



# Monthly Report on the T&D System

For the Month of August 2023

September 27, 2023

# Contents

- 1.0 Mission, Goals and Areas of Responsibility ..... 1
- 2.0 Monthly Sales Summary ..... 1
- 3.0 System Operations Update..... 2
- 4.0 Puerto Rico Energy Bureau Filings & Hearings..... 4
- 5.0 Legislative Matters and Material Legal Update ..... 6
- 6.0 Ongoing External Audits..... 9
- 7.0 Material OMA Items ..... 10

## 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 August 2023.

## 2.0 Monthly Sales Summary

- August 2023 consumption (GWh) was slightly lower by 0.2% than the previous month (June 2023) and 11.8% over the same month of the previous year (August 2022) respectively. The key driver of the increase was the high temperatures registered in August 2023..
- Energy sales (\$) in August 2023 decreased by 8.1% from the previous month and decreased by 15.5% compared to the same month of the previous year. The main driver of the reduction was the decrease of 31.7% in the fuel cost consumed for energy production.

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

Consumption (GWh)	Residential	Commercial	Industrial	Public Lighting	Agriculture	Other Authorities	Total <sup>4</sup>
<b>2023 August</b>	695.8	691.7	163.2	24.3	2.6	3.4	<b>1,580.9</b>
<b>2023 July</b>	716.7	690.0	146.2	25.2	2.2	3.5	<b>1,584.0</b>
<b>2022 August</b>	611.8	613.7	159.	23.4	2.2	3.4	<b>1,413.6</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 August</b>	102.9	210.2	32.4	29.8	<b>375.3</b>
<b>2023 July</b>	108.0	218.9	47.4	33.9	<b>408.2</b>
<b>2022 August</b>	92.8	279.8	43.1	28.3	<b>444.0</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 August</b>	158.7	168.5	36.6	10.1	0.6	0.8	<b>375.3</b>
<b>2023 July</b>	171.4	185.8	38.9	10.7	0.6	0.8	<b>408.2</b>
<b>2022 August</b>	183.3	199.6	48.5	10.9	0.7	1.0	<b>444.0</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 System Operations Update

### Reported Events

- Several generation forced outages occurred during the month. Three resulted in automatic underfrequency loadsheds and generation shortfalls.
- The LUMA Emergency Operations Center (LEOC) was activated due to Tropical Storm Franklin's path near Puerto Rico. It was a Level 4 activation from August 21 - 23, 2023.

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

Date	Generation Outages
08/02/2023	San Juan 5: Derated
08/04/2023	Palo Seco 3: Derated
08/05/2023	Palo Seco 3: Derated Palo Seco 4: Derated Aguirre 2: Forced Outage and Loadshed Generation Shortfall and Loadshed
08/07/2023	Aguirre 2: Derated Palo Seco 3: Derated and Forced Outage San Juan 5: Derated
08/08/2023	San Juan 6: Forced Outage and Loadshed Palo Seco 4: Forced Outage San Juan 5: Derated
08/10/2023	San Juan 5: Derated San Juan 9: Forced Outage
08/11/2023	San Juan 9: Derated Costa Sur 6: Derated
08/12/2023	Cambalache 4: Forced Outage
08/13/2023	San Juan 5: Forced Outage
08/14/2023	Generation Shortfall and Loadshed
08/15/2023	Generation Shortfall and Loadshed
08/18/2023	Palo Seco 3: Derated
08/19/2023	San Juan 9: Forced Outage
08/21/2023	Cambalache 2: Forced Outage
08/24/2023	AES 1: Derated San Juan 6: Forced Outage
09/25/2023	AES 1: Derated San Juan 9: Derated
08/26/2023	Ecoelectrica: Forced Outage
08/28/2023	AES 2: Derated
08/29/2023	AES 1: Derated Palo Seco 1-2: Unavailable Palo Seco MP 1: Derated
08/30/2023	AES 2: Derated San Juan 9: Derated Aguirre 2: Derated FEMA Units (all): Forced Outage
08/31/2023	AES 2: Derated

