



October 6, 2021

Chairman Raúl Grijalva
Ranking Member Bruce Westerman
Honorable Jenniffer González-Colón

U.S. House of Representatives Committee on Natural Resources

By email: Ivan.Robles@mail.house.gov
Nancy.Locke@mail.house.gov

RE: PREPA Post Implementation of the LUMA Transmission and Distribution Contract

Dear Chairman Grijalva, Ranking Member Westerman, Resident Commissioner González-Colón and Committee Members:

Thank you for the opportunity to share LUMA Energy's perspective as we stand here 4 months into the historic public-private partnership to operate the transmission and distribution system of Puerto Rico. This partnership is a critical step in the overall transformation of the electric system, but by no means is it the only one.

When we first began operations this June, we knew how difficult and important a task we face. Change is hard and it takes time. But, change is the reason we are here today – the people of Puerto Rico have been demanding it for years. The responsibility that comes with providing electricity to customers is a serious one, and we do not take it lightly. As this committee knows well, the Puerto Rico electric system is arguably the worst in the U.S., and has been for some time, even prior to the tragic hurricanes of 2017. For context, the frequency and duration of outages is more than twice the next worst performer in the US, customer service scores are 50% worse than the average electric utility, and OSHA safety recordable incidents were approximately 5 times the industry average. To move forward, we are focused on creating change – change of the physical infrastructure, but also of the business processes and of the company culture.

I should first state how proud we are of the team we are building. We are more than 3,000 employees strong with many of those hired from PREPA (Puerto Rico Electric Power Authority), embracing the change they knew would be needed. Those that joined LUMA did so under extraordinary circumstances – in some cases defying their friends, facing threats from those claiming to sharing their interests, and even being the targets of terrible acts vandalism and intimidation. They got to work on June 1st and immediately faced significant adversity. First, access to certain equipment, tools, and roads needed to restore power were so limited that it could only be remedied through a restraining order. Within our first two weeks of operation, LUMA and its customers suffered, a targeted distributed denial of service attack, disrupting

access to information. Then, a fire at the Monacillo substation, a central node in the electric system, disrupted power to approximately 800,000 customers. Thanks to the heroic efforts of our team, nearly all of those customers were restored in 24 hours – an unprecedented response time.

Our team continues to grow, and we have received more than 100,000 job applications from across Puerto Rico – a strong endorsement of our mission. As part of our continued efforts to build a modern, world class workforce, we recently came to terms on a collective bargaining agreement with the IBEW (International Brotherhood of Electrical Workers), who recently amalgamated with one of the larger local unions at the utility. This represents the first newly negotiated agreement for labor at the electric utility in over a decade.

LUMA is not here for the short term. We are here to modernize the electric transmission and distribution system, to perform based on thoughtful data-based, long-term planning, and to execute these plans which have been developed by engineers, subject to the approval and oversight of the corresponding government entities in accordance with law and policy.

As part of our commitment to Puerto Rico, LUMA's parent companies are actively investing in economic and workforce development. The new LUMA College for Technical Training in Canóvanas represents an investment of more than \$10 million dollars by LUMA's parent companies and will bring world class training and development for the technical trades, all provided through an accredited education program. Our first class of lineworkers will be graduating from this program later this month, and we are looking forward to seeing the impact this can have in the coming years.

While this transformation is in its early days, we do have reason to be optimistic about the future. We are starting to see the impact of the changes we implement. For example, for customers seeking to put solar on their rooftops, we have increased the processing speed of this application process by nearly 7 times, and cleared nearly half of the backlog we inherited. Some of those customers had been waiting as long as 2 years. We aim to clear this queue entirely by the end of this year and have begun publishing the connection queue information on our website to improve the transparency of the process. Our operational efforts are focused not just on restoring outages, but fixing infrastructure so we can prevent the outages in the first place. Our rate of pole replacement has nearly doubled, and we've re-connected or replaced a number of substations and lines – some of which had not been operational since Hurricane Maria.

Still, there is a lot of work to be done. We have been heavily focused on accelerating the major capital projects to be executed under the various federal grant programs, which we will manage on PREPA's behalf. There are currently about 65 projects representing nearly \$2.8 billion dollars of work that have received approved initial Statements of Work and are going through various stages of engineering and environmental assessments today. An additional \$3.7 billion of projects has been vetted by PREB, and the initial Statements of Work have been submitted to FEMA. These investments are all tied to disaster recovery linked to Hurricanes Irma and Maria from

2017, and are critical to making the electric infrastructure sustainable and resilient. For these efforts, we are working collaboratively with PREPA as the subgrantee, as well as COR3 (Central Office for Recovery, Reconstruction, and Resiliency), FEMA, and experts from the Department of Energy and the national labs, to ensure that these programs are both compliant and are a prudent and effective use of federal funds. This is a unique opportunity to build back better, and doing so efficiently will be critical. Recognizing that the annual construction efforts work will be multiples above today's activity, we have also signed a Project Labor Agreement with the IBEW. This PLA ensures that the workers on the electric system will be safe, fairly compensated, and well trained. This PLA also enables access to high quality, craft skilled labor, mitigating the risk of delays to the electric infrastructure rebuild that Puerto Rico so desperately needs.

We thank this committee for its time and dedication to this important topic. As we continue to emphasize, LUMA is here to be a transparent, accountable partner that will deliver improved customer service, increased emergency preparedness, and a safer, more effective workforce, supporting the overall economic recovery and growth of the island. We have just begun and we remain committed to playing our critical role in transforming the electrical system in Puerto Rico.

Sincerely,

Wayne Stensby
President & Chief Executive Officer