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

IN RE: REVIEW OF LUMA'S INITIAL BUDGETS	**CASE NO.:** NEPR-MI-2021-0004 **SUBJECT**: Amended Response in Compliance with June 11th Order

MOTION TO SUBMIT AMENDED RESPONSE IN COMPLIANCE WITH JUNE 11TH ORDER

TO THE HONORABLE PUERTO RICO ENERGY BUREAU:

COME NOW LUMA Energy, LLC ("ManagementCo"), and **LUMA Energy ServCo, LLC** ("ServCo"), (jointly referred to as "LUMA"), and respectfully state and request the following:

1. On June 11, 2025, this honorable Puerto Rico Energy Bureau ("Energy Bureau") issued a Resolution and Order with the subject: *Temporary default budgets for Fiscal Year 2026 ("FY26"), as considered in the ongoing rate case* ("June 11th Order"). Therein, the Energy Bureau stated that, "as the regulatory entity responsible for overseeing the budgets of the utility providing electric service in Puerto Rico, [it] needs revenue forecasts for Fiscal Year 2026 ("FY26") to evaluate potential inflation adjustments to the Fiscal Year 2025 budget, as amended." June 11th Order, at p. 1.

2. The Energy Bureau reasoned that "accurate revenue forecasting for FY26 is necessary to assess whether current projected revenues can support inflation-based adjustments to the currently approved system budget within the 2017 Rate Order constraints." *Id.*

3. After clarifying that its proposed analysis is constrained to the current Fiscal Year 2025 ("FY25") budget structure and does not constitute budget amendment or modification

procedures, the Energy Bureau ordered LUMA to submit, on or before June 13, 2025, "a comprehensive revenue forecast for FY26", including the following:

a. Revenue projections by customer class for Basic Revenue
b. Specify Other Income and Additional Available Funds amounts.
c. Assumptions underlying revenue projections.
d. Comparison with current fiscal year revenue performance.
e. Analysis of revenue capacity available for potential inflation adjustments in FY26.
f. Proposed inflation adjustment to the FY25 budget that stays within the bounds of the 2017 Rate Order

Id.

4. On June 13, 2025, LUMA submitted a *Motion in Compliance with the June 11th Order* by which LUMA submitted responses to the requirements for information detailed in the June 11th Order (the "June 13th Responses").

5. The June 13th Responses have been updated to reflect targeted corrections to the calculation of the "Other" line items within the system budgets for Fiscal Year 2026 (the "Updated June 13th Responses"). *See* Exhibit 1, *Annual Budgets: Revised Responses to FY2026 Temporary Default Budget Information Request*. In the initial version, the "Other" category (which includes the LUMA Fee, Genera PR Fee, Bad Debts, and Bankruptcy and Advisor Costs) was calculated by applying the CPI inflation adjustment to the prior year's (FY2025) figures. *See* June 13th Responses Exhibit 1 at p. 7. Upon further review, it was determined that this approach did not accurately capture the actual costs projected for FY2026, as Genera PR LLC ("Genera PR"), the Puerto Rico Electric Power Authority ("PREPA") and the Financial Oversight and Management Board for Puerto Rico ("FOMB") had provided updated, entity-specific figures for these items. Accordingly, the revised documents now incorporate the precise amounts submitted by Genera PR, LUMA, PREPA, and FOMB for FY2026, rather than relying on an inflationary adjustment to

the previous year's data. *See* Amended Exhibit 1 at pp. 6-7. This correction ensures that the budget accurately reflects the most current and reliable information available.

6. To enhance transparency and facilitate regulatory review, a clarifying footnote has been added to the relevant budget tables in both the PDF and Excel submissions. The footnote states:

> Under Other, the Genera PR Fee reflects the amount provided by Genera on April 4, 2025. Bad Debts are calculated as 1.5% of FY2026 total revenues. Bankruptcy and Advisor costs include FOMB advisor costs, as provided by FOMB on April 25, 2025, along with the PREPA bankruptcy fee from PREPA on April 16, 2025, and LUMA calculated Annual and Interim fees.

Id.

This annotation provides a clear explanation of the data sources and calculation methodologies underlying the "Other" line items, thereby supporting the integrity and traceability of the budget figures. *Id.* at p. 6.