Table 3-2: Significant Transmission Outages

Date	Transmission Outages
08/01/2023	Line 36100 tripped
08/02/2023	Line 36400 tripped
08/03/2023	Line 37800 tripped
08/06/2023	Line 51000 tripped
08/07/2023	Line 38300 tripped
08/08/2023	Line 36700 tripped Line 36100 tripped Line 36400 tripped Line 37000 tripped Line 39000 tripped
08/09/2023	Line 38900 tripped Line 36100 tripped Line 37400 tripped Line 36400 tripped
08/10/2023	Line 41400 tripped Line 36300 tripped
08/14/2023	Line 36100 tripped Line 39000 tripped
08/17/2023	Line 36100 tripped
08/19/2023	Line 41400 tripped
08/20/2023	Line 39000 tripped Line 36300 tripped Line 37800 tripped Line 51200 tripped
08/23/2023	Substation Alturas Mayaguez tripped Line 37200 tripped Line 36100 tripped Line 36200 tripped Substation Manati Urbano tripped
08/24/2023	Line 36800 tripped Line 38900 tripped
08/25/2023	Line 36800 tripped Line 38900 tripped Line 36400 tripped
08/26/2023	Line 36100 tripped Line 39000 tripped Line 37200 tripped Line 37400 tripped Line 37500 tripped
08/27/2023	Line 37100 tripped
08/29/2023	Line 37600 tripped Line 37800 tripped
08/30/2023	Substation Canas tripped

## 4.0 Puerto Rico Energy Bureau 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-MI-2019-0007](#) | **Performance Metrics** – On August 16, the PREB issued a Resolution and Order (“R&O”) related to LUMA’s April 20 request to align LUMA’s operational districts to System Average Interruption Duration Index (“SAIDI”) and System Average Interruption Frequency Index (“SAIFI”) reporting. The PREB requested that LUMA provide additional data that includes underlying data, recalculate prior periods under PREPA districts and clarify how LUMA defined its 15 districts.
- [NEPR-AP-2020-0025](#) | **LUMA’s Performance Metrics** – On August 17, the PREB issued a Resolution addressing multiple motions regarding its May 25 Administrative Notice to add additional information to the record. In this Resolution, the PREB determined that it was appropriate for PREB to take official notice of 12 of the 14 documents that PREB decided to bring into evidence in the case. In addition, the PREB denied LECO’s June 9 motion in which LECO attempted to introduce additional information, disregarding the already established process. Finally, the PREB ordered the parties to submit reply briefs.
- [NEPR-MI-2021-0013](#) | **Electric Vehicles (“EV”)** – On August 8, LUMA submitted a motion providing responses to requests for information (“RFIs”) issued by the PREB regarding LUMA’s July 11 EV Time of Use Billing Integration Report. On August 31, LUMA submitted a report on the progress of the EV Market Study being commissioned by the Department of Economic Development and Commerce as ordered by the PREB.
- [NEPR-MI-2022-0001](#) | **Energy Efficiency (“EE”) and Demand Response (“DR”)** – On August 23 LUMA submitted the proposed estimated costs associated with the Battery Emergency Demand Response Program (BEDRP), including the cost related to the compensation to be offered to the Emergency DR aggregators that participate in the BEDR Program to be recovered through the Purchase Power Costs Adjustment (“PPCA”). On August 29, LUMA submitted the Fiscal Year (“FY”) 2023 Q4 Transition Period Plan (TPP) Report. The Q4 TPP Report contains a description of the actions completed by LUMA from TPP launch through June 30, 2023.
- [NEPR-MI-2021-0004](#) | **LUMA’s Budgets** – On August 14, LUMA submitted its Quarterly Report for Q4 of FY2023 (April 1, 2023 to June 30, 2023). On August 24, LUMA submitted a motion in response to the PREB’s June 25, R&O on Efficiency, Forecasting and Methodology, proposing that PREB leverage existing monitoring and compliance proceedings to measure LUMA’s performance rather than introduce overlapping reporting processes on matters already being addressed.
- [NEPR-MI-2021-0002](#) | **Federal Funding** – On August 4 and 8, LUMA reported to PREB receipt of two FEMA Project Obligations for the Distribution Pole and Conductor Repair Improvement Program. On August 25, LUMA submitted the 4x25 MW BESS Interconnections at LUMA 38 kV System initial Scope of Work for PREB approval. On August 28, LUMA reported to PREB receipt of two FEMA Project Obligations for the Substation Rebuilds Improvement Program.

