

**GOVERNMENT OF PUERTO RICO  
PUBLIC SERVICE REGULATORY BOARD  
PUERTO RICO ENERGY BUREAU**

**IN RE: PUERTO RICO ELECTRIC POWER  
AUTHORITY RATE REVIEW**

**CASE NO.: NEPR-AP-2023-0003**

**SUBJECT: Order Establishing Scope and  
Procedures for Rate Case**

**RESOLUTION AND ORDER**

This Order establishes the filing requirements and procedures for the rate review of the Puerto Rico Electric Power Authority ("PREPA").

In this proceeding, the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau") will set new rates for the three-year period beginning July 1, 2025. This Order establishes this proceeding's substantive scope and initial procedures. It also prescribes the filing requirements that will provide the Energy Bureau with the information needed to conduct a thorough review of PREPA's rates, while guiding PREPA, LUMA, Genera,<sup>1</sup> other stakeholders about the Energy Bureau's expectations. LUMA, the operator of PREPA's transmission and distribution system, is contractually responsible for preparing rate filings and submitting them to the Energy Bureau.<sup>2</sup>

The Energy Bureau's authority to take the actions discussed in this Order includes Sections 6.3 and 6.25 of Act 57-2014<sup>3</sup> Section 6A of Act 83 of May 2, 1941, as amended;<sup>4</sup> and Act 38-2017, as amended.<sup>5</sup> Together, the provisions empower the Energy Bureau to review and approve PREPA's rates to ensure they are just and reasonable, consistent with sound fiscal and operational practices that provide reliable service at the lowest reasonable cost.<sup>6</sup>

<sup>1</sup> The formal names for LUMA and Genera are, respectively, LUMA Energy, LLC, and LUMA Energy ServCo, LLC; and Genera PR LLC.

<sup>2</sup> *Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement (June 22, 2020), by and among the Puerto Rico Electric Power Authority, the Puerto Rico Public-Private Partnerships Authority, LUMA Energy, LLC, and LUMA Energy ServCo, LLC, § 5.6.*

<sup>3</sup> Known as the *Puerto Rico Energy Transformation and RELIEF Act*, as amended ("Act 57-2014").

<sup>4</sup> Known as the *Puerto Rico Electric Power Authority Act*, as amended ("Act 83").

<sup>5</sup> Known as the *Government of Puerto Rico Uniform Administrative Procedure Act*, as amended, Act 38-2017, by its Spanish acronym, ("LPAU").

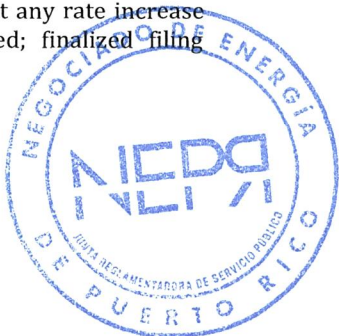
<sup>6</sup> For prior history on the beginnings of this proceeding, see the following issuances in the following dockets:

*In re: Review of LUMA's Initial Budgets and Related Terms of Service*, Case No.: NEPR-MI-2021-0004

- May 31, 2021: The Energy Bureau directed LUMA, not later than August 1, 2023, to file formal rate review for rates effective July 1, 2024.
- June 25, 2023: The Energy Bureau determined that the August 1, 2023, rate review filing date would be rescheduled through a separate Resolution and Order.

*In re: Puerto Rico Electric Power Authority Rate Review*, Case No.: NEPR-AP-2023-0003

- June 30, 2023: The Energy Bureau suspended the August 1, 2023, filing deadline for the formal rate request.
- December 10, 2024: The Energy Bureau directed parties not to submit any rate increase requests until the final filing requirements are finalized and issued; finalized filing requirements expected by early February 2025.





Part I of this Order addresses substantive scope and procedural matters. Part II addresses administrative and logistical matters. In this Order, all references to PREPA are to PREPA or its contractual representative.

**I. Substantive scope and procedural matters**

This Part I covers these topics:

- Substantive scope: All costs, all revenue from sale of electric service, and all other income
- Period covered: FY2026, FY2027, and FY2028
- Rate case and budget case: Combined
- Filing Requirements
- The 180-day requirement: Runs from the date all prefilled testimony is filed and accepted
- Revenue requirement and rate design: Two separate proceedings, each with its own 180-day deadline
- The relationship between the revenue requirement and the incentive compensation
- Specific requirements for proposing provisional rates
- Consultant reports made public; report-writers made available for questioning
- Designation of Hearing Examiner for limited purposes

**A. Substantive scope: All costs, revenues, and income**

This rate case will cover the full scope of revenues, other income, and costs involved in providing electric service in Puerto Rico. It will cover all revenues and income from customers, from companies that use the electric infrastructure, from state and federal government agencies, and from any other source. It will cover all costs for normal operations, storm resilience and restoration, repair and modernization of PREPA-owned infrastructure, and anything else.

This comprehensive approach is necessary so that current and future customers, government actors, industry actors, and current and future lenders all know the true cost of electric service. Only with this full knowledge can Puerto Rico prepare for a time when the costs continue but the government help diminishes. As the bondholders have stated: “The funding required to maintain the grid, to harden it against natural disasters, to prevent blackouts, and to pay for financing should determine the rate—not the other way around.”<sup>7</sup>

**B. Period covered: FY2026, FY2027, and FY2028**

In this proceeding, the Energy Bureau will set permanent rates for FY2026, and projected rates for FY2027 and FY2028. The rates will reflect known costs and projected costs. Those costs will include the costs to carry out actions required by the existing Integrated Resource Plan,<sup>8</sup> and the Integrated Resource Plan for 2024-2025 that LUMA will file this

<sup>7</sup> *In re: Puerto Rico’s Electric System Cash Flow and Cash Position Concerns*, Case No.: NEPR-IN-2024-0004, Bondholders’ Explanations and Recommendations at 6, (Jan. 15, 2025).

<sup>8</sup> See Final Resolution and Order, *In re: Review of the Puerto Rico Electric Power Authority Integrated Resource Plan*, Case No. CEPR-AP-2018-0001 (August 24, 2020).





year. The Energy Bureau will convert the projected rates for FY2027 and FY2028 into permanent rates through a procedure to be specified in the current proceeding's final Order.

### C. Rate case and budget case: Combined

This proceeding will function simultaneously as a budget proceeding and a rate proceeding. Doing so merges two processes that have become separated. The 2017 rate order envisioned the budget process and the rate case process as companions: annual reviews of budgets, and triennial reviews of rates. For eight years we have had reviews of budgets without reviews of rates.

*7/11/23* This combination of budget approval and rate approval is reflected in the Filing Requirements accompanying this Order. Schedules A-1 and A-2 will contain, respectively, an Optimal Budget and a Constrained Budget, each organized according to the outline in the Appendix. That an item is listed in that outline does not commit the Energy Bureau to approving any particular cost level. Schedules B through H will contain the information necessary to calculate new rates based on the new budget.

### D. Filing Requirements

*7/11/23* The rate application shall conform to the filing requirements attached as an Appendix to this Order. Schedules A-1 and A-2 relate to the budgets; Schedules B through H address financial, operational, and other matters.

*7/11/23* The outline associated with Schedules A-1 and A-2 shall be the table of contents for the proposed budgets. It will likely become, with any necessary changes, the table of contents for the final Order in this proceeding. Moreover, the budgets approved by the Energy Bureau in this proceeding will be the budgets within which PREPA, LUMA, and Genera will operate for the associated fiscal year. Implicit in the outline's level of detail is the Energy Bureau's expectation that the companies will base their proposed budgets on a bottoms-up analysis. The Energy Bureau thanks the companies for their help in preparing the budget outline.

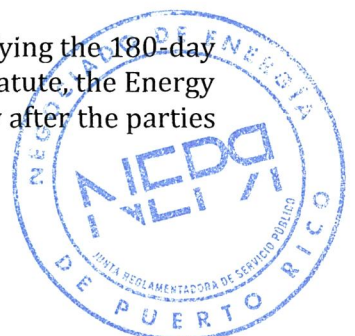
The filing requirements provide the Energy Bureau with the information it needs to make the right decisions about rates. A requirement that a particular cost be shown in the Schedule does not signal an Energy Bureau commitment to include that cost in rates.

In its February 10, 2025, comments on the draft Filing Requirements, LUMA assumed that it would file Schedules E-2 (Proof of Revenue), E-3 (changes in rates by customer class), E-4 (customer bill impact analysis), and E-5 (Bill Frequency Analysis) only in the rate-design proceeding. That assumption is incorrect. All schedules described in the attached Filing Requirements must be part of the Rate-Case application. Schedules E-2, E-3, E-4, and E-5 relate to the effect of the new revenue requirement on rate levels and revenue levels. These schedules are not specific to rate design. The same goes for Schedules F-1 (proposed tariffs), F-2 (redline of existing tariffs), F-3 (riders and surcharges), and F-6 (Energy Efficiency Riders). The Energy Bureau intends to examine the riders in the rate-case proceeding.

### E. The 180-day requirement: Runs from the date all prefiled testimony is filed and accepted

Section 6.25(c) of Act 57-2014 states: "The review and the order issuance processes shall not exceed one hundred eighty (180) days from the Energy Bureau's determination by resolution that the rate review request is complete; provided, however, that the Energy Bureau may extend the review process for an additional term that shall not exceed sixty (60) days."

