A nighttime photograph of a city skyline, likely New York City, viewed from an elevated position. The image is partially obscured by large green geometric shapes. A large green triangle covers the bottom left, and a green trapezoid covers the top right. White lines radiate from a point in the bottom right corner, creating a sunburst effect across the green areas. The city lights are visible in the background, with a prominent white lighthouse-like structure in the center.

# LUMA Energy's Regulatory Filings

February 2021

## Who We Are

Puerto Ricans rely on electricity. A robust and resilient energy system is the backbone for economic development.

At LUMA, our job is to provide electricity that Puerto Ricans can depend on. Our commitment is to transform the electric system by implementing public policy to achieve the customer-centric, reliable, resilient, safe energy that Puerto Ricans deserve — energy that will support economic growth and quality of life.

- We put people first, our employees, our customers and the Puerto Rican communities where we live and work
- We encourage and inspire our people to embrace opportunities as they work to build a better electric system for Puerto Rico
- Our goal is to provide exceptional customer service and implement public policy through operational excellence

Built for  
Invested in  
Listening to **Puerto  
Rico**





# Our mission for Puerto Rico

To recover and transform the utility to deliver customer-centric, reliable, resilient, safe and sustainable electricity at reasonable prices.

## KEY GOALS



### PRIORITIZE SAFETY

Reform utility activities to support a strong safety culture focused on employee safety and the safety of the people of Puerto Rico



### IMPROVE CUSTOMER SATISFACTION

Transform utility operations to deliver a positive customer experience and reliable electricity at reasonable prices



### SYSTEM REBUILD & RESILIENCY

Effectively deploy federal funding to restore the grid and improve the resilience of vulnerable infrastructure



