



Monthly Report on the T&D System

For the Month of March 2023

April 18, 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 March 2023.

2.0 Monthly Sales Summary

- Consumption (GWh) was higher in March 2023 than the previous month (12.73%) and almost equal to the same month from the previous year (0.10%).
- Energy sales (\$) in March 2023 increased by 20.01% from the previous month and decreased by 12.04% compared to the same month a year ago, mainly driven by the reduction in the fuel cost.

Table 2-1. Energy billed by customer segment

Consumption (GWh)	Residential	Commercial	Industrial	Public Lighting	Agriculture	Other Authorities	Total ⁴
2023 March	452.7	576.3	142.9	24.3	2.1	2.9	1,201.2
2023 February	395.0	525.1	123.8	17.3	1.7	2.8	1,065.6
2022 March	481.6	544.5	146.7	22.4	2.1	2.7	1,200.0

Table 2-2. Energy sales by rate component

Energy Sales (\$M)	Base	FCA ¹	PPCA ²	CILT & Subsidies ³	Total ⁴
2023 March	83.3	164.7	40.2	30.4	318.6
2023 February	78.5	126.4	32.3	28.2	265.4
2022 March	94.4	196.9	48.4	22.5	362.2

Table 2-3. Energy sales by customer segment

Energy Sales (\$M)	Residential	Commercial	Industrial	Public Lighting	Agriculture	Other Authorities	Total ⁴
2023 March	113.8	156.8	37.4	9.3	0.6	0.7	318.6
2023 February	91.5	136.4	29.6	6.9	0.4	0.6	265.4
2022 March	133.3	176.9	40.9	9.7	0.6	0.7	362.2

¹ FCA: Fuel Charge Adjustment

² PPCA: Purchased Power Charge Adjustment

³ CILT: Contribution In Lieu of Taxes

⁴ 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. Five resulted in automatic underfrequency loadsheds.
- No emergency events occurred during the month of February.

Table 3-1: Significant Generation Outages

Date	Description of outage
03/01/2023	AES 2: Forced Outage
03/03/2023	San Juan 5 STM: Derated
03/04/2023	San Juan 6 STM: Forced Outage
03/05/2023	Aguirre 2: Derated
03/06/2023	AES 1: Forced Outage
03/07/2023	Aguirre 2: Derated
03/09/2023	AES 1: Derated
03/11/2023	ECO CT2: Planned Outage Palo Seco 3: Derated Palo Seco 4: Forced Outage
03/12/2023	Palo Seco 3: Derated
03/13/2023	AES 2: Derated
03/14/2023	Costa Sur 5: Derated ECO CT1: Forced Outage and Loadshed
03/16/2023	ECO CT1: Forced Outage and Loadshed
03/18/2023	ECO CT1: Planned Outage
03/19/2023	San Juan 5: Derated
03/21/2023	ECO CT1: Forced Outage and Loadshed
03/22/2023	San Juan 5: Maintenance Outage
03/25/2023	Aguirre 2: Maintenance Outage
03/27/2023	Aguirre 2: Forced Outage and Loadshed AES 2: Derated
03/28/2023	AES 1: Derated AES 2: Derated, Forced Outage and Loadshed
03/30/2023	AES 2: Forced Outage
03/31/2023	San Juan 6: Derated Costa Sur 6: Derated

