

**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: Establishment of Temporary
Default Budgets for Fiscal Year 2026
("FY26").

RESOLUTION AND ORDER

I. Introduction

The Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau"), pursuant to its authority under Act 57-2014, hereby establishes the temporary default budgets for Fiscal Year 2026 ("FY26") applicable to LUMA Energy, LLC and LUMA Energy ServCo, LLC (jointly, "LUMA"), Genera PR ("Genera"), and the Puerto Rico Electric Power Authority ("PREPA"). The budgets herein established are interim measures designed to maintain operations starting July 1, 2025, pending a determination of updated revenue requirements and rates under the ongoing Rate Review proceeding ("Rate Case").¹

On June 11, 2025, the Energy Bureau issued a *Resolution and Order* establishing that the Fiscal Year 2025 ("FY 25") budget, as amended, shall roll over as the "Temporary Default Budget" for the commencement of Fiscal Year 2026 until new rates are approved. In that same Order the Energy Bureau (i) directed LUMA to submit FY 26 revenue forecasts by June 13, 2025 and (ii) noted that any permanent budget adjustments would be addressed through LUMA's rate-revision- petition scheduled for filing on July 3, 2025 in Case No. NEPR-AP--2023---0003.²

The current Rate Review process is the first full base-rate proceeding since 2017. Pursuant to a series of procedural orders, LUMA, Genera, and PREPA must file a unified provisional rate application by July 3, 2025. That filing will include the utility's proposed budgets and supporting revenue requirement and rate design studies, which the Energy Bureau will scrutinize in a comprehensive rate review proceeding that includes public hearings later this year.³

Pending completion of the Rate Case, the Energy Bureau now acts to align the Temporary Default Budget with the FY 26 revenue reflected in LUMA's June 13 sales and revenues forecasts. Consistent with contractual Consume Price Index ("CPI") adjustments to the operator service fees and proportional reductions across all other expenditure categories, the Energy Bureau sets a system-wide FY 26 Temporary Default Budget of \$1,244,553,000 for Non-Federally Funded T&D and Generation expenditures. This amount does not exceed projected base-rate revenues and therefore preserves compliance with the 2017 Rate Order's spending limitations while ensuring continuity of utility operations at the start of FY26. The Temporary Default Budget established herein will remain in force **only until superseded by provisional or final rates issued in the Rate Review proceeding.**

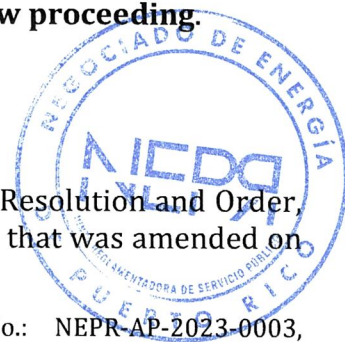
II. Discussion

The Energy Bureau notes that, in compliance with the June 11, 2025 Resolution and Order, LUMA filed on June 13, 2025 its consolidated FY 26 revenue forecast, that was amended on

¹ *In re: Puerto Rico Electric Power Authority Rate Review*, Case No.: NEPR-AP-2023-0003, <https://energia.pr.gov/expedientes/?docket=nepr-ap-2023-0003>.

² *Resolution and Order*, Case No.: NEPR-MI-2021-0004, at 1-2 (June 11 2025) (directing revenue forecast filing and clarifying that the FY 25 budget rolls over as the Temporary Default Budget).

³ *Id.* at p. 1 (noting that comprehensive budget modifications will be addressed through LUMA's rate-revision petition due July 3 2025, Case No.: NEPR-AP-2023-0003).



June 19, 2025, projecting (i) base-rate revenues of approximately \$1,160 million and (ii) Other Income of roughly \$84 million, for a total non-federally-funded revenue envelope of \$1,244,553.⁴ The forecast assumes that current base rates remain in effect until changed and does not rely on any of the one-time Commonwealth appropriations that supplemented FY 25. Pursuant to the requirement that electric-utility expenditures must not exceed reasonably expected revenues, these projections establish the maximum FY 26 spending authority absent a rate adjustment.

LUMA's FY26 forecast reflects a marginal increase in revenue projections compared to FY25, insufficient to sustain an inflationary adjustment to the operational budget without exceeding the 2017 Rate Order spending limitations.