Given the complexity of this combined budget-and-rate proceeding, satisfying the 180-day requirement will be a challenge. To meet that challenge and satisfy the statute, the Energy Bureau will declare the companies' rate application filing "complete" only after the parties





have filed all testimony, exhibits, workpapers, and schedules required by the Filing Requirements attached to this Order. This approach recognizes that LUMA's rebuttal, which will file last, might make changes to its original filing in response to comments by intervenors and the Energy Bureau's consultants. Only then will all participants, and the Energy Bureau, know what rate levels and tariff provisions LUMA is proposing.

Once the Energy Bureau declares the rate filing complete, the 180-day statutory period will begin. At that point, the Energy Bureau will have 180 days to hold the evidentiary and public hearings, receive briefs, deliberate, and issue the final Order on permanent rates.

**F. Revenue requirement and rate design: Two separate proceedings, each with its own 180-day deadline**

Given the complexity of setting rates for the first time in eight years, it is unrealistic to give full evidentiary attention to the revenue requirement, the billing determinants and the rate design, all in a single 180-day period. The Energy Bureau therefore will address rate design in a separate formal proceeding that will have its own 180-day period.

This approach means that in the revenue requirement proceeding (which will also address billing determinants, to produce rates), the rate application and any responding testimony should assume a continuation of the existing rate design. That statement does not mean that all rates will necessarily change by the same percentage. Parties may propose new allocations of costs among customer categories without redesigning the rate structures applied to customers within those categories. Any proposed change in allocations must have explanations and support.

Though the proceeding on revenue requirements and billing determinants will not address rate design, it will need to address any new costs associated with a future change in rate design. An example would be new advanced meters that make possible future time-of-use rates. The Energy Bureau wishes to avoid a situation in which the separate rate design proceeding approves rate designs whose costs were not anticipated and addressed in the revenue requirement proceeding. Therefore, we have included in the budget outline a place for those costs. In the budget outline, see item I.C.5.

It is possible for the two proceedings, on revenue requirements and rate design, to overlap in time. On that subject, counsel for LUMA informally provided to our consultants these thoughts:

In response to your request for a suggested timeline for the rate design phase of the proceeding to commence, LUMA suggests that the rate design phase of the proceeding could commence once two milestones are achieved. First, PREB has determined that the revenue requirement filing is complete. Second, PREB has allowed the provisional rates to become effective. In LUMA's view, this schedule will allow LUMA to most efficiently use its resources to ensure that any [requests for information] related to the revenue filing are addressed timely and that the provisional rates are in place. Once those milestones are met, resources could then be devoted to preparing the rate design filing and responding timely to RFIs regarding that filing. This would enable both phases to proceed simultaneously, but without harm to the record in either phase of the case and in a manner that considers that the same resources will be needed for both phases. LUMA looks forward to discussing any concerns you might have regarding this proposal and addressing them.<sup>9</sup>

The Energy Bureau leaves its consultants the task of working with participants to develop procedural schedules for the two proceedings.

**G. The relationship between the revenue requirement and incentive compensation**

<sup>9</sup> Email from Andrea Chambers to Scott Hempling, cc-ed to all (Jan. 24, 2025).





A utility's revenue requirement must reflect the reasonable costs of carrying out its obligations. Whether those costs are labor costs, repair costs, customer-service costs, or the costs of carrying out contractual obligations, the revenue requirement must reflect those costs.

The contracts under which LUMA and Genera perform their services provide for a Fixed Fee. The contracts also require PREPA to pay each of LUMA and Genera a performance incentive fee (labeled differently in each contract). PREPA must pay that fee if the Puerto Rico Public-Private Partnerships Authority (P3A), as contract Administrator, finds that each company has satisfied certain performance metrics relating to cost savings and operational effectiveness. To earn those fees, LUMA and Genera must incur costs. The revenue requirement therefore must include the costs that give each company a reasonable opportunity to meet the metrics that trigger the company's respective incentive fee. Otherwise, the revenue requirement will fail to provide PREPA with the funds required to meet its contractual obligations.

In setting the revenue requirement, the Energy Bureau must act consistently with its other orders, including its orders establishing performance metrics. The revenue requirement established in the instant proceeding therefore must include the costs that a prudent operator needs to incur to achieve those metrics.

To achieve this purpose, the Energy Bureau requires LUMA and Genera to propose two budgets: an Optimal Budget and a Constrained Budget, as defined below and in the attached Filing Requirements.

- In the Optimal Budget there are no tradeoffs among activities; every activity receives the necessary costs. That is why it is called the Optimal Budget.
- For the Constrained Budget, tradeoffs are unavoidable; the Energy Bureau will have to elevate some needs over others. But the revenue requirement still must give LUMA and Genera a reasonable opportunity to achieve the metrics that trigger for each operator its respective incentive fee. In addressing the revenue requirement for the Constrained Budget, therefore, the Energy Bureau will need to adjust the metrics, or the allocation of compensation, or both, to reflect the lower budget amount that some areas of the Constrained Budget will receive as compared to the Optimal Budget. The Energy Bureau has the authority to make these adjustments in this rate proceeding. Section 1.5 (3)(d) of Act 17-2019 states: "When deemed appropriate, during ratemaking processes, the Bureau shall establish performance-based incentives and penalty mechanisms for electric power service companies as well as mechanisms that ensure strict compliance with the orders of the Bureau. . . ." Any adjustment shall consider the metrics approved by the Energy Bureau in the performance metric proceeding and shall be consistent with just-and-reasonable ratemaking.

The Energy Bureau cautions that not every metric necessarily needs additional cost. Achieving some metrics might depend not on extra cost but instead on extra effort and skill. Consider the goal of reducing customers' phone-wait time. One way to achieve that goal is to spend more money to hire more workers. Another way is to use management skills such as by redesigning worker training, and by rewarding and making models of workers with the most efficient phone style.

To give effect to the foregoing principles, the attached Filing Requirements contain these definitions:

**"Optimal Budget"** means the budget that is necessary to provide to electricity customers the quality of service required by (a) the Puerto Rico statutes, and (b) the contracts under which LUMA and Genera provide that service. The Optimal Budget must include the full-Service Fee (which includes the Fixed Fee and the performance incentive fee). The Optimal Budget also must include



the costs necessary to give each operator, if it performs prudently, a reasonable opportunity to earn its respective incentive fee.

Because a budget determines the rates, and because the rates must satisfy the statutory just-and-reasonable standard, the budget document must show that the derivation of the costs associated with earning the incentive fee satisfies these two conditions:

- The performance level that drives the costs and activities reflected in the Optimal Budget must not exceed a just-and-reasonable performance level.
- The cost level proposed in the Optimal Budget to achieve any particular metric must not exceed the cost level that a prudently performing operator would incur to achieve that same metric, if that utility were facing Puerto Rico's unique circumstances.

**"Constrained Budget"** means, for a particular Fiscal Year, a budget whose total cost is less than the Optimal Budget by the amount that the Energy Bureau deems necessary to provide a customer-sensitive transition from the status quo (Fiscal Year 2025) to an Optimal Budget in FY 2028. The difference between the proposed Optimal Budget and the proposed Constrained Budget must reflect PREPA's, LUMA's, and Genera's recommendations about which costs and activities in the Optimal Budget should be deferred. These recommendations should consider, but need not be bound by, consultations that the three companies hold with interested entities, including but not limited to the Independent Consumer Protection Office; the bondholders; government, industrial, and commercial customers; and providers of renewable energy.

The Constrained Budget must include costs to give a prudently performing operator a reasonable opportunity to earn its respective incentive fee. That opportunity might be affected by the proposed cost reductions and activity deferrals. The Constrained Budget therefore may include proposed adjustments to (a) the existing metrics and (b) the allocation of compensation among the cost categories.

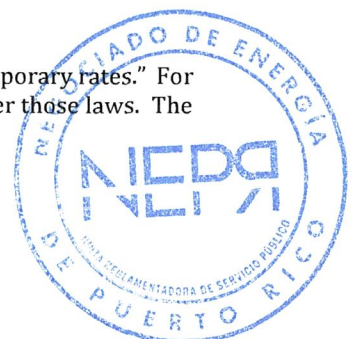
Because a budget determines the rates, and because the rates must satisfy the statutory just-and-reasonable standard, the budget document must show that the derivation of the costs associated with earning the incentive fee satisfies these two conditions:

- The performance level that drives the costs and activities reflected in the Optimal Budget must not exceed a just-and-reasonable performance level.
- The cost level proposed in the Optimal Budget to achieve any metric must not exceed the cost level that a prudently performing operator would incur to achieve that same metric, if that utility were facing Puerto Rico's unique circumstances.

#### H. Specific requirements for proposing provisional rates

The Application for new rates must propose provisional rates<sup>10</sup> along with permanent rates. Provisional rates are necessary because the fiscal year for the new rates begins on July 1, 2025, well before the Energy Bureau will have decided on the permanent rates. The

<sup>10</sup> Act 57-2014 (§6.25(e)-(f)) and Act 83 (§6A(e)-(f)) refer to provisional rates also as "temporary rates." For clarity in this proceeding, "provisional rate" shall mean the same as "temporary rate" under those laws. The discussion below uses these phrases interchangeably.





provisional rates therefore would go into effect on July 1, 2025. The permanent rates would go into effect when the Energy Bureau issues its final Order in this proceeding.

