

**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:** Establishment of Fiscal Year  
2026 Provisional Rates and Fiscal Year  
2026 Provisional Budget.

**RESOLUTION AND ORDER**



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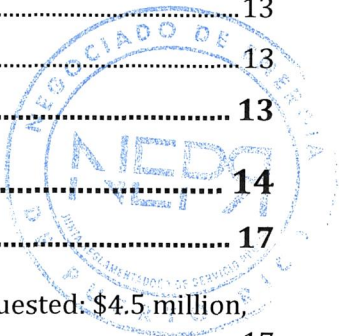
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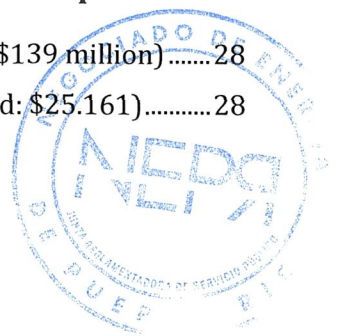
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## INTRODUCTION

On July 3, 2025, LUMA Energy, LLC and LUMA Energy ServCo, LLC (collectively, “LUMA”) submitted, on behalf of itself, Genera PR LLC (“Genera”), and the Puerto Rico Electric Power Authority (“PREPA”), an application for permanent rates and provisional rates.<sup>1</sup> This Resolution and Order addresses only the application for provisional rates.

For costs other than pension costs, LUMA’s three-party application<sup>2</sup> seeks a total FY 2026 provisional revenue requirement of \$2.420 billion.<sup>3</sup> This provisional revenue requirement consists of two major components:

- LUMA’s projected Other Income and Revenues at Present Rates<sup>4</sup> of \$1.236 billion as represented by LUMA;<sup>5</sup> and
- an incremental revenue requirement of \$1.184 billion, consisting of the elements discussed in the present Resolution and Order, to be recovered through a new non-pension rider that would increase each customer’s bill by a uniform 7.3915 cents/kWh.

For pension costs, PREPA separately seeks a FY 2026 amount of \$307,475,422, which would translate into a separate rider amount of 1.9191 cents/kWh.

Since July 3, LUMA has revised several inputs behind the original 7.3915 cents/kWh estimate. Re-running the calculation with those revisions raises the figure to 7.5605 cents/kWh.<sup>6</sup> That figure is the actual proposal before us.

In this Resolution and Order, the Energy Bureau authorizes a total provisional revenue requirement that is lower than the amount proposed in the July 3 Application by reducing, relative to the July 3 Application, the total amount that customers will pay during the provisional-rate period. The existing revenue requirement to which we are adding the incremental costs in the two riders is the revenue requirement associated with the FY 2026

<sup>1</sup> LUMA Motion Submitting Rate Review Petition, Case No. NEPR-AP-2023-0003, Puerto Rico Electric power Authority Rate Review, July 3, 2025 (“July 3 Application”).

<sup>2</sup> As discussed in further detail below in this Resolution and Order, the July 3 Application includes proposed rate increases attributable to each of the entities, namely, LUMA, Genera, and PREPA. However, it is clarified that, at times, references in this document to the July 3 Application or to the LUMA application should not be interpreted as referring solely to increases requested by LUMA. This is because, under the applicable legal framework, LUMA is responsible for submitting the provisional and permanent rate applications, taking into account all components of the electric system and its participating entities.

<sup>3</sup> “0.0 - System Funding Summary” tab in LUMA Ex. 1.06 (7.03.25) - Working Papers\_Provisional Rate Revenue Requirement. For clarification, this petition addresses only base rates and does not include the Fuel and Purchased Power components of the electric bill, which represent the largest portion of customer charges. The Fuel and Power Purchase components of PREPA’s rate shall continue to be reviewed and adjusted during the pendency of the provisional rate and until a new permanent rate is established pursuant to the procedures in case In Re: Puerto Rico Electric Power Authority’s Permanent Rate, Case No.: NEPR-MI-2020-0001.

<sup>4</sup> Capitalized terms not otherwise defined in this Resolution and Order shall have the meaning ascribed to them in the corresponding documents submitted by the parties or in those referenced by the Energy Bureau with respect thereto.

<sup>5</sup> *Id.*

<sup>6</sup> The July 3 Application stated that this rider amount would be 7.3915, because the “Deficiency to be Funded by Provisional Rates” stood at \$1.184285 billion, calculated by dividing that number by the 16,022,250,495 kWh sales forecast. See LUMA Ex. 20.03 (7.03.25) Rate Design for Provisional Rates, Rate Inputs, Row AB19. In its July 22 update, LUMA increased the “Other” cost bucket to \$532.191 million (up 27.075 million from the July 3 submission), as a result of an increase in the Bankruptcy & Advisor Costs line to \$78.739 million, thus raising the overall “deficiency” to \$1.211360 billion. Despite changing these input numbers, LUMA did not apply those changes so as to recalculate the provisional-rate rider amount. We do so here: Dividing that asserted higher dollar need (\$1.211360 billion) by the unchanged 16,022,250,495 kWh sales forecast yields 7.5605 ¢/kWh, explaining the move from 7.3915 cents to 7.5605 cents.

Temporary Default Budget.<sup>7</sup> To collect the incremental revenues, there will be two riders as follows:

Rider for all costs other than pension costs: \$0.014931/kWh<sup>8</sup>

Rider for pension costs: \$0.019191/kWh<sup>9</sup>

In summary, whereas the total incremental increase proposed by the three entities was 7.5605 cents/kWh (not counting the pension cost), this Resolution and Order requires a provisional rate of 1.4931cents/kWh and including the pension rider it would be a total increase (the sum of the two riders just above) of 3.4122 cents/kWh (which includes the pension cost). The Energy Bureau's counterpart to LUMA's 7.5605 cents/kWh is the above-mentioned 1.4931 cents/kWh. That relationship is the counterpart to the relationship between the proposed \$1,184 million incremental cost and our approved incremental cost of \$227.598 million. As discussed in Part V below, the Rider for all costs other than pension costs (1.4931 cents/kWh) will not apply to these customer categories: Lifeline Residential Service (LRS), Residential Service for Public Housing (RH3), and Residential Fixed Rate for Public Housing Under Ownership of the Public Housing Administration (RFR).

The total provisional revenue requirement (FY 2026 Temporary Default Budget<sup>10</sup> costs plus incremental non-pension costs plus pension costs) represents 12 months of costs, covering the full Fiscal Year 2026, *i.e.*, July 1, 2025, through June 30, 2026. Of 12-month total, 10 months of it would be recovered from customers over the 10-month provisional-rate period; *i.e.*, from September 1, 2025, through June 30, 2026. A reconciliation will recover the remainder.

Since customers will be experiencing provisional rates for the first time in eight years, it is worth taking a moment to make terms clear. The "provisional revenue requirement" represents the total dollars that we are authorizing LUMA to collect from customers during the period, known as the provisional-rate period. The provisional rate period begins on September 1, 2025 and extends until the permanent rate is approved and implemented by LUMA in accordance with the law, which shall not extend beyond June 30, 2026. Those total dollars are the sum of three things: (a) the FY 2026 Temporary Default Budgets; (b) the incremental costs, other than pension costs, on top of the costs recovered through existing base rates, to be recovered through a non-pension rider through a cents/kWh charge referred to as the "provisional-rate rider amount;" and (c) the pension costs, to be recovered through a distinct pension rider through a distinct provisional-rate rider amount.

<sup>7</sup> That existing revenue requirement is \$1.244 billion, approved as the Temporary Default FY2026 Budget in our Resolution and Order of June 20, 2025. Resolution and Order Establishing Temporary Default Budgets for Fiscal Year 2026 ("FY26"), Case No. NEPR-MI-2021-0004, June 20, 2025 (June 20 Order).

<sup>8</sup> To establish the Rider for all costs other than pension costs at \$0.014931/kWh, the calculation is based on recovering an incremental revenue requirement of \$227.598 million—as shown in the Table in Part III. This cost is allocated across the annual kWh consumption of all customers, excluding the three customer classes that we have exempted from the rider as explain in Part V: Lifeline Residential Service (LRS), Residential Service for Public Housing (RH3), and the Residential Fixed Rate for Public Housing Under Ownership of the Public Housing Administration (RFR). Because of this exclusion, the denominator used to calculate this rider amount is an adjusted sales forecast of 15,243,557,953 kWh, which removes sales to these three classes. Dividing the \$227.598 million revenue requirement by this specific sales volume results in the final rider of \$0.014931/kWh.

<sup>9</sup> For the separate Rider for pension costs, established at \$0.019191/kWh, the calculation is based on a specific revenue requirement of \$307,475,422 needed to cover pension obligations. The key difference in this rider's calculation lies in how this cost is allocated. Unlike the non-pension rider, these pension costs are spread across all customer sales without exception. Consequently, the calculation utilized the full, unadjusted sales forecast of 16,022,250,495 kWh, a figure that includes the Lifeline Residential Service ("LRS"), Residential Service for Public Housing ("RH3"), and Residential Fixed Rate for Public Housing ("RFR") customer classes. Dividing the \$307,475,422 pension revenue requirement by this larger, all-inclusive sales volume results in the final rider of \$0.019191/kWh.

<sup>10</sup> "FY 2026 Temporary Default Budget" refers to the budget approved by Resolution and Order issued by the Energy Bureau in June 2025 in case *In Re: LUMA Initial Budgets and Related Terms of Service*, Case No.: NEPR-MI-2021-0004.

This Resolution and Order on provisional rates is necessary to assist PREPA and the two system operators in carrying out their ongoing obligation to ensure reliable service and financial continuity, while the Energy Bureau conducts in this proceeding a full review for purposes of setting permanent rates. In establishing provisional rates, the Energy Bureau makes no final determinations regarding the adequacy, efficiency, or prudence of the three entities' operational or financial practices.<sup>11</sup> The Energy Bureau will address those matters fully during the adjudicative phase of this proceeding. In setting permanent rates, the Energy Bureau will determine whether the provisional rate collections were appropriate and, if the Energy Bureau deem necessary, order retroactive adjustments.

This Resolution and Order has six main parts, as follows:

**Part I** has background material: procedural history; an explanation of the distinctions among permanent rate, provisional rate, and the provisional-rate rider amount; the relationship between the provisional rate and the FY 2026 Temporary Default Budget; and the criteria applicable to incremental costs proposed for the provisional-rate riders.

**Part II** provides an overview of the July 3 Application and subsequent clarifying information, covering LUMA-specific costs, Genera-specific costs, PREPA-specific costs, system-level costs, and changes to the original proposal.

**Part III** has our determinations for all incremental costs and pension costs, in these categories: LUMA-specific costs, Genera-specific costs, PREPA-specific costs, system-level costs, and additional items.

**Part IV** addresses rate design for the provisional-rate rider amounts.

**Part V** addresses affordability and practicability concerns associated with the provisional rate that we are approving.

**Part VI** has Orders and Conclusions.

## I. Background Material

This Part I addresses the following background topics: procedural history; the distinction among permanent rate, provisional rate, and the provisional-rate rider amount; the relationship between the provisional rate and the FY 2026 budget; and the criteria applicable to provisional-rate requests for incremental additions to the FY 2026 Temporary Default Budget.

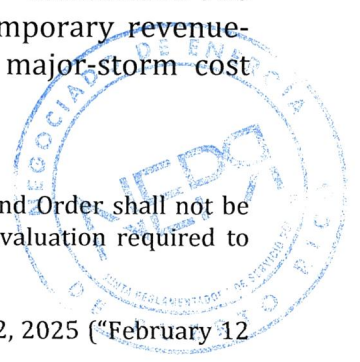
### A. Procedural History

The Energy Bureau's February 12 Order<sup>12</sup> set filing requirements (Schedules A through H); and conditioned any provisional rate on (a) a revenue requirement no higher than that supporting the proposed permanent rates; (b) a uniform percentage increase across all base-rate components; and (c) a reconciliation mechanism. The February 27 Order<sup>13</sup> added to the filing requirements Schedule I (a temporary revenue-decoupling mechanism with semiannual true-ups) and Schedule J (a major-storm cost

<sup>11</sup> Accordingly, it is emphasized that the determinations set forth in this Resolution and Order shall not be interpreted as final findings of fact or final conclusions of law for purposes of the evaluation required to establish the permanent rate.

<sup>12</sup> Resolution and Order Establishing Scope and Procedures for Rate Case, February 12, 2025 ("February 12 Order").

<sup>13</sup> Resolution and Order Adding Two Filing Requirements, February 27, 2025 ("February 27 Order").



rider). The April 21 Order<sup>14</sup> organized the case into a single, two-phase proceeding; authorized LUMA to file, on July 3, 2025, a provisional-rate request backed by a conforming budget amendment; barred mid-proceeding changes to provisional rates; and required those rates to remain in effect until final permanent rates become effective. It also limited supporting budget amendments actions that would be funded by the incremental portion of the total provisional rate to high-priority, noncontroversial items.

Beginning with the February 18<sup>15</sup> and 20<sup>16</sup> orders, the Hearing Examiner guided the parties from initial planning to an executable pathway for a provisional rate effective in FY 2026. The Hearing Examiner convened conferences to vet the Energy Bureau's February 12 Order filing requirements, secure a firm application date, and underscore the expectations for a provisional rate subject to later reconciliation. In March the Hearing Examiner examined LUMA's proposal to keep the provisional rate in force until permanent rates issue, circulated comprehensive legal and practical questions on statutory authority, timing, and refund risk, and collected stakeholder responses. His follow-up questions and the March 24 Order<sup>17</sup> required the forthcoming application and prefiled testimony to supply the data needed for a completeness finding and for calculating a provisional revenue requirement tied strictly to high-priority, noncontroversial expenditures.

After the Energy Bureau's April 21 Order organized the case, the Hearing Examiner issued a sequence of orders (April 22, 24, 28; May 2 and 8 through 16; June 6 through 26) that set a July 3, 2025 deadline for a single three-entity application containing both permanent and provisional rate requests, prescribed budget-amendment support, and mandated electronic discovery.

On July 3, 2025, LUMA filed a document titled "Motion Submitting Rate Review Petition."

Following LUMA's July 3 filing, the Hearing Examiner issued a series of procedural orders starting on July 7 until July 21, where the Hearing Examiner accelerated discovery on the provisional-rate rider, clarified that the "provisional rate" is the full amount collected from customers (existing base rate plus amounts collected by the two riders), granted additional interventions, and required refinements to the proposed public notices. The Hearing Examiner posed and compelled swift answers to Energy Bureau consultant questions, defined two reconciliation riders, one for pension and one for non-pension costs, and anchored all true-ups to a July 1, 2025 effective date while directing LUMA to address potential under-collection during the provisional period. Resolving successive discovery disputes, he struck a balance between necessary transparency and burdensome detail, and reaffirmed PREPA's participatory rights, all to ensure the record on which the Energy Bureau will rule on the provisional rate is both comprehensive and promptly developed.

## **B. The Distinctions Among Permanent Rate, Provisional Rate, and Provisional-Rate Rider Amount**

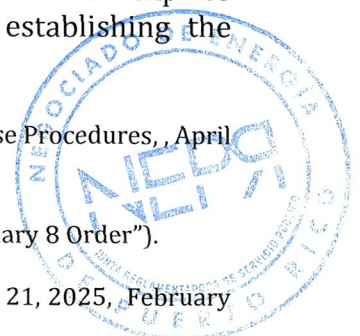
Under Act 57-2014 § 6.25(e) and its parallel § 6A(e) in Act 83-1941, the Energy Bureau may, within 30 days of a petition for permanent rates, set a provisional rate (referred to in the statutes as a "temporary rate"). A provisional rate is a rate that is subject to reconciliation once the Energy Bureau sets a permanent rate. The provisional rate cannot take effect for at least 30 days after an Order approves it. The provisional rate expires automatically on implementation of the Energy Bureau's final order establishing the permanent rate, but in no event later than 60 days afterward.

<sup>14</sup> Resolution and Order Making Revisions and Additions to February 12 Order on Rate Case Procedures, April 21, 2025 ("April 21 Order").

<sup>15</sup> Hearing Examiner Order Scheduling Procedural Conference, February 18, 2025 ("February 8 Order").

<sup>16</sup> Hearing Examiner's Order Establishing Agenda for Prehearing Conference of February 21, 2025, February 20, 2025 ("February 20 Order").