7. As a direct result of these corrections, the total projected deficit for FY2026 has increased from $117 million, as previously calculated using inflated FY2025 figures, to $136 million. *Id.* at p. 7. This increase is attributable to the higher actual costs reported by the entities for the "Other" line items, which were not fully captured by the prior inflation-based methodology. The updated deficit figure is now reflected in the summary tables and narrative sections of the revised documents, ensuring that the financial outlook presented to the regulator is both accurate and comprehensive.

8. These revisions can be found in the "Annual Budgets Summary" table, where the "Other" line items have been updated to reflect the actual FY2026 figures provided by each entity. The narrative sections accompanying these tables have also been revised to explain the rationale

for the change, the methodology for calculating the "Other" line items, and the impact on the overall budget and deficit projections. *Id.* at pp. 6-7.

9. In sum, the revised budget documents now present an accurate and transparent financial picture for FY2026, grounded in the most current data available from each responsible entity. The correction to the "Other" line items, the addition of a clarifying footnote, and the update to the projected deficit collectively enhance the reliability of the available revenues submission and support informed regulatory decision-making.

10. LUMA respectfully submits that it identified that the "Other" line-item calculation needed to be corrected only after the June 13th Responses were presented. The revised information in the Updated June 13th Responses is being provided to the Energy Bureau as soon as possible following the identification of the necessary revisions. LUMA emphasizes that the requirement to submit updated data is not the result of neglect, nor is it intended to cause undue delay or prejudice to any party. Rather, this update is submitted in good faith and in the interest of ensuring that the Energy Bureau has the most accurate and current information available for its consideration.

WHEREFORE, LUMA respectfully requests that the Energy Bureau **take notice** of the aforementioned; accept the Amended Exhibit 1; and **deem** LUMA in compliance with the June 11th Order.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, on June 19th, 2025.

I HEREBY CERTIFY that this motion was filed using the electronic filing system of this Energy Bureau and that electronic copies of this motion will be notified to the Puerto Rico Electric Power Authority, through its attorneys of record González & Martínez, Mirelis Valle-Cancel, mvalle@gmlex.net; and Alexis G. Rivera Medina, arivera@gmlex.net; and to Genera PR, LLC, through: Jorge Fernández-Reboredo, jfr@sbgblaw.com; legal@genera-pr.com; and regulatory@genera-pr.com.

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Revised Exhibit 1
(supporting excel spreadsheet to be submitted via email)

Annual Budgets

Revised Responses to FY2026 Temporary Default Budget Information Request

ACRONYMS	DEFINITIONS
PREPA	Puerto Rico Electric Power Authority
FY	Fiscal Year
GNP	gross national product
CDD	cooling degree days
RH3	Residential Service for Public Housing Projects
RFR	Residential Fixed Rate
LRS	Lifeline Residential Service
GRS	General Residential Service
SUBHH	Help for Human Subsidies
SUBNHH	Help for Non-Human Subsidies
kW	kilowatt
kVA	kilovolt-amperes
FCA	Fuel Charge Adjustment
PPCA	Purchased Power Charge Adjustment
CILT	Contributions in Lieu of Taxes
EE	Energy Efficiency
Abs	Absolute
P3A	Public-Private Partnerships Authority
T&D OMA	Transmission and Distribution System Operation and Maintenance Agreement
CPI	consumer price index

Introductory Statement

Over the past several years, LUMA has consistently highlighted the structural challenges posed by the existing revenue model, established under the 2017 Rate Order. These challenges have been further compounded by inflationary pressures, ongoing supply chain volatility, and rising costs associated with operating and maintaining aging infrastructure. Despite concerted efforts to prioritize spending and align budget allocations with critical reliability and customer service objectives, system revenues have proven insufficient to fully fund the budgets required to meet even baseline operational and maintenance needs.

The FY2025 Budget is a clear example of this constrained fiscal environment. Although developed in alignment with the allowable base rates, it ultimately required $74.7 million in supplemental government funding, demonstrating that the current rate framework does not generate enough revenue to meet essential system requirements. Notwithstanding this additional funding, LUMA had to defer certain activities to live within the allocated funds, underscoring the ongoing mismatch between system needs and available revenues. Looking ahead, the financial outlook for FY2026 is even more concerning. Without additional funding or base rate adjustment, the available system revenue will support a budget lower than the amount approved in FY2025.

