

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

IN RE: REVIEW OF LUMA'S INITIAL
BUDGET

CASE NO.: NEPR-MI-2021-0004

SUBJECT: Determination on LUMA's
Petition to Amend the FY 2025 Annual
Budgets

RESOLUTION AND ORDER

I. Relevant Background

On March 31, 2025 LUMA¹ filed a document titled, *Notice of Budget Amendment* ("March 31 Notice"), through which, LUMA notified the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau") of its intent to submit a proposed budget amendment to the FY 2025 T&D Budget. LUMA asserts that the Notice was made in compliance with Energy Bureau directives that budget amendment and reallocation requests should be timely anticipated and the Energy Bureau promptly notified.

On May 15, 2025 LUMA filed a document titled, *Motion Submitting Amendment to FY 2025 T&D Budget* ("May 15 Motion"), through which LUMA submitted for Energy Bureau approval, a proposed amendment to the FY 2025 budget.

LUMA seeks to reallocate \$15.6 million within LUMA's Operating Budget, from Support Services to Customer Experience, Operations and Utility Transformation Departments, to better align resources with operational priorities. LUMA also seeks to reallocate \$13.9 million within the Non-Federal Capital ("NFC") Budget among Improvement Portfolios to advance the Electric System Stabilization Plan, resiliency initiatives and critical capital improvements. LUMA proposes to reallocate the funds to the Customer Experience, Distribution, Transmission, Substations, Enabling and Support Services Improvement portfolios.

LUMA asserts that all reallocations remain within their respective budget categories and no funds are transferred between the operating budget and the non-Federal Capital Budget. LUMA states that the proposed reallocations are made pursuant to Energy Bureau directives, do not result in an increase or decrease in rates and that the approved FY 2025 T&D Budget of \$692 million remains unchanged.

LUMA proposes to reallocate \$15.6 million within the Operating Budget. The proposed reallocations are:

- The reallocation of \$15.6M **from** the Support Services Department enabled primarily by lower-than-expected insurance costs, transportation cost adjustments and labor expenses. LUMA enhanced accounting accuracy and operational efficiency by implementing time recording enhancement technology to provide a more precise allocation of labor and equipment costs.
- The reallocation of \$1.1M **to** the Customer Experience Department, necessitated by rising costs associated with third party payment processing.
- The reallocation of \$6.7M **to** the Operations Department, necessitated by higher-than-expected deployment of labor resources for operations, maintenance and restoration activities, primarily to address outage events that do not meet the criteria for outage events as set forth in Article 1 of the T&D OMA. In addition, among the reasons LUMA proffers in support are unplanned maintenance and

¹ Luma Energy LLC and LUMA Energy ServCo, LLC (jointly referred as "LUMA").



emergency repair costs and improved tracking of labor and equipment costs enabling reallocation of previously centralized fleet expenses to the respective departments.

- The reallocation of \$7.9M **to** the Utility Transformation Department, necessitated by a shortfall in recovering funds from telecommunications companies for third party attachments, has affected LUMA's ability to cover operational expenses for processing new attachment requests. In addition, LUMA asserts that other reasons for the request include development of a streamlined structure for expediting obligations and reimbursements with FEMA.

LUMA proposes to reallocate \$13.9 million within the Capital Budget – Non-Federally Funded. The proposed reallocations are:

Customer Experience Portfolio; **Net change of (\$3.37M)**

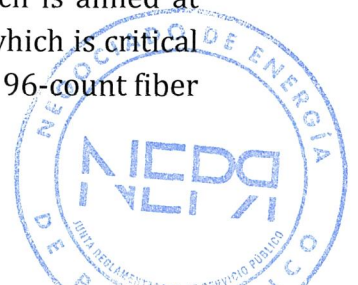
- The reallocation funds **from** the New Business Connections Program enabled primarily by savings due to lower-than-expected requests for installation of transformers for customers with service requirements under 50 kVA.
- The reallocation of funds **from** the Retail Wheeling Program. Certain activities under the Retail Wheeling Program will be deferred to support the replacement of poles that pose an immediate safety risk to customers.
- The reallocation of funds **to** the Meter Replacement & Maintenance Program, necessitated by the need to continue installation of bidirectional meters caused by a higher than forecast number of net energy metering installations, which are critical for customers with distributed generation, and compliance by the Meter Replacement & Maintenance Program with applicable regulations and Puerto Rico law.

Distribution Portfolio; **Net change of (\$6.83M)**

- The reallocation of funds **from** the Distribution Line Rebuild program and redirected to urgent system needs for projects that are ready for execution and will impact grid reliability. Some initiatives such as underground cable and switch replacement will be deferred. Certain Non-Federally Funded capital projects are no longer required because mid-term underground projects have been moved to FEMA project submission.
- The reallocation of funds **from** the Distribution Automation Program. Some work such as implementing advanced protection measures and integrating fault current indicators will be halted but LUMA asserts it will continue to maintain progress towards reliability using the FEMA budget.
- The reallocation of funds **to** the Distribution Pole & Conductor Repair Program, necessitated by urgent safety concerns. More poles that pose a significant risk to customers than originally budgeted will be replaced and easement encroachments that pose an imminent danger to the public will be resolved.

Transmission Portfolio; **Net change of \$3.5M**

- The reallocation of funds **to** the Transmission Priority Pole Replacements Program, necessitated by the urgent need to replace components of the transmission system to ensure reliability. This includes addressing damaged transmission equipment, critical pole replacements, deteriorated hardware and insulating critical transmission lines.
- The reallocation of funds **to** the IT OT Telcom System Networks, necessitated by the creation of the IP Control Network Stabilization project which is aimed at enhancing resilience in operational technology control network, which is critical to ensure grid stability, LUMA will also replace 48-count fiber with 96-count fiber



between Aguirre and Jobos TC, which is essential for stabilizing the telecom transport network.

