleging that the Defendants incurred defamation, libel, and cyberbullying, among other, by the unauthorized use of UTIER’s and its president, Angel Figueroa Jaramillo’s image and name.	On February 10, 2023, the co-defendant, Ramón Alejandro Pabón filed a motion to dismiss. On February 23, 2023, the Plaintiffs filed separate oppositions to the motions to dismiss (filed by LUMA, BPUMF, Inc., Quanta Services, Inc. and Denise Malone). On February 24, 2023, the co-defendants separately filed motions informing of their intent to reply to the oppositions to the motions dismiss and requesting an oral hearing. On February 24, 2023, the court denied the motions filed by the co-defendants.

# 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
<p><b>Puerto Rico Comptroller’s Office (OCPR), No. 15592</b></p>	<p>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 of Puerto Rico and Act 9 of July 24 of 1952, as amended.</p>	<p>No changes since last report. Latest request received and responded to in December 2022.</p>
<p><b>OCPR, RFI No. SIE-3518-15560-8</b></p>	<p>Audit of debt issued by the Commonwealth of Puerto Rico and its public corporations from January 1, 2000 – present day.</p> <p>Request for Customer Experience Data including:</p> <ul style="list-style-type: none"> <li>• Rate Revenue,</li> <li>• Accounts Receivable, and</li> <li>• Loss from energy theft</li> </ul> <p>for January 1, 2000 to present, detailed by residential, commercial, and government customers, by fiscal year.</p>	<p>In January 2023, OCPR submitted a request to PREPA, which PREPA then sent to LUMA. LUMA provided the requested post-Commencement information and communicated that pre-Commencement data would need to be supplied and certified by PREPA.</p>
<p><b>OCPR, RFI No. SIE-3518-15560-16</b></p>	<p>Audit of debt issued by the Commonwealth of Puerto Rico and its public corporations from January 1, 2000 – present day.</p> <p>Request for Customer Experience Data including:</p> <ul style="list-style-type: none"> <li>• Rate Revenue,</li> <li>• Accounts Receivable, and</li> <li>• Loss from energy theft</li> </ul> <p>for January 1, 2000 to June 30, 2020, detailed by residential, commercial, and government customers, by fiscal year.</p>	<p>On January 26, 2023, OCPR submitted a request to LUMA requesting the same information as was requested in SIE-3518-15560-8. On February 7, 2023, LUMA again provided the post-Commencement data and communicated that pre-Commencement data needs to be certified and approved by PREPA. On February 22, 2023, OCPR asked P3A to require LUMA to provide the outstanding data related to the request. LUMA began working to compile the raw data for 2 of the 3 requests, but does not have access to energy theft data for the time period prior to June 30, 2020. As of February 28, 2023, LUMA was still working on fulfilling the request.</p>

Government Entity	Audit Description	Significant Updates
<b>KPMG</b>	Audit of PREPA Financial Statements	FY2021 – Audit work is substantially completed as of the end of February 2023 and the financial statements are expected to be issued in March 2023. FY2022 – LUMA has been receiving and responding to requests for information in January and February 2023. LUMA and PREPA have held several informal sessions to discuss specific issues related to FY2022. The official kick-off of the audit is scheduled for March 2023 with a target date of issuance of the financial statements of June 30, 2023 (based on timelines from Department of Treasury (Hacienda)).
<b>P3A</b>	First Year (FY2022) Operations Audit	As of February 28, 2023, meetings are scheduled for the week of March 6-10, 2023 to finalize the process walk-through with P3A's authorized inspectors.
<b>Office of the Inspector General (OIG), No. E-169-23-005; RI-001</b>	Compliance with PR Law and applicable regulations	No changes since last report. LUMA is compiling the requested information in order to comply with the OIG's request.

## 7.0 Material OMA Items

- On February 28, 2023, in compliance with Annex I VII(B)(9) of the T&D OMA, LUMA conducted a Mock Drill Exercise simulating a Category 5 Hurricane with a direct impact to Puerto Rico. This exercise allowed LUMA to ensure personnel readiness during a Level 1 Emergency (Catastrophic Emergency). The following external parties attended the exercise as observers: P3A, PREB, PREMB, FEMA, DEDC (ESF-12), and PREPA.