On the subject of provisional rates, section 6.25(e) of Act 57-2014 states:

Temporary Rate. Within thirty (30) days after the filing of the rate modification request, the Energy Bureau may make, *motu proprio*, or at the request of a requesting certified company, a preliminary evaluation to determine whether a temporary rate should be established. The Energy Bureau shall exercise its discretion in establishing the temporary rate, unless the requestor contests the establishment of the temporary rate or the amount thereof, in which case the Energy Bureau shall decide whether it shall revise the amount of the temporary rate or desist from establishing the same. If the Energy Bureau establishes a temporary rate, such rate shall take effect sixty (60) days after the date of approval of the temporary rate, unless the Energy Bureau determines, at the request of the requestor, that the temporary rate should take effect earlier, but never within less than thirty (30) days after the approval of the temporary rate. Said temporary rate shall remain in effect during the period needed by the Energy Bureau to evaluate the rate modification request proposed by the requestor and up to the date on which the new bill is implemented, which shall not exceed sixty (60) days after the approval thereof.

Similar language appears in section 6A(e) of Act 83.

Besides authorizing provisional rates, the statute allows the Energy Bureau to change the provisional rates retroactively if those provisional rates differ from what the Energy Bureau ultimately determines are the correct permanent rates.<sup>11</sup>

The application for provisional rates must accompany the application for permanent rates. The former must include the following elements:

- It must state the specific date on which the provisional rate would go into effect.
- It must apply a specific percentage uniformly to each component of the then-existing base rates—component referring to demand charge, volumetric charge, and fixed customer charge.
- It must change no amounts recovered through a rider or surcharge.
- The provisional rates must be based on a revenue requirement no higher than the revenue requirement that supports the proposed permanent rates.
- It must have a mechanism for reconciling the provisional rate with the permanent rate, as anticipated by section 6.25(f) of Act 57-2014 and Section 6A(f) of Act 83.
- It must include pre-filed testimony and exhibits demonstrating the need for the proposed provisional rates. This prefilled testimony may appear within the testimony that supports the permanent rates. A cover letter should identify the specific sections of the testimony on permanent rates that address the provisional rates.

The Energy Bureau maintains full authority to reject or modify any provisional rate request if it determines the proposed rates are not just and reasonable or would not serve the public

<sup>11</sup> See Section 6.25(f) of Act 57-2014: "Upon issuing a final order after the rate review process, the Energy Bureau shall direct the requesting company to adjust customers' bills so as to credit or charge any discrepancy between the temporary rate established by the Bureau and the permanent rate approved by the Energy Bureau." Similar language appears in section 6A(f) of Act 83.



interest. Nothing in the approval of provisional rates predetermines the Energy Bureau's decision on permanent rates.

To ensure timely implementation by July 1, 2025, LUMA must file its application for both provisional and permanent rates with sufficient lead time to accommodate the following:

- the Energy Bureau's 30-day preliminary evaluation period for provisional rates;
- the minimum 30-day notice period before provisional rates can take effect;
- any potential modifications required by the Energy Bureau; and
- implementation logistics, such as billing system updates.

Under Act 57-2014 §6.25(e) and Act 83 §6A(e), provisional rates remain in place until the Energy Bureau issues its final Order on permanent rates and for up to sixty (60) days after that Final Order, by which time the new permanent tariff must be in place.

**I. Consultant reports made public; report-writers made available for questioning**

As our predecessor did in the 2016-2017 rate case, the Energy Bureau expects to have some of our consultants submit independent expert reports into the record. The consultants then will appear at the evidentiary hearing to be questioned by the Commissioners, the Energy Bureau's questioner and by counsel for the parties. This approach allows the parties to see, at least in part, what advice the Energy Bureau is receiving, to question the consultants about that advice, and to critique it.

The Energy Bureau does not view this procedure as legally required. It is common in the U.S., at the federal and state levels, for a utility regulatory agency to receive advice from its advisors privately. As long as that advice does not consist of information outside the evidentiary record, that practice is a lawful, customary deliberative practice. The Energy Bureau will use it here. But given the many issues and their complexity, the Energy Bureau believes that the record will be more useful if the participants have access to the consultants' initial views through public reports and have an opportunity to question the consultants in those reports.

**J. Designation of Hearing Examiner for limited purposes**

The Energy Bureau **DESIGNATES** Scott Hempling as Hearing Examiner for this proceeding, with authority limited to the following:

- resolving all discovery disputes between the parties;
- establishing and modifying procedural schedules;
- determining witness sequence and logistics for evidentiary hearings;
- addressing any other procedural or logistical matters that arise during the proceeding; and
- issuing any procedural orders to facilitate the orderly conduct of the proceeding.

All Hearing Examiner decisions are subject to appeal to the Energy Bureau. The Energy Bureau retains full authority over all substantive matters and final determinations in this proceeding.

The Energy Bureau therefore **ORDERS** participants to direct all procedural motions, and requests related to the above-listed matters, to the Hearing Examiner. Direct submissions on all other matters to the Energy Bureau.





## II. Administrative and logistical matters

This Part II covers these topics:

- Administrative requirements for the rate application
- Treatment of confidential information
- Public notices

### A. Requirements for the rate application

The rate application shall include

- all Schedules described in the Appendix to this Order;
- a list of all witnesses, referencing the schedules and exhibits that the witness is supporting; and
- a list of all schedules and exhibits, referencing the witnesses that support each schedule or exhibit.

File names shall follow a consistent naming convention that identifies the schedule number, version, and date. For all filenames, the first word must be the party.

Concerning schedules:

- All schedules shall be filed in searchable pdf format.
- Any schedules created with a spreadsheet program shall also be in native electronic spreadsheet format, unlocked.
- All schedules must be mathematically correct and properly cross-referenced. Each calculation must be shown with formulas visible in electronic spreadsheets. Large data sets shall be in machine-readable CSV format.
- All schedules shall be numbered according to the system established in the Appendix to this Order. Sub schedules shall use decimal points (e.g., Schedule A-1.1).
- Any revision to a previously filed schedule must (a) clearly indicate that it is a revision, (b) show the date of revision, (c) identify all changes from the previous version, (d) explain the reason for the revision, and (e) include a revision log tracking all changes.

The rate application shall be supported by prefilled testimony that complies with the following points:

- Prefilled written testimony and accompanying workpapers must contain all analyses, facts, and calculations necessary for the Energy Bureau and intervenors to perform comprehensive analyses. To reduce the need for information requests, the submission should include all backup that the witness's counsel anticipates would be reasonably sought by intervenors or Energy Bureau consultants.
- Testimony shall be filed in searchable pdf format and in Word.





- Witnesses who support costs must explain why each cost is necessary and reasonable; and whether the cost is (a) an already incurred cost and thus unavoidable, or (b) a to-be-incurred cost, and therefore avoidable.

## B. Treatment of confidential information

The Energy Bureau establishes these procedures to balance the public's right to access information about utility rates with the legitimate need to protect certain sensitive business information.

If in compliance with this Order, a person has the duty to disclose to the Energy Bureau information that the person considers privileged under the Rules of Evidence, the person shall identify the information, request the Energy Bureau to protect the information, and provide written arguments to support its claim for protection, all as required by the Energy Bureau's precedent.<sup>12</sup> If the Energy Bureau agrees that the material merits protection, it will proceed according to what is in Article 6.15 of Act 57-2014, as amended, and its precedent.

*JA* The Energy Bureau will decide each confidentiality claim expeditiously. In its decision, the Energy Bureau will state (i) which information and documents are confidential or privileged; and (ii) the rules that shall be observed to duly safeguard the information. If the Energy Bureau denies a confidentiality claim, the Energy Bureau will also state the period after which the document or information will be available to the public. Such period will give the submitter sufficient time to seek reconsideration or any other legal recourse to prevent disclosure if PREPA disagrees with the Energy Bureau's decision.

*SM* The Energy Bureau's staff having access to Confidential Information will follow the *Puerto Rico Energy Bureau's Internal Guidelines for the Treatment of Confidential Information*.

## C. Public notice

*AM* When filing its complete formal application, PREPA shall simultaneously publish on its website a true and copy of the formal application submitted to the Energy Bureau, to provide complete access for those who want to examine the document. PREPA shall also include an Executive Summary of the formal application in Spanish that clearly explains the key elements of the rate request, its potential impacts on customers, and the major components driving the proposed changes. PREPA may redact only that content of the filing that is the object of a confidentiality claim presented and pending before the Energy Bureau under Section II.B of this Order.

*1* PREPA shall include in its formal application a draft public notice. All public notices must be in both Spanish and English. The purpose of this public notice is to (i) inform the public that PREPA has filed a formal application proposing new rates, and (ii) describe how the public may participate in the rate review proceedings. The draft public notice shall contain, at minimum, the following information:

- That PREPA has submitted, on a specified date, a formal application proposing new rates.
- The specific relief requested in the application includes the total dollars by which revenues will increase or decrease, and the average increase or decrease for customers of different classes.
- A statement indicating how a person may intervene, in the following form: "Any person desiring to intervene in this proceeding must submit to the Puerto Rico Energy Bureau a petition to intervene, in accordance with Section 5.05 of Regulation No. 8543, known as the *Regulation on Adjudicative, Notice of*

<sup>12</sup> Resolution, *In re: Policy on Management of Confidential Information in Procedures Before the [Energy Bureau]*, Case No.: CEPR-MI-2016-0009 (Aug. 31, 2016).








