

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

**IN RE:**

TEMPORARY REVIEW OF  
PERMANENT RATES OF THE PUERTO  
RICO ELECTRIC POWER AUTHORITY

CASE NO.: \_\_\_\_\_

Direct Testimony of  
Andrew Smith  
Chief Financial Officer, LUMA Energy ServCo, LLC  
May 22, 2025

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**I. WITNESS AND CASE INTRODUCTION**

**Q.1 Please state your name, business address, title, and employer.**

A. My name is Andrew Smith. My business address is LUMA Energy, PO Box 363508, San Juan, Puerto Rico 00936-3508. I am the Chief Financial Officer for LUMA Energy LLC and LUMA Energy ServCo, LLC (jointly referred to as “LUMA”).

**Q.2 On whose behalf are you testifying before the Commonwealth of Puerto Rico Energy Bureau (the “Energy Bureau” or “PREB”).**

A. My testimony is on behalf of LUMA in support of a temporary rate adjustment submitted to the Puerto Rico Energy Bureau (“Energy Bureau” or “PREB”) today.

**Q.3 What is your educational background?**

A. I have a master’s degree in business administration (MBA) with a concentration in internal auditing from Louisiana State University. As an undergrad, I attended the University of Texas at Austin, where I received a bachelor’s degree in psychology. I have over 30 years of experience in the electric utility, energy, and finance/investment banking industries.

**Q.4 What is your professional experience?**

A. Over the course of my career, I have developed extensive experience with capital markets, capital allocation, treasury, financial planning and analysis, valuation, mergers and acquisitions, and investor relations. I have also been involved in financial and operational turnarounds for multiple companies, and I have held the most senior position at a utility in a neighboring Caribbean region.

**Q.5 Please describe your work experience prior to joining LUMA.**

A. Prior to joining LUMA, I was the Chief Executive Officer of the Virgin Islands Water & Power Authority leading the financial and operational turnaround of the US Virgin Islands

electric and water utility. Prior to that, I was self-employed, consulting for a large private-equity-backed electric utility client leading special projects at the direction of the CFO focusing on cash and collateral forecasting and management, regulatory filings, securitized financing, and other special projects. Before my consulting role, I joined GenOn Energy (which owned and operated approximately 18 Gigawatts of generating capacity) during its bankruptcy restructuring and was part of the management team that led the company's emergence from bankruptcy. Prior to that, I spent five years with Dynegy, which was a \$10 billion power generation company that owned and operated approximately 45 Gigawatts of fossil fuel generating stations around the United States prior to its acquisition by Vistra Energy. There, I established and led a team responsible for GAAP and non-GAAP financial reporting, forecasting and budgeting and analysis, and led the investor relations department prior to that role. Prior to Dynegy, I spent approximately 15 years in the investment banking industry in various roles with increasing levels of seniority and responsibility focused on the electric utility and competitive power generation sectors.

**Q.6 Have you previously testified or made presentations before the Energy Bureau?**

A. I have not previously testified before PREB.

**Q.7 Are you sponsoring any exhibits with your testimony?**

A. Yes. I am sponsoring Exhibit 2.01, a written narrative that describes the incremental funding being requested as part of this temporary rate application. Exhibit 2.01 also describes the risks to Puerto Rico's electric grid, the utility generally, and LUMA if the requested incremental funding goes unfunded. I am also sponsoring Exhibit 2.02, working papers for the FY2026 Budget.

**Q.8 Which documents did you consider for your testimony?**

47 A. Among others, the documents I reviewed included the following:

- 48 • The Transmission and Distribution System Operation and Maintenance  
49 Agreement (“T&D OMA”) executed by the Puerto Rico Electric Power  
50 Authority (“PREPA”), the Puerto Rico Public-Private Partnerships Authority  
51 (“P3A”) and LUMA dated as of June 22, 2020.
- 52 • The Energy Bureau’s Resolution and Order dated April 21, 2025, Case No.  
53 NEPR-AP-2023-0003 (“April 21<sup>st</sup> Order”).

54 **Q.9 Please briefly describe the purpose of your testimony.**

55 A. The purpose of my testimony is to describe LUMA’s request for a temporary rate  
56 adjustment, including identifying the Default Budget for FY2026 and identifying the  
57 requested incremental funding covered by the request. All of which funding should be  
58 made available as part of LUMA’s Budget for FY2026 and for which LUMA must begin  
59 collecting commencing June 1, 2025 in order to advance critical investment in the T&D  
60 System, address previously deferred work that was deferred to respond to the emergency  
61 needs of the system, and support investment in the system to avoid (a) a decline in service  
62 or (b) an increase in future costs that could have been avoided if additional cash was  
63 provided by a temporary rate adjustment, or both.

