



July 22, 2020

The Honorable Raul Grijalva
Chairman, House Natural Resources Committee
1324 Longworth House Office Building
Washington, DC 20515

The Honorable Rob Bishop
Ranking Member, House Natural Resources Committee
1324 Longworth House Office Building
Washington, DC 20515

Dear Chairman Grijalva and Ranking Member Bishop:

Thank you for the opportunity to submit testimony on behalf of LUMA Energy to the House Committee on Natural Resources. The Committee's hearing entitled "The Transformation of the Puerto Rico Electric Power Authority (PREPA)" scheduled for July 23, 2020 is timely and appropriate.

As you may know, LUMA Energy was recently selected to operate the Puerto Rico electric transmission & distribution system following an 18-month competitive procurement process. This process was led by the Puerto Rico Public-Private Partnership Authority in accordance with the Puerto Rico Electric System Transformation Act (Act 120-2018), and involved the input, expertise, oversight and approval of the independent regulator (PREB), PREPA's Board of Directors, the Governor, and the Financial Oversight and Management Board.

LUMA Energy is a purpose-built Puerto Rico company based in San Juan formed by Quanta Services and ATCO, working in collaboration with Innovative Emergency Management. LUMA was formed to bring together our collective expertise in building safe, reliable and sustainable electric infrastructure, skilled workforce training, world-class utility operations, and customer service, as well our deep knowledge of how federal disaster funds must be managed with efficiency, transparency and integrity. We believe all of these distinct skillsets are critical to deliver the necessary transformation that Puerto Rico deserves.

Attached is an English translation of testimony that LUMA recently provided to the Puerto Rico Senate Commission on July 13. This testimony accurately outlines LUMA's positions on many issues that may arise at the House Natural resources Committee hearing. As you will see, we believe LUMA will (i) substantially improve safety, customer service, reliability, resiliency and sustainability, (ii) generate cost savings well in excess of our costs, and (iii) create well paid, sustainable jobs with a meaningful career path.

LUMA's culture is *People First, Safety Always*. We are eager to show the people of Puerto Rico that we are dedicated to our employees and customers, and we will work to achieve Puerto Rico's renewable energy goals and build a robust, resilient and sustainable grid.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Wayne Stensby". The signature is fluid and cursive, with a long horizontal stroke at the end.

Wayne Stensby
President and CEO, LUMA Energy, LLC

July 13, 2020

BY E-MAIL:

comisionrelacionesfederales@senado.pr.gov

jmartinez@senado.pr.gov

bmcollazo@senado.pr.gov

Hon. Thomas Rivera Schatz
Senate President
Comisión de Relaciones Federales, Políticas y Económicas
Senate of Puerto Rico
Apdo. 9023431
San Juan, PR 00902

Dear Senator Rivera Schatz:

We appreciate the Senate's interest in studying the impact of the Operation and Maintenance Agreement (the "OMA") for the Puerto Rico Electric Power Authority's ("PREPA") Transmission and Distribution System ("T&D System") and the opportunity that this Honorable Commission offers LUMA Energy LLC ("LUMA") to provide its input and clarify some information to the Legislature for the general public's benefit, as part of the investigation ordered by Senate's Resolution 1375 of June 30, 2020.

LUMA is a company wholly owned by Quanta Services Inc. ("Quanta") and ATCO, Ltd. ("ATCO"), which works in collaboration with Innovative Emergency Management ("IEM"). LUMA was formed to reinvigorate and transform the Puerto Rico electric T&D System. We possess industry-leading experience in building reliable and sustainable infrastructure and skilled workforce training (Quanta); operating several world-class utility businesses that deliver safe, reliable and affordable energy to millions of customers (ATCO); and expertly obtaining, managing and retaining federal funds (IEM).