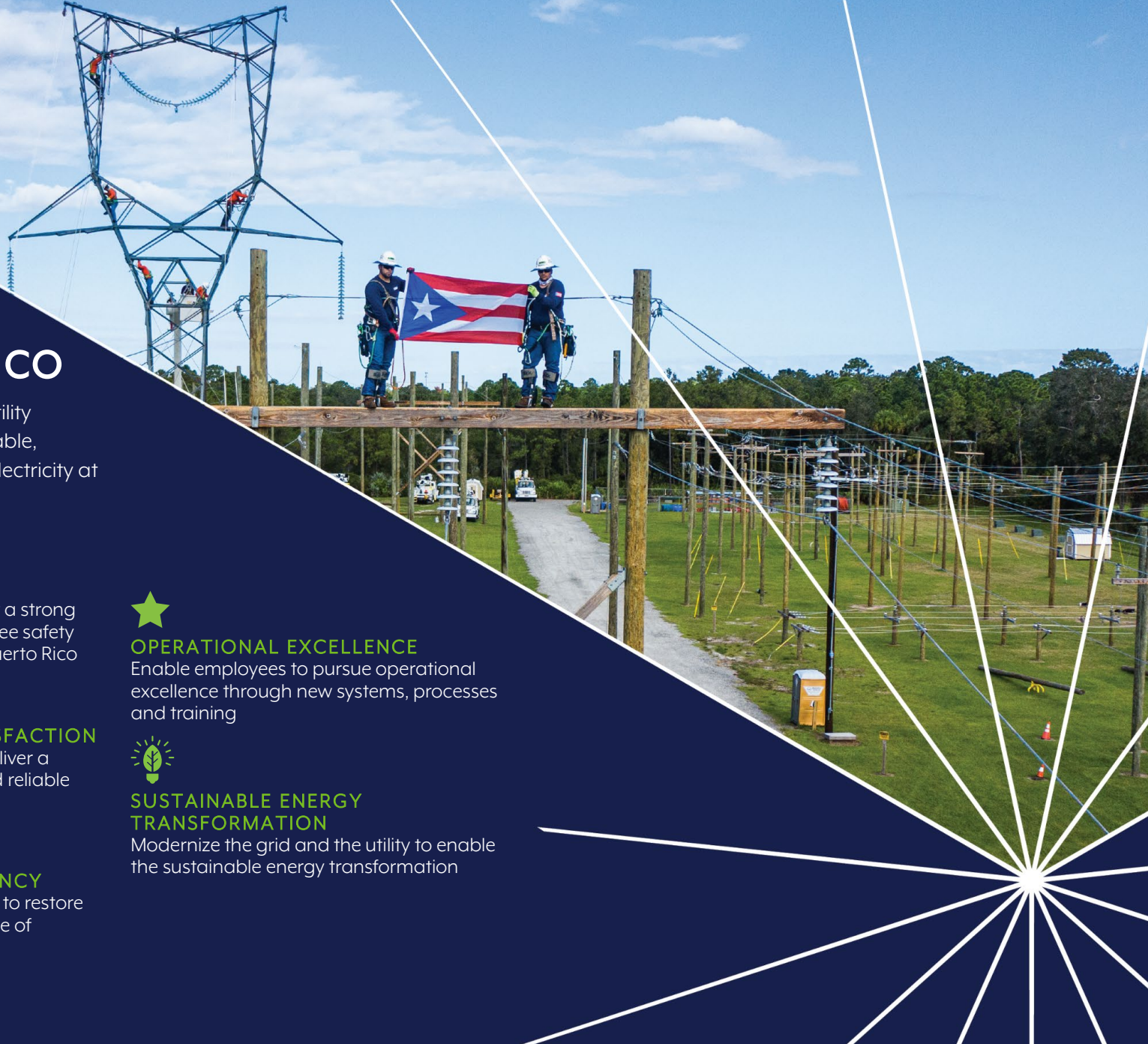
### OPERATIONAL EXCELLENCE

Enable employees to pursue operational excellence through new systems, processes and training



### SUSTAINABLE ENERGY TRANSFORMATION

Modernize the grid and the utility to enable the sustainable energy transformation



## How we got here

Puerto Rico's electricity system is at a crucial inflection point. Puerto Rico introduced fundamental legal reforms that established an independent regulator; required new operators for PREPA's distribution, transmission and generation assets; and paved the way for a cleaner, more resilient grid.

With PREPA in bankruptcy, Puerto Rico needs a professional operator to manage and administer the critical federal funds required for this recovery and transformation.

After a rigorous 18-month selection process, LUMA was awarded a partnership contract to operate and maintain the electric transmission and distribution system following evaluations and approvals from the Public-Private Partnership Committee, Board of Directors of the Public-Private Partnership Authority, PREPA Governing Board, Financial Oversight Board, Puerto Rico Energy Bureau and Governor of Puerto Rico.

LUMA was unanimously chosen by the Public-Private Partnership Authority Board because of:

- Our industry-leading expertise
- History of delivering on our commitments and
- Our focus on solutions designed to meet the government's goals for transforming the transmission and distribution system.