Table 3-2: Significant Transmission Outages

Date	Description of outage
03/02/2023	Line 36100 tripped
03/04/2023	Portable Substation 19 tripped
03/14/2023	Line 36100 tripped
03/15/2023	Substation Vega Alta tripped
03/21/2023	Line 37400 tripped Line 40200 tripped
03/22/2023	Line 27400 tripped
03/28/2023	Line 3300 tripped
03/30/2023	Substation Vega Alta tripped
03/31/2023	Substation Fajardo PDS 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 March 3, 2023 and March 17, 2023, LUMA filed motions to amend the procedural calendar to allow sufficient time for legal briefs to be developed based on transcripts of Evidentiary Hearings. On March 29, 2023, the PREB issued a Resolution and Order (“R&O”), granting the amendment to the procedural calendar, giving the parties until April 27, 2023, to file the Legal Briefs.
- [NEPR-MI-2019-0007](#) | **System Statistics** – On March 3, 2023, LUMA submitted corrected spreadsheets relating to data submitted for October through December 2022, and corrected data on certain metrics for July through August 2022, after LUMA identified an absence of data across various workpapers.
- [NEPR-MI-2021-0013](#) | **Electric Vehicles** – On March 1, 2023, LUMA submitted an explanation of the reasons it did not deem necessary to issue a Rate Implementation Support RFP as ordered by PREB. On March 13, 2023, LUMA submitted the first 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 March 8, 2023, LUMA submitted a motion for reconsideration and request to vacate deadlines regarding the PREB's February 16, 2023, determination on the approved Transition Period Plan, in which PREB ordered LUMA to adopt activity-based metrics, meet deadlines, and file validation methods.
- [NEPR-MI-2020-0001](#) | **Streetlight Report** – On March 10, 2023, LUMA submitted the February 2023 Streetlight Progress report.
- [NEPR-MI-2021-0004](#) | **LUMA's Budgets** – On March 20, 2023, LUMA submitted a motion for reconsideration and clarification of the February 27, 2023 R&O regarding PREB's FY2023 Budget Determination. On March 29, 2023, LUMA filed an updated Emergency Response Preparedness Program in compliance with PREB's R&O and submitted a motion in compliance with PREB's March 25, 2023 R&O, stating LUMA's position regarding PREPA's Request for FY2023 Budget Amendment.

- [NEPR-MI-2021-0002](#) | **Federal Funding** – On March 7, 2023, LUMA reported to PREB receipt of three FEMA Project Obligations for the Distribution Pole and Conductor Repair Improvement Program. On March 15, 2023, LUMA reported to PREB receipt of seven FEMA Project Obligations for the Distribution Pole and Conductor Repair Improvement Program. On March 23, 2023, LUMA submitted the updated 90-Day Plan for T&D Projects. On March 28, 2023, LUMA reported to PREB receipt of two FEMA Project Obligations for the Distribution Pole and Conductor Repair Improvement Program. On March 29, 2023, LUMA submitted two initial Scopes of Work for PREB approval. And an updated Project List.
- [NEPR-MI-2020-0001](#) | **Permanent Rate** – On March 15, 2023 LUMA filed the quarterly reconciliation and proposed Fuel Clause Adjustment and Power Purchase Clause Adjustment Factors. On March 28, 2023, LUMA filed an RFI response in compliance with PREB's March 23 R&O. On March 29, 2023, LUMA attended a Technical Conference and on March 30, 2023, LUMA filed updated proposed factors in compliance with bench orders issued during the Technical Conference. On March 31, 2023, PREB issued an R&O setting factors for the period beginning April 1, 2023 – June 30, 2023.
- [NEPR-AP-2018-0004](#) | **Unbundling of Assets** – On March 7, 2023, LUMA filed a motion submitting the Spanish translation of the Wheeling Customer Rider (WCR) for PREB's consideration.
- [NEPR-MI-2023-0001](#) | **Wheeling Implementation** – On March 3, 2023, LUMA filed a motion submitting post Technical Conference Stakeholder Comments in compliance with the January 13, 2023 R&O. On March 10, 2023, LUMA filed a motion requesting an extension to submit the draft Wheeling Services Agreement. On March 24, 2023, PREB issued an R&O granting LUMA's extension request, ordering PREPA to provide OSI Pi Fuel Data, and issuing guidance for implementation agreements.
- [NEPR-MI-2022-0003](#) | **Generation Stabilization Plan** – On March 1, 2023, LUMA submitted the eighth Update for the Generation Stabilization Plan Report. On March 15, 2023, LUMA submitted the ninth Update for the Generation Stabilization Plan Report.
- [NEPR-MI-2020-0015](#) | **Annual Renewable Energy Compliance Report**– On March 31, 2023, LUMA filed the Annual Compliance Report regarding compliance with the Renewable Energy Portfolio for the 2022 calendar year.
- [NEPR-MI-2020-0012](#) | **Integrated Resource Plan (IRP)** – On March 31, 2023, LUMA filed a Motion Submitting Update on the IRP Technical Consultant to inform PREB of the status of the contracting process with the preferred contractor and submitting a revised timeline to complete the development of the IRP in time to file by March 2024.