- [NEPR-MI-2019-0006](#) | **Emergency Response Plan (“ERP”)** – On August 21, LUMA submitted a motion in compliance with the R&O of August 16 related to LUMA’s Emergency Preparedness Report filed on May 30, providing explanation of how the start of a restoration period for an Emergency Event will be communicated to PREB.
- [NEPR-MI-2020-0001](#) | **Permanent Rate** – On August 1, LUMA filed a motion requesting PREB to reconsider the mandate from its July 31 R&O in which LUMA was ordered to include the EE Rider on the bill. On August 2, PREB issued a R&O rejecting LUMA’s request and further ordering LUMA to comply and add the EE Rider to the bill. On August 11, LUMA filed a motion in compliance with the August 2 R&O. On August 14, 2023, LUMA filed a motion with information on July revenues and fuel and purchased power costs. LUMA suggested that PREB not change rates for September. On August 17, PREB issued a R&O taking notice of LUMA’s August 14 motion. On August 29, PREB issued an R&O in which it approved LUMA’s August 18 request to change the streetlight report cadence from monthly to quarterly.
- [NEPR-MI-2021-0008](#) | **Customer Bill** – On August 14, 2023, LUMA filed an informative motion on the addition of the EE Rider to the customer bill, as ordered by PREB in the Permanent Rate Docket.
- [NEPR-IN-2023-0003](#) | **Commercial Bill Estimates** – On August 7, 2023, LUMA filed a motion responding to the Independent Consumer Protection Office (“OIPC”) claims in compliance with PREB’s July 18 R&O.
- [NEPR-MI-2023-0001](#) | **Wheeling Implementation** – On August 18, LUMA held the second collaboration session as part of the three-month stakeholder collaboration process to finalize the Wheeling Services Agreement (“WSA”). On August 29, LUMA submitted an informative motion regarding the Phoebus Fund PR, LLC (“Phoebus”) petition to add a Buyer of Last Resource clause in the WSA. On August 31, PREB issued R&O stating that once the final WSA is filed with PREB, a term will be established to allow stakeholders a reasonable time to present the items they believe are unresolved in the final WSA. Therefore, the PREB postponed consideration of motions regarding items currently under discussion until the conclusion of the collaboration sessions.
- [NEPR-AP-2023-0004](#) | **Integrated Resource Plan (IRP) Review Proceeding** – On August 4, LUMA filed a Motion to modify the agenda of the initial technical conference to discuss preliminary Plans for the IRP. On August 8, 2023 the PREB held a technical conference to discuss LUMA’s preliminary IRP plans and a confidential conference to discuss potential Conflicts of Interest (“COI”) in the technical consultant contract. The PREB requested LUMA to file the presentation of the preliminary IRP plans, certain amendments to Exhibit I of the contract and a certification from the selected candidate indicating it currently has no contracts related to the IRP with entities regulated by the PREB. On August 30, LUMA filed the amendments to Exhibit I of the contract, the certification from the selected candidate and the final contract with minor changes to be consistent with Exhibit I.

**Other filings in August:**

- [NEPR-MI-2022-0003](#) | **Generation Stabilization Plan** – Eighteenth and Nineteenth Generation Stabilization Plan Reports (August 1; August 15)
- [NEPR-MI-2021-0013](#) | **Electric Vehicles** – August Time of Use Billing Integration Report (August 10)



- [NEPR-MI-2020-0001](#) | **Streetlight Report** – August Streetlight Progress Report (August 10)
- [NEPR-MI-2020-0019](#) | **System Remediation Plan (“SRP”)** – Q4 FY2023 Quarterly Report and related Schedules (August 14)
- [NEPR-MI-2019-0005](#) | **Vegetation Management Plan** – Q4 FY2023 Vegetation Clearing Report (August 14)
- [NEPR-MI-2021-0002](#) | **Federal Funding** – Q4 FY2023 Federal Funding Report (August 14)
- [NEPR-MI-2021-0001](#) | **Review of T&D Operator's System Operation Principles (“SOPs”)** – SOPs Annual Report (August 23)

## 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
<b>Senate Committee on Strategic Projects and Energy</b>	Senate Resolutions 1 and 340	August 2, 2023	On July 14, LUMA was summoned by the Committee to appear in a <i>public hearing</i> on August 4. After it was rescheduled for August 2, LUMA participated in the hearing.
<b>House Committee on Economic Development, Planning, Telecommunications, Public-Private Partnerships and Energy</b>	House Resolution 243 & 446	August 16, 2023	On August 14, LUMA received a <i>RFI</i> which required a response within 48 hours. On August 16, LUMA submitted a response to the <i>RFI</i> .
<b>House Committee on Economic Development, Planning, Telecommunications, Public-Private Partnerships and Energy</b>	House Resolution 243 & 446	August 18, 2023	On August 17, LUMA received a <i>RFI</i> which required a response within 48 hours. On August 18, LUMA submitted a response to the <i>RFI</i> .
<b>House Committee on Economic Development, Planning, Telecommunications, Public-Private Partnerships and Energy</b>	House Resolution 243 & 446	August 25, 2023	On August 18, LUMA received a <i>RFI</i> which required a response within 3 days. On August 25, LUMA submitted a response to the <i>RFI</i> .