Since beginning the Puerto Rico Public-Private Partnership Authority (the "P3 Authority") qualification and selection process, which started in 2018 and concluded in June 2020, our team has invested substantial time and effort in understanding the scope of challenges facing the PREPA T&D System today, and how we can resolve them. Through the OMA, we intend to help meet the Government of Puerto Rico's goals of a modern, sustainable, reliable, efficient, cost-effective, and resilient electric system. The objectives of the OMA itself are, in accordance with Act 120-2018, *Act to Transform the Puerto Rico Electric System*, 22 L.P.R.A. §§ 1111-1125 ("Act 120"). The OMA seeks to effectively implement the stated goals and transform the electric grid in order to:

- Increase T&D System resiliency, achieving performance in line with codes, specifications and standards consistent with high performance electric utilities;
- Increase T&D System reliability;

- Deploy new, innovative and eco-friendly technologies;
- Enhance safety for employees;
- Improve customer service;
- Facilitate access to federal funds;
- Deliver affordable electricity to ratepayers of Puerto Rico;
- Enable and support greater use of renewable energy; and
- Implement industry best practices and operational excellence through managerial continuity and long-term planning.

Reliable and resilient electricity is critical to the future and progress of the Puerto Rican economy. When we talk about a reliable and resilient electric grid, we are referring to a system that minimizes the outages caused by extreme weather and other threats, and shortens restoration time when the power does go out because of these types of events. As the entity designated to operate the T&D System as the result of a competitive, rigorous and thorough P3 process and having received all of the approvals required by law, LUMA takes its role seriously. As demonstrated in the P3 Partnership Committee Selection Report,¹ the cost savings we plan to achieve will more than offset the costs incurred under the OMA and those savings will result in savings on customer bills. In addition, the substantial gains in safety, customer service, reliability, and resiliency in our plans and required under the OMA will translate into billions of dollars of benefit to the Puerto Rican economy, a measurable leap in economic competitiveness, better work conditions for employees, and tangible, meaningful improvements in the quality of daily life of Puerto Ricans. Through the financial guarantees provided by LUMA's owners and robust performance metrics, LUMA's interests are aligned with those of our customers to keep system costs down and deliver results. It is important to highlight that, in accordance with the law, rates are regulated by the Puerto Rico Energy Bureau ("PREB") and must reflect the actual costs of the electric service. LUMA will provide its services under the rate structure approved by the PREB. LUMA cannot create additional profit for itself by applying for a change in rates; that is, LUMA's compensation will not increase as a result of a rate increase.

Our approach will enable federal funding dollars to be deployed both more effectively and more rapidly – delivering a better, more affordable system and underpinning a critical engine for economic development and growth. As has been repeatedly noted, the responsible management and administration of federal dollars by an experienced and qualified private operator is critical to facilitate the disbursement of the funds, improve the electric service and rebuild Puerto Rico. In doing so, PREPA's assets will be rehabilitated, improved, and enhanced to the benefit of the asset owner, which is and will continue to be the Government of Puerto Rico, for the long-term benefit of the People of Puerto Rico. Contrary to incorrect reports and misinformation being published, no PREPA assets are being privatized; they remain the property of Puerto Rico.

LUMA's culture is *People First, Safety Always*. LUMA will offer thousands of job opportunities with improved training and career development for Puerto Rico. PREPA's current employees will have priority in hiring for these jobs. Additionally, Act 120 provides that any PREPA employee who does not wish to be employed by LUMA may remain in PREPA, or will be given another Government position. Further, as guaranteed by Act 120, employees will retain their acquired rights. Nothing in the OMA disputes those acquired rights and LUMA will of course comply with all applicable laws, local and federal. Once LUMA hires its workforce, it expects to recognize the unions with majority status in the various bargaining units in compliance with all applicable labor laws. We intend to have a collaborative and mutually beneficial relationship with the unions.

¹ P3 Partnership Committee Report available at: <http://www.p3.pr.gov/assets/20-0520-02-partnership-committee-report-r18.pdf>.

There has been much misinformation spread to date regarding current PREPA employees. We wish to be clear - current employees of PREPA will be an important part of LUMA and the transformation of the T&D System.