In this context, LUMA has carefully considered the Energy Bureau's concerns regarding inflation adjustments. Our responses reflect the financial realities outlined above and our commitment to transparency and fiscal responsibility. As explained through this response, under the current rate structure and funding outlook, no inflationary adjustments can be responsibly proposed without exceeding the bounds of the 2017 Rate Order.

1.0 Responses to FY2026 Temporary Default Budget Information Request

REVENUE PROJECTIONS BY CUSTOMER CLASS FOR BASIC REVENUE

Base revenues for FY2026 are forecasted to total $1,160 million. LUMA developed these projections by simulating expected consumption and customer counts for each rate and service class, consistent with the methodologies applied in prior filings. The table below provides a detailed breakdown of these projected revenues by customer class.

FY2026 Base Revenues Forecast	
Customer Class	**M$**
Residential	$ 406.48
Commercial	$ 603.24
Industrial	$ 85.73
Public Lighting	$ 60.42
Agriculture	$ 2.02
Others	$ 2.26
TOTAL	**$ 1,160.15**

OTHER INCOME AND ADDITIONAL AVAILABLE FUNDS AMOUNTS

The FY2026 forecast for other income was developed based on FY2025 actuals, supplemented by the fourth-quarter estimates. Other income consists of operating and non-operating components. Interest income from operating, construction, and sinking funds reflects earnings on PREPA-owned and managed accounts, net of associated bank and processing fees. Scrap sales income results from selling transmission and distribution assets managed by GridCo. Income corresponding to revenue received from PREPA Networks. Income from late payment charges results from the costs and activities incurred by GridCo to recover late payment charges fees. Finally, miscellaneous service revenue includes a variety of charges managed through GridCo, such as administrative fees, equipment and meter services, infrastructure and system work, public safety and lighting projects, real estate and rental costs, and other operational support activities. Currently, no additional available funds beyond these identified sources have been recognized.

A detailed table outlining these components and their corresponding allocations is provided below.

Annual Budgets

USD in 000s

Fiscal Year 2026 Other Income Forecast	Total	Proportionate To All	GenCo	GridCo
Non-Operating				
Interest Income from Operating, Construction, Sinking Funds	$ 47,351	$ 33,009	$ -	$ 14,342
Scrap Sales	227	$ -	$ -	$ 227
Misc Non-Operating Income - PrepaNet	6,575	$ 6,575	$ -	$ -
Other Miscellaneous - Pharmacy Rebates	0	$ -	$ 0	$ -
Misc Non-Operating Income - Other	1,412	$ -	$ -	$ 1,412
Total Non-Operating	**$ 55,564**	**$ 39,583**	**$ 0**	**$ 15,981**
Other Operating				
Late Payment Charge	20,534	$ 11,716	$ -	$ 8,818
Miscellaneous Service Revenue	8,327	$ -	$ -	$ 8,327
PREB Regulatory Charge to Energy Providers	-	$ -	$ -	$ -
Admin Penalty / Expenses for Irregular Energy Consumption	(21)	$ -	$ -	$ (21)
Total Other Operating	**$ 28,840**	**$ 11,716**	**$ -**	**$ 17,124**
Total Other Income (Non-Operating and Operating)	**$ 84,404**	**$ 51,299**	**$ 0**	**$ 33,105**

ASSUMPTIONS UNDERLYING REVENUE PROJECTIONS

Revenues were derived based on the current rate structure. The base revenue was calculated using the following key assumptions:

- **Load Forecast** - Regression models were utilized to forecast consumption for the residential, commercial, and industrial customer classes. Puerto Rico's GNP, population, and weather factors measured by CDD are included as exogenous variables in these models. Additional dummy variables were included to account for seasonality and recent increases in CDD. For smaller customer classes, consumption was assumed to remain constant at FY2025 estimated levels. The forecast was further adjusted to account for energy efficiency reduction by current regulation, as well as the impacts of distributed generation, including net metering enrollments and combined heat and power installations. Finally, an incremental load was added to account for electric vehicles.