### PREPA's Non-Compliance with T&D OMA Obligations

- February 2023 was the third consecutive month that PREPA did not fully fund the Service Accounts and failed to meet its obligations in accordance with 7.5(a)(iii), 7.5(b)(iii), 7.5(c)(iii), 7.5(e)(ii) of the T&D OMA. LUMA has issued non-compliance notices to PREPA on each occasion.
- On January 23, 2023, LUMA attended the PREPA Governing Board Transition Committee Meeting, and raised its concern regarding PREPA's unwillingness to provide information required for LUMA to perform its obligations under the T&D OMA and respond to PREB requests, specifically related to PREPA Fuel Data, System Frequency Excursion information related to PREPA Generation, and information required for System Dynamic Modelling of Generation Units. PREPA representatives indicated at the meeting that they would not be providing this information to LUMA. As a result, LUMA is preparing to issue notice to PREB on this issue.

- On February 6, 2023, LUMA and PREPA finalized the Agreed Operating Procedures for Legacy Generation facilities. On February 9, 2023 LUMA requested PREPA to sign the Agreed Operating Procedures by February 17, 2023. LUMA followed up with PREPA on the matter on February 20, 2023. PREPA has not responded to LUMA's request on this important matter.

### **PREPA Reorganization and Title III Exit**

- The Puerto Rico government and the FOMB continue to move forward with PREPA's Title III exit and reorganization process. The FOMB filed an amended proposed plan and disclosure statement including a settlement with monoline insurer National Public Finance Guarantee on February 9, 2023, a modified disclosure statement on February 21, 2023, and a second amended proposed plan and disclosure statement on February 26, 2023.
- LUMA continued to meet with the government and FOMB to discuss LUMA's key concerns regarding the process including:
  1. Transparency of PREPA Legacy Dept and Pension charges on customer bills,
  2. Process for PREB approval of the Legacy Debt and Pension Charges,
  3. Government's planned approach to exempting lower income customers as described in the disclosure statement, and
  4. Implementation of PREPA Reorganization.
- On February 28, 2023, the Title III Court held a hearing to consider approval of the disclosure statement and the proposed discovery schedule for confirmation. The FOMB agreed to certain modifications of the disclosure statement, and Judge Swain approved it over the remaining objections. The ad hoc group of PREPA bondholders has stated its intention to engage in "intense litigation" regarding confirmation of the proposed plan. At that hearing, Judge Swain indicated that she would soon issue a decision on the FOMB's lawsuit challenging the security and recourse rights of PREPA bondholders.
- Separately, on February 21, 2023, the U.S. Supreme Court denied the FOMB's petition for a writ of certiorari on the issue of whether pre-bankruptcy unsecured claims for just compensation that arise under the Takings Clause of the Fifth Amendment of the U.S. Constitution are dischargeable and can be adjusted in bankruptcy as part of the Commonwealth's Title III plan. The U.S. Court of Appeals for the First Circuit affirmed Judge Swain's ruling that such unsecured claims for just compensation are nondischargeable and cannot be adjusted in bankruptcy. The FOMB informed the Supreme Court in its petition that claims related to inverse condemnation/ eminent domain will cost the Commonwealth more than \$300 million.

### **PREPA Accounting and Financial Risks**

- A Condition Precedent to Service Commencement includes the reorganization of PREPA as stated in Section 4.5(q). 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 separate entities.
- This reorganization has not yet occurred and PREPA has not addressed several major PREPA accounting and financial risks. LUMA was provided access to PREPA's financial systems at Commencement (June 1, 2021) and since then, LUMA has identified deficiencies and irregularities. The poor condition of PREPA's pre-Commencement financial records has an impact on LUMA's ability to comply with its T&D OMA obligations, including providing accurate reporting to P3A and FOMB.

- LUMA understands that the initiative to complete the necessary reconciliation and accounting work to enable the full reorganization of PREPA will be funded in the FY2024 Fiscal Plan.
- In February 2023, LUMA began an accounting remediation initiative focused on completing bank reconciliations for the 31 Legacy Bank Accounts as of June 30, 2022, as required for the FY2022 Audit of PREPA's Financial Statements to be completed by the end of June 2023.