*Noncompliance, Rate Review and Investigation Proceedings*<sup>13</sup>, Act 38-2017, as amended, known as the *Government of Puerto Rico Uniform Administrative Procedure Act*, and the interpretive case law. A petition to intervene shall be filed no later than [date to be inserted by the Energy Bureau] and must be served in accordance with the provisions in Regulation No. 8543.”


- A statement about the procedures the Energy Bureau will follow in the proceeding, in the following form: “Upon receiving the formal application and the requests for intervention, the Energy Bureau will issue an order granting or denying the petitions to intervene and determining who may intervene. Such order will also establish a schedule for (i) public technical hearings at which expert witnesses shall testify before the Energy Bureau and (ii) public citizen hearings at which members of the public may state their views to the Energy Bureau.”
- A statement that more detailed information about PREPA may be found at <https://aeepr.com/#>; and more detail about the Energy Bureau may be found at <https://energia.pr.gov>.

After inserting the information, the Energy Bureau will publish the public notice on its website and direct PREPA to publish the notice in newspapers of general circulation in Puerto Rico. PREPA shall also publish the notice on its website.

 All notices, publications and postings required under this section shall be in both Spanish and English. PREPA shall file with the Energy Bureau proof of publication and posting of the public notice within ten (10) days of the notice’s issuance. Such proof shall include: an affidavit from the newspaper(s) confirming the dates of publication and a copy of the printed notice as it appeared in the newspaper; and a printout or screenshot of the notice as posted on PREPA’s website. The Energy Bureau will include these materials in the case record to document compliance with public notice requirements.

  
 The Energy Bureau will separately issue a scheduling order for the public hearings. Once hearing dates and venues are set by the Energy Bureau, PREPA must further publicize the hearing details. This action shall include additional notices in newspapers at least 15 days before each hearing session, indicating the date, time, and place and inviting public attendance. PREPA shall also use other outreach methods (such as press releases, social media, and customer bill inserts or email notifications) to disseminate the hearing information widely to encourage maximum participation. These supplemental notices ensure that even those who may have missed the initial filing announcement learn of the opportunity to be heard.

The Energy Bureau WARNS parties that, under Section 6.36 of Act 57-2014:

- 
- (i) noncompliance with this Resolution and Order, regulations and/or applicable laws may carry the imposition of fines and administrative sanctions of up to twenty-five thousand dollars (\$25,000) per day;
  - (ii) for subsequent violations, the Energy Bureau may impose penalties of up to twenty-five thousand dollars (\$25,000) per day, with the possibility of increased fines up to five hundred thousand dollars (\$500,000);
  - (iii) any person who intentionally violates this Resolution and Order or fails to comply with any rule or decision of the Energy Bureau, may be subject to criminal charges, punishable by imprisonment for up to six months or a fine of five hundred dollars (\$500) to five thousand dollars (\$5,000); for repeat offenses, the fine may increase to a fine of not less than ten thousand dollars (\$10,000) nor greater than twenty thousand dollars (\$20,000), at the discretion of the Energy Bureau.

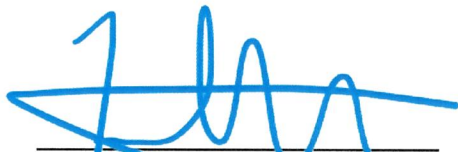
<sup>13</sup> *Regulation on Adjudicative, Notice of Noncompliance, Rate Review and Investigation Proceedings*, Regulation No. 8543, Puerto Rico Energy Bureau, December 18, 2014 (“Regulation 8543”).





Be it notified and published.

  
Edison Avilés Deliz  
Chairman

  
Ferdinand A. Ramos Soegaard  
Associate Commissioner

  
Sylvia B. Ugarte Araujo  
Associate Commissioner

  
Antonio Torres Miranda  
Associate Commissioner

**CERTIFICATION**

I hereby certify that the majority of the members of the Puerto Rico Energy Bureau has so agreed on February 12, 2025. I also certify that on February 12, 2025, a copy of this Resolution and Order was notified by electronic mail to mvalle@gmlex.net; arivera@gmlex.net; jmartinez@gmlex.net; jgonzalez@gmlex.net; Yahaira.delarosa@us.dlapiper.com; margarita.mercado@us.dlapiper.com; andrea.chambers@us.dlapiper.com; julian.angladapagan@us.dlapiper.com; jfr@sbgblaw.com; alopez@sbgblaw.com; regulatory@genera-pr.com; legal@genera-pr.com; hrivera@jrsp.pr.gov; contratistas@jrsp.pr.gov; victorluisgonzalez@yahoo.com; agraitfe@agraitlawpr.com; Cfl@mcvpr.com; nancy@emmanuelli.law; jrinconlopez@guidehouse.com; Josh.Llamas@fticonsulting.com; Anu.Sen@fticonsulting.com; Ellen.Smith@fticonsulting.com; Intisarul.Islam@weil.com; Josef.Trachtenberg@weil.com; rafa.ortiz.mendoza@gmail.com; rolando@emmanuelli.law; jan.albinolopez@us.dlapiper.com; varoon.sachdev@whitecase.com; epo@amgprlaw.com; loliver@amgprlaw.com; acasellas@amgprlaw.com; matt.barr@weil.com; Robert.berezin@weil.com; Gabriel.morgan@weil.com; corey.brady@weil.com; lramos@ramoscruzlegal.com; tlauria@whitecase.com; gkurtz@whitecase.com; ccolumbres@whitecase.com; isaac.glassman@whitecase.com; tmacwright@whitecase.com; jcunningham@whitecase.com; mshepherd@whitecase.com; jgreen@whitecase.com; hburgos@cabprlaw.com; dperez@cabprlaw.com; howard.hawkins@cwt.com; mark.ellenberg@cwt.com; casey.servais@cwt.com; bill.natbony@cwt.com; thomas.curtin@cwt.com; escalera@reichardescalera.com; arizmendis@reichardescalera.com; riverac@reichardescalera.com; susheelkirpalani@quinnemanuel.com; erickay@quinnemanuel.com; dmonserrate@msglawpr.com; fgierbolini@msglawpr.com; rschell@msglawpr.com; eric.brunstad@dechert.com; Stephen.zide@dechert.com; David.herman@dechert.com; shempling@scotthemplinglaw.com; rsmithla@aol.com; guy@maxetaenergy.com; jorge@maxetaenergy.com; rafael@maxetaenergy.com; dawn.bisdorf@gmail.com; msdady@gmail.com; mcraanston29@gmail.com; ahopkins@synapse-energy.com; clane@synapse-energy.com; and I have proceeded with the filing of the Resolution and Order issued by the Puerto Rico Energy Bureau.

For the record, I sign this in San Juan, Puerto Rico, on February 12, 2025.



  
Sonia Seda Gaztambide  
Clerk



**Appendix**

**Rate-Case Filing Requirements  
Schedules A-1 and A-2: Budgets<sup>14</sup>**

**I. Physical operations**

**A. Generation**

1. [Genera] Generation adequacy
  - a. Power demand studies
  - b. Power demand studiesDistributed generation support studies
  - c. Cogeneration project evaluation and oversight
  - d. Renewable Energy Certificates payments
2. Generation optimization
3. [Genera] Maintenance - corrective (generation)
4. [Genera] Maintenance - preventive (generation)
5. [HydroCo] Maintenance - corrective (generation)
6. [HydroCo] Maintenance - preventive (generation)
7. [Genera] Gas plant conversion
8. [Genera] Decommissioning and site remediation
9. [Genera] Coordination of generation and transmission planning and implementation with the PREB-approved Integrated Resource Plan
10. [HydroCo] Coordination of generation and transmission planning and implementation with the PREB-approved Integrated Resource Plan
11. [LUMA] Integration of renewable generation and other purchased power (operating costs; interconnection facilities and transmission upgrades are covered under capital expenditures)
12. [Genera] Energy storage to ride through system outages
13. [Genera] Environmental Process Compliance – Law 416 Article 4 B (III) of Puerto Rico Environmental Policy Act and NEPA Process (federal)
14. [Genera] Construction and operation permits
15. [Genera] Black start unit repairs and new equipment installation (Aguirre and Costa Sur power plants)
16. [Genera] Information technology relating to generation, specifically enabling technologies for generation (including, but not limited to, distributed control systems (DCS, electric protection hardware, training simulators, control and supervision instrumentation, and telecommunication)

<sup>14</sup> For purposes of completeness: In this Appendix, any reference to "PREPA" includes any part of PREPA, such as HoldCo or HydroCo, to the extent relevant to the particular subject.