<sup>17</sup> Hearing Examiner's Order Requiring Certain Information in the Rate Case Application or Accompanying Prefiled Testimony, Case No. NEPR-AP-2023-0003, March 24, 2025 ("March 24 Order").



Under the statute, the decision approving a provisional rate does not require adjudication. While, the decision is expected to be rational and take into account relevant considerations and the information before the Energy Bureau, it is not based on an evidentiary record or evidentiary hearing, **and is not subject to judicial review, as it constitutes an interlocutory administrative action taken solely for provisional purposes.** The reason for this departure from adjudication formality is that the provisional rate is not the final rate; *i.e.*, it is not the permanent rate. Approval of a permanent rate does require adjudication, which the Energy Bureau will conduct according to the procedures established by its prior and future orders and those of the Hearing Examiner. When the Energy Bureau completes that adjudicative procedure and adopts permanent rates that satisfy the statutory just-and-reasonable standard, the total dollars collected from each customer class provisionally will be reconciled, by credit or surcharge, retroactively to July 1, 2025, so that each customer class pays the amounts that the Energy Bureau has established as the appropriate amounts for FY 2026.<sup>18</sup>

### C. Relationship Between the Provisional Rate and the FY26 Budget

In its June 20 Order,<sup>19</sup> the Energy Bureau approved a FY 2026 Temporary Default Budget of \$1.244 billion for non-federally-funded T&D and generation costs. This cost level reflected the revenues that PREPA can expect to collect under the current base rates; *i.e.*, rates set in 2017. In establishing that figure, the Energy Bureau increased LUMA's and Genera's service fees (by the 3.438 % CPI), as required by each company's Operating and Maintenance Agreement ("OMA"); then proportionally reduced every other expenditure category so that total spending would not exceed the \$1.160 billion of projected base rate revenue plus \$84.4 million of "Other Income." The June 20 Order described these reductions as an interim fiscal restraint measure designed to ensure compliance, beginning July 1, 2025, with the 2017 Rate Order's spending cap.

This existing FY 2026 Temporary Default Budget was not the final budget for FY 2026. The June 20 Order states that it "shall remain in force only until superseded by provisional or final rates," to be determined in the rate review now under way in the present proceeding on LUMA's, PREPA's, and Genera's three-company provisional-rate-application. The budget supporting the provisional rate, both approved in the present Resolution and Order, supersedes the June 20 Order establishing the FY 2026 Temporary Default Budget. This superseding budget, which we will call the Provisional FY 2026 Budget, will be in place until the Energy Bureau establishes, for Fiscal Year 2026, a permanent budget and associated permanent rates. This treatment is consistent with the two entities' Operation and Maintenance Agreements.<sup>20</sup>

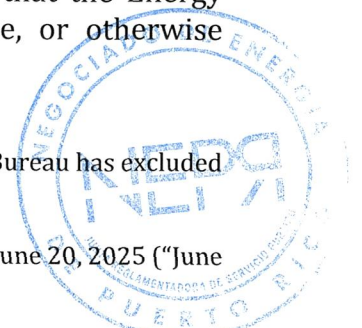
### D. Criteria Applicable to Incremental Costs Proposed for the Provisional-Rate Rider

The Energy Bureau's April 21 Order limited the provisional revenue requirement to a level that reflected the sum of the existing approved budget plus costs associated with activities or physical equipment or facilities that are "high priority and noncontroversial." The Energy Bureau created this safeguard to reduce the risk that the entities will, during the provisional-rate period, fund activities or items that the Energy Bureau, in its decision on permanent rates, finds imprudent, excessive, or otherwise

<sup>18</sup> This reconciliation shall include the prosumers, and the lower income tariff the Energy Bureau has excluded in this provisional period.

<sup>19</sup> See Resolution and Order Establishing Temporary Default Budgets for Fiscal Year 2026, June 20, 2025 ("June 20 Order").

<sup>20</sup> Sections 7.3(d) of the T&D OMA and 7.3(g) the LGA OMA, provide that in the event a Budget for a given Contract Year has not been finalized by July 1 of such Contract Year, the applicable approved Budget for the immediately preceding Contract Year (Default Budget), as adjusted for inflation based on the CPI Factor, shall remain in effect until such time as the applicable Budget for such contract year is finalized. Section 7.3(a) of the T&D and LGA OMAs provide that in a year in which a rate adjustment approved by PREB enters into effect, the O&M Budget used in connection with obtaining such rate adjustment shall be used.



unnecessary. In determining the provisional rates, the Energy Bureau applied that criterion to every item requested by the three entities.

In addition, the Energy Bureau reviewed the July 3 Application, as supplemented, testimony, and discovery responses to determine whether current base revenues are insufficient to meet those priority costs, taking into account operating shortfalls documented in prior budget proceedings.

The Energy Bureau's review of the provisional-rate request is intentionally narrow: only those incremental cost items that are clearly "high-priority and noncontroversial," as required by the February 12 and April 21 Orders, are eligible for recovery at this preliminary stage. The discussion and analysis in this Resolution and Order therefore does not reflect an exhaustive review of, and does not constitute a final decision on, the entities' proposals for permanent rates. That full vetting will occur in the permanent-rate phase. Nonetheless, the Energy Bureau, mindful of the profound effect electric rates have on Puerto Rico's 3.5 million residents, during this provisional rate process authorized extra rounds of discovery, including interrogatories from intervenors, even though such discovery exceeds the minimum statutory mandate.

To reach the determinations contained in Part III of this Resolution and Order, the Energy Bureau applied the provisional-rate criteria and the statutory "just and reasonable" standard, and the information currently available to the Energy Bureau, to each proposed cost element. The result is an interim rate increase, subject to further analysis and reconciliation, under an adjudicative procedural approach that preserves all parties' rights for the comprehensive review to follow.

## II. Overview of the July 3 Application and Subsequent Clarifying Information

In the July 3 Application, LUMA presented a petition on behalf of the entire electric system: LUMA (T&D operator), Genera (generation operator) and PREPA (owner, Hydro Co and HoldCo). Consistent with the Energy Bureau's April 21 Order, the filing bundles a single revenue-requirement case with an accompanying application for provisional rates. Because PREPA furnished LUMA its cost data only on June 30, 2025, LUMA used as PREPA's portion of the application an inflation-adjusted "PREPA Proxy."<sup>21</sup> LUMA requested a systemwide provisional revenue requirement of \$2.491 billion for FY 2026, versus a permanent-rate request of \$2.752 -billion.<sup>22</sup>

The provisional-rate proposal: (1) applies, for incremental costs, - a uniform cents per kWh rider to all customer classes,<sup>23</sup> (2) leaves all existing riders and surcharges unchanged,<sup>24</sup> (3) produces revenues below the proposed permanent revenue requirement, (4) identifies an effective date of September 1, 2025,<sup>25</sup> and (5) carries an automatic reconciliation (sometimes called a "true-up") so that customers will be credited or billed for any difference once permanent rates are set.<sup>26</sup> Supporting testimony itemizes and seeks to justify the interim funding needs.

<sup>21</sup> July 3 Motion, p. 16 (explaining late receipt of PREPA data and substitution of an inflation-adjusted proxy).

<sup>22</sup> Direct Testimony of Alejandro Figueroa, LUMA Ex. 1.0, Q&A 107 and Table 10.

<sup>23</sup> Direct Testimony of Alejandro Figueroa, LUMA Ex. 1.0, Q&A 108.

<sup>24</sup> Direct Testimony of Alejandro Figueroa, LUMA Ex. 1.0, Q&A 109.

<sup>25</sup> Direct Testimony of Alejandro Figueroa, LUMA Ex. 1.0, Q&A 103.

<sup>26</sup> Direct Testimony of Alejandro Figueroa, LUMA Ex. 1.0, Q&A 101 (explanation of Provisional Rate as "subject to reconciliation").



This Part II summarizes the proposal, covering these subjects: LUMA-specific costs, Genera-specific costs, PREPA-specific costs, system-level costs, and changes to the original proposal.

## **E. LUMA-Specific Costs**

LUMA's portion of the July 3, 2025, proposed total provisional revenue requirement seeks roughly \$1.229 billion of the total provisional-rate revenue. That \$1.229 billion is composed of \$970 million for core T&D operating and capital needs ("GridCo Opex & Capex"), plus \$120 million to address prior underfunding and current replenishment of the Outage Event Reserve, and \$139 million in O&M fees.<sup>27</sup> Following is an overview of the main items.

### **1. Regulatory – Outage Event Reserve Account**

LUMA proposes that the provisional rate include \$120 million for O&M to address PREPA's past and current underfunding of the Outage Event Reserve Account, in the amount of \$239 million.<sup>28</sup> According to LUMA, this amount would (a) restore the reserve to the \$30 million minimum balance mandated by § 7.5(d)(ii) of the T&D OMA, and (b) reimburse LUMA for \$209 million in funds that PREPA failed to put into the account since November 2023 a failure that, according to LUMA, caused it to divert operating cash to restore service after emergency events. LUMA seeks to collect one-half of the shortfall (\$120 million) in FY 2026 through the provisional rate, with the remainder to be recovered via a proposed major-storm rider beginning in -FY 2027. LUMA characterizes this item as "-high-priority- and noncontroversial," asserting that replenishing the reserve is essential to maintain liquidity for emergency response without jeopardizing planned O&M and capital activities.<sup>29</sup>

### **2. Capital Programs & Grid Transformation – System Stabilization, Wildfire Mitigation, and Grid Modernization**

LUMA seeks \$138.6 million to fund what it identifies as three time critical initiatives. First, \$119.4<sup>30</sup> million would launch a portfolio of "System Stabilization Projects." These projects cut across distribution, substation, transmission, and telecommunications assets replacing at risk poles and conductors, restoring out-of-service lines and breakers, and completing urgent substation repairs—to arrest the electric system's -decline and lower the probability of cascading blackouts while the permanent rate case is pending. Second, LUMA identifies \$11.7 million for wild-fire-mitigation hardening; this work includes circuit level risk assessments, installation of covered conductor and automation devices, and other measures targeted at the island's high risk southern and western corridors in response to Energy Bureau directives. Third, \$4.0 million would purchase land in Barceloneta, Manatí, Aguadilla, and San Juan for four 25MW battery-energy storage facilities that will -furnish fast frequency support and voltage regulation by mid-FY 2027-. LUMA asserts that absent this funding, the aging electric system will continue to deteriorate despite the influx of Federal

<sup>27</sup> Direct Testimony of Alejandro Figueroa, LUMA Ex. 1.0, Q&A 114-119 and Table 12 (outage event reserve underfunding and \$120 M replenishment request).

<sup>28</sup> Direct Testimony of Alejandro Figueroa , LUMA Ex. 1.0, Q&A 55, 114.

<sup>29</sup> Direct Testimony of Alejandro Figueroa, LUMA Ex. 1.0, Q&A 55,114 (description of "Reimbursement of Outage Event Costs and Replenishment of Account" - breakdown of US \$30 million reserve top-up and US \$209 million reimbursement), 133 and Direct testimony of Andrew Smith, LUMA Ex. 2.0, Q&A 21(explanation that the reserve has not been funded since Nov 2023 and that LUMA has spent US \$209 million responding to events including Hurricane Fiona and Tropical Storm Ernesto).

<sup>30</sup> The requested funding for system stabilization projects in the provisional rate was corrected to \$119.4 million, Motion in Compliance with July 8<sup>th</sup> Order.



Emergency Management Agency (“FEMA”) grants. LUMA emphasizes that scopes, land options, and supply-chain- commitments make the projects executable within FY 2026.<sup>31</sup>

### 3. Operations – Field Maintenance and Reliability Initiatives

LUMA seeks \$60.4 million for Operations: \$47.0 million in O&M and \$13.4<sup>32</sup> million in non-federally-funded- capital, to execute six high priority initiatives that LUMA states it needs to stabilize the transmission and distribution networks while the permanent rate case is pending. First, \$24.0 million would launch a four year cyclic vegetation -management program and apply herbicide treatments on rights of way to meet DOE Order 2022-5-213. Second, \$21.0 million would expand preventive and corrective substation maintenance, so that aging breakers, transformers, and control equipment can be serviced on industry standard intervals. Third, \$2.0 million would augment system—operations staffing, planning, and control center tools needed to coordinate the surge of field work. Fourth, \$5.7 million would fund “priority” transmission pole replacements, that would address critical defects identified through recent inspections. Fifth, \$6.5 million would clear a backlog of failed substation apparatus to restore system contingencies and reduce outage risk. Finally, \$1.2 million would complete targeted substation rebuilds that demarcate transmission assets from generation assets, so as to enable accurate revenue metering. LUMA contends that this near-term funding will let LUMA shift from reactive repairs to proactive, -risk-based maintenance, thereby lowering outage frequency and duration.<sup>33</sup>

### 4. Information Technology / Operational Technology – Stabilizing Core Systems, Securing the Grid, and Enabling the Workforce

LUMA seeks \$18.7 million for IT/OT \$11.4 million in incremental O&M and \$7.3 million in non-federally-funded capital (“NFC”), to eliminate near-term technology risks that, LUMA says, threaten reliability and cyber resilience. Roughly \$4.2 million of O&M would absorb fixed server, security, and application costs that fell solely to LUMA after the February 2025 termination of its shared-services agreement with Genera; while \$7.2 million would fund unavoidable staff and vendor support needed to keep pace with other departments’ vegetation-management, system-stabilization, and customer programs. On the capital side, LUMA proposes \$0.8 million for its IT/OT Cybersecurity Program to harden firewalls and endpoint defenses against a documented rise in nation-state and ransomware activity; \$3.3 million for the Technology Enablement Program to replace end-of-life laptops, field tablets, radios, and device-management tools critical to outage response; \$2.1 million for the Asset-Management Program to swap obsolete switches, servers, and backup systems and to institute a lifecycle replacement model; and \$1.1 million for the Collaboration & Analytics Program to set up a secure document repository, expand the enterprise data repository, and automate regulatory reporting. LUMA asserts that deferring these expenditures would expose the distribution and transmission systems to cyber intrusions, reduce restoration times, and prolong the utility’s reliance on manual, error-prone processes.

### 5. Fleet Component – Vehicle Renewal and Aerial Support

LUMA seeks \$9.4 million for Fleet in FY 2026 \$2.6 million in incremental O&M to lease 30 additional bucket trucks and other heavy duty vehicles, \$3.8 million in non federally funded capital (“NFC”) to buy out or directly purchase 47 units reaching end of life, and \$3.0 million in NFC for contracted helicopter services that provide rapid line patrol and materials transport during storm response. LUMA explains that 99 bucket trucks have

<sup>31</sup> Direct Testimony of Alejandro Figueroa, LUMA Ex. 1.0, Table 12 (amounts for System Stabilization Projects, Wildfire Mitigation, and BESS land purchases) and Direct Testimony of Pedro A. Meléndez- Meléndez, LUMA Ex. 5.0, Q&A 97-100 (scope and rationale of System Stabilization Projects).

<sup>32</sup> The aviation component is discussed under the Fleet section below.

<sup>33</sup> Direct Testimony of Alejandro Figueroa, LUMA Ex. 1.0, Table 12 (amounts and items); Direct Testimony of Kevin Burgemeister, LUMA EX. 18, Q&A 69 - 75 (Operations and NFC provisional-rate-breakdown).

already exceeded their service life and that fleet investment since commencement is less than one quarter of the original plan. Without the requested funding, crews would lack safe, compliant equipment slowing routine maintenance and storm restoration, raising safety risks and undermining reliability metrics. Because the request simply moves recovery of already-budgeted costs into FY 2026 while the permanent rate is being adjudicated and therefore does not expand the overall revenue requirement the operator classifies the package as -high-priority- and noncontroversial.<sup>34</sup>

## 6. Facilities Component – Lease Obligations and Critical Building Upgrades

LUMA requests \$20.9 million for Facilities \$0.6 million in incremental O&M to cover contractual rent and lease renewals at 13 sites, and \$20.3 million in non-federally-funded capital (“NFC”) for a slate of “Critical Facilities Initiatives.” The O&M portion reflects unavoidable year-over-year escalations on existing office, warehouse, laydown yard, and parking agreements essential to daily operations. The NFC work prioritized by LUMA using a weighted risk matrix targets life-safety and reliability hazards such as obsolete emergency generators, failing HVAC systems, structural repairs, and fire-code deficiencies at key operations centers island-wide. LUMA states that the provisional-rate funding advances recovery of costs already embedded in the overall FY 2026 revenue requirement; if LUMA defers these expenditures until the permanent-rate order, continued facility deterioration could jeopardize employee safety, disrupt storm response, and inflate future remediation expenses.