### PUBLIC-PRIVATE PARTNERSHIP: O&M AGREEMENT



**Asset Owner**



**Administrator**



**Operator**



**PROMESA & Title III**

**COR**



**FEMA**

and other agencies

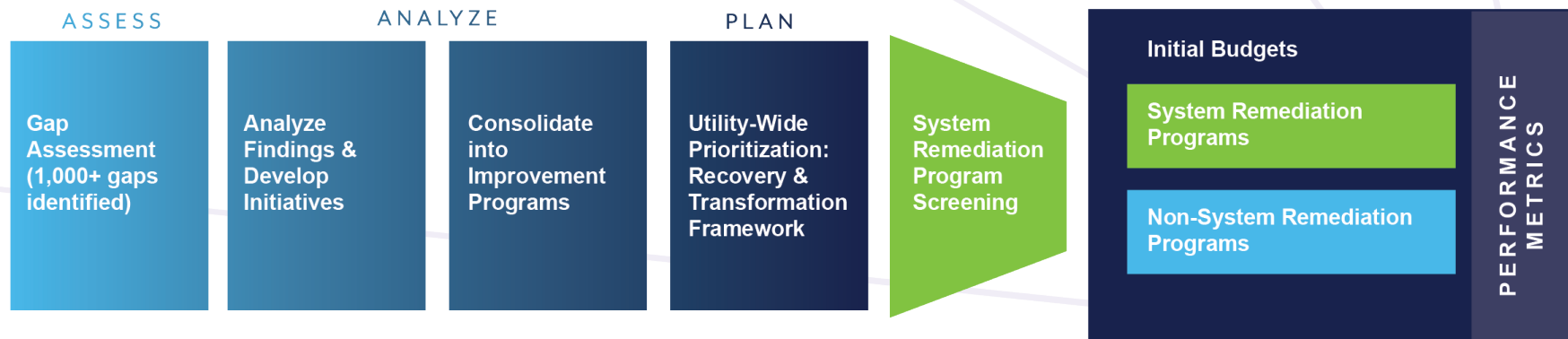
**Federal Recovery Funds**

# What we've been doing since June 2020

Since June 2020, LUMA has been reviewing PREPA's data and sites, conducting a detailed assessment of the current conditions of the grid and utility service. The issues were not limited to hurricane damage. The assessments highlighted performance below industry standards and consistently poor health across most assets.

We then designed programs to carry out infrastructure recovery and achieve operational and customer satisfaction improvements. Our coordinated approach links key public policy to actionable plans. We prioritized and sequenced activities to deliver value to our customers and meet public policy and contractual requirements.

We developed plans, budgets, performance metrics and system operation principles and are now submitting our work to the PREB. These submissions will be reviewed and approved by PREB before LUMA begins operations, currently targeted for June 2021.



People First.  
Safety Always.

## What we're submitting for PREB approval

### System Remediation Plan

#### What we have planned

The System Remediation Plan (SRP) addresses areas that are below standard and pose the highest risk to Puerto Ricans, including our employees, and the system.

### Initial Budgets

#### How we'll get there

Initial budgets do not propose a base rate increase. They cover all activities during the first 3 years of operations and include O&M, non-federally funded capital and federally funded capital.

### Performance Metrics

#### How we'll be accountable

Performance metrics are numeric indicators to measure how well LUMA is performing in alignment with public policy and making tangible improvements for Puerto Rico.

### System Operation Principles

#### How we'll operate the grid

System Operation Principles (SOP) define how the bulk power system will operate to ensure efficient energy generation and reliable energy delivery.