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 & 446	August 23, 2023	On August 22, LUMA received a <i>RFI</i> which required a response 24 hours. On August 23, LUMA submitted a response to the RFI.
Deputy Secretary for Legislative Affairs at La Fortaleza	SB465	August 23, 2023	On August 22, 2023, LUMA received a <i>Request for Comments</i> regarding SB465. On August 23, LUMA submitted a response.
House Committee on Development and Public Funds Oversight on the Southwestern Region	House Resolution 303	August 24, 2023	On August 24, 2023, LUMA received a notice to appear in an <i>on-site public hearing</i> . LUMA participated in the hearing via Zoom on the same day.
House Committee on Economic Development, Planning, Telecommunications, Public-Private Partnerships and Energy	House Resolution 243 & 446	August 25, 2023	On August 25, LUMA received noticed to appear on an on-site public hearing scheduled for September 6, 2023.
House Committee on Economic Development, Planning, Telecommunications, Public-Private Partnerships and Energy	House Resolution 243 & 446	August 29, 2023	On August 28, LUMA received noticed to appear in a <i>public hearing</i> scheduled for August 31, 2023. On August 29, the public hearing was cancelled.

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

Case No. & Parties	Description	Significant Updates
<b>Adv. Proc. No. 21-00041</b> UTIER v. Pierluisi et al.	Plaintiffs requested the annulment of the OMA mainly because it violates the Contracts Clause and does not comply with Act 120-2018, given that it does not recognize UTIER's collective bargaining agreement.	On August 31, 2023, the Court issued an opinion and order dismissing the Complaints filed by UTIER and SRAEE seeking to invalidate the OMA, including the claims against Wayne Stensby, individually. The Plaintiffs are allowed to file an appeal.
<b>Adv. Proc. No. 21-00049</b> SRAEE v. Pierluisi et al.	In general, very similar to the case above. In addition, the claim alleges that the T&D OMA violates ERISA and would destroy the SRAEE due to lack of funds. Jointly briefed with Adv. Proc. 21-00041.	Same as above.

<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.

<p><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</p>	<p>The residential and commercial customers in the consolidated class actions filed with the Puerto Rico State Court (“Plaintiffs”) seek \$500 million in compensation for damages for LUMA’s alleged failure to properly maintain and operate certain equipment pursuant to the T&amp;D OMA, causing an island-wide blackout on April 6, 2022. LUMA was served on July 19, 2022, and on July 29, 2022, LUMA filed a Notice of Removal with the Title III Bankruptcy court.</p>	<p>On August 18, 2023 the Court issued an order taking as submitted the motion to dismiss for adjudication.</p>
<p><b>SJ2022CV08894</b> UTIER, et. al. V. LUMA Energy ServCo, LLC, et. al.</p>	<p>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.</p>	<p>On August 8, 2023 the Court of Appeals denied the co-defendants’ Petition for Certiorari. LUMA filed a motion for reconsideration on August 23, 2023 that is pending adjudication.</p>
<p><b>Civil Case No. 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</p>	<p>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.</p>	<p>On August 4, 2023, the Municipality filed a motion requesting the lift of the entry of default. On August 22, 2023 the Court issued an Order granting the Municipality’s request to lift the entry of default. On August 23, 2023, LUMA filed a motion for reconsideration that was denied. The Court ordered the Municipality to file its answer to the complaint within 20 days.</p>
<p><b>Civil Case No. 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</p>	<p>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.</p>	<p>Same as above.</p>
<p><b>AI2023CV00070</b> Aracelis Pagán Rivera v. LUMA.</p>	<p>Plaintiffs seek damages stemming from a fire allegedly caused by an electrical contact between the property’s point of delivery and its metal roofing. They allege that the situation was provoked by LUMA’s lack of adequate maintenance of the electric grid.</p>	<p>Plaintiffs did not file an appeal of the July 10, 2023 Judgment dismissing the case under the Liability Waiver defense. Judgment has become final, and the case is closed.</p>
<p><b><i>The following cases have had no significant changes since the last report:</i></b></p>		
<p><b>Case No. KLRA202100406</b> In re Revisión de los Términos de Servicio de LUMA</p>		