- 17. [Genera] Major equipment replacement
- 18. [Genera] Planned maintenance and critical component replacement program
- 19. [Genera] Fuel expense (see Schedule F-5)
- 20. [Genera] Purchased power expense (see Schedule F-5)
- 21. [Genera] Generation Maintenance Reserve [GMR]
  - a. Forced outages
  - b. Forced outagesPlanned maintenance
  - c. c. Maintenance-preventive

**B. [LUMA] Transmission**

- 1. Transmission maintenance: corrective
- 2. Transmission maintenance: preventive
- 3. Vegetation management (including, but not limited to, tree trimming and transmission right-of-way and line clearing, VM reset)
- 4. Transmission: repair and harden
- 5. Transmission losses (technical)
- 6. Transmission losses (nontechnical)
- 7. Energy storage to support bulk power system
- 8. Wheeling

**C. [LUMA] Distribution**

- 1. Distribution: repair and harden (including, but not limited to, poles (testing and replacement), wires and related equipment such as line transformers)
- 2. Distribution maintenance - preventive
- 3. Distribution maintenance - corrective
- 4. Vegetation management (including tree trimming, and transmission right-of-way and line clearing, VM reset)
- 5. Metering Infrastructure: advanced and legacy
- 6. Net Metering: installation and interconnection of residential PV
- 7. Repairs of meters, lines, and poles
- 8. Streetlight installation
- 9. Streetlight maintenance
- 10. Substations: modernization
- 11. Substations: repair and harden





12. Storage
13. Electric vehicle charging infrastructure
14. Pole attachment costs

**D. [All of LUMA, Genera, PREPA unless specifically indicated] General:**

1. Building repair
2. [LUMA] Energy control center: repair and harden
3. [LUMA] Labor - physical operations
4. [Genera] Labor - physical operations
5. [HydroCo] Labor - physical operations
6. Materials and supplies inventory management
7. [LUMA] Safety equipment
8. [Genera] Safety equipment
9. [HydroCo] Safety equipment
10. [LUMA] Tools: repair and management
11. [Genera] Tools: repair and management
12. [HydroCo] Tools: repair and management
13. [LUMA] Vehicles: repair and maintenance
14. [Genera] Vehicles: repair and maintenance
15. [HydroCo] Vehicles: repair and maintenance
16. [Genera] Reserve Account for generation-related energy losses (technical and nontechnical)
17. Management and operations audit
18. [LUMA] New business service connection
19. Security enabling technologies (including, but not limited to, cameras and facility control access equipment installation and maintenance services)

**II. Nonphysical operations**

**A. Customer service and information**

1. [LUMA] Customer meter reading and billing
2. [LUMA, Genera, PREPA] Information technology (including, but not limited to, systems capex, including customer information systems, accounting systems, enterprise resource management systems)
3. [LUMA, Genera, PREPA] Workflow processes and tracking





4. [LUMA, Genera, PREPA] Workforce management systems
5. [LUMA] Billed revenue collection
6. [LUMA] Accounts receivable aging and collection
7. [LUMA] Customer payment processing
8. [LUMA] Call center operations and staffing
9. [LUMA, Genera, PREPA] Customer communications (including, but not limited to, bill inserts, informative and educational advertising, customer-facing web content)
10. [LUMA] Revenue management and protection
11. [LUMA] Key accounts
12. [LUMA] Customer programs (including, but not limited to, net metering, energy efficiency, demand response, and electric vehicles)
13. [LUMA] Process development and governance functions

**B. Vendors, contractors, and workforce**

1. [LUMA] Vendors, contractors:
  - a. Accounts payable, vendor invoice review, payment processing
  - b. Vendor contract management, RFP process, bid evaluations, contracts
  - c. Vendor work oversight, problem management
  - d. Quality assurance
  - e. Process improvement
  - f. Training, including safety training and job function training
  - g. Payroll processing
  - h. Payroll taxes and taxes other than income taxes
  - i. Labor generally
  - j. Safety training
2. [Genera] Vendors, contractors:
  - a. Accounts payable, vendor invoice review, payment processing
  - b. Vendor contract management, RFP process, bid evaluations, contracts
  - c. Vendor work oversight, problem management
  - d. Quality assurance
  - e. Process improvement
  - f. Training, including safety training and job function training
  - g. Payroll processing
  - h. Payroll taxes and taxes other than income taxes
  - i. Labor generally
  - j. Safety training
  - k. Regulation & environmental
  - l. Materials and supplies inventory management
3. [Genera] Regulation and environmental expenses
  - a. Environmental Process Compliance – Law 416 Article 4 B [III] of Puerto Rico Environmental Policy Act and NEPA Process (federal)





- b. Construction and operation permit
- c. Emergency Response Plan

**C. PREPA Labor (salaries, wages, benefits, overtime)**

- 1. Pension staff
- 2. Board of Directors
- 3. All other employees

**D. PREPA Necessary Maintenance Expense**

**E. Cybersecurity**

- 1. LUMA
- 2. Genera
- 3. PREPA

**F. [LUMA] Energy efficiency**

**G. [LUMA] T&D fire mitigation program**

**H. [LUMA, Genera, PREPA] Fleet dispatch information**

**I. [LUMA, Genera, PREPA] Insurance**

**J. [LUMA, Genera, PREPA] Security services (including, but not limited to, surveillance and patrolling contracts and equipment)**

**III. Capital expenditures**

**A. Generation CapEx**

- 1. [Genera] Enabling technologies for generation (including, but not limited to, distributed control systems (DCS), electric protection hardware, training simulators, control and supervision instrumentation, and telecommunication)
- 2. [Genera] Painting or metal coating to protect structures such as boilers, turbines, generators and auxiliary equipment
- 3. [Genera] Gas plant conversions
- 4. [Genera] Major equipment replacement
- 5. [HydroCo] Hydroelectric plants

**B. [LUMA] Transmission CapEx**

- 1. Interconnection facilities and transmission upgrades necessary to integrate renewable energy generation into the transmission system
- 2. Enabling technologies for transmission (including, but not limited to, SCADA, transmission and sub transmission electric lines, switch yards, transmission centers protection systems, and remote terminal units (RTUs))
- 3. NERC-required expenditures to address contingencies arising from outages (aka transmission planning (TPL) standards
- 4. Energy storage to support the bulk power system





**C. [LUMA] Distribution CapEx**

- 1. Enabling technologies for distribution (including, but not limited to, SCADA and storm software, distribution electric lines, switch yards, and substations protection systems)
- 2. Remote Terminal Units for distribution
- 3. Advanced metering infrastructure
- 4. Distribution automation

**D. [LUMA] Geographic Information System**

**E. [LUMA, Genera, PREPA] IT systems (including, but not limited to, customer information systems, accounting systems, enterprise resource management systems)**

**F. [LUMA, Genera, PREPA] General and Administrative CapEx**

**IV. Financial Costs**

**A. [LUMA] Collection efforts: retail customers**

**B. [LUMA] Collection efforts: third party attachments**

**C. [LUMA] Uncollectibles [aka bad debt]**

**D. [PREPA] Title III debt**

**E. [LUMA] New debt**

**F. [LUMA] FOMB costs**

**G. [LUMA, Genera] Fixed fees**

**H. [LUMA, Genera] Incentive compensation fee**

**I. [LUMA] 2% Reserve for excess expenditures**

**J. [PREPA] Pensions costs**

- 1. Legacy obligations subject to the Title III proceeding
- 2. Legacy obligations subject to the Title III proceedingContinuing obligations (currently outside of Title III)

**K. [LUMA] RPS compliance**

**L. [PREPA] Local litigation claims settlement**

**M. [PREPA] Retiree medical benefits**

**N. [LUMA, Genera, HydroCo] FEMA grants cost share**

**O. Margin**

**P. Working capital**





**V. General services**

**A. [Genera] Shared services (including, but not limited to, administrative and managerial services involving information technology, finance, and accounting)**

1. Labor
2. Materials and supplies
3. Transportation
4. Insurance—property and casualty
5. IT services
6. Utilities and rents

**B. [PREPA] Shared services (including, but not limited to, administrative and managerial services involving information technology, finance, and accounting)**

1. Labor
2. Materials and supplies
3. Transportation
4. Insurance—property and casualty
5. IT services
6. Utilities and rents
7. Professional and technical outsourced services

**C. [LUMA] Support services**

1. Facilities, fleet and Health, Safety and Environmental Quality (HSEQ), and emergency preparedness
2. Legal and procurement
3. Strategic affairs
4. Compliance

**D. [Genera] Support services**

1. Legal
2. Regulation & environmental expenses
3. Professional and technical outsourced services

**E. [PREPA] Support services**

1. Legal services (non-Title III)
2. Professional & technical outsource services





3. Regulation & environmental expenses
4. External financial audit services
5. Obligatory government fees & expenses and other

**VI. Adjustors and surcharges**

**A. [LUMA] Adjusted quarterly**

1. Fuel costs (FCA)
2. Purchased power: capacity and energy (PPCA)
3. Subsidy – fuel oil subsidy (FOS)
4. Energy efficiency (EE)

**B. [LUMA] Adjusted annually**

1. CILT
2. Subsidies – help for humans [SUBA-HH] –including irrigation costs
3. Subsidies - non-help for humans [SUBA-NHH]

**C. [LUMA] Outage Recovery Rider**

**VII. Miscellaneous**

**A. [LUMA, Genera, PREPA] Emergency Response Plan**

**B. [LUMA] Energy Management System**

**C. [LUMA, Genera] Improved efficiencies and resulting savings (including, but not limited to, contract efficiencies, revenue collections, reduction in system technical and non-technical losses, unbilled customers, and other efficiencies)**

**D. Irrigation: All HydroCo expenditures**

**E. [LUMA] Payments to support the operation of public entities associated with energy regulation (established in the PR Act 57 enacted in 2014)**

**F. [LUMA] Incentives to support the Economic Development – “*Ley de Incentivos Económicos para el Desarrollo de Puerto Rico*”, Act 73-2008, as superseded by Act 60-2019.**





## **Rate-Case Filing Requirements: Schedules B through H**

This portion of the Filing Requirements addresses Schedules B through H. The Definitions appear first, followed by instructions for the schedules. This material applies only to this Order, not to other contexts.