## 7. Customer Experience – Payment-processing fees

LUMA seeks \$4.5 million to pay the bank and third-party vendor charges that arise each time customers remit bills by card, ACH, or other electronic channels. LUMA witness Jessica Laird states that these fees are set by existing contracts and scale directly with transaction volume, so they cannot be deferred; rather, the provisional rate would bring part of the FY 2026 cost recovery forward while the permanent rate case is pending, rather than increasing the overall revenue requirement. LUMA labels the expense “high priority and noncontroversial” because uninterrupted payment processing is indispensable to daily cash collections that fund T&D operations and debt service. Without these funds, LUMA warns, it may have to slow vendor payments, incur late-payment penalties, or divert working capital from other regulated activities outcomes that the company argues would ultimately increase- costs to customers.<sup>35</sup>

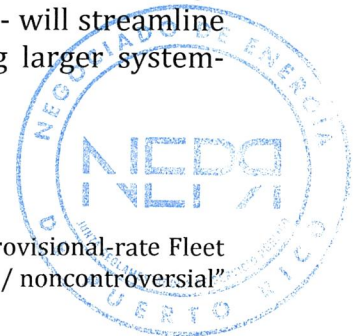
## 8. Finance – A-Schedules Budgeting Alignment

LUMA asks for \$0.5 million in FY 2026 O&M, for the Finance Department to map LUMA’s internal cost structure to the “A-Schedules” budget presentation that the Energy Bureau wanted for this rate review. Because LUMA’s existing accounting systems do not track expenses in the 103 categories embedded in the A-Schedules, the funds would pay for limited outside consulting support and short term reporting workarounds enabling the FY 2027 budget cycle to produce information in the Energy Bureau’s preferred format without overhauling the utility’s Enterprise Resource Planning (“ERP”) system. LUMA says that timely alignment of internal accounting systems with the A-Schedules- will streamline the Energy Bureau’s process of preparing its final order while avoiding larger system-modification costs if the work is -postponed.<sup>36</sup>

<sup>34</sup> Direct Testimony of Kevin Burgemeister, LUMA EX. 18.0, Q&A 70-71 (breakdown of provisional-rate Fleet amounts and aging -bucket-truck fleet, -storm-season- urgency, “high-priority- / noncontroversial” designation), LUMA Ex. 6.0, Q&A 88.

<sup>35</sup> Direct Testimony of Jessica Laird, LUMA Ex. 7.0, Q&A 74 (confirming a \$4.5 million provisional-rate- request for Customer Experience).

<sup>36</sup> Direct Testimony of Andrew Smith, LUMA Ex. 2.0, Q&A 139 (identifies the \$0.5 million provisional-rate- request and its purpose).



9. Inflation Component – CPI Adjustment to the FY 2025 Budget

LUMA seeks \$23.814 million to apply the Consumer Price Index (“CPIU”) factor. A factor that LUMA claims is prescribed by T&D OMA § 7.3(d),- to the Energy Bureau approved FY 2025 budget. Using the published 2024 CPIU of 318.983 divided by the 2023 CPIU of 308.381, LUMA calculated an inflation factor of 1.03438, then applied it across all materials, services, and labor line items. The company stresses that this adjustment does not add new programs; it merely preserves the purchasing power of the existing budget so that core operations (e.g., poles, conductors, transformers) can continue without quantity cutbacks caused by steep post 2020 cost escalation. LUMA says that this adjustment is “contractually authorized, formula-based-, and unavoidable.”<sup>37</sup>

F. Genera-Specific Costs

Genera, the operator responsible for Puerto Rico’s legacy generation assets, asks the Energy Bureau to approve as its provisional revenue requirement \$477.393 million. The request bundles what Genera identifies as seven “building blocks”: (1) the \$280.392 million Base Temporary Default GenCo Budget already authorized in the FY 2026 Temporary Default Budgets; plus incremental funding for (2) \$22 million of expense lines that the Energy Bureau previously disallowed but that Genera says are essential to meet labor, maintenance, and procurement needs; (3) \$67 million to satisfy the 10% local match required to unlock hundreds of millions in FEMA and other federal grants; (4) \$17 million for temporary generation resources that cover planned or emergency outages; (5) a \$25 million Generation Maintenance Reserve to finance major overhauls; (6) \$30 million to restore the Outage Event Reserve Account to its LGA -OMA-mandated- level; and (7) \$28 million in Necessary Maintenance & Expenses earmarked for scheduled overhauls, critical component replacements, and compliance upgrades.<sup>38</sup>

Genera’s Chief Financial Officer, María Sánchez Brás, states that existing rates fall short of the resources needed to maintain generation reliability, and that delay would jeopardize access to federal funding, defer critical maintenance, and heighten the risk of forced outages all contrary to the LGA OMA performance metrics.<sup>39</sup> Because each component either fulfills a contractual obligation or prevents near-term- reliability risks, Genera characterizes the entire package as urgent and noncontroversial.<sup>40</sup> What follows is a summary of Genera’s incremental request.

10. Previously-Disallowed Funds Component – Restoration of Core O&M Lines

Genera requests \$22 million in FY 2026 operating expenses that the Energy Bureau removed from Genera’s temporary budget. Genera states that the amount, spans essential cost categories labor, routine maintenance contracts, procurement support, security services, and other nondiscretionary items that directly affect Genera’s ability to staff plants, source spare parts, and comply with- LGA OMA performance metrics. Management states that the earlier disallowance created a structural shortfall that will force Genera to defer preventive work, curb vendor payments, and heighten forced-outage risk.<sup>41</sup>

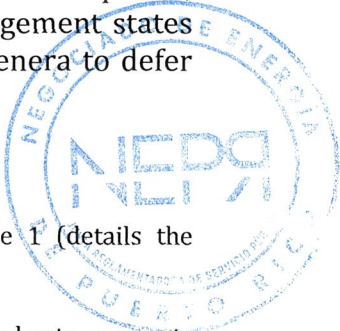
<sup>37</sup> Direct Testimony of Andrew Smith, LUMA Ex. 2.0 Q&A 141 & CPI Calculation Table 1 (details the \$23.814 million request and CPI-U math under T&D OMA § 7.3(d)).

<sup>38</sup> Supplemental Direct Testimony of María Sánchez Brás, pp. 11 –12 of 14 (list of provisional-rate- amounts (\$288.393 M, \$22 M, \$67 M, \$17 M, \$25 M, \$30 M, \$28 M).

<sup>39</sup> Supplemental Direct Testimony of María Sánchez Brás, p. 4 of 14 (explanation of Section 6.25(e) authority and true-up mechanism).

<sup>40</sup> Supplemental Direct Testimony of María Sánchez Brás, pp. 11 – 12 of 14 (statement that the seven requested items address an “immediate and noncontroversial funding need).”

<sup>41</sup> Supplemental Direct Testimony of María Sánchez Brás, p. 6 of 14 (bullet identifying \$22 million disallowed yet “essential for core operations).”



**11. Federal Cost-Share Component – Local Match for FEMA and Other Grants**

Genera requests \$67 million to satisfy the 10 percent local match requirement embedded in FEMA Public Assistance and other federal grant programs. LUMA’s states that without this match, the federal agencies will withhold the remaining 90 percent—hundreds of millions earmarked for plant hardening, environmental compliance, and emergency response, Genera says that PREPA, as a Title III debtor, cannot fund the match, and that the LGA OMA bars Genera from doing so out of pocket. Genera says that though the Puerto Rico Fiscal Plan references potential CDBG-DR funds for cost-share, those monies have not been formally obligated for Genera’s projects, and are released only after grantees prove that they have already spent prior tranches. Genera alleges that requirement creates a structural timing gap and that the recovery through the provisional rate, represents the only viable path to keep federally funded work on schedule and avoid forfeiting grant dollars.<sup>42</sup>

**12. Temporary Generation Resources Component – Mobile TM 2500 Units and Ancillary Services**

Genera requests \$17 million in FY 2026 O&M to operate and maintain the fleet of 14 TM 2500 mobile gas-turbine units now stationed between the Palo Seco and San Juan power plants. These units fill capacity gaps when legacy steam units are on outage, satisfy reserve margin requirements during hurricane season, and provide fast start support for frequency control functions that cannot be met by the aging baseload fleet. Genera alleges that the budget covers vendor oil and water service contracts, hourly professional services, and other recurring costs that were transferred to Genera when the units moved from Genera-affiliate oversight to direct LGA-OMA control in March 2024. Genera’s states that no federal or PREPA funding is available for these recurring expenses; without provisional-rate recovery, Genera would face a cash shortfall that could force the mothballing of the mobiles, increasing -the risk of load-shedding and violating reserve-margin commitments.<sup>43</sup>

**13. Generation Maintenance Reserve Component – \$25 Million for Non-Routine Overhauls**

Genera seeks \$25 million for a Generation Maintenance Reserve (GMR) that will underwrite major scheduled maintenance, capital repairs, and other reliability-driven work that falls outside routine O&M. Ms. Sánchez Brás describes this Reserve as “a dedicated funding mechanism” sized to cover projects that are capital in nature, or that require long lead-times, specialized labor, or significant outage windows work that the aging fleet cannot postpone without increasing forced-outage risk. She adds that the reserve also serves as the primary source of day-to-day plant support materials, contractor services, tooling, and other resources needed to keep units in compliance with operational standards while giving management the flexibility to initiate critical tasks without jeopardizing routine operations. Absent this funding, Genera would be forced to defer preventive work, heightening the likelihood of extended derates, emergency repairs, and missed performance metrics under the LGA OMA.

**14. Outage Event Reserve Account Component – \$30 Million Replenishment**

Genera seeks \$30 million to restore its Outage Event Reserve Account to the level mandated in the LGA OMA, describing the reserve as an essential “financial safeguard” that provides instant liquidity for unforeseen generation outages, equipment failures, or natural-disaster events. Management emphasizes that, unlike budgeted O&M lines, the reserve is

<sup>42</sup> Supplemental Direct Testimony of María Sánchez Brás, p. 7 of 14, (explaining necessity of \$67 million cost-share- and risk of losing federal funds without it).

<sup>43</sup> Supplemental Direct Testimony of María Sánchez Brás, pp. 7 – 8 of 14, Q&A describing the necessity of \$17 million for temporary generation resources to avoid reliability events. See also Direct Testimony of Joaquin Quinoy Ortiz, Genera Exhibit 24, pp. 13 - 14 of 30 (ECM budget table noting O&M outlays for temporary power (TM units)).

designed for rapid deployment during emergencies; without full replenishment Genera would be unable to act swiftly, exposing the system and, ultimately, customers, to avoidable reliability and cost -risks.<sup>44</sup>

## 15. Necessary Maintenance & Expenses (“NME”) Component – \$28 Million for Scheduled Asset-Specific Work

Genera seeks \$28 million to execute “Necessary Maintenance & Expenses” projects; preplanned turbine and boiler overhauls, critical component replacements, and compliance--driven upgrades, that are scheduled to occur during the provisional-rate period -Ms. Sánchez Brás states that NME funds are not discretionary; they are tied to OEM maintenance intervals, environmental mandates, and asset-condition assessments and are therefore essential to keep the legacy fleet operable, safe, and in compliance with LGA OMA performance metrics. Failure to secure this funding would force Genera to delay or cancel -time-sensitive- work, increasing the likelihood of equipment failures, unplanned outages, and non-compliance penalties.<sup>45</sup>

### G. PREPA-Specific Costs

PREPA’s July 11, 2025, filing titled “Motion to Amend Rate Application and Objection to LUMA’s Requested Provisional Rate Rider Amount,” adds provisional-rate information in two discrete ways. First, it replaces the pension contribution figures that appear in LUMA’s Schedule B-3 with updated amounts prepared by the PREPA Employee Retirement System administrator. PREPA advises that the correct funding requirements are \$307.475 million for FY 2026, \$298.659 million for FY 2027, and \$298.439 million for FY 2028. The motion explains that the numbers originally embedded in LUMA’s workpapers were an early draft that did not reflect the pension reforms contemplated in PREPA’s current Fiscal Plan and proposed Plan of Adjustment. We have, therefore, two versions of Schedule B-3: original and revised.

Second, PREPA addresses the budgetary treatment of its ongoing legacy operations (HydroCo and HoldCo). LUMA’s provisional-rate workpapers do not contain a bottom-up cost study for those entities; instead, LUMA Ex. 1.06, at Schedule 0.0 (System Funding Summary) at Line 4, states “*PREPA Placeholder (FY 2025 + 5 %)*.” There LUMA applied a five-percent escalation to each entity’s FY 2025 approved budget, producing FY 2026 placeholder amounts of roughly \$14 million for HydroCo and \$36 million for HoldCo, for \$50 million total. LUMA carries those figures into Table 10 of Mr. Figueroa’s direct testimony and treats them, together with Genera’s and LUMA’s own provisional rate budgets, as part of the three-party revenue requirement that the proposed provisional rate would collect. PREPA does not object to the arithmetic of the placeholders at this stage, but it characterizes the numbers as temporary and reserves the right to submit a fully-supported HydroCo and HoldCo budget later in the proceeding.

### H. System-Level Costs

## 16. The “Other” Cost Category – Operator Fees, Bad-Debt Provision, Bankruptcy and Advisor Costs, and Federal Grant Matches

LUMA groups several system-level items under a single heading labeled “Other.” The total from the July 22 corrected workpapers is \$532.191 million. This category captures (a) the fixed annual service fees due under the T&D OMA and the LGA OMA, \$139.4 million for LUMA and \$26.6 million for Genera, of which \$1.439 million is incremental above the previously approved amount of \$25.161 million; (b) a \$130.0 million incremental allowance for doubtful accounts, calculated as 2.97 percent of projected incremental billed revenues;

<sup>44</sup> Supplemental Direct Testimony of María Sánchez Brás, p. 12 of 14, bullet list identifying “\$30 million to replenish the Outage Reserve Account” as part of the provisional-rate request.

<sup>45</sup> Supplemental Direct Testimony of María Sánchez Brás, p. 10 of 14, explanation that the \$28 million NME covers planned overhauls, critical replacements, and compliance upgrades and is vital to prevent forced outages.

(cii) a combination of existing and incremental monies totaling \$78.739 million for PREPA Title III bankruptcy counsel, restructuring advisers, and other third-party consultants that support the rate case and regulatory filings; and (iv) the two 10% Federal Cost Share Match for both LUMA and Genera that unlock federal Public Assistance and other grant funds, \$90.1 million for GridCo projects and \$67.4 million for GenCo projects, both fully incremental requests.

LUMA alleges that each line item is either contractually mandated or a prerequisite to obtain federal dollars.

### 17. Net Operating Income (identified as *Margin*)

LUMA's includes in its provisional-rate- revenue requirement a Net Operating Income) of \$178 million.<sup>46</sup> The Energy Bureau's February 12 Order required LUMA to include an amount for a "Margin," i.e., the cushion that sits above LUMA's, Genera's and PREPA's combined budgeted operating expenses and non reimbursable capital outlays, sized to meet the coverage ratios that lenders typically require of investment grade, nonprofit borrowers.<sup>47</sup> The \$178 million thus represents what LUMA proposes as an amount that allows the system to produce enough income above system costs to satisfy debt-service tests, maintain creditworthiness, and fund unforeseen requirements during the rate year.

LUMA proposed using a debt service coverage ratio of 1.3. Under this ratio, LUMA calculated the Net Operating Income by taking the projected Total Debt Service cost of \$592,236,424 for FY2026 and multiplying it by 0.3, resulting in \$178 million. Andrew Smith's testimony explains that this Net Operating Income represents the surplus revenue above PREPA's annual expenditures that PREPA must demonstrate to convince future creditors of its positive cash flow capability when it exits bankruptcy proceedings.<sup>48</sup>

### 18. System-Wide Emergency Reserve Account

LUMA and Genera requested \$120 million and \$30 million respectively to fund Outage Event Reserve accounts. As explained in Part III below, the Energy Bureau is rejecting these two individual reserve-account requests. In their place, the Energy Bureau will establish a single, system-wide Emergency Reserve Account, funded at \$20 million.