Indeed, the parent companies of LUMA have long established, highly collaborative, and mutually beneficial relationships with several unions and their members across the United States and Canada. Each of the parent companies have a long and supportive history with unions and will continue that tradition with LUMA. An overhaul of training methods, job classifications and work policies is critical to the improvement of the Puerto Rico electric system.

The leadership of Puerto Rico, including this honorable legislative body, channeling the desires of the People, have asked for a 21st century electric grid that serves their needs and makes possible the progress of this Island. This can only be achieved with a 21st century modern organization and a well-equipped, well-trained workforce. Under these conditions, Puerto Rico and its People will also benefit from collaborating as an equal participant in mutual aid arrangements with other jurisdictions to provide assistance when communities are in need as a result of natural disasters.

As a demonstration of our commitment to Puerto Rico, we are investing in the buildout of the LUMA College for Technical Training in Puerto Rico. This facility will train established craft professionals and educate the next generation of craft skilled workers for Puerto Rico. We anticipate taking enrollments for our first class within the next 60 days. The modernization of the Puerto Rico energy system will drive the demand for thousands of new jobs. The LUMA College will give its students the tools to fill reliable, well-paying jobs, which will significantly benefit both an improved electric utility and communities across Puerto Rico.

Transforming the electric system will require LUMA to take action that is different than what PREPA may have done in the past. In the remainder of this memorandum, we will describe (a) our operating plan and how it will yield a modern, sustainable, reliable, efficient, cost-effective, and resilient electric system, (b) how the OMA provides numerous controls and mechanisms for proper alignment and oversight, and (c) how PREPA employees will benefit from this transformation.

LUMA’s operating plan to deliver a modern, sustainable, reliable, efficient, cost-effective, and resilient electric system

In addition to the sector transformation objectives established by the Government of Puerto Rico—customer centric, reliable, resilient, sustainable, and affordable—we are adding a sixth strategic objective, safety, which we will infuse throughout the entire organization. We have summarized our approach to achieving initiatives for each sector transformation objective below.

Safety

We will instill a safety focus throughout the entire organization and integrate safety in all processes. Our objective is to complete every task without incident or injury. We will create a culture in which all employees are trained and provided with the necessary tools to be able to take responsibility and ownership for their personal safety and the safety of their coworkers. We firmly hold the belief that our most valuable assets are our people and that there’s nothing more important than our employees returning home safely. Quanta and ATCO’s safety performance consistently scores better than the electric utility peer group, as established by Edison Electric Institute.

LUMA’s safety initiatives start with an initial investment of training resources so that the whole organization will be engaged in a progressive safety culture. Safety will be considered a key part of

performance and will become an established part of every function. We believe that the safest workplaces are also the best managed, attracting the best people to deliver efficient and reliable energy with excellent customer service.

We will launch a public safety initiative to build on PREPA's communication program to customers and its employees. This will help minimize the number of public safety incidents and promote a positive reputation for the utility. A safety-always culture will establish that people — employees, customers and those in the communities in which we live and work — matter first and foremost.

Customer Centricity

LUMA will have a customer-centric mindset from the outset. To build a high level of trust with our customers, we will develop a best-in-class service organization that delivers an exceptional, responsive customer experience. We plan for all employees to receive customer-service training to set the foundation for a customer-centric culture.

We will leverage the practices and processes that have allowed one of LUMA's parent companies, ATCO, to achieve world-class customer satisfaction rankings with its utility customers. In a recent poll, more than 95 percent of ATCO's utility customers in Alberta agreed that the company provides good service, and more than 93 percent of customers agreed that ATCO has a strong reputation in the community.

As examples of our expertise in the customer service area, our leadership team brings deep expertise in the deployment and utilization of advanced metering infrastructure ("smart meters"). We will bring those and other digital tools to enable improved offerings and a greatly enhanced customer experience. Part of that experience will also be an improved call center experience, oriented towards first-call resolution.

