

**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: Hearing Examiner's Order Posing
Provisional Rate Review Questions; Addressing
PREPA's Challenge to LUMA's Request for
Incremental Funding

**Hearing Examiner's Order Posing Provisional Rate Review Questions; Addressing
PREPA's Challenge to LUMA's Request for Incremental Funding**

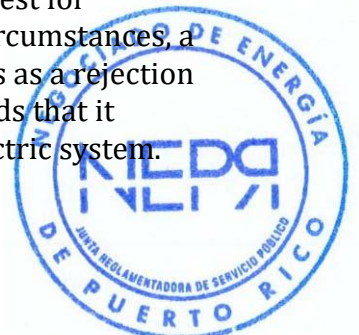
I. Consultants' Provisional Rate Review Questions

Energy Bureau consultants sent questions via email to LUMA and Genera this Saturday, July 12, 2025, strictly for review of the provisional rate request. This order includes those questions as Attachment A. The parties must submit their responses to these questions by **Tuesday, July 15, 2025 at 4pm Atlantic**. The procedure for discovery on permanent rates remains as established, to be conducted through the Accion platform.

II. PREPA's Challenge to LUMA's Request for Incremental Funding

On July 11, 2025, PREPA filed a "Motion to Amend Rate Application and Objection to LUMA's Requested Provisional Rate Rider Amount" (Motion and Objection). I will address the Motion to Amend at the conference scheduled for this morning, July 14, 2025. The present Order deals with the Objection.

LUMA's proposal for provisional rates includes \$398.6 million in incremental funding, i.e., funding above LUMA's Fiscal Year 2026 Default Budget. PREPA challenges this incremental funding on grounds that LUMA hasn't done enough to minimize its own costs and maximize revenues. Motion and Objection at 3-4. PREPA having controverted LUMA's proposal, I acknowledge that the Energy Bureau now cannot easily call LUMA's request "noncontroversial." But PREPA has not supported its assertions with evidence, and the Energy Bureau in this proceeding has not investigated those assertions (and cannot realistically do so in the two-week period between receiving the July 3 request for provisional rates and issuing an order on provisional rates). Under those circumstances, a rejection of the costs could be misinterpreted by participants and observers as a rejection on the merits, which it would not be. It also would deprive LUMA of the funds that it describes, through witness testimony, as immediately necessary for the electric system.



The better course is to address PREPA's concerns in the permanent-rate phase of this proceeding, when we will have the benefit of discovery and live witnesses—including, I assume, witnesses from PREPA that challenge LUMA's proposal using facts that have evidentiary value.

PREPA also argues that the provisional rates should not include amounts for transmission and distribution projects for which federal reimbursement is available, "unless and until LUMA first leverages the federal funding already available for these projects." Motion and Objection at 4-5. LUMA's July 3 submittal, both its Motion and its witnesses' testimony, assert that that these projects are necessary to repair the bulk power system. In this provisional-rate context, holding back prospective repair funds because of alleged prior performance problems doesn't achieve anything but delays in repairs. We are not dealing with an investor-owned utility context, where if the utility is unable to carry out its obligations with the funds available from approved rates, the utility has to use its own funds.

To some extent, PREPA's complaints about LUMA amount to an assertion that LUMA is violating its obligations under the OMA. PREPA is free to bring its concerns to the P3A, LUMA's counterparty to the OMA. In the instant proceeding, the Energy Bureau's focus is on setting rates that, prospectively, provide the funds necessary to provide the service that customers deserve.

Be notified and published.