- **Customer Count** - Regression models were used to forecast the residential and commercial classes, while projections for the remaining classes were based on recent historical trends.

- **Distribution by Rate** - The calendar year 2024 profile was utilized to distribute load and customers by rate.

- **Demand (kW, kVA)** - Demand levels were held constant based on the totals from calendar year 2024.

- **Base Revenues** - The current rate structure was applied to the billing determinants—load, customer count, and demand—to calculate gross revenues. These revenues are presented on a gross basis because credits and subsidies granted to certain customers are recovered through riders. For example, customers billed under rates RH3, RFR, and LRS were billed at the GRS base rate, as the credits/subsidies of the lower rate will be recovered through the SUBHH rider to be applied in FY2026.

Annual Budgets

- **FCA and PPCA** - Generation fleet dispatch was modeled using PLEXOS to estimate fuel and purchased power costs.
- **CILT, SUBHH, and SUBNHH** - A simulation was performed utilizing the reduced rates, and the output was compared with the gross revenue simulation to determine the CILT and subsidy costs. These costs were divided by the load forecast to determine the rider and, subsequently, the revenue.
- **EE** - Based on LUMA January 2025 filing in Docket: NEPR-MI-2022-0001.

COMPARISON WITH CURRENT FISCAL YEAR REVENUE PERFORMANCE

As of May 2025, total revenues for the current fiscal year totaled $3,750.6 million, exceeding the FY2025 forecast for the same period by $106 million, or 2.91%. However, base revenues declined by $20.2 million, representing a decrease of 1.92%. The table below provides a detailed comparison by customer class.

USD in 000s

FY2025 (July 2024 - May 2025) Actual and Forecast Comparison				
			Variance	
Customer Class	**Actual (M$)**	**Forecast (M$)**	**Abs (M$)**	**%**
Residential				
Base	$369.925	$351.054	$18.872	5.38
Total	$1,479.649	$1,368.280	$111.369	8.14
Commercial				
Base	$519.752	$549.598	-$29.846	-5.43
Total	$1,807.933	$1,796.484	$11.449	0.64
Industrial				
Base	$83.345	$93.019	-$9.674	-10.40
Total	$339.548	$367.802	-$28.254	-7.68
Public Lighting				
Base	$56.232	$55.440	$0.792	1.43
Total	$109.658	$98.665	$10.993	11.14
Agricultural				
Base	$1.73	$1.72	$0.01	0.76
Total	$5.34	$5.16	$0.18	3.56
Others				
Base	$1.740	$2.067	-$0.327	-15.83
Total	$8.401	$8.185	$0.216	2.64
Total				
Base	$1,032.725	$1,052.896	-$20.170	-1.92
Total	$3,750.532	$3,644.575	$105.957	2.91

ANALYSIS OF REVENUE CAPACITY AVAILABLE FOR POTENTIAL INFLATION ADJUSTMENTS IN FY2026

LUMA has conducted a comparative analysis of revenue projections for FY2025 and FY2026 to assess the feasibility of applying an inflation adjustment by Section 7.3(d)[1] of the T&D OMA. Refer to the tables below.

[1] Section 7.3 (d) of the T&D OMA provides that if a budget has not been finalized by July 1 of a Contract Year, the applicable approved Budget for the immediately preceding Contract Year as adjusted for inflation based on the CPI Factor ("Default Budget") shall remain in effect until such time as the applicable budget for such Contract Year is so finalized.

Annual Budgets

USD in 000s

2017 Rate Order Base Rate Revenue Comparison	FY2025	FY2026[2,3]	Variance
Forecast Sales (GWh)	*16,180*	*16,022*	*(157)*
Projected Sales	1,151,456	1,160,149	8,693
Other Income	35,947	51,299	*15,352*
Total Base Rate Revenue	**1,187,403**	**1,211,448**	**24,045**
Other Cost Recovery Income Directly Allocated	53,708	33,105	(20,603)
Additional Available Funding through Government Cash	74,741	-	(74,741)
Total Non-Federally Funded Expenditure Limit	**$ 1,315,852**	**$ 1,244,553**	**$ (71,299)**
GridCo Operating and Capital Expenditures	692,663	624,936	(67,727)
GenCo Operating and Capital Expenditures	300,322	275,376	(25)
HydroCo Operating and Capital Expenditures	13,639	13,278	(361)
HoldCo Operating and Capital Expenditures	34,220	27,232	(6,988)
Other (Operator Service Fees, Bad Debts, Bankruptcy and Advisor Costs)	275,008	303,732	28,723
Total Non-Federally Funded T&D and Generation Expenditures	**$ 1,315,852**	**$ 1,244,553**	**$ (71,299)**