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
Senate Committee on Strategic Projects and Energy	Senate Bill 1064	March 1, 2023	On February 16, 2023, LUMA received from the Committee a Request for Comments related to SB1064. On March 1, 2023, LUMA delivered the response.
Senate Committee on Government Affairs	Senate Bill 447	March 16, 2023	On March 2, 2023, LUMA received from the Committee a Request for Comments . On March 16, 2023, LUMA delivered the response.
House Committee on the South-Central Region Development	House Resolution 229	March 31, 2023	On March 7, 2023, LUMA was summoned to participate in a <i>public hearing</i> . On March 31, 2023, LUMA participated in the <i>Joint on-site public hearing</i> in Juana Díaz, related to Ft. Allen Substation.
House Committee on Economic Development, Planning, Telecommunications, Public-Private Partnerships and Energy	House Resolution 446	March 14, 2023	On March 9, 2023, LUMA received from the Committee a Request for Information and Documents . On March 14, 2023, LUMA delivered the response.
House Committee on Economic Development, Planning, Telecommunications, Public-Private Partnerships and Energy	House Resolution 446 & 243	March 17, 2023	On March 10, 2023, LUMA received from the Committee a Request for Information and Documents . On March 17, 2023, LUMA delivered 210 pages to respond.
House Committee on Economic Development, Planning, Telecommunications, Public-Private Partnerships and Energy	House Resolution 446 & 243	March 28, 2023	On March 15, 2023, LUMA received from the Committee a Request for Information and Documents . On March 28, 2023, LUMA delivered 6,309 pages to respond.
Senate Committee on Economic Development, Essential Services and Consumer Affairs	Senate Resolution 577	March 31, 2023	On March 23, 2023, LUMA was summoned to participate in a <i>public hearing</i> on March 30, 2023. On March 31, 2023, LUMA participated in the <i>Joint on-site public hearing</i> in Juana Díaz, related to Ft. Allen Substation.

Committee	Bill or Resolution	Date of Last Update	LUMA Response or Legislation Title
Joint Committee on Public and Private-Partnerships	Act 20-2009	March 17, 2023	On March 17, 2023, LUMA received from the Joint Committee a Request for Information and Documents .
Senate Committee on Strategic Projects and Energy	Senate Resolution 340	March 29, 2023	On March 23, 2023, LUMA was summoned to participate in a <i>public hearing</i> on March 30, 2023. On March 29, 2023, the <i>public hearing</i> was rescheduled.
House Committee on Small and Medium Business and Permits	House Resolution 716	March 27, 2023	On March 27, 2023, LUMA received from the Committee a Request for Comments related to HRes716.

Table 5-2: Material Litigation Update⁵

Case No.	Party Names	Description	Significant Updates
Adv. Proc. No. 21-00041	UTIER v. Pierluisi et al.	Plaintiffs are requesting the annulment of the T&D OMA because they claim that it violates the Contracts Clause and does not comply with Act 120-2018, given that it allegedly does not recognize UTIER's collective bargaining agreement.	No changes since last Report. The Court has not yet ruled on the pending Motion to Dismiss.
Adv. Proc. No. 21-00049	SREAEE v. PIERLUISI et al.	Similar claims to 21-00041 (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.
Case No. KLRA202100406	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.
SJ2022CV02868	Ismael Herrero Domenech and the class composed of all residential	The residential and commercial customers in the consolidated class actions filed with the Puerto Rico	In February, the Court ordered LUMA to respond to Plaintiff's motion requesting the reopening of the case.

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

Case No.	Party Names	Description	Significant Updates
	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	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 March 14, 2023, LUMA filed a motion arguing that the case should remain stayed because PREPA is an indispensable party and the bankruptcy proceeding has not concluded. Also on March 14, 2023, LUMA filed its Corporate Disclosure Statement in compliance with Rule 8.9 of Civil Procedure. The Court scheduled an argumentative hearing for May 16, 2023.
Civil Case No. 22-CV-01357	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.	On March 7, 2023, the case was reassigned to U.S. District Judge Gina Méndez Miró.
SJ2022CV08894	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 March 6, 2023, the Plaintiffs filed their Opposition to the Motion to Dismiss filed by co-defendant, Ramón A. Pabón in February 2023. The motion is pending resolution from the Court.
SJ2023CV01793	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.	The Complaint was filed by LUMA on February 27, 2023.

