



# Monthly Report on the T&D System

For the Month of April 2023

May 21, 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 April 2023.

## 2.0 Monthly Sales Summary

- Consumption (GWh) was higher in April 2023 than the previous month (3.5%) and higher than the same month from the previous year (6.1%).
- Energy sales (\$) in April 2023 increased slightly by 0.9% from the previous month and decreased by 7.4% compared to the same month a year ago.

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

Consumption (GWh)	Residential	Commercial	Industrial	Public Lighting	Agriculture	Other Authorities	Total <sup>4</sup>
<b>2023 April</b>	479.7	591.5	143.3	24.1	2.0	2.7	<b>1,243.3</b>
<b>2023 March</b>	452.7	576.3	142.9	24.3	2.1	2.9	<b>1,201.2</b>
<b>2022 April</b>	485.7	529.9	128.9	23.3	2.0	2.6	<b>1,172.4</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 April</b>	82.3	173.7	37.9	27.5	<b>321.4</b>
<b>2023 March</b>	83.3	164.7	40.2	30.4	<b>318.6</b>
<b>2022 April</b>	108.4	187.3	37.2	14.4	<b>347.3</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 April</b>	117.6	156.7	36.4	9.5	0.5	0.7	<b>321.4</b>
<b>2023 March</b>	113.8	156.8	37.4	9.3	0.6	0.7	<b>318.6</b>
<b>2022 April</b>	130.0	172.4	34.9	8.7	0.6	0.7	<b>347.3</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 loadsheds.
- No emergency events occurred during the month of April.

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

Date	Description of outage
04/02/2023	AES 1: Derated and Loadshed
04/03/2023	AES 1: Derated
04/11/2023	Aguirre 2: Forced Outage and Loadshed
04/12/2023	Aguirre 2: Derated AES 1: Derated AES 2: Derated
04/13/2023	Aguirre 2: Derated AES 1: Derated AES 2: Derated Palo Seco 4: Derated
04/14/2023	Cambalache 3: Forced Outage Costa Sur 6: Derated
04/15/2023	AES 2: Derated Palo Seco 3: Maintenance Outage Costa Sur 6: Derated
04/16/2023	Costa Sur 6: Derated AES 1: Derated AES 2: Derated
04/19/2023	San Juan 5: Maintenance Outage
04/20/2023	ECO CT2: Forced Outage San Juan 5 STM: Forced Outage
04/22/2023	San Juan 6: Derated AES 1: Derated
04/23/2023	Costa Sur 5: Derated
04/23/2023	Aguirre 2: Derated San Juan 5 STM: Forced Outage
04/27/2023	Costa Sur 6: Derated AES 1: Derated AES 2: Derated
04/28/2023	Palo Seco 4: Forced Outage
04/29/2023	Aguirre 2: Forced Outage Palo Seco 4; Derated San Juan 6: Forced Outages and Loadshed

Table 3-2: Significant Transmission Outages

Date	Description of outage
04/04/2023	Manati Substation tripped
04/07/2023	Line 38900 Tripped Hato Rey Transformer Banks tripped
04/09/2023	Line 37400 tripped Line 50900 tripped
04/15/2023	Hato Rey Substation tripped Canas Substation tripped Santa Isabel Transformer tripped
04/16/2023	Line 36100 tripped Berwind Substation tripped Monterrey Substation tripped
04/17/2023	Substation San Fernando tripped Line 36100 tripped Santurce Substation tripped Line 37200 tripped
04/18/2023	Vega Baja Bus 1 tripped
04/19/2023	Candelero Substation tripped
04/21/2023	Juan Domingo Substation tripped
04/22/2023	Minillas Substation tripped Line 37400 tripped
04/24/2023	Venezuela Substation tripped
04/26/2023	Dorado Substation tripped
04/27/2023	Conquistador Substation tripped
04/28/2023	Canas Substation tripped Line 36100 tripped Monterrey Substation 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** – On April 21, 2023, PREB issued a Resolution amending the procedural calendar, granting the request to extend the legal briefs filing until May 11, 2023.
- [NEPR-MI-2019-0007](#) | **System Statistics** – On April 3, 2023, PREB issued a Resolution and Order (R&O) for the Quarterly Report due on April 20, 2023, ordering the use of a new report template and adding new metrics to the existing report. On April 6, 2023, LUMA submitted the information and explanations on metrics as ordered on January 12, 2023. On April 20, 2023, LUMA filed the Quarterly Report, in compliance with the orders of January 12, 2023, and April 3, 2023.