USD in 000s

Annual Budgets Summary	FY2025 Approved Budget	CPI Inflation Applied (3.438%)[3]	Variance
GridCo Operating and Non-Federally Funded Capital Budget	**692,663**	**716,477**	**23,814**
Generation			
GenCo Operating and Capital Expenditures	300,322	310,647	10,325
HydroCo Operating and Capital Expenditures	13,639	14,108	469
Total Generation Budget	**$ 313,961**	**$ 324,755**	**10,794**
HoldCo Operating and Capital Expenditures	**$ 34,220**	**$ 35,396**	**1,176**
Other			
LUMA Fee	134,736	139,367	4,631
Genera PR Fee	24,325	26,585	2,260
Bad Debts	59,529	59,040	(489)
Bankruptcy and Advisor Costs	56,418	78,739	22,321
Total Other	**$ 275,008**	**$ 303,732**	**$ 28,723**
Total Non-Federally Funded T&D and Generation Expenditures	**$ 1,315,852**	**$ 1,380,360**	**64,508**

[2] The allocation for net available funds by entity are derived from the P3A FY2025 allocation letter. The allocations are as follows: GridCo received 65.2%, Generation received 31.8%, and HoldCo received 3.0%. Within the Generation budget, P3A allocated 95.4% to GenCo and 4.6% to HydroCo.

[3] Under *Other*, the Genera PR Fee reflects the amount provided by Genera on April 4, 2025. Bad Debts are calculated as 1.5% of FY2026 total revenues. Bankruptcy and Advisor costs include FOMB advisor costs, as provided by FOMB on April 25, 2025, along with the PREPA bankruptcy fee from PREPA on April 16, 2025, and LUMA calculated Annual and Interim fees.

Annual Budgets

Based on this assessment, while sales forecasts indicate an increase of $8.7 million between FY2025 and FY2026, this marginal growth remains insufficient to meet the prior year's budgetary requirements. The FY2025 budget was supplemented by $74.7 million in government funding approved by the Public-Private Partnerships Authority to bridge the shortfall between available revenues and the minimum funding necessary to maintain the electric system. No equivalent government funding has been committed for FY2026. Thus, there is no available revenue capacity to support an inflation adjustment in FY2026.

Absent this supplemental funding, FY2026 is projected to experience a budget deficit of approximately $71 million, before accounting for inflation. Incorporating the applicable inflation adjustment of 3.44%[4] to the system budget, which encompasses LUMA Energy, PREPA, and Genera PR, would increase the required funding by an additional $65 million, bringing the total projected deficit to approximately $136 million. This significant gap clearly illustrates that LUMA's financial environment in FY2026 will be more constrained than in FY2025.

PROPOSED INFLATION ADJUSTMENT TO THE FY2025 BUDGET THAT STAYS WITHIN THE BOUNDS OF THE 2017 RATE ORDER

LUMA cannot propose any inflation adjustment to the FY2025 Budget without exceeding the revenue limitations established under the 2017 Rate Order. As detailed in the previous section, *Analysis of Revenue Capacity Available for Potential Inflation Adjustments in FY2026*, the FY2025 budget was already underfunded despite applying the full base rates allowed under the existing rate order. Without an approved base rate adjustment or confirmed continuation of government funds, the system will face a significant budget deficit in FY2026.

[4] The T&D OMA defines the CPI Factor as the ratio of the US-CPI Value (CPI-U) for the calendar year immediately preceding any adjustment to the US-CPI Value for the calendar year two years prior, rounded to the fifth decimal place. The CPI-U for calendar year 2023 was 308.381, and for calendar year 2024, it was 318.983. This results in a CPI Factor of 1.03438, indicating an inflation factor of 3.44%.