Case No.	Party Names	Description	Significant Updates
SJ2023CV02513	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.	The Complaint was filed by LUMA on March 20, 2023.
Case No. 17-04780 PROMESA Title III	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.	Several parties were served with subpoenas for discovery requests, including LUMA and the FOMB. The FOMB requested LUMA's support to respond to portions of their subpoena.

6.0 Ongoing External Audits

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

Table 6-1: Summary of Governmental Audits

Government Entity	Audit Description	Significant Updates
Puerto Rico Comptroller's Office (OCPR), No. 15592	Audit to PREPA fiscal operations during the period from June 1, 2018 to June 30, 2021 by virtue of Article III, Section 22 of the Constitution of the Commonwealth of Puerto Rico and Act 9 of July 24 of 1952, as amended.	No changes since last report. Latest request received and responded to in December 2022.

Government Entity	Audit Description	Significant Updates
OCPR, RFI No. SIE-3518-15560-8	Audit of debt issued by the Commonwealth of Puerto Rico and its public corporations from January 1, 2000 – present day. Request for Customer Experience Data including: <ul style="list-style-type: none"> • Rate Revenue, • Accounts Receivable, and • Loss from energy theft for January 1, 2000 to present, detailed by residential, commercial, and government customers, by fiscal year.	No changes since last report.
OCPR, RFI No. SIE-3518-15560-16	Audit of debt issued by the Commonwealth of Puerto Rico and its public corporations from January 1, 2000 – present day. Request for Customer Experience Data including: <ul style="list-style-type: none"> • Rate Revenue, • Accounts Receivable, and • Loss from energy theft for January 1, 2000 to June 30, 2020, detailed by residential, commercial, and government customers, by fiscal year.	No changes since last report.
OCPR, No. 15671	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 March 9, 2023, LUMA received from the OCPR a Request for Information. On March 28, 2023 LUMA delivered the response to the RFI.
KPMG	Audit of PREPA Financial Statements	FY2021 – Financial statements were issued on March 3, 2023. 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.

Government Entity	Audit Description	Significant Updates
P3A	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.
Office of the Inspector General (OIG), No. E-169-23-005; RI-001	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

- March 2023 was the fourth consecutive month that **PREPA did not fully fund the Service Accounts** (shown in the table 7-1) 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 and notified P3A of PREPA's non-compliance with the T&D OMA. LUMA is actively working with P3A towards a solution to PREPA's non-compliance.

Table 7-1: Summary of Service Account Funding in March 2023

Service Account Name	2/28/23 Funding Requirement	Actual Funding by PREPA	Amount Unfunded
Operating Account	\$ 100,877	\$ 67,251	\$ 33,626
Capital Account - Federally Funded	\$ 3,531	\$ -	\$ 3,531
Capital Account - Non-Federally Funded	\$ 3,484	\$ 2,323	\$ 1,161
Outage Event Reserve Account	\$ 28,547	\$ -	\$ 28,547
Purchased Power Account	\$ 61,290	\$ 40,860	\$ 20,430
Fuel Account	N/A	N/A	N/A
Contingency Reserve	\$ 4,626	\$ 3,084	\$ 1,542
Generation Expenditures Account	\$ 29,657	\$ 19,771	\$ 9,886
Total	\$ 232,012	\$ 133,289	\$ 98,723

- 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 February and March 2023, LUMA asked P3A to compel 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 March 31, 2023, P3A urged PREPA to do so.