#### I. Changes to the July 3 Application

After its July 3 Application, LUMA submitted a sequence of compliance motions, workpapers, and discovery responses. In those instances, and others involving each of LUMA, Genera and PREPA, one or more of these entities corrected or supplemented LUMA's original petition. Here are some examples:

- LUMA supplied a revised version of LUMA's Provisional Rate Workpapers, Ex. 1.06.
- LUMA corrected an error in Table 12 regarding system stabilization projects, adjusting the requested funding for the provisional rate revenue requirement from \$122.4 million to \$119.4 million.



<sup>46</sup> Direct Testimony of Alejandro Figueroa, LUMA Ex. 1.0, Table 10, "Provisional Rate versus Permanent Rate," shows Net Operating Income of \$178 million under both scenarios.

<sup>47</sup> February 12 Resolution and Order requires every Schedule B-4 revenue requirement to include a Margin sized for lender coverage.

<sup>48</sup> Direct Testimony of Andrew Smith, LUMA Exhibit 2.0, Q&A 58.

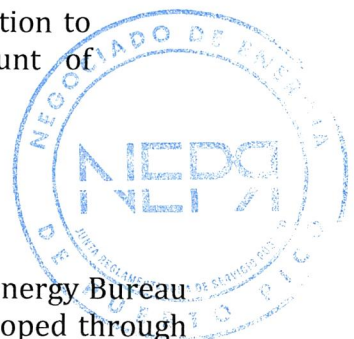
- LUMA confirmed the need for \$24 million to complete emergency clearing on the 115 kV / 230 kV corridors, and disclosed that a related \$55 million FEMA grant application is pending but not yet approved.<sup>49</sup>
- LUMA restated two liquidity measures: prospective recovery of \$209 million in unreimbursed storm costs and a \$120 million restoration of the Outage Event Reserve.
- To keep federal projects on track, LUMA proposed to maintain a \$90.139 million line for the 10 percent FEMA cost-share.
- LUMA updated bankruptcy and advisory expenses to \$78.739 million from an original \$51.664 million, and clarified that its “Other” bucket now totals \$505 million, not the \$576 million originally shown. The “Other” bucket was updated to \$532 million July 22, 2025.<sup>50</sup>
- LUMA proposed to retain a 2 percent Reserve for Excess Expenditures (≈ \$13 million).
- LUMA carried forward the 2.97 percent bad-debt factor and 3.438 percent CPIU inflation escalator used in recent budgets, noting that neither intervenor testimony nor Energy Bureau precedent has yet adopted alternative values.
- LUMA affirmed that its filing excludes renewable-energy certificate costs, Community-Based Energy Service impacts, and PREPA pension obligations, and further sought to justify wildfire-mitigation, pole-replacement, and BESS land-acquisition projects as qualifying high-priority, noncontroversial items.
- On July 14, 2025, Genera filed responses to LUMA’s application. Genera clarified budget discrepancies (*e.g.*, the exclusion of \$67.4 million in cost-share expenses from the \$653 million figure) and confirmed that no Priority Stabilization Plan or depreciation costs were embedded in its provisional request.
- On July 15, 2025, Genera submitted detailed answers to Energy Bureau consultant questions, enumerated \$108.5 million in proposed repair and maintenance projects, explained its inclusion of \$67.4 million in federal cost-share obligations, and filed supplemental testimony from CFO María Sánchez Brás supporting a provisional-rate revenue requirement for Genera of roughly \$477.4 million.
- On July 11, 2025, PREPA filed a document titled “Motion to Amend the Rate Request and Objection to the Amount Requested by LUMA for the Provisional Rate Charge” (“July 11 PREPA Motion”). The July 11 PREPA Motion requested amendment of LUMA’s provisional rate application to ensure funding of PREPA’s retirement system in the amount of \$307,475,422 for Fiscal Year 2026.

### III. Determinations

The preceding sections establishes the framework within which the Energy Bureau will evaluate the provisional-rate application. Drawing on information developed through

<sup>49</sup> LUMA, Responses to July 17, LUMA-PROV-25\_NPFGC-of-LUMA-PROV-25.

<sup>50</sup> “0.0 - System Funding Summary” tab in *Response\_1753215887703\_PC-of-LUMA-PROV-35\_LUMA Ex. 1.06 (7.22.25) - Working Papers—Provisional Rate Revenue Requirement*.



discovery, technical conferences, and the three entities’ prefiled testimony, this Part III assesses each request.

The table displayed next summarizes every incremental cost item, exclusive of pensions that LUMA, Genera, and PREPA presented for provisional-rate recovery, and shows the Energy Bureau’s corresponding determinations. (Not included in this Table are the pension costs, which is discussed in Part III.C.2 below.) For each budget item, the Table lists the amount that the utility requested, and the amount that the Energy Bureau approved after applying the “high-priority, noncontroversial” standard and restoring certain mechanical reductions from the June 20, 2025, FY2026 Temporary Default Budget Resolution. The Table is organized by proponent (LUMA, Genera, PREPA) and then by cost category: operating programs, capital projects, budget restorations, systemwide reserves, and the bundled “Other” items such as operator fees, bad-debt allowance, advisor costs, and federal cost-share matches. At the bottom, the table totals the approved incremental revenue requirement of \$227.598 million, including a bad-debt provision of \$3.364 million and converts that requirement into a uniform provisional-rate rider for non-pension costs of 1.4913¢/kWh, calculated based on forecast sales of 15,243,557,953 kWh that excludes the following three customer classes: Lifeline Residential Service (LRS), Residential Service for Public Housing (RH3), and Residential Fixed Rate for Public Housing Under Ownership of the Public Housing Administration (RFR).

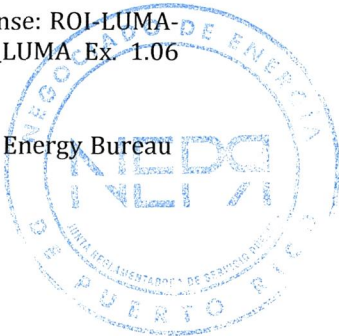
Following the Table are the determinations for each listed item, in these categories: LUMA-specific costs, Genera-specific costs, PREPA-specific costs, system-level costs, and additional items.

Provisional-Rate Rider Amount - Incremental Items other than Pensions (\$M)

	Requested (\$M)	Approved (\$M)
LUMA-specific items <sup>51</sup>		
CUSTOMER EXERIENCE - Payment Processing Fees	4.500	4.500
OPERATIONS - Vegetation Management	24.000	24.000
OPERATIONS - Substation Maintenance	21.000	0.000
OPERATIONS - System Operations	2.000	0.000
OPERATIONS - Transmission priority pole replacements	5.700	0.000
OPERATIONS - Substation Reliability	6.500	0.000
OPERATIONS - Substation Rebuilds	1.200	0.000
OPERATIONS - Aviation (Fleet)	3.000	0.000
CAPITAL PROGRAMS AND GRID TRANSFORMATION – Electric System Priority Stabilization Plan (PSP) Projects	120.297	41.552 <sup>52</sup>
CAPITAL PROGRAMS AND GRID TRANSFORMATION - Wildfire Mitigation Infrastructure Hardening	11.700	11.700
CAPITAL PROGRAMS AND GRID TRANSFORMATION - Land Purchases for BESS – PSP #14	4.000	4.000
IT/OT - Fixed Cost Absorption - Termination of Shared Services	4.200	0.000
IT/OT - Collaboration & Analytics	1.100	0.000
IT/OT - O&M Support for Critical Initiatives	7.200	0.000
IT/OT - Cybersecurity	0.800	0.000
IT/OT - Technology Enablement	3.300	0.000
IT/OT - Asset Management	2.100	0.000
FLEET - Vehicle & Heavy-Duty Equipment Leases	2.600	0.000
FLEET - Vehicle & Heavy-Duty Equipment Purchases	3.800	0.000
FACILITIES - Existing Rent/Lease Renewals	0.600	0.000

<sup>51</sup> Direct Testimony of Alejandro Figueroa, LUMA Ex. 1.0, Table 12 - Updated Table 1.2 Response: ROI-LUMA-AP-2023-0003-20250708-PREB-001 and Response\_1753215887703\_PC-of-LUMA-PROV-35\_LUMA Ex. 1.06 (7.22.25) - Working Papers Provisional Rate Revenue Requirement.

<sup>52</sup> This amount is conditioned that if DOE approves federal funding for these projects, then the Energy Bureau shall immediately return such funds to the ratepayers.



Provisional-Rate Rider Amount - Incremental Items other than Pensions (\$M)

	Requested (\$M)	Approved (\$M)
FINANCE - Development & Implementation	20.300	0.000
FINANCE - A-schedules Budgeting	0.500	0.000
FINANCE - 2% for Excess Expenditures	5.000	1.715
Outage Reserve Account	120.000	0.000
Budget Restoration		45.967 <sup>53</sup>

Genera-specific items<sup>54</sup>

Budget Restoration	22.000	19.929
O&M 17 Temporary Gen. Resources TM2500 Palo Seco, San Juan	17.000	17.000
Generation Maintenance Reserve	25.000	0.000
LGA OMA Outage Reserve Account	30.000	0.000
Necessary Maintenance and Expenses	28.000	28.000 <sup>55</sup>

PREPA-specific items

Budget Restoration		3.176
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Miscellaneous Systemwide Items

Margin/Net Operating Income	177.700	0.0
Emergency Reserve Account		15.000

“Other”

LUMA Operator Fee	0.000	0.000
Genera Operator Fee	1.424	0.000
Bankruptcy Title III and FOMB Advisor Costs	13.571	0.000
LUMA Interim Costs	8.750	0.000
Federal Cost Share Match - LUMA	90.139	0.000
Federal Cost Share Match - Genera	67.403	0.000
Bankruptcy Title III Advisor Costs-Restoration		1.822
FOMB Advisor Costs – Restoration		1.923
<u>Bad-debt Expense – Restoration</u>		<u>3.950</u>

Total approved (Excluding Provisional Rate Bad-Debt Expense)		224.234
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<u>Provisional Rate Bad-debt Expense</u>		<u>3.364</u>
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Total approved		227.598
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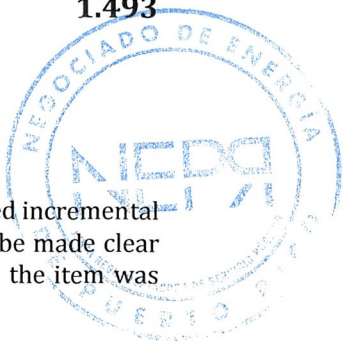
Rider amount (cents/kWh) (assuming total kWh of 15,243,557,953) <sup>56</sup>		1.493
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<sup>53</sup> It is clarified that this amount was not requested by LUMA as a separate line item in its proposed incremental budget request but rather was distributed across various budget categories. However, it must be made clear that the Energy Bureau is not approving a budget item increment that LUMA did not request; the item was indeed requested, just not as a single, standalone line item.

<sup>54</sup> Supplemental Direct Testimony of María Sánchez Brás, Ex. A.

<sup>55</sup> Genera did not provide a list of the projects that represents this \$28MM. The Energy Bureau understands that the \$28MM are a subsection of the projects requested in the permanent revenue requirement. Genera shall file a detail list that represents this \$28MM and its FY2026 justification.

<sup>56</sup> FY 2026 sales forecast (all rate classes except LRS, RH3, and RFR) from “Revenue Summary w Riders” tab in LUMA Exhibit 20.03 (7.03.25) Rate Design for Provisional Rates.xlsx.



## J. LUMA-specific Requests

### 19. Customer Experience – Payment Processing Fees (Requested: \$4.5 million, Approved: \$4.5 million)

The Energy Bureau **APPROVES** LUMA's request for \$4.5 million to fund bank and third-party payment processing charges, finding that this purpose and amount satisfies the April 21 Order high-priority and-, noncontroversial standard. Documents provided by LUMA shows (a) the amount, \$4.5 million, (is specifically identified in Table 12 of the filing) and (b) LUMA states that the cost is unavoidable, contract-based, and essential to daily revenue collection; and -without it, LUMA would risk delayed vendor payments, cashflow strain, and -interruptions to electronic payment channels.<sup>57</sup> Ms. Jessica Laird, Senior Vice President, Customer Service, states that payment-processing fees- "are critical to the collection of revenues necessary to the electric power system."<sup>58</sup> Because the expense is both indispensable and time-sensitive, the Energy Bureau determines that sufficient support exists at this phase of the process to include the full \$4.5 million in the provisional revenue requirement.<sup>59</sup> This incremental \$4.5 million shall be subject to the usual prudence review in the permanent-rate phase.

### 20. Operations – Vegetation Management (Requested: \$24.0 million, Approved: \$24.0 million)

The Energy Bureau **APPROVES** LUMA request for an increment of \$24 million to accelerate vegetation management - ("VM") work identified as Activity #2, "Targeted Vegetation Management," in Attachment A of the PSP approved in the Energy Bureau's March 28, 2025, Resolution and Order, Case No. NEPR-MI-2024-0005 ("March 28 Order")-.<sup>61</sup> Consistent with that Resolution and Order and the monthly progress reports filed by LUMA, PREPA and Genera, the Energy Bureau **FINDS**:

- Activity #2 addresses systematic clearance of overgrown vegetation along the 115 kV and 230 kV transmission corridors and on distribution "hot-spot" feeders that have been repeatedly linked to service interruptions. LUMA's April and May 2025 collaborative reports confirm that targeted trimming has already begun on lines 50900, 37100, 37700, 38600, 38700 and multiple reliability feeders, with hundreds of structures treated and more than 1,700 trimming locations completed.<sup>62</sup>

The incremental \$24 million shall be subject to the usual prudence review in the permanent-rate phase. LUMA must apply the funds exclusively to the VM scope set forth in PSP Activity #2.

- (a) LUMA shall establish a unique work-breakdown structure and cost codes for PSP Activity #2, segregating this \$24 million from all other VM and emergency-order work. (b) The PSP monthly collaborative reports shall include actual and forecast dollars spent, the work-breakdown structure specified in (a), and a completion variance analysis against the

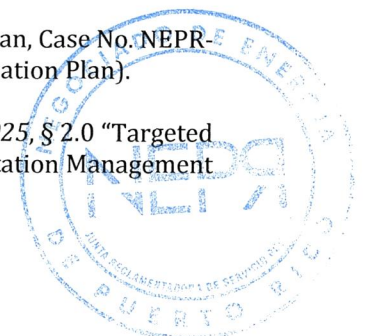
<sup>57</sup> Direct Testimony of Alejandro Figueroa, LUMA Ex. 1.0, Table 12, "Customer Experience – Payment Processing Fees," lists \$4.5 million.

<sup>58</sup> Direct Testimony of Jessica Laird, LUMA Ex. 7.00 Q&A 77 (explanation that payment-processing fees are "high priority and noncontroversial").

<sup>59</sup> Direct Testimony of Jessica Laird, LUMA Ex. 7.00, Q&A 74 (confirming the \$4.5 million provisional-rate amount).

<sup>61</sup> See, Resolution and Order Establishing Electric System Priority Stabilization Two-Year Plan, Case No. NEPR-MI-2024-0005, March 28, 2025, Attachment A, Activity #2 (Electric System Priority Stabilization Plan).

<sup>62</sup> *Monthly Report on the Progress of the Electric System Priority Stabilization Plan – April 2025*, § 2.0 "Targeted Vegetation Management Program." and *Monthly Report ... – May 2025*, § 2.0 "Targeted Vegetation Management Program," lines detailing maintenance on 115 kV/230 kV lines and distribution feeders.



PSP baseline. This incremental \$24 million shall be subject to the usual prudence review in the permanent-rate phase.

**21. Operations – Substation Maintenance (Requested: \$21.0 million, Approved: \$0 million)**

The Energy Bureau **DENIES** LUMA's request for \$21 million in incremental funds for "Operations – Substation Maintenance." The activities described in the request are not part of the PSP. Nor are they high-priority and noncontroversial.

This denial here does not modify or delay PSP capital projects to rebuild or modernize the most critical substations. LUMA retains obligation under its Operations & Maintenance plan to deploy existing maintenance dollars that remain available on preventive and corrective substation work throughout FY 2026. This determination makes no finding on ultimate need or prudence; those questions will be addressed in the full evidentiary record of the permanent-rate phase.