Substation Portfolio; **Net change of \$8.79M**

- The reallocation of funds **to** the Substations Rebuild Program, necessitated by the emergency replacement of the failed Hato Rey transformer. Restoring the transformer to service was crucial because its failure left only one operational transformer in the substation which jeopardized redundancy.
- The reallocation of funds **to** the Substation Reliability Program, necessitated by labor and equipment costs related to implementation of transformers at multiple substations. This is critical for executing the Electric System Priority Stabilization plan, maintaining project timelines, and ensuring grid stability. This reallocation also provided funds for the optical sensor installation which was initially budgeted under the Distribution Automation program.

Enabling Portfolio; **Net change of (\$3.72M)**

- The reallocation of funds **from** the Tools Repair & Management Program, enabled by savings achieved through cancellation of the administrative component of the tool crib project. LUMA reduced unnecessary third-party administrative expenses by transitioning from a full administrative tool crib service to a contract focused on tool maintenance and repair.
- The reallocation of funds **from** the Asset Data Integrity Program. Asset tagging and geographic information system feeder mapping activities will be halted, which will delay other activities.
- The reallocation of funds **from** the T&D Fleet Program, enabled by savings due to lower than anticipated costs to date for the Super Puma Helicopter, rather than the budgeted inspection costs which were based on historical estimates.
- The reallocation of funds **to** Compliance and Studies, necessitated by Distributed Energy Resources interconnection studies that have not yet been billed to the customer, resulting in higher than budgeted spending. The costs incurred for interconnection studies are essential for grid reliability and regulatory compliance.

Support Services Portfolio; **Net change of \$1.63M**

- The reallocation of \$0.5M **from** the IT OT Cybersecurity Program, enabled by various multi-year cyber resilience strategy programs that have been deferred to FY 2026 and the reprioritization of network switches to mitigate attacks, has resulted in a positive budget variance.
- The reallocation of \$2.2M **to** the IT OT Asset management program, necessitated by the rollout of the Workforce Management System, which is designed to efficiently manage workforce tasks by streamlining communications, scheduling, and job assignments. The investment will automate manual processes which will significantly enhance preparedness both daily and in emergencies and improve service.

On May 30, 2025 LUMA filed a document titled, *Motion to Reiterate LUMA's May 15 Budget Amendment Request* ("May 30 Motion"), through which, LUMA stressed the importance of expeditious Energy Bureau action regarding the proposed budget amendment to enable LUMA to address the necessary expenditures in June.



II. Discussion

The Energy Bureau finds that LUMA’s May 15 Motion seeking approval to amend the FY 2025 T&D Budget was timely filed, sufficiently detailed, and adequately supported to allow for Energy Bureau review. LUMA identified the factors leading to the availability of excess funds in certain accounts and justified the need to reallocate those funds to other accounts. These justifications are noted and need not be repeated here.

The Energy Bureau accepts the proposed reprioritization of funds and finds the rationale provided by LUMA to be reasonable considering the obligation to ensure safe and adequate electric service to Puerto Rico.

While the Energy Bureau has accepted the reallocations to the FY 2025 T&D Budget, it advises LUMA that all proposed expenditures will be subject to full review in the upcoming rate revision proceeding.

III. Conclusion

The Energy Bureau **APPROVES** LUMA’s proposed reallocation of \$15.6 million within the Operating Budget and \$13.9 million within the Non-Federally Funded Capital Budget, as proposed in the May 15 Motion.

The Energy Bureau **WARNS** LUMA that, in accordance Art. 6.36 of Act 57-2014:²

- (i) noncompliance with this Resolution and Order, regulations and/or applicable laws may carry the imposition of fines and administrative sanctions of up to one hundred twenty-five thousand dollars (\$125,000) per day; and
- (ii) for any recurrence of non-compliance or violation, the established penalty shall increase to a fine of not less than fifteen thousand dollars (\$15,000) nor greater than two hundred fifty thousand dollars (\$250,000), at the discretion of the Energy Bureau.

Be it notified and published.



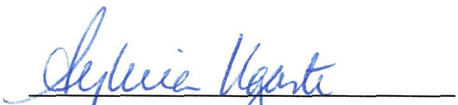
Edison Avilés Deliz
Chairman



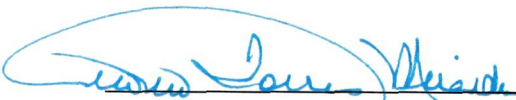
Lillian Mateo Santos
Associate Commissioner



Ferdinand A. Ramos Soegaard
Associate Commissioner



Sylvia B. Ugarte Araujo
Associate Commissioner



Antonio Torres Miranda
Associate Commissioner



² Known as the *Puerto Rico Energy Transformation and RELIEF Act*, as amended (“Act 57-2014”).

CERTIFICATION

I hereby certify that the majority of the members of the Puerto Rico Energy Bureau has so agreed on June 10, 2025. I also certify that on June 10, 2025 a copy of this Resolution and Order was notified by electronic mail to katuska.bolanos-lugo@us.dlapiper.com; RegulatoryPREBOrders@lumapr.com; margarita.mercado@us.dlapiper.com, Yahaira.delarosa@us.dlapiper.com; mvalle@gmlex.net; arivera@gmlex.net; sromero@sbgblaw.com, jfr@sbgblaw.com, hrivera@jrsp.pr.gov, legal@genera-pr.com; regulatory@genera-pr.com. I also certify that today, June 10, 2025, I have proceeded with the filing of the Resolution and Order issued by the Puerto Rico Energy Bureau.

I sign this in San Juan, Puerto Rico, today June 10, 2025.





Sonia Seda Gaztambide
Clerk