- On February 3, 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 (Transmittal # LUMA-PREP-T-00459). Follow-up was sent to PREPA on February 13, 2023 (LUMA-PREP-T-00462) and on March 14, 2023 (LUMA-PREP-T-00484) 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 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. On March 24, 2023 the PREB issued a R&O on the Wheeling Docket (NEPR-MI-2023-0001) which ordered "PREPA to share its OSI-PI data requested by LUMA on or before five (5) business days of the notification" of the R&O. PREPA has failed to provide OSI PI data to LUMA. Instead, on March 31, 2023. PREPA requested a reconsideration from PREB. As a result, LUMA is preparing a motion to be filed with PREB on this issue. On March 31, PREPA filed a motion requesting PREB's reconsideration and citing their reasons for the request. LUMA plans to file a motion in response to PREPA's motion.
- 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 March 31, 2023, PREPA has not yet signed these important agreements.
- Since November 2022, LUMA has sent several requests to PREPA regarding information needed for **key insurance renewals**, and has received only partial or no response. This lack of provision of critical information negatively impacts LUMA's ability to procure affordable insurance policy renewals. Most recently, On March 2, 2023, and after in multiple follow-up attempts, LUMA requested Loss Experience information from PREPA as of July 2022 for LUMA's marketing efforts of PREPA's Commercial General Liability / Umbrella Policy. As of the end of March, PREPA had not provided the requested information. Additionally, On January 27, 2023, LUMA requested PREPA to provide information related to PREPA's generation fleet for the purpose of insurance valuation. LUMA followed up several times in February and March, but did not receive any information until March 23, 2023, and the requested information was only partially provided.
- 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 March 31, 2023, PREPA has been unwilling to provide LUMA with such attestation.
- On October 6, 2022, LUMA sent a formal letter notifying PREPA's Executive Director that LUMA had received a notification from ASG regarding **PREPA's non-compliance with the Federal**

Surplus Property Program due to PREPA's file with ASG having expired in May 2022. If PREPA did not update this file, ASG would be removing the three (3) donated generators that support substations, and PREPA would not be eligible to receive donations from the federal government during emergencies given its expired status, which would limit opportunities to receive support from federal agencies to provide resources that can be used for both Generation and Transmission & Distribution components of the system. According to ASG, in order to be eligible again, PREPA would have to submit the "Federal Surplus Property Program Eligibility Application" and associated documents. LUMA also indicated that pursuant to Annex 1, Section 1 (A) & (B) of the T&D OMA, LUMA is responsible for asset management and inventory control. To facilitate compliance with this requirement, LUMA requested that PREPA include LUMA employees as authorized representatives in the Application in order to avoid violations like the aforementioned one. LUMA has sent several follow-up communications to PREPA on this issue, but according to ASG officials, PREPA is still non-compliant. Consequently, generators may be removed from PREPA's facilities, and in the case of emergency, PREPA may be unable to receive any property donation available as a federal surplus.

PREPA Reorganization and Title III Exit

- LUMA continues to respond to information requests from FOMB related to the Title III proceedings, and has been participating in weekly calls hosted by the FOMB to discuss implementation of the Plan of Adjustment. LUMA has advocated strongly for transparency in the implementation and collection of any new charges associated with PREPA's Legacy Debt and PREPA's legacy pension, including but not limited to new riders to collect these costs from customers and updating customer bills to show these costs are separate and distinct from the costs to operate and maintain the electric system. The Government of Puerto Rico has agreed to manage the low-income exemption program, including all public communications and inquiries associated with this charge. LUMA has also been working with P3A and AAFAF (on behalf of PREPA) on progression of the organizational restructuring of PREPA.
- The primary focus of the Puerto Rico government and the FOMB continues to be PREPA's reorganization process. Following Judge Swain's approval of the disclosure statement for PREPA's proposed plan of adjustment, the FOMB filed the solicitation version of the proposed plan of adjustment and related disclosure statement on March 1, 2023. The FOMB disclosed that less than 1% of PREPA bondholders had accepted the settlement offered by the FOMB. The Title III Court entered an order approving the disclosure statement on March 3, 2023.
- Numerous parties filed notices of intent to participate in discovery in connection with confirmation of PREPA's proposed plan of adjustment in accordance with the Title III Court's discovery procedures order. The FOMB filed PREPA's preliminary list of witnesses to be offered in support of confirmation of its plan of adjustment on March 11, 2023.
- On March 9, 2023, Judge Swain entered an order granting an administrative expense claim in favor of Genera PR LLC for any accrued and unpaid amounts required to be paid by PREPA during the 22-week Mobilization Period under Genera's 10-year Operation and Maintenance Agreement regarding PREPA's legacy thermal generation assets. No parties had objected to the FOMB's motion seeking such administrative expense treatment, and accordingly, the Title III Court entered the order without a hearing.
- On March 22, 2023, Judge Swain issued a long-awaited decision in the PREPA bondholder lien challenge litigation. The Title III Court held that, instead of an \$8.5 billion secured claim, the bondholders have a secured claim of just \$16 million and an unsecured deficiency claim in the