Scott Hempling
Hearing Examiner



CERTIFICATION

I certify that the Hearing Examiner, Scott Hempling, has so established on July 14, 2025. I also certify that on July 14, 2025, a copy of this Order was notified by electronic mail to mvalle@gmlex.net; arivera@gmlex.net; jmartinez@gmlex.net; jgonzalez@gmlex.net; katuska.bolanos-lugo@us.dlapiper.com; Yahaira.delarosa@us.dlapiper.com; margarita.mercado@us.dlapiper.com; carolyn.clarkin@us.dlapiper.com; andrea.chambers@us.dlapiper.com; sromero@sbgblaw.com; gcastro@sbglaw.com; jennalvarez@sbgblaw.com; jfr@sbgblaw.com; regulatory@genera-pr.com; legal@genera-pr.com; hrivera@jrsp.pr.gov; contratistas@jrsp.pr.gov; victorluisgonzalez@yahoo.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; kara.smith@weil.com;

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 gkurtz@whitecase.com; ccolumbres@whitecase.com; isaac.glassman@whitecase.com;
 tmacwright@whitecase.com; jcunningham@whitecase.com; mshepherd@whitecase.com;
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 LShelfer@gibsondunn.com; jnieves@cstlawpr.com; arrivera@nuenergypr.com;
 apc@mcvpr.com. I also certify that on July 14, 2025, I have proceeded with the filing of the
 Order issued by the Puerto Rico Energy Bureau.

I sign this in San Juan, Puerto Rico, on July 14, 2025.




 Sonia Seda Gaztambide
 Clerk

Attachment A
Questions regarding the Provisional Rate Evaluation

LUMA

A. Priority Stabilization Plan (PSP)¹

1. **Cost discrepancy** – Exhibit 1, Table 12 (p. 74) assigns **\$122.9 million** to the PSP, while response ROI-LUMA-MI-2024-0005-20241205-PREB-024 in NEPR-MI-2024-0005 lists only **\$37.7 million** of incremental PSP expense.
Please reconcile the two figures and explain the reason for the difference.
2. **PSP amounts in the provisional-rate rider** –
Identify and itemize every PSP-related cost that LUMA proposes to recover through the provisional-rate rider.
3. **Vegetation Management in the PSP** – Exhibit 1, Table 12 shows **\$24 million** for Vegetation Management (VM) within the provisional-rate rider.
Describe how this \$24 million aligns with the VM initiatives approved in the PSP (Energy Bureau Case No. NEPR-MI-2024-0005, Order of 28 Mar 2025).

B. Vegetation Management (VM)

4. **Fleet support for VM** – Kevin Burgemeister Direct Testimony, Q-70.
Specify any Fleet Department expenses that directly support VM activities.
5. **Federally funded VM “Reset”** –
Specify:
 - a. *the present status of the federally funded Vegetation Management (VM) “Reset” program, whose estimated budget is roughly \$1.2 billion; and*
 - b. *whether any spending under that program will occur during the provisional rate period.*
6. **Contract pricing** –
 - a. *Are the rates in LUMA’s non-federally-funded VM contracts comparable to those FEMA approved?*
 - b. *Supply copies of every vegetation-management (VM) contract—both federally funded and non-federally funded—that will be in effect during the provisional-rate period.*



¹ Energy Bureau Case No. NEPR MI 2024 0005, Order of 28 Mar 2025;
<https://energia.pr.gov/wp-content/uploads/sites/7/2025/04/20250328-MI20240005-Resolution-and-Order.pdf>.

7. **VM oversight mapping tool –**

Does the provisional rate request include costs to develop a visual VM oversight map (similar to the Hosting Capacity map)? If so, detail the scope and budget.

C. Transmission & Distribution (T&D)

8. **Incremental NFC totals –** A. Meléndez Direct Testimony, p. 66.

Confirm the requested incremental NFC amounts for FY 2026 above the Temporary Default Budget:

• Distribution \$44.2 M • Transmission \$30.8 M • Substations \$44.4 M • Wildfire Mitigation \$11.7 M • Telecom \$3.5 M • Grid Modernization \$4.0 M (total \$138.6 M).

9. **Supply-chain and labor constraints –**

Explain how LUMA incorporated long lead-time equipment, limited on-island labor, and contracting constraints when estimating the T&D NFC amounts.

10. **Implementation capability –**

Detail the measures LUMA has taken—or will take—to ensure it can execute the higher capital spend implied by the requested NFC funding.

11. **Consistency with system plans and orders –**

Show how the projects funded by the \$138.6 million request align with the Energy Bureau directives in Case NEPR-MI-2024-0005 (Electric System PSP).