We will follow through on the steps that PREPA has already taken to improve the clarity of customer bills, and carefully follow the requirements set down in Act 57-2014, *Energy Transformation and Relief Act* (Act 57), and Act 17-2019, *Puerto Rico Energy Public Policy Act* (Act 17), to protect the rights of consumers and offer payment programs and other processes to resolve customer inquiries and disputes, up to and including the dispute resolution processes instituted by the PREB. We will offer our customers greater information on their energy use and educate them on how they can save money through modifications or other changes in behavior or investments that will result in gains to themselves and the overall economy.

Furthermore, LUMA will take steps necessary to transform Puerto Rico consumers into *prosumers* — informed, empowered and active "producing consumers" who will consume and produce energy through sustainability programs. To encourage more prosumers to enter the market, ultimately driving economic growth in Puerto Rico, we will deploy new enabling technologies and intend to work with the PREB to eventually introduce alternative rates that support a more empowered customer while ensuring that the benefits of a more flexible grid accrue on an equitable basis to all customers.

Reliability

LUMA will use proprietary computer models, many developed by technical experts at our parent companies, to predict outages and prioritize operations based on restoring system elements that will have the greatest impact on customer reliability.

We will develop an asset management plan ("AMP") that will move the existing asset base toward a condition-based asset management program that relies on data to progressively improve reliability. Our AMP will develop projects to address reliability, ensure safety for employees and the public, create maintenance programs for the T&D lines and substations and ensure that capital projects are effectively

and efficiently developed and delivered. This will improve System Average Interruption Duration Index (“SAIDI”) and System Average Interruption Frequency Index (“SAIFI”) reliability indices and improve the overall customer experience, as called for by Acts 120 and 17, among others.

Vegetation management (“VM”) is a critical factor in effective operations and has been underlined as such by Act 17, in its Article 1.16. Our VM program will draw from experience using technology such as LiDAR and satellite imagery to leverage spatial data related to electric infrastructure and land cover classifications. This will allow us to reduce the need for site visits by remotely identifying areas that need attention. Comparative data also allows us to track the rate of vegetation growth, enabling us to better plan resource distribution. We have already employed these methods to review the VM effort across Puerto Rico’s T&D System and, using this data, we will implement a specific plan to target the most affected areas first. Within three years, field-enabled technology will be used in condition assessment work to develop preventive maintenance plans and to assign and manage vegetation maintenance projects. We have to prevent trees and other vegetation from endangering public safety and affecting the flow of electric service to our customers.

Resilience

The ability to execute large capital projects on time and under budget is critical given the large capital expenditure planned as part of the Federal Emergency Management Agency (“FEMA”) restoration program for Puerto Rico. Our team has a long history of building infrastructure on budget and on schedule to improve resiliency, including the delivery during the last decade of well over \$50 billion of electrical infrastructure projects, and the efficient administration of a similar amount of federal funding.

Our analysis of current capabilities and infrastructure will allow us to develop initiatives to address those shortfalls. Initiatives will be prioritized using a cost-benefit analysis and effects on reliability, customer satisfaction and transformation. The highest-priority initiatives will be incorporated into our plans, such as the System Remediation Plan (“SRP”), Emergency Operations Plan, baseline performance metrics and budgets. Initiatives in the SRP will include the capital improvement program, specifically designed for improved storm hardening, infrastructure deployment and increased reliability and cyber security.

Using our considerable emergency response expertise, we will establish a robust Emergency Management and Business Continuity Program to support operational readiness and provide the capacity to respond effectively and efficiently during future disasters. We will draw on the more than 52,000-person-strong workforce of our parent companies and put in place contingency plans to support Puerto Rico directly for future emergencies such as extreme weather events. In fact, the LUMA team has already been hard at work identifying short term improvements that can be made to PREPA’s emergency preparations and we are working to support Puerto Rico in the event of an emergency now and in the future. LUMA’s owners have effectively provided support during major disasters in North America, including hurricanes Dorian and Harvey as well as the California wildfires, and will contribute that experience.

