

**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:** Resolution and Order Adding Two  
Filing Requirements.

**RESOLUTION AND ORDER**

On February 12, 2025, the Puerto Rico Energy Bureau issued a Resolution and Order establishing, among other things, filing requirements for the rate application that LUMA will submit in 2025. The Energy Bureau designated those filing requirements Schedules A through H. This current Resolution and Order establishes two (2) additional Filing Requirements: (i) **Schedule I** will be a revenue decoupling mechanism; and (ii) **Schedule J** will be a storm rider.

The following is a brief description of the two schedules:

**A. Schedule I - Revenue Decoupling Mechanism**

To set a utility's base rates, the regulator divides forecasted costs by forecasted billing determinants—kW of demand, kWh of consumption, and number of customers. If, for a specific time period, the actual billing determinants fall below the forecasted levels, but the actual costs match the forecasted costs, the utility will not receive enough revenue to cover its costs.

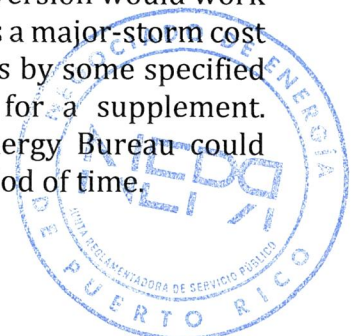
One solution to this problem is to “decouple” revenue from billing determinants. A typical revenue decoupling mechanism adjusts a utility's rates prospectively when, for a specific time period, the utility's actual revenue varies from regulator-projected revenue, specifically because the quantity of demand, consumption, or number of customers varies from the forecasts.

In Schedule I, LUMA shall provide language for, and an explanation of, a temporary revenue-decoupling mechanism to accompany permanent rates. The proposed mechanism should provide for reconciliation at least semiannually. LUMA's proposal also should provide for an Energy Bureau opportunity to (a) review each initial proposal to adjust the rate, before the adjustment goes into effect; (b) at the end of each period in which an adjustment was in effect, perform a reconciliation if the adjustment's effects require one; and (c) review the mechanism itself before the start of FY 2027 and FY 2028.

**B. Schedule J - Major-Storm Costs Rider**

Whereas revenue decoupling adjusts revenue when actual billing determinants vary from projected billing determinants, a cost rider adjusts revenue when actual costs vary from projected costs. The costs from acts of nature, especially major storms, earthquakes, and hurricanes, are Puerto Rico's most hard-to-predict costs. These costs cause problems with cash flow. The electric system has a budgeted account for outage events, but major storms can cause costs that exceed the budgeted amount. When a major storm causes damage that LUMA or Genera must address immediately, and where the associated cost exceeds budgeted cost, PREPA, LUMA, or Genera must use cash budgeted for other projects, thereby delaying or disrupting those projects.

A cost rider for major storms can ease these cash-flow problems. One version would work similarly to the fuel-cost rider, as follows: When LUMA or Genera incurs a major-storm cost that exceeds the amount in the budgeted-for account for outage events by some specified amount, such as \$5 million, it can apply to the Energy Bureau for a supplement. On reviewing the request for necessity and reasonableness, the Energy Bureau could approve the amount for recovery through the rider, over a specific period of time.

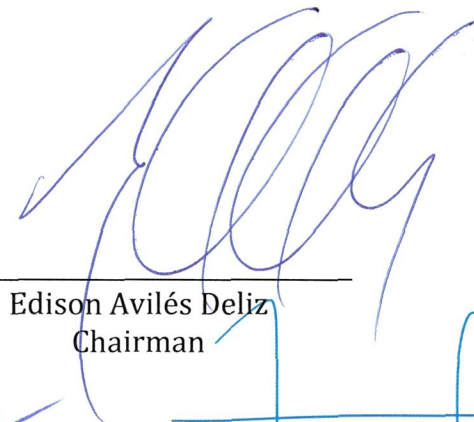


Section 7.5(d) LUMA's T&D OMA<sup>1</sup> requires PREPA to maintain \$30 million in an Outage Event Reserve Account. When LUMA withdraws funds to address outage costs, the OMA requires PREPA to replenish that account. But if the outage cost exceeds the amount budgeted for outages, the only way to replenish the account is to use funds designated for other purposes—thus leaving those other purposes unfulfilled and the associated projects disrupted. A rider would allow replenishment with less disruption. As an example: Assume that a post-outage restoration project cost \$50 million. To cover that cost initially, LUMA would use the \$30 million in the Outage Event Reserve Account and \$20 million from some other account. LUMA then would seek permission from the Energy Bureau to recover the \$50 million through the new rider, using those customer-supplied funds to replenish both the Outage Event Reserve Account and the other account. At the same time, LUMA would pursue and account for all available external sources, such as insurance proceeds and FEMA reimbursements. On receiving those external funds, LUMA would credit the rider for the amounts received.

In Schedule J, LUMA shall provide language for, and an explanation of, a major-storm cost rider. As with the proposed revenue decoupling mechanism, LUMA's proposal should provide for an Energy Bureau opportunity to (a) review each initial proposal to adjust the rider, before the adjustment goes into effect; (b) at the end of each period in which the rider was in effect, perform a reconciliation if the adjustment's effects require one; and (c) review the mechanism itself before the start of FY 2027 and FY 2028.

In the rate proceeding, the Energy Bureau will consider these submissions and determine whether to reject them or adopt them (with or without modification).

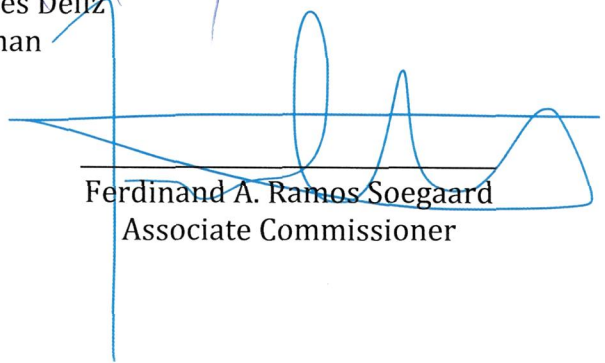
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Chairman



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Sylvia B. Ugarte Araujo  
Associate Commissioner



Antonio Torres Miranda  
Associate Commissioner



<sup>1</sup> Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement (June 22, 2020).



## CERTIFICATION

I certify that the majority of the members of the Puerto Rico Energy Bureau agreed on February 27, 2025. Also certify that on February 27, 2025, I have proceeded with the filing of this Resolution and Order and was notified by email to mvalle@gmlex.net; arivera@gmlex.net; jmartinez@gmlex.net, jgonzalez@gmlex.net; Yahaira.delarosa@us.dlapiper.com; margarita.mercado@us.dlapiper.com; carolyn.clarkin@us.dlapiper.com; andrea.chambers@us.dlapiper.com; jfr@sbgblaw.com; alopez@sbgblaw.com; regulatory@genera-pr.com; legal@genera-pr.com; hriviera@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; rafael.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; Julia@londoneconomics.com; Brian@londoneconomics.com; luke@londoneconomics.com.

I sign in San Juan, Puerto Rico, today, February 27, 2025.



A handwritten signature in blue ink, appearing to read "Sonia Seda", is written over a horizontal line.

Sonia Seda Gaztambide  
Clerk