### **Definitions**

**“Accounting System”** means accrual accounting that conforms to U.S. generally accepted accounting principles and is consistent with, to the extent feasible, the Uniform System of Accounts for Electric Utilities as established by the Federal Energy Regulatory Commission.

**“Accumulated Depreciation”** means depreciation of electric utility plant recorded in account 108 of the Uniform System of Accounts for Electric Utilities as of a specific balance sheet date. For general ledger and balance sheet purposes, treat this account as a single composite provision for depreciation. For analysis, however, LUMA, PREPA, and Genera, where applicable, shall maintain subsidiary records which segregate this account according to the following functional classifications for electric plant: (1) Steam production, (2) Hydraulic production, (3) Other production, (4) Transmission, (5) Distribution, and (6) General. These subsidiary records shall reflect the current credits and debits to this account in sufficient detail to show separately for each such functional classification: (a) the amount of accrual for depreciation, (b) the book cost of property retired, (c) cost of removal, (d) salvage, and (e) other items, including recoveries from insurance.

**“Audited Year”** means the most recent fiscal year for which a full set of audited financial results for PREPA are available. As of January 2025, the Audited Year would be Fiscal Year 2022. Once the Fiscal Year 2023 audited financials are available, that year would become the Audited Year.

**“Base Rates”** means the rates charged by PREPA for the provision of electric service under a Commission-approved tariff. Base rates shall not include those costs in the fuel adjustment clause, the purchased power clause, or other cost pass-through adjustor mechanisms, such as those that may be established for municipal lighting or Contributions in Lieu of Taxes (CILT).

**“Bill Frequency Analysis”** means a sort of the number of bills in a customer class by usage, bill amount, or other feature.

**“Bill Impact Analysis”** means an analysis that identifies the impact of a given set of rates on each customer class.





**“Bondholder”** means any owner of a bond issued by PREPA whether or not registered in the owner’s name; or the owner, according to the register, of any bond issued by PREPA is registered in the name of a person other than the bearer.

**“Budget Year,”** regarding the budgets for LUMA, Genera, and PREPA, means the fiscal year from July 1 through the following June 30.

**“Bureau”, “Energy Bureau” or “PREB”** refers to the “Puerto Rico Energy Bureau” created by Act 57-2014, as amended.

**“Cash Flow Statement”** refers to the statement of cash flows from operations.

**“Constrained Base Rates”** means the base rates resulting from the Constrained Budget.

**“Constrained Budget”** means, for a particular Fiscal Year, a budget whose total cost is less than the Optimal Budget by the amount that the Energy Bureau deems necessary to provide a customer-sensitive transition from the status quo (Fiscal Year 2025) to an Optimal Budget in FY 2028. The difference between the proposed Optimal Budget and the proposed Constrained Budget must reflect PREPA's, LUMA's, and Genera's recommendations about which costs and activities in the Optimal Budget should be deferred. These recommendations should consider, but need not be bound by, consultations that the three companies hold with interested entities, including but not limited to the Independent Consumer Protection Office; the bondholders; government, industrial, and commercial customers; and providers of renewable energy.

The Constrained Budget must include costs to give a prudently performing operator a reasonable opportunity to earn its respective incentive fee. That opportunity might be affected by the proposed cost reductions and activity deferrals. The Constrained Budget therefore may include proposed adjustments to (a) the existing metrics and (b) the allocation of compensation among the cost categories.

Because a budget determines the rates, and because the rates must satisfy the statutory just-and-reasonable standard, the budget document must show that the derivation of the costs associated with earning the incentive fee satisfies these two conditions:

- The performance level that drives the costs and activities reflected in the Optimal Budget must not exceed a just-and-reasonable performance level.
- The cost level proposed in the Optimal Budget to achieve any particular metric must not exceed the cost level that a prudently performing operator would incur to achieve that same metric, if that utility were facing Puerto Rico's unique circumstances.





**“Customer”** refers to any natural or legal person that has requested and obtained electric power or energy services from PREPA.

**“Debt cost”** means the interest and financing costs, annualized for an annual revenue requirement, on all of PREPA’s debt which is not subject to the Title III process. This definition shall apply until the Title III process ends. After the Title III process ends, this definition shall apply to the cost of the debt as modified by the Title III process, and to any new debt. Each amount shall include, if relevant, any amount of debt premium or discount which PREPA records as amortization in any year.

**“Debt Service”** means the principal, interest, plus either debt service reserves or debt service coverage ratio. This amount excludes debt being eliminated or scheduled to be eliminated by the Title III process. Debt Service Coverage for PREPA shall be consistent with the requirements of the applicable Trust Agreements, as amended through the date of the rate filing application and as modified by the Title III process. It shall reflect as pro forma adjustments the impact of any amendments made while the rate application is pending at the Energy Bureau.

**“Debt Service Coverage Ratio”** means the annual Net Operating Income divided by the annual debt service payments, which include principal and interest.

**“Debt to Pensioners”** refers to PREPA’s financial responsibility to ensure the legally required payment of retirement benefits, under the contractual and statutory obligations of the Employees’ Retirement System of PREPA.

**“Depreciated Original Cost”** means the cost of property to the person first devoting it to public service, less the depreciation reserve, which depreciation reserve shall include accrued depreciation and amortization. Depreciated original cost shall not include goodwill, going concern value, or excess of acquisition price over book value.

**“Embedded Cost of Service”** means the total cost of providing electric utility service to all customers and to each class of customers, as calculated by the application of logical cost analysis and cost allocation techniques that are generally accepted in electric utility regulation in the United States.

**“Exhibit”** means one or more schedules or documents that support a rate filing or testimony in a rate proceeding before the Energy Bureau.

**“Extension Years”** means Fiscal Years 2027 and 2028.

**“Final Rates”** means the rates for electric utility service that the Energy Bureau determines by Resolution and Order.

**“Fiscal Year,”** for a particular year, means a year ending on June 30 of that year.





**“Formal Application”** or **“Application”** means an application and required schedules, exhibits, written prefilled direct testimony and other documents filed by LUMA, Genera, and PREPA as support for a proposed change in rates.

**“Fuel Cost Adjustment”** and **“Purchase Power Cost Adjustment”** means the mechanism or mechanisms by which PREPA recovers fuel costs and purchased energy costs that are not included in the base rate.

**“Funds from Operations”** means earnings from net operating income plus depreciation, amortization, and other noncash items.

**“Gross Revenue Conversion Factor”** means any factor that converts Net Operating Income into an equivalent revenue requirement amount. The calculation may consider, to the extent explained, uncollectibles and other elements that affect the revenue requirement and that vary directly with either changes in Net Operating Income or changes in revenue.

**“Interest Coverage Ratio”** means earnings before interest divided by interest expense for the same period. Also see Debt Service Coverage Ratio.

**“Interest Expense”** means the amounts recorded in accounts 427 through 431 in the Uniform System of Accounts for Electric Utilities.

**“Interim Years”** means the years between the Audited Year and the Rate Year. As of January 2025, the Interim Years would be Fiscal Years 2023, 2024, and 2025.

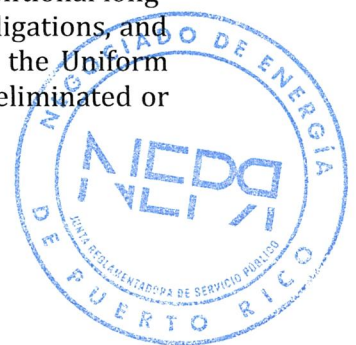
**“Known and Measurable Change”** means verifiable and quantified changes that have occurred or that PREPA, LUMA, or Genera expect to occur, after the Test Year, in the capitalization, rate base elements, operations and maintenance expenses, revenues or other variables used in determining Embedded Cost of Service.

**“Legacy Debt”** means PREPA’s debts subject to the ongoing Title III process.

**“Legacy Debt—Low Scenario”** means the Federal Oversight Management Board’s most recent public proposal for settlement of the debt that is subject to the Title III proceeding.

**“Legacy Debt—Full Scenario”** means the full, nominal existing debt and accrued interest that are subject to the Title III proceeding.

**“Long-Term Debt”** refers to all debt issued by PREPA, which debt PREPA is obligated to repay in more than one year, including the bonds, convertible bonds, obligations, notes, interim bonds, receipts, certificates, or other evidence of indebtedness or obligations that PREPA is authorized by statute to issue. It includes, without limitation, conventional long-term debt, variable rate debt, senior and subordinated debt, capital lease obligations, and other obligations that would be recorded in accounts 221 through 226 in the Uniform System of Accounts for Electric Utilities. Long-Term Debt includes no debt eliminated or scheduled to be eliminated through the Title III process.