Sustainability

The Integrated Resource Plan (“IRP”) currently under consideration by the PREB presents paths for investment to take advantage of higher levels of renewable penetration and a flexible, decentralized grid. Our approach to the IRP is to intelligently and cost-effectively incorporate cleaner sources of wholesale power and facilitate the adoption of distributed technology to boost reliability, facilitate a more customer-facing service and lower costs. We will ensure that improvements in the grid will make the system more capable to manage and incorporate distributed, intermittent resources like solar.

Our customers will increasingly require accurate energy consumption and billing information in real time. To meet these increasing expectations and empower Puerto Rico's businesses and residents, we will leverage our diverse experience in technical and practical application of renewable energy sources, smart grid deployment, micro grid integration and other measures. To enable more consumers to become prosumers, we will design and administer an interconnection program that will ensure timely processing and completion of interconnection requests. It will include queue management and status reporting so customers can check the status and progress of their requests, and so regulators can see the overall interconnection program status by accessing accurate and timely status reports.

As part of our commitment to sustainability, we are committed to continuously improving our environmental and operational integrity programs by regularly sharing best practices with industry associations and across our respective operations. LUMA's owners have developed award-winning sustainable projects in the United States and Canada, such as the Fort McMurray West Transmission Line in Alberta, which have provided meaningful investment opportunities for communities.

Affordability

Our diligence has led us to identify multiple areas that will enable us to deliver cost reductions well in excess of our fees.

One of the key areas for improved financial health in the T&D segment is technical and non-technical loss reduction. PREPA's data indicates technical and non-technical losses of over 12 percent. We see high potential for millions of dollars in recovered revenues and lower costs annually, which will have a meaningful impact on customer rates. LUMA's leadership team has designed and successfully implemented loss reduction programs at large electric distribution companies around the world. Targeted investment will allow LUMA to reduce technical losses by three to four percentage points within five years.

Part of the change in corporate culture will be training employees in cost management best practices. We will implement a code of ethics that includes accountability for cost management and transparency. We will use proven processes drawn from hundreds of previous successful finance and administration integrations to reduce cost and time for operations and administrative functions. Our team will work to ensure that LUMA's internal accounting and financial reporting control systems meet the requirements for reliable and accurate reporting to the P3 Authority and PREB. We will implement a robust, formalized control framework which we will maintain and upgrade throughout the life of the contract. Integral to these control systems are the code of ethics and management policies that provide guidance and direction to employees, as well as a system of corporate governance that provides oversight to LUMA's operating, reporting, administrative and risk management activities.

The lack of management stability at PREPA has also likely contributed to an increase in costs, as a result of the loss of institutional knowledge and the frequent changes in strategic medium and long-term planning. In order to fill the gap, PREPA has had to hire many consultants to provide continuity and often the result of their work goes to waste when plans change as a result of management changes. LUMA is not here as a consultant or for the short term – we are here to lead the transformation and take action based on long term planning. As the operator of the system, we will take a hard look at all 3rd party spend and believe we can drive additional efficiencies in that area.

The Partnership Committee Report and associated presentation provided an overview of the savings we are targeting and believe we will achieve. As seen in the P3 presentation, our diligence shows run rate savings in 5 years of nearly \$300 million – well over twice our contractual fee inclusive of all incentives. This does not include the additional economic development benefits of a more reliable grid, the value of avoided outages, and the benefits of a safer grid with improved customer service. It also does not consider the

benefits derived from improved management of federal funds, enabling the money to be used to improve the system faster. Effective, deliberate and consistent management of the electric grid will accrue value in the many billions of dollars to the Puerto Rico economy and will contribute to real and tangible improvements in the quality of life for all Puerto Ricans.

The OMA provides controls and oversight of LUMA’s operations

The OMA requires LUMA to perform the operation and maintenance (“O&M”) services for the T&D System in a manner that complies with the following:

- applicable laws and regulations, including regulatory (PREB) oversight,
- the practices, methods, and acts that are generally recognized and accepted by companies operating electric transmission and distribution businesses in the U.S. mainland and/or the islands or territories,
- applicable equipment manufacturer’s specifications and reasonable recommendations,
- applicable insurance requirements, and;
- certain other standards, terms and conditions under the OMA.