12. **Capital-project list –**

Provide a spreadsheet listing each capital project underpinning the provisional-rate request, including: project name; budget for FY 2026–FY 2028; description; and cross-reference to its location in the Electric System PSP.

13. **Completion dates and reliability impacts –**

For each NFC project included in the provisional rate, state the planned completion date and quantify the expected reliability benefit to the Puerto Rico grid.

D. Fleet

14. **Vehicle procurements –** LUMA Ex. 18.0, Q-71.

Supply a breakdown of vehicles to be procured under the provisional-rate rider, by category, in the same format as Ex. 18.0, Table 7.

E. Facilities

15. **Asphalt and demolition costs –** LUMA Ex. 17.0, Q-60.

Itemize the asphalt-resurfacing and building-demolition costs included in the provisional-rate rider.

16. **HVAC retrofits/replacements –** LUMA Ex. 17.0, Q-60.

For each HVAC system slated for retrofit or replacement: confirm whether it is currently inoperable, describe its status, and discuss the operational impact if the unit is not replaced in FY 2026.



Genera

17. Priority Stabilization Plan (PSP)² – Exhibit 22.2

For Priority Stabilization Plan activities 3, 4, 5, 6, 8, and 9, please state the projected non-federally funded costs to be incurred during the provisional rate period.

18. Constrained vs. optimal budgets – M. Sánchez Brás Testimony, Ex. 22, p. 7 (and Schedule A).

Describe the criteria used to set the constrained budgets (FY 2026 \$550.5 M, FY 2027 \$488.6 M, FY 2028 \$469.9 M) after establishing the higher “optimal” budgets (FY 2026 \$720.5 M, FY 2027 \$689.0 M, FY 2028 \$656.7 M)?

19. Repair and Maintenance projects – Exhibit 22.2, Tab D-2

- a. *List each repair-and-maintenance activity scheduled to incur expenses during the provisional rate period.*
- b. *For every listed activity, state the associated estimated expense during the provisional rate period.*

20. Labor cost treatment in NMEs – Exhibit 22.2, Tabs A-1 and D-2.

- a. *Because both Genera staff and external contractors work on NME and federally funded projects, should the operating-expense labor budget be reduced accordingly?*
- b. *If so, why is this reduction not reflected in Tab A-1, Cell Y33, which currently includes \$70.94 M for salaries and wages?*

21. Decommissioning projects – Exhibit 22.2, Tab D-2, line items 3–7.

Why are these decommissioning projects not slated for FEMA or CDBG funding when the first two projects in lines 1–2, in the same category, are federally funded?

22. Warehouse budget – Ex. 22, p. 9, Part C (Warehouse Budget Analysis).

Explain the basis for the identical optimal and constrained warehouse budgets (FY 2026 \$7.3 M; FY 2027–FY 2028 \$164.1 k each).

23. Federal-funding cost share – Schedule A-1, line 66 shows \$67.4 M for GenCo.

Why is this amount required when, on 21 Nov 2022, the government indicated that \$500 M of CDBG-DR ER1 funds were available for the same cost-share purpose (see NEPR-MI-2021-0004 filing of 21 Nov 2022³)?

24. San Juan Units 5 & 6 gas-conversion surcharge – Exhibit 22.2, Tab D-2 (Optimal), line 62 lists “Units 5 & 6 Gas Conversion Infrastructure Project (Surcharge).”

Explain why this expenditure is included in Genera’s NME budget when the underlying contract identifies NFENERGIA LLC as the seller and PREPA—not Genera—as the buyer?

² Energy Bureau Case No. NEPR MI 2024 0005, Order of 28 Mar 2025;

<https://energia.pr.gov/wp-content/uploads/sites/7/2025/04/20250328-MI20240005-Resolution-and-Order.pdf>.

³ <https://energia.pr.gov/wp-content/uploads/sites/7/2022/12/Supplemental-Information-on-Questions-Posed-During-Technical-Conference-of-October-18-2022-NEPR-MI-2021-0004.pdf>.