- [NEPR-MI-2021-0013](#) | **Electric Vehicles** – On April 12, 2023, LUMA submitted the monthly Billing Integration Report. The Billing Integration Report details the progress of data collection and billing to integrate the Time of Use Rate.
- [NEPR-MI-2022-0001](#) | **Energy Efficiency and Demand Response** – On April 11, 2023, LUMA submitted the Energy Efficiency (EE) Rider in compliance with PREB's February 16, 2023 R&O and modified April 3, 2023 R&O.
- [NEPR-MI-2019-0016](#) | **DG Quarterly Report** – On April 13, 2023, LUMA submitted the Quarterly DG Progress Report.
- [NEPR-MI-2020-0001](#) | **Streetlight Report** – On April 10, 2023, LUMA submitted the March 2023 Streetlight Progress report.
- [NEPR-MI-2021-0004](#) | **LUMA's Budgets** – On April 3, 2023, LUMA submitted a motion requesting an extension of time to submit the Consolidated FY2024 Annual Budget. On April 14, 2023, LUMA submitted a motion in compliance with the R&O of April 5, 2023, regarding PREPA's March 14, 2023 request for additional funding. On April 28, 2023, LUMA submitted an urgent motion requesting an additional extension of time to submit a Consolidated FY2024 Annual Budget and a modification of the Procedural Calendar.
- [NEPR-MI-2021-0002](#) | **Federal Funding** – On April 11, 2023, LUMA reported to PREB receipt of three FEMA Project Obligations for the Distribution Pole and Conductor Repair Improvement Program. On April 24, 2023, LUMA submitted two proposals for Infrastructure Investment and Jobs Act funding opportunities under the Smart Grid Investment Matching Grant Program of the U.S. Department of Energy. On April 24, 2023, LUMA also submitted the Island-Wide Vegetation Clearing initial Scope of Work for PREB approval. On April 27, 2023, LUMA submitted three initial Scopes of Work for Transmission Line Rebuild, and an updated Project List.
- [NEPR-MI-2020-0001](#) | **Permanent Rate** – On April 10, 2023, LUMA filed a memorandum in support of PREPA's confidentiality request regarding FEMA funds.
- [NEPR-MI-2023-0001](#) | **Wheeling Implementation** – On April 10, 2023, LUMA filed a motion in compliance with PREB's March 24, 2023 R&O. Further in compliance with the R&O, on April 21, 2023, LUMA filed its proposed Wheeling Services Agreement (WSA), WSA Application Form, and justification for Non-Refundable Fee.
- [NEPR-MI-2022-0003](#) | **Generation Stabilization Plan** – On April 3, 2023, LUMA submitted the tenth Update for the Generation Stabilization Plan Report. On April 17, 2023, LUMA submitted the eleventh Update for the Generation Stabilization Plan Report.
- [NEPR-MI-2021-0015](#) | **Development of Wind Study** – On April 5, 2023, LUMA filed a Motion to Request the Closing of this Docket.
- [NEPR-AP-2021-0003](#) | **Amendment Punta Lima PPOA** – On April 20, 2023, LUMA filed a Joint Motion with PREPA and the Punta Lima Wind Farm to inform the status of negotiations between the Parties on the Amended and Restated Power Purchase and Operating Agreement (PPOA) between PREPA and Punta Lima and the Interconnection Agreement between LUMA and Punta Lima.