**22. Operations – System Operations (Requested: \$2.0 million, Approved: \$0 million)**

The Energy Bureau hereby **DENIES** this incremental funding. The Energy Bureau's provisional-rate mechanism in this phase of the proceeding is intended primarily to ensure that the urgent actions identified in the PSP move forward without funding delays. Because the PSP does not include any additional System Operations O&M, there is no urgency basis for adding these dollars to the provisional-rate rider. LUMA must continue to operate the control center and maintain SCADA systems using the dollars already approved in base rates. If LUMA believes additional System Operations funding is warranted, it may present detailed evidence in the permanent-rate review, where the Energy Bureau will evaluate all O&M allocations, not just PSP matters, together. This determination makes no finding on ultimate need or prudence; those questions will be addressed in the full evidentiary record of the permanent-rate phase.

**23. Operations – Transmission Priority Pole Replacement (Requested: \$5.7 million, Approved: \$0 million)**

The Energy Bureau **DENIES** LUMA's request for \$ 5.7 million in incremental funding for "Transmission Priority Pole Replacement." The Energy Bureau expects that federal dollars will be available for these activities. Specifically, LUMA's FY 2026 replacement plan, including FEMA-funded Accelerated Integrated Projects (AIPs), already contains line items for priority pole work. Denying the incremental request at this time does not constraint LUMA's ability to proceed; it simply obliges the company to execute the work through the PSP's federally approved channels. LUMA shall continue executing Transmission Priority Pole Replacement under the PSP using the established federal funding pathways and prevailing capital budgets. This determination makes no finding on ultimate need or prudence; those questions will be addressed in the full evidentiary record of the permanent-rate phase.

**24. Operations – Substation Reliability (Requested: \$6.5 million, Approved: \$0 million)**

The Energy Bureau **DENIES** LUMA's request for \$ 6.5 million in incremental operating funds for the cost category "Operations – Substation Reliability." The work described in the request is not part of the PSP. LUMA's approved FY 2026 Provisional Budgets include substantial substation maintenance and reliability allocations. Denying the extra \$ 6.5 million does not leave LUMA without resources. LUMA shall carry out these activities using dollars already embedded in current customer rates. This determination makes no finding on ultimate need or prudence; those questions will be addressed in the full evidentiary record of the permanent-rate phase.





25. Operations – Substation Rebuilds (Requested: \$1.2 million, Approved: \$0 million)

The Energy Bureau **DENIES** LUMA’s request for \$ 1.2 million in incremental operating funds for the cost category “Operations – Substation Rebuilds.” The work described in the request is already captured within the PSP; and we expect funds to be available from FEMA and Section 428. This determination makes no finding on ultimate need or prudence; those questions will be addressed in the full evidentiary record of the permanent-rate phase.



26. Electric System Priority Stabilization Plan (“PSP”) (Requested: \$119.4 million, Approved: \$41.552 million)

LUMA seeks \$119.4 million in incremental funding under the PSP. The Energy Bureau:

- The Energy Bureau **APPROVES** \$ 41,552,000 for projects that are (i) expressly listed in the approved PSP and (ii) have no other secured funding source;
- **EXCLUDES** nine projects (*not part of the approved PSP*) as follows:



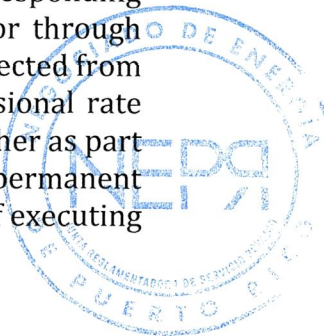
1. Distribution Relay Upgrades – Alturas de Río Grande	\$54,000
2. Distribution Relay Upgrades – Bairoa	\$54,000
3. Distribution Relay Upgrades – Cayey	\$54,000
4. Distribution Relay Upgrades – Marina	\$109,000
5. Distribution Relay Upgrades – Minillas	\$54,000
6. Distribution Relay Upgrades – Río Grande	\$109,000
7. Distribution Relay Upgrades – Sabanera	\$54,000
8. Distribution Relay Upgrades – Vega Alta	\$163,000
9. DFR – Digital Fault Recorder-OOS (Stabilization Visibility)	\$1,000,000

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- **REALLOCATES** seven projects to the federal-funding pipeline, removing them from ratepayer recovery as follows:

1. Caguas TC – Transformer Replacement (Energize)	\$2,100,000
2. Costa Sur – Transformer Replacement (Energize)	\$2,900,000
3. Factor – Transformer Replacement (Energize)	\$2,800,000
4. Fajardo – Transformer Replacement (Energize)	\$1,737,000
5. Juncos – Transformer Replacement	\$3,500,000
6. Mora TC – Transformer Replacement (Energize)	\$2,832,200
7. Veredas Transformer	\$3,500,000
8. Line 8700 (transmission hardening)	\$10,000,000

The Energy Bureau’s action authorizes \$41.552 million for urgent PSP work, excludes activities outside the PSP, and reallocates projects that it expects to obtain federal support, thereby minimizing the burden on Puerto Rico’s rate-payers while advancing the goal of stabilizing the electric system.

On May 16, 2025, the U.S. Department of Energy ("DOE") announced that the DOE’s Grid Deployment Office ("GDO") will review \$365 million in funding from the Puerto Rico Energy Resilience Fund (PR-ERF) to ensure DOE assistance is used to support practical fixes to the grid and benefits all residents of Puerto Rico. As part of this process, the DOE has preliminary identified certain tasks associated with the aforementioned PSP projects as those that will receive funding. In other words, the \$41.552 million that has been allocated and is currently being recovered through the provisional rates will, to some extent, be covered by funding from the Department of Energy during the current fiscal year to carry out the identified work. Once that occurs, the Energy Bureau will perform the corresponding reconciliations and make any necessary adjustments, in this proceeding and/or through quarterly reconciliations, as appropriate, to ensure that such amounts are not collected from ratepayers. To the extent any such amounts were collected through the provisional rate authorized by this Resolution and Order, they shall be refunded to customers, either as part of the quarterly reconciliations or through the expected true-up process once the permanent rate is set in this proceeding. It is noted, however, that due to the high priority of executing



the above-mentioned projects and implementing the PSP, it has been necessary to authorize the aforementioned costs as part of the provisional rate.

This determination makes no finding on ultimate need or prudence; those questions will be addressed in the full evidentiary record of the permanent-rate phase.

**27. Wildfire-mitigation Infrastructure Hardening (Requested: \$11.7 million, Approved: \$11.7 million)**

The Energy Bureau **APPROVES** LUMA's request for \$11.7 million in non-federally funded capital expenditure to initiate wildfire-mitigating, infrastructure-hardening projects. LUMA shall use these funds to implement measures including covered conductor, distribution automation, selective undergrounding, and shielding of vulnerable substations and lines all targeted to the highest-risk circuits as identified in LUMA's -wildfire-risk- studies. Mr. Pedro A. Meléndez states that this scope is critical to reducing the likelihood and impact of wildfires during the upcoming season, and that deferral would leave system assets and surrounding communities exposed to avoidable hazard.<sup>63</sup>

The Energy Bureau has previously emphasized the importance of this work. In its June 26, 2024, Resolution and Order in Case No. NEPR-MI-2021-0004, the Energy Bureau stated that "fire mitigation far outweighs most of the other programs," and directed LUMA to treat such efforts as urgent and non-deferrable.<sup>64</sup> The Energy Bureau now reaffirms that position. Based on the testimony, planning documentation, and the public safety imperative, the Energy Bureau finds that this \$11.7 million request meets the "high priority, noncontroversial" standard. This incremental \$11.7 million shall be subject to the usual prudence review in the permanent-rate phase.

**28. Capital Programs And Grid Transformation - Land Purchases for BESS (Requested: \$4.0 million, Approved: \$4.0 million)**

Under the PSP, Item 14 of Attachment A calls for the rapid installation of BESS at strategically selected transmission nodes, to increase system inertia, frequency stability, and black-start capability. The Energy Bureau **APPROVES** LUMA's request for \$4 million for land purchases essential to this project. This targeted investment removes a critical bottleneck to battery deployment, thereby advancing near-term -grid stabilization and resiliency goals. This incremental \$4.0 million shall be subject to the usual prudence review in the permanent-rate phase.

**29. Information Technology/Operational Technology (IT/OT) Components (Requested: \$18.7 million, Approved: \$0 million)**

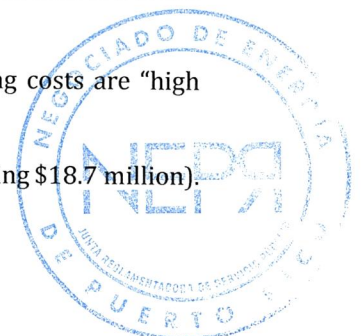
LUMA seeks provisional-rate recovery for a group of IT/OT projects, including cybersecurity, device refresh, asset management, and collaboration analytics initiatives—that together total \$18.7 million in FY 2026 O&M and NFC (nonfederal capital) funding. Ms. Crystal Allen characterizes these projects as "high priority and noncontroversial," asserting that the termination of shared services cost sharing with Genera and the age of end—user devices make the expenditures "unavoidable."<sup>65</sup> Table 12 of Mr. Figueroa's Direct Testimony (Ex. 1.0) likewise lists five IT/OT line items (Fixed-Cost- Absorption, Collaboration & Analytics, Support for Critical Initiatives, Cybersecurity, Technology Enablement, and Asset Management) in the provisional-rate- request.<sup>66</sup>

<sup>63</sup> Direct Testimony of Pedro A. Meléndez, LUMA Exhibit 5.0, Q&A 35 -35 (describing urgency of mitigation design and deployment for circuits with highest wildfire risk).

<sup>64</sup> *Resolution and Order*, Determination on the FY25 Annual Budgets for the Electric Utility, NEPR-MI-2021-0004, June 26, 2024-, p. 53 ("Fire mitigation far outweighs most of the other programs... These efforts will not be accepted for deferral.").

<sup>65</sup> Direct Testimony of Crystal Allen, LUMA Ex. 11.00, Q&A 108, lines 1151--1157 (asserting costs are "high priority and noncontroversial since these costs will be unavoidable").

<sup>66</sup> Direct Testimony of Alejandro Figueroa, LUMA Ex. 1.0 Table 12 (listing six IT OT items totaling \$18.7 million).



The Energy Bureau disagrees that this item is high-priority and noncontroversial. The PSP identifies the near-term activities necessary to mitigate- system unreliability, principally emergency generation additions, vegetation clearing, transmission line hardening, protective-relaying repairs, and targeted substation -work.<sup>67</sup> Nothing in that PSP designates the proposed IT/OT activities as high priority. The PSP prioritization methodology emphasizes immediacy of reliability impact, feasibility within 24 months, and mitigation of cascading outage risks.<sup>68</sup> LUMA's IT/OT proposals, while potentially beneficial in the long term, do not satisfy those benchmarks.

Accordingly, the Energy Bureau **DENIES** provisional-rate recovery for the IT/OT components. This determination makes no finding on ultimate need or prudence; those questions will be addressed in the full evidentiary record of the permanent-rate phase.

### 30. Fleet Program (Requested: \$9.4 million, Approved: \$0 million)

LUMA requests \$9.4 million in provisional funding for its Fleet Program: \$2.6 million in incremental O&M to lease additional bucket trucks, \$3.8 million in nonfederally-funded capital (NFC) to purchase- or buyout end of life units, and \$3.0 million in NFC for contracted helicopter services.<sup>69</sup> Mr. Kevin Burgemeister of LUMA describes the aging fleet and states that new leases and purchases are high-priority- and noncontroversial.<sup>70</sup>

The Fleet spending does not meet the provisional-rate- standard. The PSP identifies immediate actions necessary to stabilize reliability before permanent rates are set: emergency generation, vegetation management, transmission hardening, protective relaying, and targeted substation repairs.<sup>71</sup> The PSP's methodology requires that a proposed activity (a) avert near-term -reliability or safety risks, and (b) be executable within 24 months.<sup>72</sup> The Fleet proposal does not satisfy those benchmarks. LUMA has not shown that deferring bucket truck replacements or helicopter services until the permanent phase would materially impair reliability or safety under current work plans.

Accordingly, the Energy Bureau **DENIES** provisional-rate recovery for the Fleet Program. This determination makes no finding on ultimate need or prudence; those questions will be addressed in the full evidentiary record of the permanent-rate phase.

### 31. Facilities - Existing Rent/Lease Renewals (Requested: \$0.6 million, Approved: \$0 million)

In Exhibit 17.0 (Direct Testimony of José C. Latorre, filed July 3, 2025) LUMA asks for an incremental \$0.6 million in the provisional-rate period to cover rent and lease renewals for offices, warehouses, and other facilities it already occupies. No new sites, square footage, or service enhancements are proposed; the money would simply extend existing contracts.

<sup>67</sup> Resolution and Order Establishing the Electric System Priority Stabilization Plan, Case No. NEPR--MI-2024-0005, March 28, 2025, -Attachment A (matrix of immediate and short-term- activities—no IT/OT projects included).

<sup>68</sup> *Id.*, Section III(C), "Methodology and Prioritization Criteria," pp. 56 (urgency, impact on reliability, feasibility within two year- window).

<sup>69</sup> Direct Testimony of Kevin Burgemeister, LUMA Exhibit 6.0, Q&A 63, lines 851-861 (on aviation component) and Direct Testimony of Alejandro Figueroa, LUMA Ex. 1.0, Table 12 (breakdown of \$2.6 M O&M, \$3.8 M NFC vehicle purchases, and \$3.0 M aviation [included under Operations]).

<sup>70</sup> Direct Testimony of Kevin Burgemeister, LUMA Exhibit 18.0, Q&A 72, line 711 ("The Department also considered the criteria outlined in PREB's directives of the April 21st Order of high priority and noncontroversial costs.").

<sup>71</sup> Resolution and Order Establishing the Electric System Priority Stabilization Plan, Case No. NEPR-MI-2024-0005, March 28, 2025, Attachment A, "Immediate Actions" matrix (no fleet program listed).

<sup>72</sup> *Id.*, Section C, "Methodology and Prioritization Criteria," pp. 56 (urgency, -two year- feasibility, customer impact, and rare exception process).



The Energy Bureau finds that the \$0.6 million sought for 'Facilities – Existing Rent/Lease Renewals' does not satisfy the threshold criteria for inclusion in the provisional-rate rider amount. The spending is neither (a) incremental nor (b) associated with any initiative contained in the approved PSP. Furthermore, LUMA has not demonstrated, at this phase of the proceeding, that the proposed lease terms were competitively procured or otherwise shown to be prudent. Accordingly, the Energy Bureau **DENIES** the request. This determination makes no finding on ultimate need or prudence; those questions will be addressed in the full evidentiary record of the permanent-rate phase.

**32. Facilities - Development & Implementation (Requested: \$20.3 million, Approved: \$0 million)**

In Exhibit 1.0 – Direct Testimony of Alejandro Figueroa, LUMA seeks an incremental \$20.3 million during the provisional-rate period to design, build out, and commission a portfolio of real-estate projects it labels "FACILITIES – Development & Implementation."

*Jim* The Energy Bureau finds that the \$20.3 million sought for "Facilities – Development & Implementation," as detailed in LUMA Exhibit 17.01 and the Direct Testimony of José C. Latorre, does not satisfy the threshold criteria for inclusion in the provisional-rate rider amount. The expenditure is not identified in the approved PSP, lacks project specific definition sufficient to establish prudence, and appears to fund activities already reflected in the current base rates. Accordingly, the request is **DENIED**. This determination makes no finding on ultimate need or prudence; those questions will be addressed in the full evidentiary record of the permanent-rate phase.

*Jim* **33. Finance - A-schedules Budgeting (Requested: \$0.5 million, Approved: \$0 million)**

*Jim* LUMA seeks \$0.5 million in incremental funds so that its Finance Department can map internal cost codes to the "A-Schedules-" presentation format that the Energy Bureau required as part of the filing requirements established in its February 12 Order. LUMA CFO Andrew Smith describes the request as short-term consulting and -system-configuration -work intended to "streamline the FY 2027 budget cycle."<sup>73</sup>

*Jim* The Energy Bureau **DENIES** this request. The proposed effort, though required by the February 12 Order, is at this point not high-priority because this FY 2026 rate proceeding is too far advanced to make use of the mapping. This determination makes no finding on ultimate need or prudence; those questions will be addressed in the full evidentiary record of the permanent-rate phase.<sup>74</sup>

**34. Finance - 2% for Excess Expenditures (Requested: \$5.00 million, Approved: \$1.715 million)**

LUMA seeks \$5 million for a "2% Reserve for Excess Expenditures," citing only the contractual language of the T&D OMA. The Energy Bureau has already clarified that, while it acknowledges such contracts, it is not bound by them when setting rates. To stay consistent with prior budgets, the Energy Bureau will authorize a reserve equal to 2% of the incremental expenditures approved in this provisional rate Resolution and Order, \$1.715 million, not the full \$5 million requested.