LUMA’s owners have a deep history of working collaboratively with regulators around the world. LUMA appreciates the vital role they perform in ensuring the utility services are carried out in the public interest. LUMA is committed to ensure adherence to Puerto Rico government’s policy goals and regulations. LUMA will work with the PREPA regulatory team and the relevant regulatory bodies to understand the needs and goals of the regulating entities.

In particular, LUMA is focused on understanding the priorities of PREB to ensure compliance and to support Puerto Rico’s energy policy goals. LUMA’s regulatory filings will focus on being data-driven and comprehensive to enable PREB, as well as other regulating bodies, to make fully informed decisions.

PREB oversight

Under the OMA, LUMA is responsible for representing PREPA before PREB with respect to any matter related to the performance of the T&D System and LUMA’s O&M services. LUMA will prepare related filings and submissions including those for rate case proceedings, IRP approval and compliance, System Remediation Plan approval and compliance, Performance Metrics approval and compliance and any other related filings or submissions as required by PREB.

As is clearly stated in the OMA, nothing therein affects PREB’s statutory rights and responsibilities under Act 57 or other applicable laws.

Rates

The OMA requires that all LUMA budgets comply with the applicable rate order approved by PREB. Nothing in the OMA limits, impairs or restricts PREB’s right to approve, deny or propose modifications to rates charged to Puerto Rico electricity customers.

Electricity rates, as regulated by PREB consist of four principal factors:

- generation costs,
- T&D costs,
- Contribution or Payment in Lieu of Taxes (“CILT”) and subsidies, and
- debt servicing.

When LUMA prepares its annual budgets, it will be responsible for developing the T&D costs and forecasting the CILT and subsidies. The T&D costs will be adequate both in scope and amount so that LUMA can carry out its obligations under the OMA and have a reasonable opportunity to achieve the Performance Metrics, while passing on achieved savings to customers. Generation costs are not determined by LUMA and are set by the applicable power purchase agreements with private operators, and with GenCo, which is the entity to be created by PREPA to own its generation assets. Debt servicing costs – inclusive of legacy debt and PREPA’s unfunded pension obligations– will be based on the outcome of the relevant Title III proceedings. Together, the four principal factors listed above will make up electricity rates and will comply with the applicable rate order approved by PREB. LUMA will work hard to lower the costs that it can control—those of operating the T&D System—and will collaborate with generators, the P3 Authority and PREB with the goal of achieving affordable rates for our customers.

From time to time and as required by applicable law, LUMA may apply for a change in rates through a rate order, just as PREPA can currently do. Any such new application will also be comprised of the above mentioned four principal factors. Rates could decrease as a result of a change in any of the elements of these factors. LUMA’s application will be prepared and undertaken in accordance with the relevant requirements and will be reviewed, and approved, denied or modified based on the scope of PREB’s approval. LUMA, PREPA and the P3 Authority will abide by any rate order reflecting determinations, directives and requirements established by PREB. In accordance with the law, rates are regulated by the PREB and must reflect the actual costs of the electric service in order to prevent a fragile grid, future bankruptcies and underfunded pensions. LUMA will provide its services under the rate structure approved by the PREB. LUMA cannot create additional profit for itself by applying for a change in rates; that is, LUMA’s compensation will not increase as a result of an increase in rates.

System Remediation Plan

A requirement of the OMA is that LUMA develop a plan to remediate, repair, replace and stabilize the T&D System. This includes a plan for equipment, systems, practices and services that will enable LUMA to perform its O&M services in compliance with the OMA. This plan is called the SRP and will take into account operational and capital budgets including federally funded capital. The initial SRP will be developed during the Front-End Transition and submitted to PREB, along with the Initial Budgets and Performance Metrics for approval.