**Civil Case No. 22-CV-01357**

CADFI Corp. v. PREPA, LUMA and Municipality of San Juan

**Case No. 17- 04780 PROMESA Title III**

Debtor: Puerto Rico Electric Power Authority (PREPA)

## 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. 15671</b>	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.	On August 29, LUMA received a RFI, which is due on September 5.
<b>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.	On July 18, LUMA received two RFIs, which LUMA responded to on August 8 and August 14.
<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. Issuance of the financial statements is expected by end of calendar year.
<b><i>The following audits have had no significant changes since the last report:</i></b>		
<b>OCPR, RFI No. SIE-3518-15560-8</b>		
<b>OCPR, RFI No. SIE-3518-15560-16</b>		
<b>OCPR, No. SII-4029-15637-06</b>		
<b>P3A First Year (FY2022) Operations Audit</b>		
<b>Office of the Inspector General (OIG), No. E-169-23-005; RI-001</b>		

## 7.0 Material OMA Items

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

- August 2023 was the ninth consecutive month in which **PREPA did not fully fund the Service Accounts** and thus failed to comply with its contractual obligations, in breach of the T&D OMA. LUMA has issued nine (9) non-compliance notices to PREPA and notified P3A. Specifically, as it relates to the Outage Event Reserve Account, PREPA has failed to provide any funds to replenish the account since February 2023, as required in section 7.5(d)(ii) of the T&D OMA.

### PREPA Reorganization and Title III Exit

- The Puerto Rico Fiscal Agency and Financial Authority (AAFAF), as the Government restructuring agency, developed a reorganization plan to “right size” HoldCo and HydroCo to reflect PREPA’s new responsibilities following Genera’s commencement on July 1. This reorganized structure was approved by PREPA’s Governing Board on June 9, 2023 via Resolution 5064. However, as of the end of August, PREPA has not provided the reorganized organizational chart of employees and named personnel, as mandated by the PREPA Governing Board in order to reassign employees into the new subsidiaries. This lack of transparency has hindered LUMA’s ability to provide services to PREPA in accordance with the Shared Services Agreement (“SSA”).
- Following execution of the **Capital Contribution Agreements (“CCA”)** in June 2023, LUMA conducted a thorough review of the vehicle lists attached to the CCAs. On August 28, 2023, LUMA communicated to PREPA PropertyCo, PREPA HydroCo, and Genera (as GenCo Operator) a list of 49 asset transfer requests to be completed by September 8, 2023.
- The Puerto Rico government and the FOMB continue to work toward confirmation of PREPA’s current proposed plan of adjustment.
- In the FOMB’s seventh annual report issued on August 1, 2023, the FOMB noted that it was continuing “to work with certain creditors and the mediation team to reach an agreement to develop more consensus” on an amended restructuring plan. The FOMB explained that updated projections impacted the fiscal plan’s debt sustainability analysis and required the FOMB to amend the plan of adjustment.
- After several, court-approved extensions of its plan filing deadline, the FOMB filed PREPA’s third amended plan of adjustment on August 25, 2023:
  - The amended plan reflects Judge Swain’s recent decision reducing the total PREPA bondholder claims from approximately \$8.5 billion to an allowed claim amount of approximately \$2.4 billion and, according to the FOMB’s informative motion also dated August 25, “conforms to the previously disclosed debt sustainability analysis in the revised PREPA Fiscal Plan certified in June 2023 that is based on the most recent projections of PREPA’s operating costs and future demand for its services.”
  - In addition, the amended plan continues to include the concept of a Legacy Charge to repay bond claims, but the amount of the Legacy Charge has been reduced. The FOMB stated that the estimated PREPA Legacy Charge for customers not currently benefiting from subsidized electricity rates “would now be, on average, about \$8.71 a month, a 5% increase in the overall electricity bill based on the updated data in the PREPA Fiscal

Plan.” The PREPA Legacy Charge “would exclude qualifying low-income residential customers”, almost half of PREPA’s residential customers, “from the connection fee and the volumetric charge for up to 425 kilowatt hours (kWh) per month.”