This authorization is strictly provisional. The size, necessity, and prudence of any excess-expenditure reserve will be reexamined in the permanent-rate phase and may be increased, reduced, or eliminated based on the record developed there.

<sup>73</sup> Direct Testimony of Andrew Smith, LUMA Exhibit 2.0, -Q&A 139 - 140 (describing onetime consulting costs to align internal ledger with -A-Schedules- and characterizing expense as "high-priority- and noncontroversial").

<sup>74</sup> Resolution and Order Establishing the Electric System Priority Stabilization Plan, Case No. NEPR-MI-2024-0005, March 28, 2025, Section C, pp. 56 (urgency, reliability impact, 24- -month feasibility).



Accordingly, the Energy Bureau **DENIES** LUMA's request for the \$5 million funding for the "2% Reserve for Excess Expenditures" and instead **APPROVES** \$1.715 million, the amount that equals 2% of the incremental costs approved in this provisional Resolution and Order. This determination makes no finding on ultimate need or prudence; those questions will be addressed in the full evidentiary record of the permanent-rate phase.

**35. Outage Reserve Account (Requested: \$120 million, Approved: \$0 million)**

LUMA requests \$120 million for replenishing its Outage Reserve Account, including approximately \$30 million to restore the account to its contractually required funding level and approximately \$90 million toward gradual and full restoration of prior underfunding of the Outage Reserve Account.<sup>75</sup> LUMA explains that it "is seeking to recover unfunded storm costs through prospective rate increases."<sup>76</sup>

This request for reimbursement of prior expenditures does not meet the "high-priority, noncontroversial" threshold required for provisional rate recovery. And on restoration specifically, LUMA makes a fundamental error of logic. The underfunding occurred in the past. This proceeding is about setting rates for the future. Whatever future costs LUMA has, we assume that it has provided for those costs in its proposed Constrained Budget and Optimal Budget. If LUMA has done so, then adding more money based on past underfunding would just add more money.

There is a bigger problem. LUMA wants reimbursement for costs it incurred for outages when its outage account was unfilled. That argument would have logic (retroactive ratemaking aside) if LUMA had been using its own money, like an investor-owned utility would have done. But LUMA was not using its own money, because under the OMA the two operators don't use their own money. The operators use the ratepayers' money. LUMA did what it had to do: it took ratepayer-contributed funds that it otherwise would have used for system improvements and instead used them for outages. To make the ratepayer pay to restore those spent funds would not be "reimbursing" LUMA; it would be making the ratepayers pay twice: once by forgoing the benefits of the system improvements, and twice by having to make this new payment. LUMA's position is incorrect.

The Energy Bureau rejects these reserve-account requests. In their place, the Energy Bureau will establish a single, system-wide Emergency Reserve Account, funded at \$15 million. This Account will be a restricted account: withdrawals require prior, case-specific authorization by the Energy Bureau. The Emergency Reserve Account will be available to both LUMA and Genera for extraordinary, high-impact reliability events that exceed their normal operating budgets.

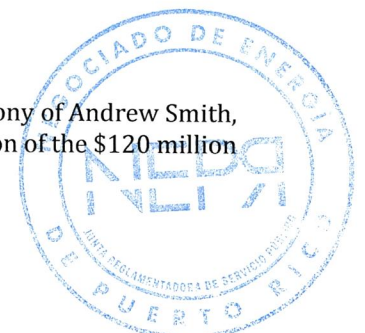
More than \$10 million for Genera's Generation Maintenance Reserve ("GMR") is already built into the FY 2026 Temporary Default Budget. The GMR will cover Genera's unplanned maintenance first, and the newly created Emergency Reserve Account will be tapped only for emergencies. With the GMR serving as the primary buffer, the Emergency Reserve can be maintained at a lower level.

Given the Energy Bureau's establishment of a system-wide Emergency Reserve Account, which will be funded through base rates and made available to all operators for emergency-related expenditures, there is no justification for a separate incremental operator-level reserve.

The Emergency Reserve Account adequately addresses the need for emergency liquidity in this transitory period. Accordingly, the Energy Bureau **DENIES** LUMA's request of \$120 million for the Outage Reserve Account.

<sup>75</sup> Direct Testimony of Alejandro Figueroa, LUMA Exhibit 1.0, Q&A 54, 114; Direct Testimony of Andrew Smith, LUMA Exhibit 2.0, Q&A 21; Response NPFGE-of-LUMA-PROV-21 (detailing the composition of the \$120-million request).

<sup>76</sup> LUMA Response to PREPA-of-LUMA-PROV-34.



### 36. Budget Restoration for LUMA

The 2017 Rate Order authorized a revenue requirement intended to produce a level of revenue sufficient to fund all of PREPA's system activities. However, the revenues that PREPA can expect to collect under the current base rates for Fiscal Year 2026 fall short of that level, resulting in insufficient funds to cover essential system expenses. To address the resulting revenue shortfall relative to the level assumed in the 2017 Rate Order, the Energy Bureau's *Temporary Default Budget Order* of June 20, 2025, applied a uniform 6.6 percent reduction to each non-federally funded budget line, with the understanding that this adjustment would need to be revisited and considered in the provisional rate proceeding.<sup>77</sup>

In light of these circumstances, and because this provisional-rate proceeding is not constrained by the revenue assumptions underlying the 2017 Rate Order, the Energy Bureau restores the full \$45.967 million previously removed from LUMA's budget in the *Temporary Default Budget Order*.

### K. Genera-specific Requests

#### 37. Budget Restoration for Genera

The 2017 Rate Order authorized a revenue requirement intended to produce a level of revenue sufficient to fund all of PREPA's system activities. However, the revenues that PREPA can expect to collect under the current base rates for Fiscal Year 2026 fall short of that level, resulting in insufficient funds to cover essential system expenses. To address the resulting revenue shortfall relative to the level assumed in the 2017 Rate Order, the Energy Bureau's *Temporary Default Budget Order* of June 20, 2025, applied a uniform 6.6 percent reduction to each non-federally funded budget line, with the understanding that this adjustment would need to be revisited and considered in the provisional rate proceeding.<sup>78</sup>

In light of these circumstances, and because this provisional-rate proceeding is not constrained by the revenue assumptions underlying the 2017 Rate Order, the Energy Bureau restores the full \$19.929 million previously removed from Genera's budget in the *Temporary Default Budget Order*.

#### 38. O&M: 17 Temporary Generation Resources TM2500 Palo Seco, San Juan (Requested: \$17 million, Approved: \$17 million)

Genera seeks a one-time allocation of \$17 million to fund routine O&M for its 17 GE TM2500 mobile aeroderivative turbines a core capability listed as Activity #1 in the PSP.<sup>79</sup> Supplying roughly 350 MW of dependable capacity, the TM2500 fleet lets Genera schedule major overhauls of aging baseload units while helping to shore up, though not fully resolve, the system's already tight reserve margin and contingency resources. Accordingly, the Energy Bureau **APPROVES** Genera's \$17 million request for the continued operation of these temporary emergency generation units. This incremental \$17 million shall be subject to the usual prudence review in the permanent-rate phase.

<sup>77</sup> Temporary Default Budgets Order, NEPR MI 2021 0004 (June 20 2025), Appendix A, applying a 0.933638 deflator to the FY 2025 GridCo budget and reducing it by \$45.967 million (-6.6 %).

<sup>78</sup> Temporary Default Budgets Order, NEPR-MI-2021-0004 (June 20 2025), Appendix A, showing application of the 0.933638 deflator to the FY 2025 GenCo budget, reducing it by \$19.930 million (-6.6 %).

<sup>79</sup> Resolution and Order, Establishment of the Electric System Priority Stabilization Two-Year Plan, March 28, 2025, NEPR-MI-2024-0005, <https://energia.pr.gov/wp-content/uploads/sites/7/2025/04/20250328-MI20240005-Resolution-and-Order.pdf>.



**39. Generation Maintenance Reserve (Requested: \$25 million, Approved: \$0 million)**

Genera seeks an additional \$25 million to increase its Generation Maintenance Reserve (GMR). Genera would use these funds to insulate against unexpected major-equipment failures and extended forced outages during the provisional-rate period.

In parallel with this provisional-rate review, the Energy Bureau is creating a system-wide Emergency Reserve Account that will be funded through base rates and available to the transmission and generation service providers to address emergency events. This Account will reduce the need for each operator to hold a standalone maintenance-reserve cushion far above historical norms.

Because (a) Genera already maintains a Generation Maintenance Reserve balance in excess of \$10 million, and (b) the forthcoming Emergency Reserve Account will provide an additional backstop against extraordinary maintenance costs, the Energy Bureau **DENIES** the requested \$25 million incremental increase to the Generation Maintenance Reserve.

**40. LGA OMA Outage Reserve Account (Requested: \$30 million, Approved: \$0 million)**

Genera requests \$30 million to replenish its Outage Reserve Account, restoring it to the contractually mandated funding level under the LGA-OMA. The Energy Bureau finds this request insufficiently justified under the “high-priority, noncontroversial” standard applicable to provisional-rate recovery. Given the concurrent establishment by the Energy Bureau of a system-wide Emergency Reserve Account, funded through base rates and available to all operators for emergency-related expenditures, there is no justification for duplicative incremental operator-level reserves.

The new Emergency Reserve Account sufficiently addresses the need for emergency liquidity during this provisional-rate period. Accordingly, the Energy Bureau **DENIES** Genera’s request for \$30 million to replenish the LGA-OMA Outage Reserve Account. This determination makes no finding on ultimate need or prudence; those questions will be addressed in the full evidentiary record of the permanent-rate phase.

**41. Necessary Maintenance and Expenses (Requested: \$28 million, Approved: \$28 million)**

Genera requests an incremental \$28 million to carry out preventive and corrective maintenance, component overhauls, and emergent repairs across its thermal and peaking generation fleet over and above the baseline NME level in last year’s budgets.

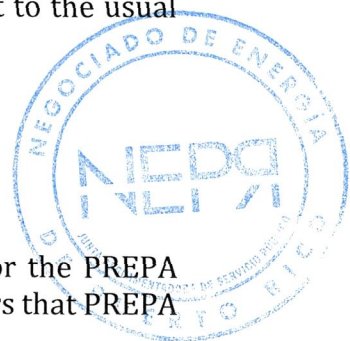
The Energy Bureau expects that this maintenance program will lower the forced-outage factor and increase dependable capability. To implement this work, the Energy Bureau formally adopts Attachment F, “FY 2026 Provisional Budgets – Approved NME Activities - GenCo (Genera),” as the definitive schedule of approved NME tasks for FY 2026.

Accordingly, the Energy Bureau **APPROVES** Genera’s incremental \$28 million NME maintenance and repair budget. This incremental \$28 million shall be subject to the usual prudence review in the permanent-rate phase.

**L. PREPA-Specific Requests**

**42. Restoration of PREPA’s HydroCo and HoldCo Budgets**

In the July 3 Application, LUMA inserted a proxy 5 percent increase for the PREPA entities, acknowledging it lacked the detailed HydroCo and HoldCo- workpapers that PREPA



had not yet provided.<sup>80</sup> The Energy Bureau rejects that proxy figure: it was a placeholder, not a fact-based projection, and therefore lacks any value under the high-priority- and- noncontroversial standard that governs provisional-rate- recovery.

The FY2026 Temporary Default Budget held total non-federally funded expenditures to the 2017 Rate Order ceiling by applying a uniform 6.6 percent reduction to every line item. That across-the-board cut lowered PREPA's HydroCo allocation from the FY 2025 rollover level of approximately \$13.639 million to \$12.734 million, and its HoldCo allocation from roughly \$34.220 million to \$31.949 million, removing a combined \$3.176 million from PREPA's budget.

In this proceeding, we are no longer constrained by 2017 levels. For the provisional rate, the Energy Bureau **GRANTS** the restoration of those reduced amounts in full. Accordingly, the FY 2026 HydroCo and HoldCo provisional rate budgets are increased by a total of \$3.176 million.

### 43. Pension cost

PREPA's July 11, 2025, Motion proposes an FY 2026 contribution of \$307,475,422 for the PREPA Employee Retirement System (ERS).<sup>81</sup> PREPA alleges that this obligation is both legally binding and immediately payable.

Given PREPA's financial, and particularly its ongoing Title III bankruptcy case, the Energy Bureau believes that pension benefits constitute a high-priority, no controversial, and non-deferrable expense, and therefore authorizes recovery of the full amount.

At this provisional phase, the Energy Bureau accepts PREPA's requested amount solely for purposes of the pension rider. The Energy Bureau will revisit the figure in the permanent-rate phase, where it will examine updated actuarial studies, funding schedules, and any cost-mitigation measures. In addition, the ultimate pension obligation may change based on the outcome of determinations that the Title III bankruptcy proceeding. That federal proceeding, not this rate case, will resolve issues surrounding the insolvency of the PREPA Employees' Retirement System.

We have considered that the pension cost, at the level requested by PREPA, should be recovered from customers through a special pension rider, and that this pension rider should charge each customer a fixed amount. We have learned, however, that, constraints associated with PREPA's billing infrastructure mean that the pension rider created by LUMA cannot have a fixed charge by September 1. See the Appendix (Attestation of Jessica Laird, LUMA's Senior Vice President for Customer Service), detailing the reasons why LUMA is unable to create fixed-charge capability in the pension rider by September 1.

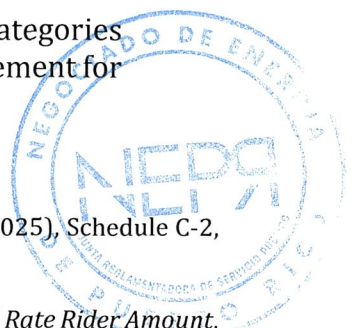
For purposes of the provisional-rate pension rider, therefore, the charges to customers must be, temporarily, on a cents/kWh basis, for the reasons discussed below in Part IV, Rate Design. This approach does not ensure fairness, because customers who can reduce their kWh consumption but still benefit from the electric system, such as net-metering customers, will not pay their fair share.

A fairer approach may be for the pension rider to use a per-customer charge rather than a per-kWh charge. The conventional way to set a customer charge involves two steps:

- The first step allocates the annual pension cost to all customer categories in proportion to each category's share of the total revenue requirement for base rates.

<sup>80</sup> LUMA, *Motion Submitting Rate Review Petition*, Case No. NEPR-AP-2023-000-3 (July 3, 2025), Schedule C-2, note "PREPA budgets increased by proxy 5 % pending PREPA submission."

<sup>81</sup> PREPA's *Motion to Amend Rate Application and Objection to LUMA's Requested Provisional Rate Rider Amount*, Case no. NEPR-AP-2023-0003, July 11, 2025 ("July 11 Motion"), pp. 2-3 (identifying FY 2026 ERS funding requirement of \$307,475,422).



- The second step calculates the individual customer charge for all customers within each customer category, by dividing the total amount allocated to each category by the number of customers in that category.

This September 1 limitations prevent us from ensuring that responsibility for pension costs is borne fairly. We will ensure, however, that this constraint, and the resulting unfairness, is only temporary, and we will correct it within this fiscal year. Specifically: While LUMA has no choice now but to begin the pension rider with a per-kWh charge, we require LUMA to convert the charge into a per-customer charge at the earliest possible date, taking into account the complexities described by Ms. Laird in the Appendix along with the statutory requirement of cost-effectiveness. We require LUMA to inform the Energy Bureau immediately when the conversion becomes feasible, so that we can order without delay any implementation that we then deem necessary. Once that implementation is in place, we will require the reconciliation authorized by Act 57, section 6.25(f).<sup>82</sup> That reconciliation will apply back to July 1, 2025. As a result, the Energy Bureau will be able to (a) correct each customer category's underpayment or overpayment for the time period during which the per-kWh charge was in effect, and (b) choose the most accurate method of reflecting those corrections on individual customers' bills. In that way, by the time Fiscal Year 2026 ends, the Energy Bureau will have achieved its objective of ensuring that every customer in that year has paid its fair share of pension costs.