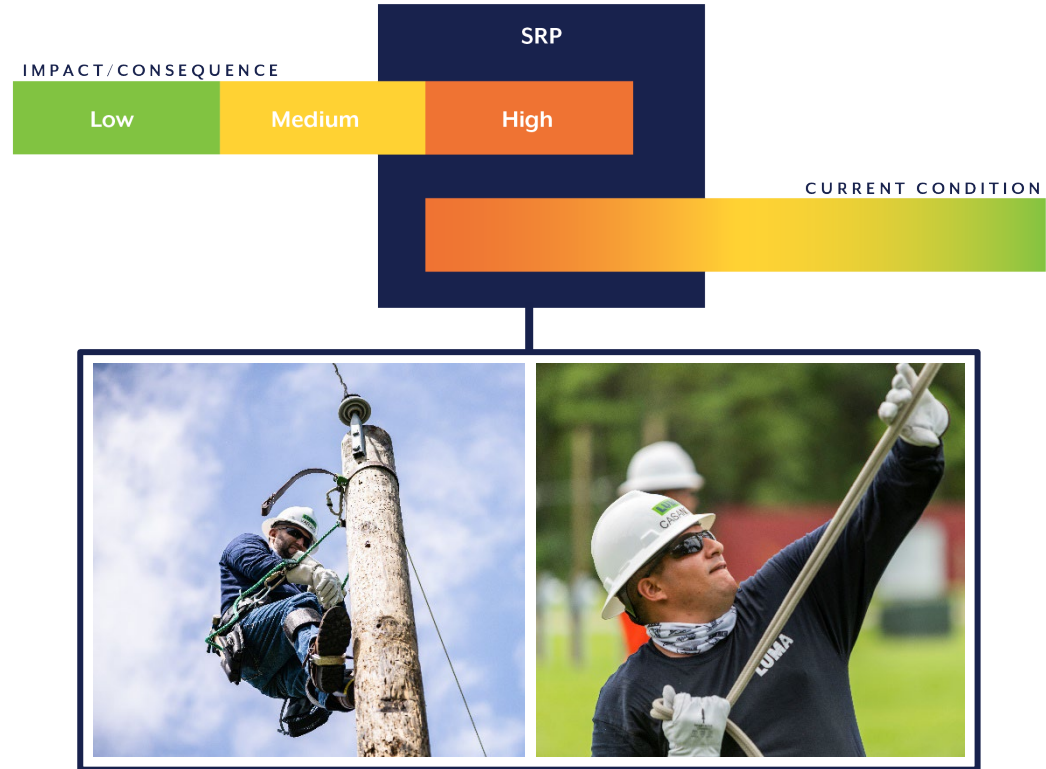
# What we have planned

## System Remediation Plan

LUMA's SRP establishes our strategy to remediate, repair, replace and stabilize transmission and distribution system equipment, systems, practices and services. The initiatives are foundational to recovery and transformation and address the most dangerous and fragile aspects of Puerto Rico's electricity system. They will enable LUMA to operate and maintain Puerto Rico's electricity system in compliance with industry standards, contractual requirements and applicable laws.

The SRP is a culmination of the assessments LUMA performed during the front-end transition period. LUMA has planned for approximately \$4 billion in initiatives as part of the SRP and over \$10 billion in total improvement programs.

The SRP is our plan to address areas that are below standard and pose the highest risk to Puerto Ricans, including employees, and the system. It's a critical part of a larger set of improvement activities to recover and transform the grid.