## 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 Economic Development, Planning, Telecommunications, Public-Private Partnerships and Energy	House Resolution 243	April 10, 2023	On March 30, 2023, LUMA received from the Committee a notice to appear in a <i>public hearing</i> on April 12, 2023, and a <b>Request for Comments</b> . On April 10, 2023, LUMA submitted a response letter with comments and the Committee informed LUMA that the public hearing was rescheduled for May 2023.
Joint Committee on Public and Private-Partnerships	Act 20-2009	April 10, 2023	On March 17, 2023, LUMA received from the Joint Committee a <b>Request for Information and Documents</b> . On April 10, 2023, LUMA delivered the response.
House Committee on Economic Development, Planning, Telecommunications, Public-Private Partnerships and Energy	House Resolution 446	April 13, 2023	On April 11, 2023, LUMA received from the Committee a <b>Request for Information</b> . On April 13, 2023, LUMA submitted the response letter.
Senate Committee on Strategic Projects and Energy	Senate Resolution 340	April 21, 2023	On April 21, 2023, LUMA received a notice to appear for a <i>public hearing</i> on May 3, 2023.
House Committee on Economic Development, Planning, Telecommunications, Public-Private Partnerships and Energy	House Resolution 243	April 21, 2023	On April 12, 2023, LUMA received from the Committee a <b>Request for Information</b> . On April 21, 2023, LUMA submitted a response letter.
Senate Committee on Economic Development, Essential Services and Consumer Affairs	Senate Resolution 577	April 25, 2023	On April 11, 2023, LUMA received a <b>Request for Information</b> . On April 25, 2023, LUMA participated in the <i>Joint on-site public hearing</i> in Juana Diaz, related to Ft. Allen Substation.



Committee	Bill or Resolution	Date of Last Update	LUMA Response or Legislation Title
Senate Committee on Agriculture and Natural Resources	Senate Bill 88	April 25, 2023	On April 25, 2023, LUMA received from the Committee a <b>Request for Comments</b> . On April 25, 2023, LUMA delivered the response.
House Committee on Revenues and Budget	House Resolution 892	April 25, 2023	On April 25, 2023, LUMA received from the Committee a <b>Request for Comments</b> .
House Committee on Development and Public Funds on the Northwestern Region Oversight	House Resolution 335	April 25, 2023	On April 25, 2023, LUMA received a notice to appear before the Committee on an <i>on-site public hearing</i> on May 8, 2023.
Rep. Mariana Nogales Molinelli	Act. 141-2019	April 26, 2023	On April 12, 2023, LUMA received from the policymaker a <b>Request for Information</b> under the provisions of Act 141-2019, as amended, known as the “Transparency and Expedited Procedure for Access to Public Information Act”. On April 26, 2023, LUMA submitted a response letter.
House Committee on Small and Medium Business and Permits	House Resolution 716	April 28, 2023	On March 27, 2023, LUMA received from the Committee a <b>Request for Comments</b> related to HRes716. On April 28, 2023, LUMA delivered the final response letter.

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

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 (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.

<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>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.	An argumentative hearing is scheduled for for May 16, 2023. No changes since last Report.
<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.	No changes since last Report.

Case No.	Party Names	Description	Significant Updates
<b>SJ2023CV01793</b>	LUMA Energy ServCo, LLC V. Municipio Autonomo de Manatí; Hon. José A. Sanchez Gonzalez, in his official capacity, and Damian O. Pabon Colon, Finance Director, in his official capacity	LUMA filed a complaint against the Municipality of Manatí challenging the imposition of the construction excise tax relating to the works performed at PREPA's Manatí Substation.	On April 3, 2023, LUMA filed a motion requesting the consolidation with case SJ2023CV02513. On April 10, 2023, the Court granted the Municipality of Manatí 20 days to respond.
<b>SJ2023CV02513</b>	LUMA Energy ServCo, LLC V. Municipio Autonomo de Manatí; Hon. José A. Sanchez Gonzalez, in his official capacity, and Damian O. Pabon Colon, Finance Director, in his official capacity	On March 3, 2023, the Municipality of Manatí issued a Second Preliminary Notice for outstanding construction excise taxes related to the works performed at PREPA's Manatí Substation. LUMA filed a complaint against the Municipality of Manatí challenging the second notice collecting the construction excise for works performed at the Manatí Substation.	No changes since last Report.
<b>Case No. 17-04780 PROMESA Title III</b>	Debtor: Puerto Rico Electric Power Authority (PREPA)	The main Title III Case related to PREPA's exit from Title III. Certain parties are challenging the confirmation of PREPA's proposed plan of adjustment.	LUMA has continued providing support to the FOMB in the response of portions of the subpoenas served.

## 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
<b>Puerto Rico Comptroller's Office (OCPR), No. 15592</b>	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.	Latest update is related to a request received on April 4, 2023, Luma is provided the information on April 10, 2023.