**“Margin”** is a calculated amount, above the sum of LUMA’s, PREPA’s, and Genera’s FY2026 budgeted operating expenses and non-reimbursable capital expenditures, that is typical of the coverage that lenders require of nonprofit borrowers with investment-grade-rated long-term debt. Examples of margins are: (a) X.XX times interest charges (i.e., as a Times Interest Expense Ratio (TIER)), (b) Y.YY times annual principal and interest charges (i.e., as a debt service coverage ratio (DSCR)), (c) FY2026 budgeted operating expenses and non-reimbursable capital expenditures projected to require cash payments divided by 0.ZZ (i.e., as an Operating Ratio), or (d) W.WW times the FY2026 Optimal Budget amount of base rate revenues (calculated without the margin). A detailed explanation and supporting calculations shall accompany the proposed Margin.

**“Net Operating Income”** means the excess of total revenue over operating expenses for a specified period.

**“Non-recurring”** refers to an item of revenue or cost that has taken place once or will take place once, as distinct from a continuing revenue or cost.

**“Obligation to the Retirement System”** refers to the outstanding debt owed by PREPA to SREAEE due to unpaid employer contributions, funding shortfalls, outstanding benefit costs, and any other liabilities related to employee and retiree pensions.

**“Operating Expenses”** refers to expenses recorded in accounts 500 through 935 per the Uniform System of Accounts for Electric Utilities.

**“Operating Ratio”** refers to a method of establishing a revenue requirement for an electric utility, that considers operating expenses and other required cash expenditures, and provides for a coverage ratio above the total amount of such cash expenditures.

**“Optimal Budget”** means the budget that is necessary to provide to electricity customers the quality of service required by (a) the Puerto Rico statutes, and (b) the contracts under which LUMA and Genera provide that service. The Optimal Budget must include the full-Service Fee (which includes the Fixed Fee and the performance incentive fee). The Optimal Budget also must include the costs necessary to give each operator, if it performs prudently, a reasonable opportunity to earn its respective incentive fee.

Because a budget determines the rates, and because the rates must satisfy the statutory just-and-reasonable standard, the budget document must show that the derivation of the costs associated with earning the incentive fee satisfies these two conditions:

- The performance level that drives the costs and activities reflected in the Optimal Budget must not exceed a just-and-reasonable performance level.





- The cost level proposed in the Optimal Budget to achieve any particular metric must not exceed the cost level that a prudently performing operator would incur to achieve that same metric, if that utility were facing Puerto Rico's unique circumstances.

**"Original Cost Rate Base"** means an amount consisting of the depreciated original cost, prudently invested, of the property (exclusive of contributions and/or advances in aid of construction) at the end of the test year, used and useful, plus a proper allowance for working capital and including all applicable proforma adjustments.

**"Person"** means any natural or legal person.

**"Plan of Rider or Surcharge Administration"** refers to a document that explains the purpose of a rider or surcharge, the authority for implementing the rider or surcharge, the specific reports and filing requirements associated with the rider or surcharge, and the forms for calculating and reporting the amounts recoverable under the rider or surcharge.

**"Plant in Service"** means Electric Plant in Service as defined in account 101 of the Uniform System of Accounts for Electric Utilities. "Plant in Service" shall also include unclassified construction costs of completed plant actually in service, as described in account 106 of the Uniform System of Accounts for Electric Utilities, as of the end of the test year.

**"PREPA"** refers to the Puerto Rico Electric Power Authority.

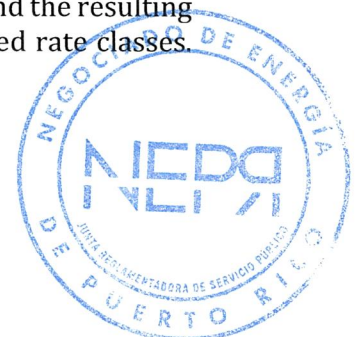
**"PREPA Employees' Retirement System" or "SREAEE"** refers to the trust fund established to administer and disburse pension benefits to PREPA employees upon retirement, under PREPA Board of Director's Resolution No. 200 of June 25, 1945, the collective bargaining agreements between PREPA and the Unión de Trabajadores de la Industria Eléctrica y Riego, and the SREAEE's regulations and bylaws.

**"Pro Forma Adjustments"** means adjustments to Budget amounts to determine the Revenue Requirement.

**"Rate Year"** refers to the twelve (12) month period immediately following the estimated date on which new rates established in the rate case would be in effect. For this proceeding, Rate Year means Fiscal Year 2026.

**"Projections"** refers to estimates of future results of operations based upon either known facts or logical assumptions concerning future events.

**"Proof of Revenue"** refers to a schedule showing a pro forma revenue statement that provides the expected or estimated billing determinants, proposed prices, and the resulting base rate revenue, and fuel and purchased power revenue, for the proposed rate classes. The schedule shall also list other revenue.





**“Provisional Rate”** means any temporary base rate established by the Commission under section 6.25(e) of Act 57-2014 as amended. The Provisional Rate is subject to reconciliation under section 6.25(f) of Act 57-2014 as amended.

**“Prudently Incurred,”** as applied to expenditures, means expenditures incurred consistent with **Prudent Utility Practice**.

**“Prudent Utility Practice”** means practice consistent with the most cost-effective practices, methods, and techniques reasonably available to a utility at the time, based on all facts reasonably knowable considering the unique characteristics of Puerto Rico and Puerto Rico’s electric system. At any point, given a particular intended objective, there can be a spectrum of possible prudent utility practices that can accomplish that objective cost-effectively, consistent with reliability, safety, expediency, and productive customer relations.

**“Rate Base Elements”** means test year Plant in Service, Accumulated Depreciation, each other balance sheet account, and Working Capital.

**“Rate Schedule”** means a schedule of rates and conditions for a specific classification of customers or for other specific services.

**“Results of Operations”** means a summary of the financial performance of the utility over a specific period. Results of Operations shall reflect, for that period, the revenues earned from providing electric services plus other revenues, minus the costs incurred. Results of Operations for the Budget Year shall reflect forecasted revenues from providing an electric service plus other revenues, minus the costs involved.

**“Rider”** means each rate mechanism that recovers, outside of PREPA’s base rates, a defined cost or change in a defined cost.

**“Short-Term Debt”** means debt which the borrower is obligated to repay in one year or less from the date it was incurred.

**“Statement of Financial Position”** refers to an entity’s balance sheet. It reports an entity’s assets, liabilities, and the difference in their totals. The amounts reported on the statement of financial position are the amounts as of the final moment of an accounting period.

**“Surcharge”** means each rate mechanism that recovers a cost or changes in a cost outside of PREPA’s base rates for a specified period, other than a cost recovered through a rider.

**“Test Year”** means the 12-month period used as the basis for establishing PREPA’s revenue requirement. For this proceeding, the Test Year is Fiscal Year 2026.

**“Title III Process”** means the debt restructuring process under Title III of PROMESA.





**“Working Capital”** refers to a proper allowance for cash, materials, inventories, supplies, and prepayments.





## **Schedules B through H**

### **Schedules B-1 through B-7: Summary Information**

Schedules B-1 through B-7 shall contain the following information for the Optimal Budget and for the Constrained Budget:

Schedule B-1 shall include detailed spreadsheets showing the computation of the revenue requirement requested by PREPA for the Rate Year and the Extension Years. It shall also include a comparison, for each year, of revenues at current rates, Optimal Base Rates, and Constrained Base Rates.

Schedule B-2 shall contain a summary of the projected Results of Operations for the Rate Year.

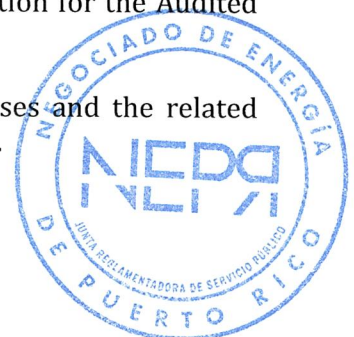
Schedule B-3 shall contain a summary of debt service requirements. For the Rate Year and each Extension Year, it shall contain each of the following (with each expressed as total absolute dollars, and as an annualized amount for placement into the revenue requirement):

- (a) a summary of the debt service requirement associated with any debt not subject to the Title III process; and
- (b) for the debt that is subject to the Title III process, the debt service requirement associated with each of two scenarios: the Legacy Debt—Low Scenario and the Legacy Debt—Full Scenario.
- (c) PREPA's obligation to the SREAEE, broken down as follows:
  - (i) accrued debt due to unpaid employer contributions.
  - (ii) future obligations under any applicable payment or restructuring plan.
  - (iii) impact on revenue requirements and rates.

Schedule B-4 shall contain, for each of the debt service requirements identified in Schedule B-3, PREPA's proposed Margin.

Schedule B-5 shall present PREPA's best estimate, accompanied by all necessary documentation, of Plant in Service and Accumulated Depreciation for the Audited Year, Interim Years, Rate Year, and Extension Years.

Schedule B-6 shall include information about any capital leases and the related payment obligations, for the Rate Year and the Extension Years.





Schedule B-7 shall identify all revenues and income other than revenues from sale of electricity. Such revenues and income include, without limitation, revenue from pole attachments, contributions from the federal and Commonwealth governments, interest income, and miscellaneous charges and fees. This figure shall reflect all discounts, such as discounts to residents of public housing.