- The Legacy Charge includes a fixed charge and variable charge component.
  - The Legacy Charge remains subject to PREB approval.
  - The PREPA pension treatment is also unchanged from the prior plan. According to the FOMB, PREPA retirees will be paid in full for all benefits earned through the effective date of the plan, but after that date, no further benefits can be earned under the defined benefit plan. Instead, current PREPA employees and those who previously moved to government employment but remained in PREPA’s plan will be able to enroll in the government’s defined contribution plan. The FOMB is actively working with the Commonwealth government to identify funding for PREPA’s pensions.
- On August 29, 2023, the FOMB submitted a joint status report describing the parties’ positions on confirmation-related scheduling. In general, the FOMB supports an expedited timeline with limited discovery and a confirmation hearing in January 2024, while certain bondholders and other parties support expanded discovery and a confirmation hearing in or about March 2024. At a status conference held on August 30, 2023, Judge Swain suggested that she supported broader discovery and a longer timeline but directed the parties to meet and confer and file a consensual scheduling order on September 7, 2023.

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

- 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 over the past seven (7) months. PREPA’s delay in providing this information is impacting LUMA’s ability to support both PREPA’s FY2022 Audit and the initiative to complete the reconciliation and accounting work needed to enable PREPA’s full reorganization which LUMA understands will be funded in the FY2024 Fiscal Plan.

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

- LUMA is currently implementing system corrections resolving the identified billing estimation algorithm issues, among others. The team is preparing to implement improvements into the system in August 2023.
- Over, 2,200 new payment agreements were reached in August 2023; for a total over 41,500 since June 2021. In July 2023, LUMA completed over 89,000 outbound collection calls for a total of over 1.3M outbound calls since June 2021.

#### **LUMA Budget Approval, Amendment and Reallocation**

- LUMA is highly concerned regarding the procedural and substantive orders and decisions by the PREB on LUMA’s budgets, reporting and related activities. There are currently outstanding unresolved issues stemming from PREB’s decisions regarding budgets for FY2022, FY2023 and FY2024. These decisions impact LUMA’s delivery of O&M Services and the implementation of the T&D OMA.

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

- LUMA is very concerned that PREB's June 25, 2023, R&O that resulted in a decrease of LUMA's FY2024 budget by \$14.8 million and imposed additional reporting requirements well beyond and/or contradicting the requirements of the T&D OMA and may materially impact LUMA's ability to deliver the O&M Services. On August 14, 2023, LUMA filed an appeal with the Court of Appeals against PREB's June 25, 2023, ruling.
- On August 24, 2023, LUMA filed a motion in response to PREB's June 25, 2023 R&O requiring LUMA to continuously assess performance against its forecasted efficiencies and submit its efficiency forecasting methodology and projections for the upcoming FY24. Additionally, the R&O required LUMA to develop a comprehensive plan for the development, implementation and quantification of efficiencies and savings for evaluation in the upcoming Rate Case. In its motion, LUMA clarified the intended meaning and definition of future efficiencies that are referred to in LUMA's initial budget, which was not included as a forecast for efficiencies that LUMA expected or promised to achieve in future years. Additionally, LUMA outlined that it is already reporting across various dockets on many areas that PREB is requesting additional efficiencies reporting, in particular the PREB's six key areas of improvement it identified in the May 31, 2021, R&O.

### **FY2023 Budget and Reallocation Request**

- On July 10, LUMA filed a motion to show cause on why it should not be fined \$5,000 for reallocating funds in an amount exceeding 5% without obtaining the PREB's prior approval and failing to comply with the August 3, 2022 Order. LUMA is still awaiting a response to its motion.

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

- LUMA continues to follow up on LUMA's May 1 letter to P3A escalating concerns about PREB's budget amendment requirements issued with regards to the FY2022 and subsequent budgets.

### **Genera Operational Coordination & Shared Services**

- LUMA Systems Operations and Engineering continue to work closely with Genera on a number of topics, including outage schedule planning, load forecasting, unit testing, and dynamic modeling.
- LUMA has provided two (2) months of Shared Services to Genera, as the operator of GenCo. LUMA, PREPA and Genera have continued with weekly Generation and bi-weekly Finance joint shared services management/liaison meetings to ensure communication among the parties. LUMA also continues to support Genera's Shared Services exit and systems separation planning.

### **Shared Services Transition & Exit**

- LUMA, PREPA, AAFAF, and Genera teams continued planning the transition and termination of the existing Shared Services within Finance, IT OT, and Operations consistent with the December 31, 2023 termination date in the SSA.
- The teams have met with leaders from all parties to plan the functional and technical elements of this transition and have established a project governance and structure, including bi-weekly program steering committee meetings.
- While LUMA has continued to offer support and cooperation, LUMA is very concerned with the lack of detailed planning and progress by PREPA and Genera to establish independent entities prior to the termination of the SSA on December 31, 2023. LUMA has no plans to continue the provision of Shared Services to HoldCo, HydroCo, or GenCo after the termination of the SSA.