64 **Q.10 Please provide an overview of how your testimony is organized.**

65 A. In Section II, I discuss the development of the Budget for FY2026 and introduce LUMA’s  
66 incremental costs that are included in the request for a temporary rate adjustment.

67 **II. BUDGET FOR TEMPORARY RATE ADJUSTMENT**

68 **Q.11 What is the T&D Budget request for FY2026?**

69 A. As described in the testimony of my colleague Alejandro Figueroa (“Mr. Figueroa”), the

T&D funding request for FY2026 is the FY2025 Budget adjusted for inflation based on the consumer price index (“CPI”) factor as per Section 7.3(d) of the T&D OMA,<sup>1</sup> and adding incremental costs for high priority and non-controversial items, which, together will serve as amendments to the FY2025 Budget. In his testimony, Mr. Figueroa explains that this funding request is the result of the Energy Bureau’s order dated April 21, 2025, which set forth new timelines for the process initiated to review the permanent rates of the Puerto Rico Electric Power Authority (“PREPA”).

**Q.12 What is the CPI Factor?**

A. The T&D OMA defines the CPI Factor as the amount equal to the CPI Value (“CPI-U”)<sup>2</sup> for the calendar year immediately prior to the date of any adjustment *divided* by the CPI Value for the calendar year two (2) years prior rounded to the fifth decimal place.

**Table 1 – Calculation of CPI Value**

	<b>Year</b>	<b>CPI-U</b>
(a)	2024	318.983
(b)	2023	308.381
(a) / (b)	CPI Factor	1.03438

Based on the T&D OMA, LUMA applied a 1.03438 per cent inflation factor to the PREB-approved Budget for FY2025. In other words, the annual default budget for FY2026 is equal to the FY2025 budget with an inflation factor of +3.438% applied to it.

**Q.13 Identify how LUMA adjusted the FY T&D Budget for inflation.**

A. LUMA indexed the approved FY2025 T&D budget by the inflation factor described above and dictated by the T&D OMA. Table 2 below shows the adjustment.

<sup>1</sup> T&D OMA, Section 7.3(d) at 89.

<sup>2</sup> Where, CPI Value means the “Annual Value of such year obtained from “Consumer Price Index-All Urban Consumers-US All Items Less Food and Energy (“CUUR000SA0LIE”) published by the Bureau of Labor Statistics

**Table 2 – FY2025 Approved Budget Versus FY2026 Default Budget**

	<b>FY2025 Budget Amendment*</b>	<b>FY2026 Default Budget</b>
<b>O&amp;M</b>	\$567,402	\$586,909
<b>NFC</b>	\$125,259	\$129,566
<b>Total</b>	<b>\$692,661</b>	<b>\$716,475</b>
*NEPR-MI-2021-0004, Resolution and Order on LUMA's December 23, 2024 Motion Submitting Responses to Requests for Information of the December 2, 2024 Resolution and Order in Support of LUMA's Budgeted Spending, dated January 31, 2025, Attachment B		

**Q.14 What is the incremental funding amount over the FY2025 Budget to the FY2026 Default Budget based on the CPI Factor?**

A. The incremental funding is \$23.814 million.

**Q.15 Why should the CPI adjustment be borne by customers?**

A. As described in the testimony of my colleague, Alejandro Figueroa, the revenue generated by the rates approved in the 2017 Rate Order do not account for inflation that has occurred since 2017, which reached some of the highest levels in decades following LUMA's commencement. The cumulative effect of inflation has had significant and measurable negative impacts on LUMA's buying power and it can no longer procure similar quantities of materials for prices at the same levels as in 2017 when the current Base Rates were set.<sup>3</sup> Inflation is a real cost, and absent external funding for FY2026, the only source of funding is customer funding.

**Q.16 Are there other items beyond the CPI Adjustment included in the incremental funding?**

A. Yes. Exhibit 2.01, attached to my testimony, outlines the need for those items identified beyond the CPI and why they are being requested to be approved as part of the present

<sup>3</sup> For example, in 2017 PREPA purchased pole type transformers for \$1,075 per transformer and in 2025, LUMA, using the same vendor, paid \$3,044 per transformer

temporary rate application. Exhibit 2.02, the working papers attached to my testimony, identifies the line items and dollar value of incremental O&M and non-federal capital spend that LUMA is requesting to recover as part of this temporary rate application.