Government Entity	Audit Description	Significant Updates
<b>OCPR, RFI No. SIE-3518-15560-8</b>	<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>	No changes since last report.
<b>OCPR, RFI No. SIE-3518-15560-16</b>	<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>	No changes since last report.
<b>OCPR, No. 15671</b>	<p>Audit to PREPA operator (LUMA Energy ServCo, LLC) during the period from June 1, 2020 to February 28, 2023 by virtue of Article III, Section 22 of the Constitution of the Commonwealth of Puerto Rico and Act 9 of July 24, 1952, as amended.</p>	No changes since last report.
<b>OCPR, No. SII-4029-15637-06</b>	<p>Audit of Guanica Municipality, request for Customer Experience data including:</p> <ul style="list-style-type: none"> <li>• Certification of debt as of December 31, 2022; including interest, penalties or charges.</li> </ul>	On April 21, 2023, LUMA received from OCPR a Request for Information. On April 25, 2023, LUMA delivered the response to the RFI.

Government Entity	Audit Description	Significant Updates
<b>KPMG</b>	Audit of PREPA Financial Statements	FY2022 – LUMA has been receiving and responding to requests for information for several months. LUMA and PREPA hold weekly status meetings with all parties working on the audit and have held several informal sessions to discuss specific issues related to FY2022. The target date of issuance of the financial statements is September 2023.
<b>P3A</b>	First Year (FY2022) Operations Audit	As of April 3, 2023, the only items outstanding are a few follow-ups on samples. Completion is anticipated by end of April 2023.
<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

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

- April 2023 was the fifth 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 six (6) non-compliance notices to PREPA and notified P3A of PREPA's non-compliance with the T&D OMA. Specifically, as it relates to the Outage Event Reserve Account, PREPA has failed to replenish the account as required in section 7.5(d)(ii) of the T&D OMA. LUMA is actively working with P3A towards a solution to PREPA's non-compliance.
- Since December 2022, **PREPA has also refused to permit or approve funds to be removed from the Capital Account – Federally Funded to reimburse for Capital Costs – Federally Funded** actually incurred as permitted in Section 7.5(b)(iv) of the T&D OMA. Despite several written requests and verbal follow ups, PREPA claims it must receive additional information to determine compliance and authorize the funding, which contradicts the responsibilities outlined in the T&D OMA and is duplicative of P3A's oversight. In March 2023, at LUMA's request to compel PREPA, P3A urged PREPA to (1) permit or approve the transfer of funds from the Capital Account – Federally Funded, and (2) transfer FEMA reimbursed costs and Working Capital Advances funds for the T&D System into the Capital Account – Federally Funded. On April 12, 2023, LUMA followed up with P3A on the issue again. PREPA has not acted or responded.
- In February 2023, **LUMA requested PREPA to provide LUMA with the status of all auxiliary systems for each PREPA Generation unit**, including (1) operational state and black-start capability when applicable and (2) the latest maintenance or repair plan, before the deadline of February 10, 2023. Follow-ups were sent to PREPA in February and March, and again on April 12, 2023 (LUMA-PREP-T-00503) with no response from PREPA. **PREPA's delay in providing**

**the necessary data is impacting LUMA's preparation for the upcoming 2023 Atlantic Hurricane Season and review of LUMA's Emergency Response Plan.**

- 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 multiple times, however, as of April 30, 2023, PREPA has not yet signed these important agreements.
- On March 6, 2023 LUMA provided PREPA the finalized Capital Contribution Agreements, which were updated with the facility demarcation and fleet details. At this time LUMA requested PREPA to conduct a final review and approval. LUMA has followed up with PREPA on the matter multiple times, however, as of April 30, 2023, LUMA has not received a finalized version from PREPA.
- Beginning in November 2022, LUMA sent several requests to PREPA regarding information needed for **key insurance renewals**, and has received only partial or no response. Most recently, Loss Experience information from PREPA as of July 2022, first requested by LUMA in March 2023 for marketing efforts of PREPA's Commercial General Liability / Umbrella Policy, was not provided in time to be used for insurance bidding purposes. This information was needed by May 1, 2023, and despite multiple follow attempts, it is too late for this information to support discussions with the insurance markets. This lack of provision of critical information will likely negatively impact LUMA's procurement of insurance and is considered to be an Owner Fault under the T&D OMA.
- Under the Shared Services Agreement, LUMA is responsible for **processing Accounts Payable** on behalf of PREPA. However, PREPA is responsible for ensuring payments are completed, approved and in compliance with law and contract. In some cases, PREPA has requested LUMA make payment for contracts that appear to be expired, have exceeded the maximum contract value, or have another violation of PR law. Therefore, LUMA has asked PREPA to provide attestation that each requested payment is compliant with applicable Contract Standards and Applicable Law before LUMA processes the payment. As of April 30, 2023, PREPA has been unwilling to provide LUMA with such attestation, despite having agreed to do so in a March 29, 2023 meeting with P3A and LUMA.