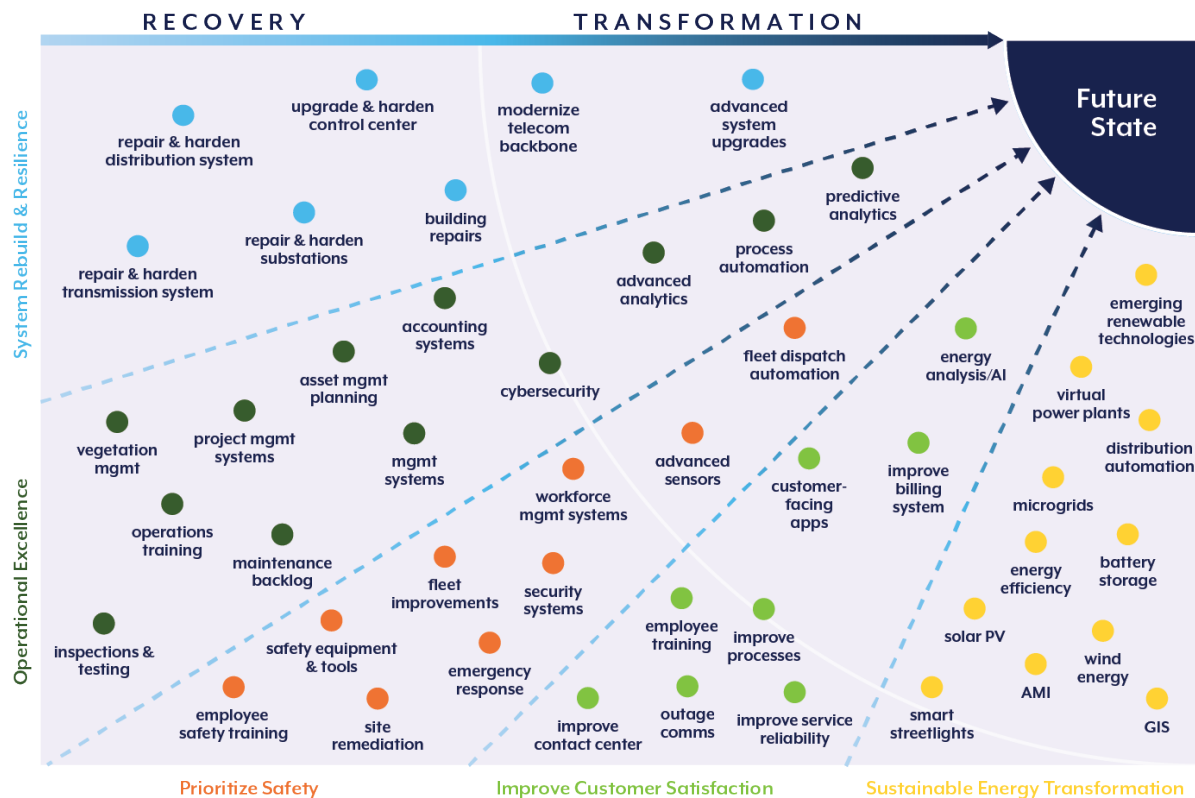


# Where we're going

LUMA's overall strategy to implement the change mandated in public policy is composed of two phases: Recovery and Transformation.

The **RECOVERY PHASE** will involve restoring the utility's infrastructure and processes to a well-functioning state, repairing the grid in the near term and leveraging the experience of current PREPA employees who will be joining LUMA — while implementing new processes, systems and training to more effectively manage fundamental utility operations.

As the utility recovers, LUMA will accelerate the pace of **TRANSFORMATION**, in accordance with the government's goals and policy, by redesigning the utility to meet Puerto Rico's energy needs for the coming decades, with a focus on renewable generation and distributed energy resources made possible through advanced operational systems and technologies. Many of these Transformation programs will begin alongside Recovery programs.





## How we'll get there

### Initial Budgets

The initial budgets cover all LUMA activities during the first three years of operations and include activities associated with the system remediation plan and performance metrics. We've identified 69 remediation and improvement activities to start the utility on the path to recovery and transformation by implementing public policy, improving performance and strategically deploying federal funds. We'll start most these programs during our first year of operations.

### WHAT'S INCLUDED

Our initial budgets comprise operating and capital (federally funded and ratepayer funded) budgets for transmission and distribution.

LUMA  
budget  
proposal

No  
Increase  
in Base Rate

\* LUMA is not applying for a base rate increase. LUMA does not have legal authority to determine electric rates: PREB, the independent and specialized body to regulate, monitor and enforce energy public policy of the Government of Puerto Rico, is authorized by Puerto Rico laws to evaluate and approve rates.

# How we'll be accountable

## Performance Metrics

LUMA assessed PREPA's performance using industry-standard methods. We analyzed PREPA's existing processes, systems and data, identifying gaps as compared to electric utility industry practices. Results (including through independent third-party sources) show that PREPA consistently ranks at the bottom of all North American utilities.

### CUSTOMER SERVICE

(J.D. Power)

**Lowest** of 144  
North American utilities

47% lower than the next lowest

### SAFETY INCIDENTS

(OSHA, 2019 stats)

**5 times**  
the industry average  
for workplace incidents

200% more than the next-worst utility

### POWER OUTAGES

(IEEE)

**9 times**  
longer & more frequent  
than median performers

## LUMA WILL BE ACCOUNTABLE.

Puerto Ricans deserve accountability from their electricity service provider.

LUMA's performance metrics are numeric indicators and scorecards of how well we're doing. Tailored to the electric utility business and shared with the public to ensure transparency, they use industry standards to measure performance and show how well we advance public policy. Each indicator measures LUMA's performance in key functional areas such as customer service, safety, reliability and financial management.