LUMA’s submission of the SRP will include detailed scopes, resources, timelines, milestones, cost estimates and achievement criteria. PREB will review and approve, deny or propose modifications to the proposed plan and LUMA will carry out the final, approved plan. From time to time as it carries out the O&M services, LUMA will submit progress reports and updates to the SRP to PREB for review and approval.

Performance Metrics

As part of the OMA, the P3 Authority has ensured LUMA’s alignment with Puerto Rico’s energy policy goals, the PREB and the electricity customer by incorporating a variable incentive fee based on meeting and exceeding Performance Metrics set out in the contract.

The Performance Metrics are designed to ensure that LUMA achieves certain benchmark standards of performance with respect to the T&D System for the benefit of its customers and the people of Puerto Rico. The Performance Metrics targets are intended to bring the T&D System’s reliability performance more in line with U.S. utility averages.

LUMA, with input from the PREPA teams, will prepare a detailed set of Performance Metrics including proposed baselines, targets and minimum performance levels during normal operations and under major outage events. LUMA will submit these Performance Metrics, along with the SRP and the Initial Budgets to PREB for approval. LUMA is committed to improving the performance of the T&D System and fulfilling our obligations under the OMA.

Other compliance and governance

In addition to performing the O&M services in accordance with the OMA, LUMA will also comply with applicable laws and regulations. LUMA will be subject to regulatory oversight by PREB throughout the term of the OMA and will prepare filings and submissions in order to comply with PREB's requirements under applicable law.

LUMA anticipates a robust regulatory framework that will promote prudent investment, increase quality of service to the people of Puerto Rico, and ensure that industry trends and technological advancements are appropriately incorporated into the T&D System. PREB's regulatory oversight will have a direct impact on the T&D System and significant influence on Puerto Rico's energy sector.

The P3 Authority is the administrator of the OMA and is responsible for day-to-day contractual oversight of the OMA and LUMA. This includes, among other things, reviewing and ensuring that Budgets, the SRP and Performance Metrics comply with the OMA and any applicable PREB resolution and order (such as the rate order). It also includes oversight with respect to LUMA's obligations in performing the O&M services and the ability to bring claims against LUMA for breaches of the OMA. The P3 Authority is also responsible for declaring an Event of Default, as well as exercising any of the available remedies under the OMA.

We understand that the P3 Authority will coordinate with PREPA and the Financial Oversight and Management Board ("FOMB") to avoid duplicative oversight and will avoid exercising oversight with respect to items that fall within the scope of PREB's statutory oversight.

Benefit of LUMA for current PREPA employees

Ensuring that every employee has the proper training, skills, and tools for the job is just the first step in establishing LUMA's *People First, Safety Always* culture. We will leverage our significant experience and expertise to provide world-class safety training, professional development opportunities, and exciting career paths for LUMA employees.

We wish to clearly address several issues which have been raised:

- First, LUMA encourages all PREPA employees who work in transmission and distribution, or in services shared between transmission and distribution and the generation system, to pursue a role with LUMA – we will need to hire several thousand employees.
- Second, PREPA employees will receive a priority in hiring. PREPA employees will have the opportunity to apply for roles at LUMA prior to others.
- Third, no PREPA employees will lose their jobs as a result of this transaction. Those who do not join LUMA will have the choice to stay with PREPA, or transfer to other government agencies within Puerto Rico. This framework is established in Act 120 and the OMA does not and cannot attempt to change that law. Those employees will also retain their rights and benefits in accordance with the law.

- Fourth, LUMA is not reducing employee compensation and benefits. In accordance with Act 120 and employees' acquired rights, all of the LUMA employees will receive a compensation and benefits package that is equal to or better than the one provided by PREPA.
- Fifth, LUMA is not taking away any employee's pension. As part of a transition to LUMA, each employee will have the choice to stay with his or her existing plan or transfer to a new LUMA plan.