**PREPA Reorganization and Title III Exit**

- The FOMB conducted its 39th public meeting on April 21, 2023. The chairman of the FOMB, David Skeel, emphasized that "long-term affordability" is the driving focus in the PREPA restructuring process. He said there were no active mediation talks between PREPA creditors and the oversight board at the time, but there were "constant conversations" outside of mediation. Skeel rejected the idea of using commonwealth surplus funds for a consensual settlement with PREPA bondholders, stating that the commonwealth needs the money for other priorities.
- The Puerto Rico government and the FOMB are focused on obtaining confirmation of PREPA's proposed plan of adjustment.
- Discovery in connection with confirmation is ongoing. In addition to document discovery, the parties filed their preliminary lists of fact witnesses and opening expert disclosures on April 14, 2023 and their opening expert reports and initial notices of deposition on April 28, 2023.
- On April 6, 2023, the ad hoc group of PREPA bondholders and the bond trustee filed a motion requesting that Judge Swain certify an immediate interlocutory appeal to the First Circuit of her March 22, 2023 summary judgment decision in the lien challenge litigation. The bondholders

argued that until the “gating issues” regarding their claims are resolved on appeal, any confirmation order predicated on Judge Swain’s summary judgment order would be subject to potential reversal. The bondholders asked the court to address the certification motion on an expedited basis, and the court agreed. On April 10, 2023, the creditors’ committee joined the bondholders’ request for certification of the appeal (but opposed the merits of their claims). The FOMB and the fuel line lenders filed oppositions to the certification motions.

- As part of her March 22 lien challenge decision, Judge Swain ordered the parties to immediately resume mediation. On April 3, 2023, the FOMB filed a motion seeking to extend the appointment of Judge Chapman, the lead mediator, for another six months. Judge Swain granted the motion on April 10.
- On April 17, 2023, the mediation team filed a status report seeking a three-month extension of their term through July 28 and indicating that negotiations had not yet resumed.
- On April 24, 2023, Judge Swain granted the mediation team’s request for a three-month extension of their term to July 28 but expressed concerns over the lack of substantial mediation activity and the risks all parties face if they cannot resolve their differences without litigation. She emphasized that confirmation of the current proposed plan is “far from certain” and that all stakeholders face substantial risks. The judge believes a negotiated resolution is the best chance for an advantageous outcome for all parties. Judge Swain directed the mediation team to file monthly status reports, starting on May 3, to track genuine engagement in the mediation process.

#### **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.
- On January 25, 2023, LUMA requested PREPA to provide balance sheet reconciliations, which have not yet been provided in full to LUMA despite repeated requests from LUMA over the past four (4) months. PREPA’s delay in providing this information is impacting LUMA’s ability to support not only PREPA’s FY22 Audit but also the initiative to complete the necessary reconciliation and accounting work to enable the full reorganization of PREPA which LUMA understands 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. This initiative was completed the week of April 24, 2023.

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

- LUMA will begin system corrections in May 2023 having completed necessary SOW and contract amendments to facilitate work. Initial improvements to be completed in FY23 and with improvements to begin to take effect in July and August 2023 with longer term fixes resolving



over 12 months of regularized system operations. Longer term fixes relate to the previously communicated algorithm for customer bill estimates.

- 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. In February 2023, 48-hour disconnection calls were made to the commercial & industrial business customers who had not responded to repeated attempts to establish payment plans. 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 the end of April 2023, LUMA had completed 2,027 disconnections for non-payment on Commercial and Industrial customer accounts and continues to make progress in collecting on government accounts receivables.
- Over 3,000 new payment agreements were reached in March 2023; January – March 2023 is highest enrollment of payment agreements since commencement.
- LUMA completed over 10,000 net metering activations in Q3 2023.
- In April, ADSEF announced the start of the annual LIHEAP (Low Income Home Energy Assistance Program) application process. Applications will be open until September 30, 2023. Messaging has been prepared and LUMA is coordinating with ADSEF regarding program management.