## LUMA's Proposed Performance Metrics

### CUSTOMER SATISFACTION

- J.D. Power Customer Satisfaction Survey: Residential & Business Customers
- Average Speed of Answer
- Customer Complaint Rate
- Abandonment Rate

### SAFETY

- OSHA Recordable Incident Rate
- OSHA Fatalities
- OSHA Severity Rate
- OSHA DART Rate

### TECHNICAL

- System Average Interruption Frequency Index (SAIFI)
- System Average Interruption Duration Index (SAIDI)
- Inspections (Distribution & Transmission Lines, Substations)

### FINANCIAL

- Operating Budget
- Capital Budget: Federally Funded & Ratepayer Funded
- Days Sales Outstanding: General & Government Customers
- Overtime

### EMERGENCY RESPONSE METRICS

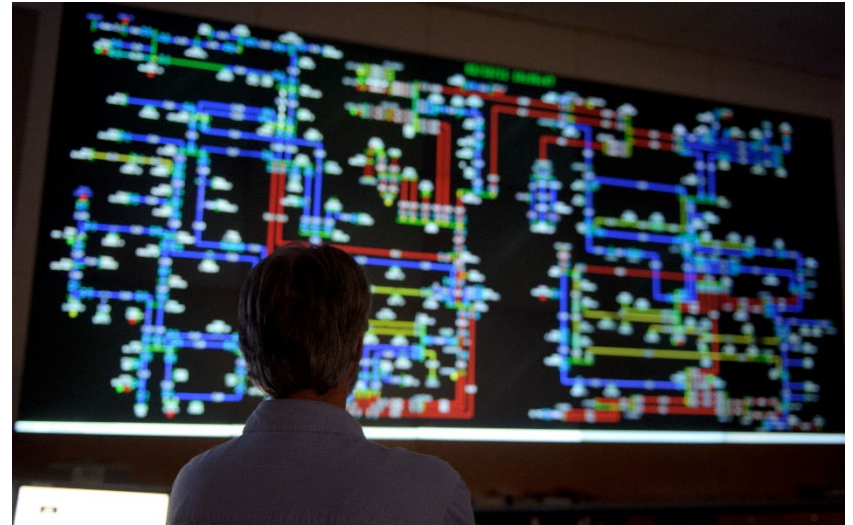
# How we'll operate the grid

## System Operation Principles

The SOP defines how the bulk power system will operate. There will be effective rules for efficient energy generation, reliable energy delivery and transparent decision-making on how the grid is managed. Real-time dispatch, resource and system planning and emergency procedures will be focused on achieving outcomes for the overall system and customers. This will become increasingly important as the transmission and distribution system is improved and renewables become a larger source of energy.

### What this means

- LUMA will dispatch energy as economically as possible while maintaining reliability to **reduce fuel costs and emissions**
- With defined rules and system improvements, we'll be able to "see" outages before they happen to **avoid load-shedding**, expedite response times and **shorten most customer outages**
- You'll see **improved response to emergencies** such as major hurricanes and earthquakes
- The SOP will create the basis for developers and stakeholders to better understand grid issues and constraints, allowing for more competitive, tailored proposals for **new renewables and value-added solutions for Puerto Rico**



defined  
operation  
principles

# Improved Reliability

A nighttime photograph of a cityscape, likely San Juan, Puerto Rico, with numerous illuminated buildings and streets. The image is partially obscured by a large, dark blue geometric shape that covers the left and bottom portions of the frame. This shape features a series of white lines radiating from a central point at the bottom right, creating a starburst or sunburst effect. The text is overlaid on this dark blue background.

## What to expect

Pending the required approvals of our regulatory filings, we will commence operations in June 2021.

### Following commencement, you'll see:

- Improvement in contact center responsiveness
- Clearing of vegetation from utility rights of way
- Walkdowns and inspections of areas experiencing a significant number or size of outages
- Improved public safety, including streetlights

We want to be a company that Puerto Rico is proud of and that Puerto Ricans want to work for. To get there, we'll

- Prioritize safety
- Improve customer satisfaction
- Rebuild the system and improve system resiliency
- Focus on operational excellence
- Ensure a sustainable energy transformation

We want you to have the safe, reliable energy you deserve.