#### 44. PREPA's Opposition to LUMA's Requests

PREPA challenges LUMA's incremental-cost proposal on grounds that LUMA hasn't done enough to minimize its own costs and maximize dollar flows from customer collections and federal sources.<sup>83</sup> We recognize that with PREPA having controverted LUMA's proposal, we cannot now easily call LUMA's request noncontroversial. But to remove costs now could be misinterpreted by entities outside this case as a rejection on the merits, which it would not be. The better course is to defer judgment on the reasonableness of LUMA's costs and revenues until the permanent phase, when we will have the benefit of discovery and live witnesses, including live witnesses from PREPA who challenge LUMA's proposal using facts that have evidentiary value in this formal adjudication.

PREPA 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."<sup>84</sup> As discussed above, the Energy Bureau's determinations at the provisional-rate phase regarding proposed transmission and distribution-related costs have primarily focused on approving those that constitute high-priority and noncontroversial costs, particularly those associated with projects included in the PSP, which are not expected to be covered by federal funds. Notably, a significant number of costs have not been accepted by the Energy Bureau at this phase, specifically to allow for further examination during the permanent-rate phase of the potential availability of federal funds to cover those expenses, thereby avoiding recovery from ratepayers. Notwithstanding the foregoing, most of the approved transmission and distribution costs are related to projects necessary to repair the electric system. Holding back funds for those projects because alleged prior performance problems doesn't achieve anything; it just delays the necessary repairs. Our context is not 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. The T&D OMA and the statutes do not give us the authority to make LUMA use its own funds.

As a regulator, in this proceeding the Energy Bureau's focus is to set rates that, prospectively, provide the funds necessary to provide the service that customers deserve.

<sup>82</sup> "Upon issuing a final order after the rate review process, the Energy Bureau shall direct PREPA to adjust customer's bills to refund, credit, or charge any discrepancy between the temporary rate established by the Commission [under section 6.25(e)] and the rate change."

<sup>83</sup> July 11 Motion, pp. 3-5.

<sup>84</sup> July 11 Motion, p. 4.



However, to the extent of our jurisdiction, we will address concerns about the reasonableness of LUMA’s, Genera’s, and PREPA’s requests in the permanent-rate phase.

**M. Determinations on the System-Level Costs: The “Other” Component**

**45. LUMA Operator Fee (Requested \$139 million; Approved \$139 million)**

LUMA seeks provisional-rate recovery of its Operator Fee in the amount of \$139.37 million for FY 2026. This amount is the figure approved in the FY 2026 Temporary Default Budget.<sup>85</sup> This item does not represent an incremental cost for inclusion in the provisional rider calculation.

Because the requested Operator Fee matches the amount previously authorized by the Energy Bureau for the FY 2026 temporary budget, and recognizing the contractual and obligatory nature of these costs under the T&D OMA, the Energy Bureau **GRANTS** recovery of the \$139.37 million LUMA Operator Fee within the provisional revenue requirement.

**46. Genera Operator Fee (Requested: \$26.6 million; Approved: \$25.161)**

Genera seeks provisional-rate recovery of an Operator Fee of \$26.6 million.<sup>86</sup> This figure exceeds the Operator Fee approved by the Energy Bureau in FY2026 Temporary Default Budget, which authorized a fee of \$25.161 million for FY 2026, inclusive of the applicable CPI factor.<sup>87</sup>

Given that the approved Temporary Budget already accounts for the contractual obligations under the Legacy Generation Assets OMA and includes the necessary CPI adjustments, mirroring the approach taken for the LUMA Operator Fee, the Energy Bureau **PARTIALLY APPROVES** Genera’s Operator Fee, authorizing \$25.161 million.

**47. Bankruptcy Title III and FOMB Advisor Costs (Requested \$69.989 million; Approved \$56.418 million)**

LUMA’s updated filing seeks \$69.989 million for bankruptcy counsel, restructuring professionals, and Fiscal Oversight and Management Board (FOMB) advisors.<sup>88</sup> Nothing in the supplemental discovery responses, including NPFGC-of-LUMA-PROV-19, provides new evidence, work plans, or billing assumptions that would justify lowering or increasing the previously approved amount.

Moreover, the Temporary Default Budgets Order of June 20, 2025, applied a global deflator to most cost categories, reducing bankruptcy and advisor costs to \$52.674 million, a cut of \$3.744 million intended solely to keep the temporary budgets within the constraints of the 2017 Rate Order in light of the shortfall in FY 2026 revenues.<sup>89</sup> Because that reduction was mechanical rather than evidence-based-, and as with the restorations for LUMA and Genera’s budgets levels, the Energy Bureau **RESTORES** the \$3.745 million and approves the full \$56.418 million previously authorized for FY 2025.

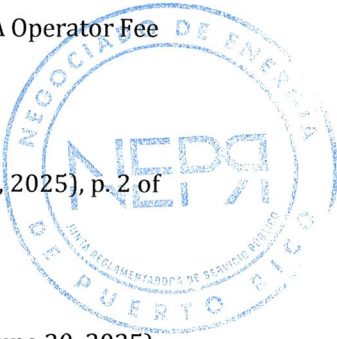
<sup>85</sup> June 20 Resolution and Order, p. 21 (approving temporary default budgets including the LUMA Operator Fee of \$139.367 million).

<sup>86</sup> Bras, Genera Ex. 22.2, Tab A-1, line 68 (Genera’s requested Operator Fee of \$26.6 million).

<sup>87</sup> Resolution and Order Establishing Temporary Budgets, Case No. NEPR-MI-2021-0004 (June 20, 2025), p. 2 of 8 (approving Genera’s Operator Fee of \$25.161 million, inclusive of CPI adjustment).

<sup>88</sup> Response to PC-of-LUMA-PROV-19, Attachment A, line “Bankruptcy & Advisor Costs”.

<sup>89</sup> Resolution and Order Establishing Temporary Default Budgets, NEPR--MI--2021--0004 (June 20, 2025), Appendix A (showing bankruptcy and advisor costs of \$52.674).



**48. “LUMA Interim Costs” (Requested \$8.75 million; Approved \$0 million)**

In a discovery response to a July 17 request for information (NPFGC-of-LUMA-PROV-19), LUMA inserted a new line labeled “LUMA Interim Costs” under the “Other” category. This insertion included no narrative explanation, cost breakdown, or citation to a contract or statute.<sup>90</sup> Moreover, the item appears nowhere in the July 3 Application-, in supporting testimony in tables (Tables 10 and 12), or in any subsequent supplemental motions and workpapers.<sup>91</sup>

Because (a) LUMA did not include the item in the original petition, (b) no prefiled testimony or workpaper substantiates its purpose or magnitude, and (c) parties lacked fair opportunity to test it through discovery or comment, the Energy Bureau finds that the request fails to meet the high-priority, noncontroversial criterion governing provisional-rate recovery.

Accordingly, the Energy Bureau **DENIES** recovery. This determination makes no finding on ultimate need or prudence; those questions will be addressed in the full evidentiary record of the permanent-rate phase.

**49. Federal Cost Share Match – LUMA**

LUMA requests provisional-rate recovery of \$90.139 million to satisfy the 10 percent -local-match requirement for FEMA Public Assistance -projects.<sup>92</sup> The Energy Bureau rejects this request for the reasons set forth in Part III.E.4 of this Resolution and Order (“On Federal, State and Other Available Funding”). As that discussion explains, the Financial Oversight and Management Board and the Puerto Rico Department of Housing have already identified at least \$500 million in CDBG—DR funds that can apply toward the local match, and LUMA has actively submitted eligible T&D projects to FEMA, Central Office for Recovery, Reconstruction and Resiliency (“COR3”), and U.S. Department of Housing and Urban Development. Given that credible supporting information shows that outside funding paths exist, shifting the obligation to ratepayers fails the high-priority and- noncontroversial standard.

Accordingly, the Energy Bureau **DENIES** inclusion of the \$90.139 million cost-share match in the provisional revenue requirement. This determination makes no finding on ultimate need or prudence; those questions will be addressed in the full evidentiary record of the permanent-rate phase.

**50. Federal Cost Share Match – Genera**

Genera requests provisional-rate recovery of \$67.4 million for the 10 percent federal cost-share that FEMA Public Assistance and related programs require.<sup>93</sup> As explained in the immediately preceding paragraph, Genera can meet this requirement with other funds. Genera has not demonstrated that it has exhausted or diligently pursued those sources. Instead, Genera asserts a structural cash-flow gap due to timing mismatches,<sup>94</sup> but this fact

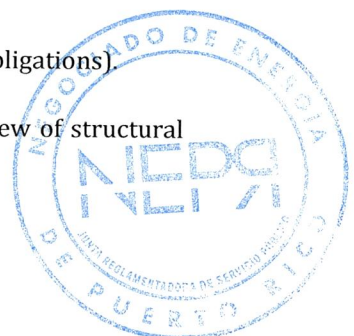
<sup>90</sup> Response NPFGC-of-LUMA-PROV-19 (July 17, 2025), Attachment A, “Other” schedule, line “LUMA Interim Costs.”

<sup>91</sup> LUMA Motion Submitting Rate-review- Petition (July 3, 2025), passim; no “Interim Costs” line in attachments or summary tables. See also Alejandro Figueroa, Direct Testimony, LUMA Exhibit 1.0, Tables 10 and 12 (listing all provisional components; no “Interim Costs” entry).

<sup>92</sup> LUMA Motion in Compliance with July 8th Order and Bench Orders entered during July 14th Virtual Conference, July 8, 2025, p. 14 (“Federal Cost-share Match – GridCo-,” \$90.139 million).

<sup>93</sup> Genera Schedule C-2, (identifying Genera’s request of \$67.4 million for federal cost-share obligations).

<sup>94</sup> Supplemental Direct Testimony of María Sánchez Brás, p. 7 of 14 (Explaining Genera’s view of structural cash-flow gaps and timing challenges related to federal cost-share reimbursements).



alone does not warrant ratepayer burden when substantial external funds remain reasonably attainable.

The Energy Bureau **DENIES** inclusion of the requested \$67.4 million federal cost-share match in Genera's provisional revenue requirement. This determination makes no finding on ultimate need or prudence; those questions will be addressed in the full evidentiary record of the permanent-rate phase.

#### 51. Bankruptcy Title III Advisor Costs-Restoration

Consistent with the determinations made elsewhere in this Resolution and Order, the Energy Bureau **RESTORES** the \$1.822 million previously reduced under the FY 2026 Temporary Default Budgets, to accommodate the shortfall in FY 2025 revenues.

#### 52. FOMB Advisor Costs – Restoration

Consistent with the determinations made in this Resolution and Order, the Energy Bureau **RESTORES** the \$1.923 million previously reduced under the Temporary Default Budgets Order dated June 20, 2025, to accommodate the shortfall in FY 2026 revenues.

#### 53. Bad-Debt Expense – Restoration

Consistent with the determinations made in this Resolution and Order, the Energy Bureau **RESTORES** the \$3.950 million previously reduced under the FY 2026 Temporary Default Budgets to accommodate the shortfall in FY 2026 revenues.

#### N. Additional items

#### 54. Bad-Debt Expense Factor

LUMA proposes a 2.97% bad-debt factor, citing that factor's appearance in PREPA's 2017 Rate Order. LUMA offers no aging analysis, receivables study, or other empirical evidence to support the continued validity of that figure.<sup>95</sup> The Independent Consumer Protection Office ("OIPC") recommends a 1.5 percent factor, consistent with the allowances approved by the Energy Bureau in the FY 2024 and FY 2025 budgets. OIPC emphasizes that LUMA's proposed factor nearly doubles the cost to customers "without any updated, data-driven justification," and notes that no record evidence supports the higher percentage.<sup>96</sup>

A bad-debt allowance is appropriate, to ensure that the funding level approved by this Resolution and Order is actually collected. But LUMA has not justified the 2.97 percent factor with current data or analysis. Accordingly, the Energy Bureau **GRANTS** LUMA's request to include a bad-debt provision but sets the factor, for provisional rate purposes, at 1.5 percent of projected billed revenues. LUMA shall revise Schedule C-2 and its associated provisional-rate design to reflect this adjustment. In the permanent-rate phase we will determine the appropriate number. For that purpose, LUMA shall promptly supply information, via witness attestation, witnesses, that gives credible support to some number. ICPO can of course make a discovery request for current information on collectability, then present that information when ICPO submits intervenor testimony.



<sup>95</sup> Direct Testimony of Alejandro Figueroa, LUMA Exhibit 1.0, Q&A 54 ("For bad debt expense, LUMA assumes the same 2.97% that was approved in PREPA's 2017 Rate Order.")

<sup>96</sup> OIPC, *Comments on Provisional Rate Adjustment*, July 2025, p. 2 ("LUMA did not provide any analysis of aged accounts receivable balances... the 2.97% factor nearly doubles the burden on customers... without any updated, data-driven justification.").

55. Inflation

LUMA proposes to include in its provisional rate \$23.8 million for inflation in the costs that make up its FY2025 Approved Budget. It calculated the \$23.8 million by multiplying that budget amount (\$692M) by 0.03438.

We do not view this item as high priority and noncontroversial. Since the approved expenditures associated with those items reflect current costs, no inflation adjustment to them is necessary. The costs to which LUMA applies the inflation adjustment, the costs in the FY25 budget, are preexisting costs. We recognize that those amounts might not reflect current costs because they were constrained by 2017 rate levels. But in this expedited process to determine a provisional rate, we do not have a credible means to determine which costs deserve an inflation adjustment and if so, how high. Indeed, consistent with LUMA's assertions, made when seeking the T&D Operator position, that it would find efficiencies, it is possible that some of the costs in the FY 2025 Approved Budget will have decreased rather than increased.<sup>97</sup> The process for determining permanent rates will give us the necessary facts to make careful, cost-by-cost, surgical adjustments as necessary to recognize current costs.

It is true that the T&D OMA calls for an inflation adjustment.<sup>98</sup> But this inflation adjustment, by its terms, applies only to a "Default Budget." LUMA has already proposed, and the Energy Bureau has already approved with modifications a FY 2026 Temporary Default Budget. What we are doing here is approving a provisional budget as the basis for provisional rates. The approved provisional budget replaces the approved FY 2026 Temporary Default Budget.

Moreover, the Energy Bureau is not a signatory to the T&D OMA. Nor does the T&D OMA limit the Energy Bureau's statutory authority, including its exclusive authority to set provisional rates and permanent rates.

The Energy Bureau **DENIES** inclusion of the requested \$23.8 million for inflation in the costs that make up its FY2025 Approved Budget. This determination makes no finding on ultimate need or prudence; those questions will be addressed in the full evidentiary record of the permanent-rate phase.

56. Legacy Debt

This proposed provisional revenue requirement includes no amount for the legacy debt. We acknowledge the Bondholders' opposition to this result that opposition well expressed in their preliminary and supplemental comments on the Application.

In the current legal context, with PREPA in bankruptcy under Title III of PROMESA, PREPA is under a stay of debt payments and currently has no enforceable obligation to pay its legacy debt. However, the statutes require the Energy Bureau to "[e]nsure that the powers

<sup>97</sup> "One of the most persuasive components of LUMA's proposal when it was selected as the successful bidder in the competitive solicitation for an entity to operate Puerto Rico's electric grid was the efficiencies, resulting on savings, that LUMA was expected to implement." Resolution and Order, NEPR-MI-2021-0004 (May 31, 2021) (approving Initial Budgets) (citing Partnership Committee Report, *Puerto Rico Public-Private Partnership for the Electric Power Transmission and Distribution System* (May 15, 2020)); see also *id.* at 32 ("LUMA asserts that it expects these efficiencies [relating to contracting for services, revenue collections from past due bills, transmission line losses, energy theft, missing or malfunctioning meters, distribution infrastructure] to offset other expenses and therefore, enable LUMA to improve electric service without the necessity of modifying rates.").