### **LUMA's Billing and Collection Efforts**

- LUMA continues to make progress regarding billing. As previously reported, in January 2023, LUMA identified a significant billing system issue caused by the last software upgrade completed by PREPA in 2019. This issue concerns the algorithm for customer bill estimates. Resolution of this error is currently planned for the current fiscal year with improvements to be seen over the subsequent FY2024.
- Since August 2021, LUMA has made numerous attempts, including letters and phone calls, to work with customers who have large and chronic overdue balances to avoid the possible disconnection of service. On February 3, 2023, 48-hour disconnection calls were made to the commercial & industrial business customers who had not responded to repeated attempts to establish payment plans.
- On February 6, 2023, given the failure by customers to respond after months of outreach efforts, LUMA began to schedule crews to disconnect this initial group of customers, unless payment was received by Sunday, February 5. By February 28, 2023, 264 commercial and industrial customers had been disconnected for non-payment. Of the 264 sites, only 111 sites had been reconnected after receipt of payment. LUMA will be performing site checks in March to ensure disconnected sites remain disconnected and energy theft is not occurring.
- LUMA continues to work with the central government of Puerto Rico on improving payment and is supporting collections with individual agency meetings. LUMA met with the central government and the top 10 government agencies and corporations with the largest past due accounts receivable. All agencies have a plan to pay their debt in full by the end of FY23. Outstanding government arrears on the LUMA billed debt (past due accounts from June 2021 on) have been reduced from ~\$100 million in December 2022 to ~\$33 million at the end February 2023. Additionally, PREPA billed debt (past due accounts for energy consumed prior to June 2021) has been reduced from ~\$250 million to ~\$150 million in outstanding arrears at the end of February.

### **FY2024 Budget Allocation**

- LUMA continues to work with FOMB, PREPA, Genera, and P3A on this process established under Section 4.3(c) of the Generation OMA and Section 3.1(b) of the PGHOA.
- In accordance with the process, the Budget Allocation Meeting occurred on February 24, 2023. In order for LUMA to provide a comprehensive proposed allocation, LUMA requires various inputs and information from FOMB, PREPA, and P3A.
  - On February 21, 2023, FOMB provided the FOMB Advisor Costs for FY2024, confirmed that P3A Transaction Costs would be excluded from LUMA's budget, and confirmed that PREPA's Title III Exit Date assumption should be the end of Q3 FY2024. This data was originally requested by LUMA via a formal letter to FOMB on January 26, 2023 (LUMA-FOMB-T-00318).
  - On February 24, 2023, after the Budget Allocation Meeting, PREPA provided its Title III and Bankruptcy costs for FY2024 to LUMA.

- As of February 28, 2023, LUMA had not received any comments from the parties on the materials shared during the February 24, 2023 Budget Allocation Meeting, and two necessary inputs to calculate the Budget Allocation were still outstanding: FOMB's alignment on the FY2024 Load Forecast and the GenCo Operator Fee from P3A.
- LUMA is concerned that if the outstanding inputs outlined above are not received and an allocation is not determined by March 17, 2023, LUMA will not be able to meet PREB's filing deadline of April 15, 2023. Additionally, if the delays experienced in the budget allocation process continue, LUMA's ability to meet the 90-day budget submission requirement under the T&D OMA will be impacted.

### **FY2023 Budget Process**

- On February 27, 2023, PREB issued a R&O conditionally approving LUMA's FY2023 Budget, subject to several conditions, including but not limited to LUMA's periodic reporting on revenue collections, expenditures, and directives to ensure funding for certain programs and initiatives.
- LUMA continues to study the impacts of PREB's various additional requirements, but the additional requirements may impact LUMA's ability to prepare a FY2024 budget submission as per the timelines under the T&D OMA.

### **PREB Resolution and Orders regarding LUMA's request for Amendment of FY2022 Budget**

- On November 2, 2022, LUMA filed a "Motion Submitting Fiscal Year 2022 Budget Amendment" in compliance with Section 7.3 (e) of the T&D OMA, requesting that the FY2022 Budget be amended to reallocate a surplus in LUMA's Operating Budget to its Non-Federally Funded Capital Budget line items. The modification was a result of LUMA's cost saving measures and year-end closing adjustments and financial reviews.
- After PREB's denial of LUMA's requested amendment and rejection of LUMA's request for reconsideration, in its December 14, 2022 R&O, PREB ordered LUMA to show cause within ten (10) business days of why LUMA should not be fined.
- On January 3, 2023, LUMA filed a "[Motion in Compliance with Order to Show Cause and Request for Reconsideration](#)" in which LUMA reiterates and expands upon the arguments discussed in LUMA's November 2, 2022 Amendment Request and November 23, 2022 Reconsideration Request. LUMA stated, for various reasons as previously outlined, that PREB should reconsider its denial and not administer any fines.
- On January 12, 2023, LUMA transmitted an informative letter to P3A that summarizes the foregoing.
- As of February 28, 2023, LUMA has not received a determination from PREB on LUMA's Motion in Compliance with Order to Show Cause and Request Reconsideration. If PREB refuses to review the petition, LUMA will need to request that P3A reviews the FY2022 budget amendment. LUMA intends to work with P3A to avoid this issue from occurring again in future fiscal years.