**Q.17 How much money is LUMA requesting to collect through the temporary rate adjustment?**

A. LUMA is hereby seeking approval of an additional \$277.9 million beginning with the first billing cycle of June 2025. Please refer to the summary table below.

<b>Table 3</b>		
<b>Department</b>	<b>Impact if not funded</b>	<b>Amount to be recovered (\$ millions)</b>
LUMA	Ongoing reduction in LUMA's ability to purchase materials because of higher costs due to inflation.  Non-compliance with the T&D OMA.	\$23.8
Operations	Less effective reactive maintenance activities with extended overtime and increased frequency of unplanned outages.  High risk of non-compliance with DOE order No. 202-25-2 regarding vegetation management on selected transmission facilities.  Jeopardize federal funding for future catastrophic hurricanes.  Delays in achieving system stabilization targets.	\$63.4
Capital Programs & Grid Transformation	Extended timeframe for achieving system stabilization, increased frequency of unplanned outages, and higher risks of safety hazards to the public.  Increased risk of experiencing widespread and extended outages during major storm events.  Greater vulnerability to wildfire risks.	\$135.1



<b>Table 3</b>		
<b>Department</b>	<b>Impact if not funded</b>	<b>Amount to be recovered (\$ millions)</b>
Customer Experience	Delays or interruptions to revenue collections.	\$4.5
IT/OT	Greater risk of cybersecurity threats and disruptions in the replacement of high-risk, end-of-life systems, both of which heighten the possibility of critical system failures that control the grid and store personal and financial information of households and businesses.  Absorption of termination costs of Shared Services.	\$18.6
Facilities	Continued inability to adequately address building-related safety and security issues, which negatively impacts worker productivity in providing service to customers.  Absorption of incremental facilities lease costs.	\$20.9
Fleet	Delays to Operations and Capital Programs & Grid Transformation Departments' projects.  Negative impact on worker productivity in providing service to customers.  Increased public and employee safety risks.	\$6.4
Finance	Inability to comply with PREB orders regarding budgeting and reporting.	\$0.5
All	2% for excess expenditures on incremental spending. <sup>4</sup>	\$5.0
<b>Total LUMA Incremental Funding <sup>5</sup></b>		<b>\$277.9</b>

112 **Q.18 Are there any other additional costs to be included in the temporary rate request?**

113 A. Yes. As described in the testimony of Mr. Figueroa, LUMA is requesting an additional \$44  
114 million to account for external funding that was made available for LUMA's FY2025 T&D

<sup>4</sup> T&D OMA, Section 7.3(b), at 89.

<sup>5</sup> Numbers may not add to total due to rounding.

115 Budget that is not expected to be available again in FY2026, and \$30 million to replenish  
116 the Outage Reserve Account that is a PREPA contractual obligation of the T&D OMA.  
117 The need for the Outage Reserve Account funding is particularly acute as Puerto Rico  
118 approaches storm season.


119 **Q.19 Does this conclude your testimony?**

120 A. Yes.

## ATTESTATION

Affiant, Andrew Smith, being first duly sworn, states the following:

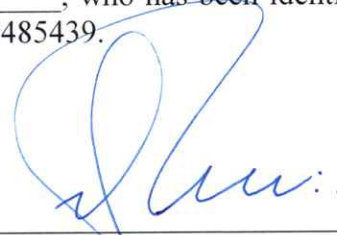
The prepared Direct Testimony and the exhibits attached to the testimony, constitute my direct testimony in support of LUMA's request for a temporary rate increase, filed before the Puerto Rico Energy Bureau. I would give the answers set forth in the Direct Testimony if asked the questions that are included in the Direct Testimony. I further state that the facts and statements provided herein, including the exhibits are, to the best of my knowledge, true and correct.

  
\_\_\_\_\_  
Andrew Smith

Affidavit No. 525

Acknowledged and subscribed before me by Andrew Smith, whose full name is as expressed herein, in his capacity as Chief Financial Officer of LUMA Energy ServCo LLC, of legal age, married, and resident of San Juan, P.R., who has been identified by means of his Texas driver's license with registration number 25485439.

In San Juan, Puerto Rico, this 22 day of May 2025.

  
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NOTARY PUBLIC