Jim The Energy Bureau **FINDS** that the only expenditure requiring upward adjustment relative to the FY 25 Budget are the contractually inflation-indexed operator service fees. The LUMA Service Fee for FY 26 amounts to \$139.37 million, reflecting a 3.438% CPI factor. Similarly, the Genera PR Service Fee for FY 26 totals \$25.16 million, applying the identical CPI factor to the GenCo operator fee. Concurrently, to ensure alignment with revenue limitations, all other expenditures have been proportionally reduced resulting in total adjusted expenditures of \$1,244.533 million.

Jim Specifically, the GridCo operating and capital expenditures budget is set at \$646.696 million, the GenCo operating and capital expenditures budget is established at \$280.393 million, and the HydroCo budget at \$12.734 million, each adjusted downward as necessary relative to their FY25 levels to enable LUMA and Genera to receive their contractually obligated fixed fees. HoldCo's operating and capital expenditure are similarly adjusted, with a resulting budget of \$31.949 million. Finally, provisions for bad-debt expenses and bankruptcy & advisory costs are reduced proportionally, resulting in allocations of \$55.579 million and \$52.673 million, respectively.

Jim III. Conclusion

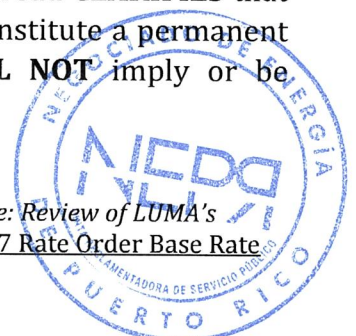
Jim The Energy Bureau concludes that the temporary default budgets established herein represent a prudent interim measure that keeps utility expenditures within available revenues projected for FY26. The Energy Bureau acknowledges the constrained fiscal environment within which these budgets have been determined and emphasizes that such temporary measures are adopted precisely to maintain operational continuity pending the completion of the critical Rate Review proceeding. This proceeding, with the utility's unified provisional rate application scheduled for July 3, 2025, will rigorously examine and establish appropriate revenue requirements to ensure adequate funding for sustainable utility operations. The FY26 Temporary Default Budgets show the financial restraint required under today's rate limits. At the same time, the Energy Bureau acknowledges that revising those rates is essential for Puerto Rico's electric system to remain reliable and financially sustainable—a matter it will address in detail during the upcoming provisional and final rate proceedings.

The Energy Bureau therefore **APPROVES** the FY26 Temporary Default Budgets totaling \$1,244,553,000 as detailed in Attachments A through E to take effect on July 1, 2025, and shall remain in force until superseded by provisional or final budgets resulting from the ongoing comprehensive rate review proceeding in Docket No. NEPR-AP-2023-0003.

Consistent with prior Energy Bureau orders, any deviation from the approved temporary budgets **SHALL** require approval from the Energy Bureau.

In an abundance of caution and to avoid any confusion, the Energy Bureau **CLARIFIES** that the determination made in this Resolution and Order **SHALL NOT** constitute a permanent modification of previously approved budgets or rates and **SHALL NOT** imply or be

⁴ See, Motion to Submit Amended Response in Compliance with June 11th Order, In Re: Review of LUMA's Initial Budgets, Case No. NEPR-MI-2021-0004, June 19, 2025, Revised Exhibit 1, -2017 Rate Order Base Rate Revenue Comparison Table, p. 6.



construed, characterized, or interpreted any way as a predetermination regarding final rate case outcomes.

The Energy Bureau **WARNS** LUMA, Genera, and PREPA that, in accordance Art. 6.36 of Act 57-2014:⁵

- (i) noncompliance with this Resolution and Order, regulations and/or applicable laws may carry the imposition of fines and administrative sanctions from ten thousand dollars (\$10,000) 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

CERTIFICATION

I hereby certify that the majority of the members of the Puerto Rico Energy Bureau has so agreed on June 20, 2025. I also certify that on June 20, 2025 a copy of this Resolution and Order was notified by electronic mail to katiuska.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, hriviera@jrsp.pr.gov, legal@genera-pr.com; regulatory@genera-pr.com. I also certify that today, June 20, 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 20, 2025.



Sonia Seda Gaztambide
Clerk

⁵ Known as the *Puerto Rico Energy Transformation and RELIEF Act*, as amended ("Act 57-2014").