Hiring Process

LUMA is a new company which will have new job roles and job descriptions, some of them different from those of PREPA today. LUMA understands that the transition to a new company may be a source of uncertainty. The application process gives employees an opportunity to express their interest and present their qualification – potentially in roles or “job descriptions” that are not exactly the same as those they currently hold with PREPA. We understand the uncertainty people are facing and are working to communicate the changes with them and make the transition as smooth as possible.

As part of our long-term commitment to PREPA's employees and to the People of Puerto Rico LUMA will waive its probationary period for PREPA employees who are hired at LUMA. That is, to offer additional job security, PREPA employees hired by LUMA **will not have to wait for a probationary period before having a permanent job with LUMA**, as these terms are understood pursuant to Puerto Rico law.

Organized Labor

LUMA's parent companies employ well over 20,000 union members around the world, and have longstanding, collaborative and valuable relationships with union representation. LUMA expects to have the same with the unions in Puerto Rico.

LUMA expects to have modern collective bargaining agreements between LUMA and the unions. Given the need for significant transformation and modernization of the transmission and distribution system for Puerto Rico, LUMA will work hand in hand with the union representatives of its employees to negotiate new, modern, fair and competitive collective bargaining agreements and to continue to provide highly sought-after jobs on the Island. We expect that any new collective bargaining agreement we reach in the future will incorporate LUMA's terms and conditions of employment, reward experience, prioritize safety, and will also provide a grievance process to resolve employee concerns.

LUMA will have many new jobs with different qualifications from those which currently exist at PREPA. We will offer competitive, industry-leading compensation, reliable and stable benefits, job protection, enhanced safety protocols, additional training and advancement opportunities for LUMA employees.

We are committed to building a safer, more reliable grid for all Puerto Ricans. Facilitating this significant transformation will require a modern workforce, from the operations, safety, and labor perspectives.

Pension and Benefits

We understand that pensions are a critically important issue. LUMA does not have control over the historical underfunding of the PREPA pension plan. Like other obligations of PREPA – and similar to other Puerto Rico government employees with pensions under the Employee Retirement System of Puerto Rico – the payments related to those legacy pensions are subject to bondholder negotiations and the Court decisions in the Title III proceedings. LUMA as operator will create greater stability and certainty of operations and cost reductions and ensure the appropriate portion of revenues are being used to fund legacy as well as new pension and benefit obligations.

LUMA is working hard to ensure that PREPA employees who wish to work for LUMA have options regarding their pension plan. Those individuals can choose between continuing in the PREPA pension plan or joining LUMA's Retirement Plan. LUMA's Retirement Plan will offer a competitive benefit that allows employees to have certainty in their retirement planning. It will provide employees with substantial opportunity to retire comfortably with the assurance that their money will be there when needed. For the employees who choose to stay in the PREPA retirement plan, LUMA will make contributions on their behalf to the PREPA retirement plan.

LUMA College for Technical Training

As part of its commitment to building a safer, more productive, more skilled workforce. LUMA is in the process of establishing the LUMA College for Technical Training in Puerto Rico. This facility will be used to train new craft skilled labor ("pre-apprentices"). It will be open to anyone on the Island. The curriculum and operations will be provided by the Northwest Lineman College, an accredited technical school recognized by the U.S. Department of Education with multiple campuses across the U.S. This campus investment is being developed and built at Quanta and ATCO's own expense, for the benefit of Puerto Rico and its future workforce.

Closing remarks

We believe the Puerto Rico Government has clearly articulated its public policy objective to transform the electric power system through a public-private partnership. We are humbled to have been selected through the P3 Authority's robust and rigorous process to help resolve the many challenges facing PREPA today. We recognize that change can be difficult. However, achieving the transformation that is necessary and desired by the people of Puerto Rico will require doing things differently than they are done today. We look forward to working with our future employees, customers, and stakeholders to deliver the electric system that Puerto Rico deserves.

Thank you for the opportunity to share our perspectives. We are eager to continue moving forward with the important work of providing Puerto Rico with a safer, more reliable, more resilient, and more cost-effective grid.

Sincerely,



Wayne Stensby,
President and CEO, LUMA Energy