form of an unsecured net revenue claim in an amount to be determined. Judge Swain also ordered the parties to immediately resume mediation and to file a joint status report by March 29, 2023 outlining their views regarding proposed next steps.

- In the status report, the FOMB, AAFAF and the bondholders generally agreed that three main issues remain outstanding in connection with the lien challenge litigation: (1) liquidating the bondholders' unsecured net revenue claim; (2) determining whether the bondholders have a perfected security interest in the construction fund and capital improvement fund and potential reconsideration of the order to the extent it found the bondholders control the reserve maintenance fund; and (3) resolving the balance of the bondholders' counterclaims to the extent they remain undecided. The parties also agree that an estimation process and mediation are necessary to resolve item 1 above. The parties disagree on the scope and timing of any estimation proceeding and whether appeals of the opinion should be allowed.
- Judge Swain permitted further briefing on the estimation issue but denied the bondholders' request for clarification, holding instead that the issues should be determined as part of the claim estimation process or mediation between the parties.

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 and any available supporting working papers for all balance sheet accounts in Oracle as of June 20, 2020 and June 20, 2021 (LUMA-PREP-T-00452) within 10 business days. This information was required to be prepared and provided to KPMG as part of PREPA's FY21 and FY22 financial statement audits. On March 6, 2023, PREPA provided to LUMA approximately 60 PDF files that it asserted fulfilled LUMA's request for balance sheet reconciliations as at June 30, 2021. However, upon review, the information provided by PREPA is copies of journal entries and not account reconciliations, and as such, does not provide LUMA with the required information. On March 30, 2023, LUMA again requested PREPA to provide the requested balance sheet reconciliations within 3 business days. 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 is ongoing.

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. 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 March 2023, LUMA had completed 1,582 disconnections for non-payment on Commercial and Industrial customer accounts and continues to make progress in collecting on government accounts receivables.
- LUMA completed over 10,000 net metering activations in Q3.
- In March, letters were emailed to all municipalities to inform them that audits for all Contribution-in-Lieu-of-Taxes (known as CELI, based on Spanish acronym) accounts are being completed for the first time. The LUMA team has made contact with all municipalities and are working with all customers through this first audit.
- Also in March LUMA collected ~\$5M in energy assistance funds from federal assistance programs such as Emergency Rental Assistance Program (ERAP) funds and Low Income Home Energy Assistance Program (LIHEAP) that support qualified, lower income customers with utility payments.
- Also in March, LUMA implemented the Utility Intelligence Platform that will enable greater visibility to accounts in the billing system and in turn reduce the correction time for accounts requiring billing corrections.

FY2024 Budget Allocation and Budget Filing

- 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.
 - On March 6, 2023, PREPA provided the 2024 Fuel Forecast to LUMA
 - On March 8, 2023, PREPA provided its 2024 Maintenance Schedule to LUMA
 - As of March 31, 2023, LUMA had not received any comments from the Parties on the Budget Allocation materials shared on March 27, 2023. In addition, 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.

- On March 27, 2023, LUMA submitted updated Budget Allocation Materials to P3A, and requested an extension request so that the Parties are afforded the same amount of time from the original Budget Allocation determination date under the timeline outlined under Section 3.1 of the PGHOA (therefore extend the P3A budget submission deadline to 30 days following the date P3A makes a final determination on the allocation).
- In March, LUMA prepared a motion to request an extension to PREB's April 15, 2023 filing deadline.

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.

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), and further stated that the fine should be treated as a Disallowed Cost as per Section 7.6(a)(ii) of the T&D OMA.