#### **FY2024 Budget Allocation and Budget Filing**

- In accordance with the Budget Allocation process established under Section 4.3(c) of the Generation OMA and Section 3.1(b) of the PGHOA, the Budget Allocation Meeting occurred on February 24, 2023.
- In accordance with the process, the Budget Allocation Meeting occurred on February 24, 2023 whereby LUMA presented a proposed Budget Allocation based on the available information. At the time of the Budget Allocation Meeting, various required inputs and information from FOMB, PREPA, and P3A had not been provided to LUMA and therefore could not be incorporated in the Budget Allocation.
- On March 27, 2023, LUMA submitted updated Budget Allocation Materials to P3A, incorporating updated information provided to LUMA and requesting an extension so that LUMA, PREPA and Genera would have the same amount of time for preparation of their budgets stipulated under Section 3.1 of the PGHOA.
- On April 6, 2023, P3A set the budget submission timeline. On April 18, 2023, P3A revised the submission timeline whereby PREPA would deliver the Generation and HoldCo Budgets to LUMA on April 18, 2023, and LUMA would submit the Consolidated FY2024 Budgets to P3A on April 22, 2022.
- On April 15, 2023, LUMA submitted updated Budget Allocation Materials to P3A.
- On April 22, 2023, LUMA submitted the Consolidated FY2024 Budgets to P3A. As of the timing of the submission and through the end of April, a determination on the Budget Allocation has not been made by P3A.
- On April 28, 2023, LUMA filed an FY2024 Budget extension request with PREB, proposing LUMA file the FY2024 Budget with PREB on May 8, 2023.

#### **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.
- On March 20, 2023, LUMA filed a Motion for Reconsideration and/or Clarification of Resolution & Order responding to PREB's February 27, 2023 R&O on LUMA's FY2023 Certified Budget and requesting to stay several of the requirements of the February 27, 2023 R&O while PREB considers the Motion for reconsideration.
- As of the end of April, LUMA had not received a response to its March 20, 2023 Motion requesting reconsideration and clarification.

### **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.
- On March 20, 2023, PREB denied LUMA's January 3, 2023 Request for Reconsideration on, and imposed a fine upon LUMA of twenty-five thousand dollars (\$25,000).
- On April 5, 2023, LUMA filed an "Informative Motion on Payment of Fine and Request for Confirmation of Payment", informing PREB that LUMA submitted an electronic payment of the fine from the March 20, 2023 Order on April 3, 2023.

### **Genera Mobilization Coordination**

- On April 13, 2023, LUMA conducted a System Operations meeting with Genera's Operations leads. LUMA is working closely with Genera regarding System Operations coordination in advance of Genera's Service Commencement Date.
- On April 21, 2023, LUMA's Finance Team met with Genera's Finance experts to discuss changes that will be required at Commencement.
- April 27, 2023, LUMA participated in a joint working session with Genera and Ankura to review the current versus future state of OSI PI across LUMA, Genera, and PREPA with a goal of gaining alignment and efficiency for all subsidiaries as well as minimizing total costs for the OSI PI application.
- By April 28, 2023, LUMA completed the Infrastructure Network and Cybersecurity Separation Assessments ("IT OT site visits") with Genera. IT OT site visits allowed Genera to document

technology and relative Cybersecurity infrastructure as found in the field as well and to evaluate the technology design and architecture.

- LUMA continues to respond to Requests for Information (“RFIs”) from Genera and The Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF”) regarding Genera’s Mobilization and Service Commencement and PREPA’s reorganization. As of April 28, 2023, LUMA has responded to 13 RFIs from Genera and two (2) RFIs from AAFAF.
- LUMA’s unambiguous objective is to support a successful Mobilization Period and Service Commencement for Genera. As of April 28, 2023, LUMA has sent Genera four (4) RFIs and AAFAF two (2) RFIs to support LUMA’s planning and work execution for Genera’s Service Commencement and PREPA’s reorganization.