### **Schedules C-1 through C-11: Financial Statements and Statistical Schedules**

The application shall contain the following information for the Optimal Budget and for the Constrained Budgets, to be marked as Schedules C-1 through C-11. Each schedule should include sub-schedules for current rates, Optimal Rates, and Constrained Rates Designated each as Schedule E-#-Current; Schedule E-#-Optimal, and Schedule E-#-Constrained. (The # symbol is a placeholder.) Use audited results when available; otherwise estimated results. For each individual schedule, include all necessary notes.

Schedule C-1 shall show PREPA's balance sheets for the beginning and end of the Audited Year and Interim Years at present rates; and the Rate Year and Extension Years at present rates, Optimal Rates, and Constrained Rates.

Schedule C-2 shall show PREPA's Results of Operations for the Audited Year and Interim Years at present rates; and projected for the Rate Year at present rates, Optimal Rates, and Constrained Rates.

Schedule C-3 shall show a statement of PREPA's changes in financial position for the Audited Year and Interim Years at present rates; and the Rate Year and Extension Years at present rates, Optimal Rates, and Constrained Rates.

Schedule C-4 shall show, if not shown in Schedule C-3, a statement of PREPA's changes in Net Position (Deficit) balance for the Audited Year and Interim Years at present rates; and the Rate Year and Extension Years at present rates, Optimal Rates, and Constrained Rates.

Schedule C-5 shall include, to the extent not already included, audited financial statements and an independent auditor's opinion on such financial statements for the Audited Year.

Schedule C-6 shall include the most recent FOMB-certified PREPA Fiscal Plan.

Schedule C-7 shall list all Utility Plant in Service and Accumulated Depreciation by account for the Audited Year and Interim Years at present rates; and the Rate Year and Extension Years at present rates, Optimal Rates, and Constrained Rates. Where PREPA has different levels of confidence in different accounts, it shall identify and describe those different levels of confidence in its estimates.





Schedule C-8 shall present billing determinants (kW and kWh) by rate class for the Audited Year, Interim Years, Rate Year, and Extension Years. Include a detailed explanation of the year-to-year differences, and address effects on kW demand and kWh consumption arising from residential solar, microgrids, and other forms of distributed generation. For example, a change to the present treatment by which NEM customers avoid the cost of various subsidies would affect revenues.

Schedule C-9 shall show all available operating statistics, including (to the extent applicable) debt service coverage, interest coverage, funds from operations, number of employees (in full time equivalents) and other operating statistics used to manage the business, for the Audited Year and Interim Years at present rates; and the Rate Year and Extension Years at present rates, Optimal Rates, and Constrained Rates. Schedule C-9 also shall include projections of payments to SREAEE, the number of pension beneficiaries, and the impact of these obligations on the financial stability of the system, all as certified by the FOMB in the Fiscal Plan for PREPA.

Schedule C-10 shall show details of Contributions in Lieu of Taxes (CILT). It shall include the Rate Year and Extension Year amounts of CILT associated with each PREPA government client to which CILT applies.

Schedule C-11 shall show a schedule of accounts receivable as of the beginning of the Rate Year. The schedule shall show aging for all PREPA government customers. It should separate customers to which CILT applies from customers to which CILT does not apply.

#### **Schedules D-1 through D-4: Capital Expenditure and Cost-Sharing**

Each schedule under this section shall include sub-schedules for Optimal Rates and Constrained Rates, designated as Schedule D-#-Optimal and Schedule D-#-Constrained, respectively. Include this information regardless of the funding source. For each item, specify the source, such as external funds (e.g., federal funds), and any matching funds required. For each expenditure, identify the assumed date for each expenditure, the date when each asset is to enter or retire from service, and the asset's expected useful life. Each shall include an explanation of how the projected capital expenditure corresponds to any current or proposed Integrated Resource Plan. With each schedule, include a detailed description and references to supporting documentation used in developing the projections.

Schedule D-1 shall summarize projected total construction and decommissioning capital expenditures for the Rate Year and Extension Years, separated between these asset categories: generation (including storage), transmission, and distribution.

Schedule D-2 shall list projected construction and decommissioning capital expenditures for generation assets, including storage, separately for each existing or planned facility.





Schedule D-3 shall list projected construction and decommissioning capital expenditures for transmission plants, separately for each existing or planned facility.

Schedule D-4 shall list projected construction and decommissioning capital expenditures for distribution plants, separately for each existing or planned facility.

### **Schedules E-1 through E-6: Proposed Rates and Estimated Bill Impacts**

These schedules shall contain the following information, for the Rate Year and the Extension Years:

Schedule E-1 shall present a summary, by customer class, of revenues at present rates, Optimal Base Rates, and Constrained Base Rates.

Schedule E-2 shall present Proof of Revenue showing the revenue requirement at present rates, Optimal Base Rates, and Constrained Base Rates. It shall show the billing determinants, rates, and revenues for each customer class.

Schedule E-3 shall present the differences between current rates, Optimal Base Rates, and Constrained Base Rates, by customer class. Explain any changes of + / - 20 percent.

Schedule E-4 shall present a customer bill impact analysis, showing dollar and percent impacts for each customer class at varying levels of electric usage, for the Optimal Base Rates and Constrained Base Rates, relative to present rates.

Schedule E-5 shall present a Bill Frequency Analysis.

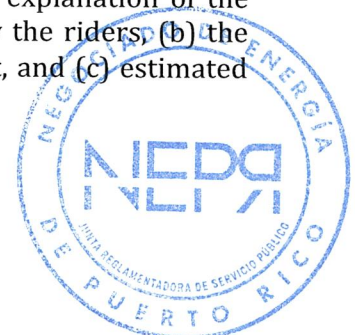
### **Schedules F-1 through F-7: Tariffs and Riders**

The formal application shall contain the following information, to be marked as Schedules F-1 to F-6:

Schedule F-1 shall present PREPA's proposed tariffs for both the Optimal Base Rate and the Constrained Base Rate.

Schedule F-2 shall present PREPA's current tariffs with changes in legal redline to show PREPA's proposed tariffs for both the Optimal Base Rate and the Constrained Base Rate.

Schedule F-3 shall describe PREPA's current riders and surcharges. The description of each rider or surcharge shall include the following: (a) an explanation of the inputs and calculations that produce the charges recovered by the riders; (b) the charges for each month starting July 2024 through the present, and (c) estimated charges for each month from the present through June 2026.





Schedule F-4 shall describe and support any proposed changes to the current riders and surcharges.

Schedule F-5 shall include, to the extent not included in Schedule F-3, a list and quantification of all subsidies reflected in the proposed rates. For each subsidy, identify its legal authorization.

Schedule F-6 shall contain, to the extent not included in Schedule F-3, PREPA's actuals for the Audited Year and Interim Years, and the projections for the Rate Year, of the following: (a) fuel volumes and costs, by fuel type and generator or facility; and (b) purchased power volumes and costs, by contract.

Schedule F-7 shall describe the Energy Efficiency Rider ordered by the Energy Bureau in Regulation 9367 (Energy Efficiency) and Regulation 9246 (Demand Response). The description shall include (a) an explanation of the inputs and calculations that will produce the charge recovered by the rider, and (b) an estimate of the charge for each month, from the present through June 2026 along with an explanation of the estimate. PREPA shall update this estimate with any specific proposal PREPA makes to the Energy Bureau or any decision of the Energy Bureau.

#### **Schedule G: Information on Affiliates.**

Schedule G shall describe all PREPA affiliates, including (but not limited to): Hub Advance Network, LLC and HUB and Holding, LLC. Describe business purposes and functions; list all officers, directors, and board members; provide all interaffiliate contracts; describe any resource-sharing not addressed in the interaffiliate contracts; and, with maximum objectivity, describe for each affiliate any permissible transfer of funds or any payments between PREPA and their affiliates and the risks to electric customers arising from the presence of that affiliate. Note for information purpose: PREPA Networks, LLC (formerly known as PREPA Net) has been renamed Hud Advance Network, LLC for strategic reasons. Its parent company, PREPA Holdings, LLC, has also changed its name to Hub and Holding, LLC. Currently, Hub and Holding, LLC pays dividends to PREPA.

#### **Schedule H: Renewable Portfolio Standard Compliance Costs**

Schedule H shall contain PREPA's good faith estimates of its RPS compliance costs. It shall distinguish between (a) any RPS obligations incurred by PREPA from 2015 through June 30, 2025; and (b) PREPA's projected RPS obligations incurred for the rate year beginning July 1, 2025. The estimate shall show total costs; and then for revenue requirement purposes, an annualized amount reflecting pro rata recovery of the total over a proposed period. Schedule H also should contain a full explanation of each estimate.

The estimate shall identify and distinguish among the following costs:





- (a) the cost incurred to provide credits to net-metering customers when (i) those customers export excess energy production (not counting any accumulated excess that exists at the end of the year), and (ii) that exported production is counted towards RPS compliance;
- (b) the cost incurred to provide credits to residential customers (75%) and public-school customers (25%), when (i) those customers have excess energy production accumulated after the end of the fiscal year, and (ii) that excess energy production is counted towards RPS compliance;
- (c) the cost incurred to buy renewable energy certificates under purchase power agreements;
- (d) the cost to buy renewable energy certificates in the market promulgated by the proposed Regulation of Renewable Energy Certificates and compliance with the Renewable Energy Portfolio of Puerto Rico (NEPR-MI-2021-0011); and
- (e) the cost incurred to pay fines for RPS noncompliance.