ATTACHMENT A
Temporary Default Budgets – Electric Utility

FY 2026 Electric Utility Temporary Default Budgets Summary
(\$ in 000s)

1	TRANSMISSION AND DISTRIBUTION		\$646,696
2	T&D Operating Expenditures	529,748	
3	T&D Non-Federally Funded Capital Expenditures	116,948	
4			
5	GENERATION		\$293,127
6	GenCo Operating and Capital Expenditures	280,393	
7	HydroCo Operating and Capital Expenditures	12,734	
8	HOLDCO (PROPERTYCO) OPERATING AND CAPITAL EXPENDITURES		\$31,949
9	OPERATION AND MAINTENANCE FEES - PRIVATE OPERATORS		\$164,529
10	LUMA Fees	139,368	
11	Genera Fees	25,161	
12	BANKRUPTCY TITLE III ADVISOR COSTS		\$25,628
13	FOMB ADVISOR COSTS		\$27,045
14	BAD DEBTS		\$55,579
15	TOTAL NON-FEDERALLY FUNDED ELECTRIC UTILITY EXPENDITURES		\$1,244,553

Notes

FEDERALLY FUNDED CAPITAL EXPENDITURES		APPROVED
16	T&D FEDERALLY FUNDED CAPITAL EXPENDITURES	\$1,207,157
	GENERATION FEDERALLY FUNDED CAPITAL EXPENDITURES	
17	GenCo ¹	\$1,774,120
18	HydroCo ²	\$2,140,360

Notes

¹ Total federally funded capital expenditures approved by the Energy Bureau through April 18 2024 for recovery work in generation plants related to disasters impacting the Island since 2017.
² Total federally funded capital expenditures approved by the Energy Bureau through April 18, 2024 for recovery work in dams and hydroelectric plants related to disasters impacting the Island since 2017.



ATTACHMENT B
Temporary Default Budget – GridCo (LUMA)

FY 2026 T&D Temporary Default Operating Budget

(\$ in 000s)

		Customer Experience	Operations	Utility Transformation	Support Services				
1	SUBTOTOTAL LABOR AND NON-LABOR EXPENSES (DEPARTMENTS)	78,743	209,378	28,008	203,232	\$519,361			
2	2% Reserve for Excess Expenditures					\$10,387			
3	TOTAL OPERATING BUDGET					\$529,748			
		Customer Experience	Distribution	Transmission	Substations	Control Center & Buildings	Enabling	Support Services	
4	SUBTOTOTAL NON-FEDERALLY FUNDED CAPITAL BUDGET (PORTFOLIOS)	23,159	33,085	5,474	18,458	3,301	22,928	8,250	\$114,655
5	2% Reserve for Excess Expenditures								\$2,293
6	TOTAL NON-FEDERALLY FUNDED CAPITAL BUDGET								\$116,948
7									
8	TOTAL T&D OPERATING AND NON-FEDERALLY FUNDED CAPITAL BUDGET								\$646,696

Notes

¹ Vegetation Management and Capital Clearing Implementation funding: \$208,200 (Operations portion \$50,000).



ATTACHMENT C
Temporary Default Budget – GenCo (GeneraPR)

FY 2026 GenCo Temporary Default Operating Budget

(\$ in 000s)

1	LABOR OPERATING EXPENSES	\$70,400
2	NON-LABOR	\$66,385
3	NME	\$79,656
4	Generation Maintenance Reserve	\$10,897
5	SHARED SERVICES	\$53,055
6	TOTAL OPERATING BUDGET	\$280,393
<u>Notes</u>		



ATTACHMENT D
Temporary Default Budget – HydroCo (PREPA)

FY 2026 HydroCo Temporary Deafault Operating

(\$ in 000s)

1	LABOR OPERATING EXPENSES	\$4,106
2	NON-LABOR EXPENSES	\$5,107
3	NME	\$1,152
4	SHARED SERVICES	\$2,369
5	TOTAL OPERATING BUDGET	\$12,734
<u>Notes</u>		



ATTACHMENT E

Temporary Default Budget – HoldCo/PropertyCo (PREPA)

FY 2026 HoldCo (PropertyCo) Temporary Default Operating Budget

(\$ in 000s)

1	LABOR OPERATING EXPENSES	\$7,368
2	NON-LABOR	\$20,426
3	NME	\$602
4	SHARED SERVICES	\$3,553
5	TOTAL OPERATING BUDGET	\$31,949
<div>Notes</div>		