<sup>98</sup> Section 7.3(d) of the T&D OMA provides:

In the event any Budget for a given Contract Year has not been finalized in accordance with Section 7.3(a) (Budgets Generally) by July 1 of such Contract Year, the applicable approved Budget for the immediately preceding Contract Year (as the same may have been amended) as adjusted for inflation based on the CPI Factor (such Budget, a "Default Budget") shall remain in effect until such time as the applicable Budget for such Contract Year is so finalized.



and authorities exercised by PREB over [PREPA] including those related to rate review and approval, guarantee that [PREPA] meets its obligations to bondholders.”<sup>99</sup>

How to exercise out those powers in this context is a matter that we will address in the permanent-rate phase. Given that commitment, our decision not to address the question now affects no bondholder adversely. Moreover, given the complexities of the case under Title III of PROMESA and its current status, we consider that even if we had some form of authority at this stage to order the collection of funds to pay a portion of the debt, such cost would not meet the high-priority and noncontroversial criterion that has been applied to other costs included in this provisional-rate phase.

Because we are including, for provisional-rate purposes, no legacy debt, there is no logical reason to include in the provisional rate a margin. We will address the need for a margin in the permanent-rate phase.

#### 57. On Federal, State and Other Available Funding

*Jim* Federal and Commonwealth grant programs already earmark substantial resources, including at least \$500 million of Community Development Block Grant-Disaster Recovery (CDBG-DR) funds identified by the Financial Oversight and Management Board and the Puerto Rico Department of Housing, that the operators can use to satisfy the 10 percent “local match” required for FEMA Public Assistance and related programs. In fact, LUMA has submitted hundreds of transmission and distribution projects to FEMA, COR3, and the Puerto Rico Department of Housing to access funds from the CDBG program.

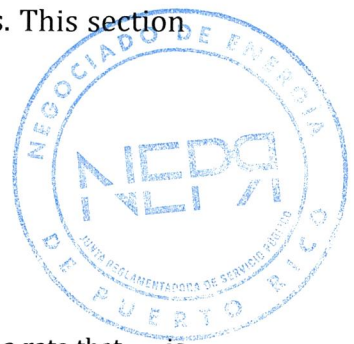
*JAB* Given these facts, requests to shift cost-share obligations to customers do not satisfy the high-priority, and noncontroversial threshold. The Energy Bureau will not treat electricity customers as the funding source of first resort. The operators must pursue with diligence, urgency, and transparency the full amount of federal, state, and other monies that are already available or reasonably attainable, before seeking recovery through electricity rates.

*ABN* Federal dollars are a pillar of the Puerto Rico electric system’s long-term rebuilding and resiliency strategy. Accordingly, the Energy Bureau expects LUMA and Genera to (a) maintain continuous engagement with HUD, COR3, FEMA, and other funding agencies; (b) document all applications, obligations, and draws; and (c) provide quarterly status reports demonstrating concrete steps taken to secure and deploy those funds.

*AM* More generally, this Resolution and Order’s approval of activities and projects for purposes of the provisional rate does not relieve the entities of their obligation to seek federal funds to cover any costs for which federal funding is available. The entities therefore should view this Resolution and Order’s approvals as conditional. The condition is that a company proposing an activity or project whose costs are potentially eligible for federal reimbursement must take all prudent actions to obtain that reimbursement.

### IV. Rate Design for the Provisional-Rate Rider Amount

To produce the revenues that make up the provisional revenue requirement, the Energy Bureau must establish new rates for each customer class. Those new rates will be in effect from September 1, 2025, until the Energy Bureau sets permanent rates. This section of the Resolution and Order explains how we will design those rates.



<sup>99</sup> Act 57-2014, section 6.3(p). See also Act 4-2016 sec. 9(c) (“The Commission shall approve a rate that . . . is sufficient to guarantee the payment of principal, interest, reserves, and all other requirements of bonds and other financial obligations . . .”).

## O. Rate design principles

Rate design determines how customers pay for the total cost of producing, transmitting, and delivering electricity. In designing rates, regulators typically consider these objectives:

- Rates should apportion costs among customers fairly.
- Rates should provide price signals that encourage customers to consume efficiently, in terms of total consumption and time of consumption.
- Rates should be understandable and acceptable to customers.
- Subject to reflecting unavoidable changes in input costs, rates and bills should be stable and predictable over a given period of time.
- Rate design should be sufficiently straightforward so that the utility can bill customers practically and cost-effectively.

Inevitable tension among these objectives requires regulators to balance and find compromises among them.

Rate design for provisional rates differs from rate design for permanent rates, in several respects:

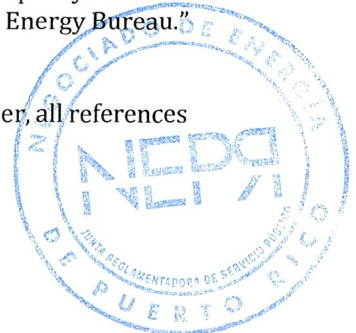
- By statute, there is no adjudication or formal evidentiary record to support provisional rates. It is therefore best to avoid making major changes in the preexisting rate design changes to both how we allocate the revenue requirement among the customer classes, and how we design rates within each class. The obvious way to avoid major changes to the current rate design is to apply a uniform percentage increase to each component of the existing base rates, as described in our Resolution and Order of February 12, 2025.
- As discussed below, that approach is not feasible between now and September 1.
- It is best to avoid adding to unfairness in the current rate design, such as if the existing rate design allows some customers to avoid their pro rata share of the electric system's fixed costs.
- The provisional rate must be practically implementable by LUMA by September 1, 2025.
- The rate design for the provisional rates should make it feasible for LUMA, once the Energy Bureau sets the permanent rates, to reconcile costs for customer classes and for individual customers, such that each customer bears, as close as possible, the same cost that the customer would have borne had the permanent rates been in effect from the beginning.<sup>100</sup>

## P. LUMA's proposed provisional rate design

LUMA proposed to collect the portion of the provisional revenue requirement above the existing revenue requirement through a uniform cents/kWh charge, specifically 7.39 cents per kWh.<sup>101</sup> The Energy Bureau is also requiring a separate rider to collect PREPA's pension cost, as discussed at Part III.C.2 below. LUMA argues that compared to a uniform percentage increase in all rate components of all customer categories, the equal-cents-per-

<sup>100</sup> Section 6.25(f) of Act 57-2014: "Upon issuing a final order after the rate review process, the Energy Bureau shall direct the requesting company to adjust customers' bills so as to credit or charge any discrepancy between the temporary rate established by the Energy Bureau and the permanent rate approved by the Energy Bureau." Similar language appears in section 6A(f) of Act 83.

<sup>101</sup> Direct Testimony of Sam Shannon, LUMA Ex. 20.0, Exhibit 20.02. In this Resolution and Order, all references to "testimony" are to prefiled testimony submitted by the three entities on July 3, 2025.



kWh approach is easier to collect and reconcile. LUMA adds that this approach is what the Energy Commission used in the 2017 Rate Order.<sup>102</sup>

What the Commission did in 2017 has no bearing on what we do in 2025. The statements about ease of implementation and comprehension are conclusory, *i.e.*, lacking in any evidence. There is no room for debate that in terms of minimizing differences with the status quo, an equal percentage increase in all rate components is the better approach.

LUMA's proposed equal cents/kWh method has this key shortcoming: Recovering the incremental provisional costs entirely through a cents/kWh rate changes the status quo rate design, which relies on a mix of cents/kWh charges, fixed customer charges, and demand charges. Reconciliation of permanent rates with the provisional rates can correct that distortion, retroactively. But the reconciliation will occur with total accuracy only at the customer class level, not at the individual customer level. As a result, some unfairness to individual customers will likely occur.

The problem is that using any approach other than an equal cents/kWh method is not technically feasible by September 1, for the reasons discussed in the Attestation of Jessica Laird, attached as the Appendix to this Resolution and Order.

**Q. Treatment of subsidized residential classes**

As discussed in Part V below, the three subsidized residential classes will have a provisional-rate rider amount of zero.

**R. Conclusion on rate design for the provisional rate**

There will be riders one for pension costs and one for all other costs. We discuss the rider for pension costs in the next subsection. The rider for the non-pension costs, specifically the cost increment above the FY26 Default Budget, will recover the costs using an equal cents/kWh charge.

For purposes of this rider, net-metering customers will continue to pay based on their net consumption. In determining the permanent rate, the Energy Bureau will address whether the statutes allow the Energy Bureau to base those customers' charges, including the rider charge, on gross consumption.

The Energy Bureau alerts all customers that for the permanent rates, it will be considering a number of changes in rate design, including an increase in the fixed customer charge accompanied by a reduction in -other charges. Those changes will be retroactive to July 1, 2025.

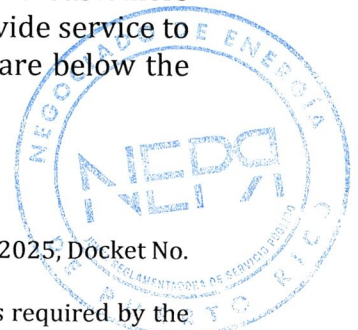
## **V. Affordability and Practicability**

In considering a proposed rate increase, the Energy Bureau has to consider practicability. In this context, practicability means this question: Will the rate increase actually produce the required revenue increase? Or instead, will customers react to the rate increase by reducing their consumption, or installing solar panels, or leaving Puerto Rico?

An important component of practicability is affordability.<sup>103</sup> If some customers cannot pay their bills, the utility will not receive the funds that it needs to provide service to all. Total revenues must be sufficient to make service adequate. Rates that are below the level needed to make service adequate are not just-and-reasonable rates.

<sup>102</sup> Question 105, Exhibit 20.00 of LUMA Motion Submitting Rate Review Petition dated July 3, 2025, Docket No. NEPR-AP-2023-0003.

<sup>103</sup> Moreover, affordability must be considered as part of the rate determination because it is required by the applicable statutory provisions. *See*, in general, Act 57-2014, *Statement of Motives* and Section 6.25 (B); and Act 17-2019, Sections 1.4(vi), 1.5 (1)(a), 2(b) and 3(a).



The relationship among those four goals, just-and-reasonable rates, adequate service, affordability, and practicability, is complex and difficult. To reach the right balance among requires information on such things as elasticity of demand, ability to pay, the effects on people and businesses of unpredictability in electric service, among other factors. At this provisional-rate stage, the Energy Bureau does not have the necessary information to determine that balance. On that subject, we appreciate the thoughtful comments submitted by Institute of Competitiveness and Economic Sustainability. We look forward to hearing more from them and others in the permanent-rate phase.

The Energy Bureau had these concerns in mind when, in its February 12 Order, it required the three entities each to submit two budgets, an Optimal Budget and a Constrained Budget.<sup>104</sup> The Constrained Budget allows the Energy Bureau to consider increases less than that required by the Optimal Budget, aided by information from the three entities about specific costs and activities that they could defer, and about the effects of those deferrals on service quality. With that information, the Energy Bureau can determine, to use a phrase from the February 12 Order, a “customer-sensitive” path toward a better-performing system. Continuing its concern for customer sensitivity, the Energy Bureau then limited the provisional budget to a fraction of the Constrained Budget, requiring that the provisional budget add to the existing budget only those costs associated with high-priority, noncontroversial items

The Energy Bureau notes that the increase caused by the provisional rates is real. But we ask customers to recognize that base rates have not risen, not even to reflect inflation, since 2017, eight years ago.<sup>105</sup> Had the 2017 Rate Order required annual increases to track inflation, the base rate today would be higher than the 2017 base rate by 33%.<sup>106</sup>

We make one more change, in the direction of customer-sensitivity. For purposes of this provisional rate, which, again, is subject to reconciliation, the Energy Bureau has decided not to apply that rider charge to these three classes: Lifeline Residential Service, Residential Service for Public Housing, and Residential Fixed Rate for Public Housing Under Ownership of the Public Housing Administration. Their provisional-rider charge will be zero. Their share (about 4%<sup>107</sup>) of the incremental amount will be borne by the other customer classes. We will determine the proper revenue responsibility of all classes, and reconcile that responsibility with the provisional rates, when we establish the permanent rates after the evidentiary hearing in November and December.

<sup>104</sup> The February 12 Resolution and Order described the Optimal Budget as the “budget that is necessary to provide to electricity customers the quality of service required by (a) the Puerto Rico statutes, and (b) the contracts under which LUMA and Genera provide that service.” The Resolution and Order described the Constrained Budget as “a budget whose total cost is less than the Optimal Budget by the amount that the Energy Bureau deems necessary to provide a customer-sensitive transition from the status quo (Fiscal Year 2025) to an Optimal Budget in FY 2028.”

<sup>105</sup> The operator fees increased with inflation, but that increase did not increase the base rates because to heed the 2017 cap, the Energy Bureau lowered proportionately all other items to absorb the increase.

<sup>106</sup> Percentage is illustrative and calculated using the Bureau of Labor Statistics Consumer Price Index inflation calculator, available at [https://www.bls.gov/data/inflation\\_calculator.htm](https://www.bls.gov/data/inflation_calculator.htm). The CPI inflation calculator uses the Consumer Price Index for All Urban Consumers (CPI-U) U.S. city average series for all items, not seasonally adjusted. This data represents changes in the prices of all goods and services purchased for consumption by urban households.

<sup>107</sup> The LUMA Revenue Requirement Schedules, at Schedule E-1, shows this information for FY2026 revenues:

General Residential Service	\$18,494,548
Residential Service for Public Housing	\$ 466,390
Residential Fixed Rate for Pub. Housing Under PR Ownership	\$28,236,814

Adding these figures together, then dividing the sum by total revenues of \$1,179,202,427 (line 33 of Schedule E-2), yields 4.0%.



This treatment of the three classes does not conflict with the Energy Bureau's Resolution and Order dated June 30, 2025, setting the factors for each of the riders that collect revenues for various subsidies. There is no conflict because the pot of dollars dealt with by the existing Help-to-Humans subsidy is different from the pot of dollars that would have been covered by the three classes had they borne the same provisional-rate increase as all other classes. Specifically:

- The amount dealt with by the existing Help-to-Humans subsidy is the difference between the revenue associated with (a) the rate paid by the unsubsidized residential class (the GRS class) and (b) the rates paid by the three subsidized residential classes.
- The amount dealt with by the decision to apply a zero provisional-rate rider to the subsidized residential classes is their 4% share of the provisional-rate increment above rates as they existed on July 1, 2025.

Because the two amounts are completely different, the proposal to have no provisional-rate change for the three classes causes no interference with the Help-to-Humans subsidies addressed in the just-issued Resolution and Order.

*Jim*

## VI. Orders and Conclusions

### S. Costs Other Than Pension Costs

*Jim*

The Energy Bureau **APPROVES** an incremental provisional rate revenue requirement of \$227.598 million. This amount will be recovered through a uniform rider of 1.4931 cents/kWh. The collection period will commence no earlier than September 1, 2025, and will extend for ten months or until the Energy Bureau issues the final rate resolution and order. This rider explicitly excludes pension-related costs, which will be recovered through a separate mechanism. What follows is a summary of our determinations.

*Jim*

The Energy Bureau **ORDERS** the restoration of budgets previously reduced by the Temporary Default Budget Resolution and Order of June 20, 2025. The restored budgets amount are as follows:

*Jim*

- LUMA GridCo: \$45.967 million
- Genera GenCo: \$19.929 million
- PREPA HydroCo and HoldCo: \$3.176 million
- Bankruptcy Title III Advisor Costs: \$1.822 million
- FOMB Advisor Costs: \$1.923 million
- Bad Debt Expense: \$3.950 million

In recognition of critical reliability and safety needs, the Energy Bureau **APPROVES** provisional funding for the following items:

- LUMA Vegetation Management: \$24 million
- LUMA Wildfire Mitigation Infrastructure Hardening: \$11.7 million
- LUMA Customer Experience Payment Processing Fees: \$4.5 million
- LUMA Land Acquisition for Battery Energy Storage Systems (BESS): \$4 million
- Genera Temporary Generation Resources O&M (TM2500): \$17 million
- Genera Necessary Maintenance and Expenses (NME): \$28 million

The Energy Bureau **DENIES** provisional funding request for the following items:

- LUMA IT/OT Initiatives (\$18.7 million)
- LUMA Fleet Program (\$9.4 million)
- LUMA Outage Reserve Account (\$120 million)
- LUMA Federal Cost-Share Match (\$90.139 million)
- Genera Federal Cost-Share Match (\$67.4 million)
- Genera Generation Maintenance Reserve (\$25 million)




- Genera LGA OMA Outage Reserve (\$30 million)
- Unsubstantiated LUMA Interim Costs (\$8.75 million)
- PREPA Budget Proxy Adjustment (5% placeholder increase)
- Margin/Net Operating Income Request (\$177.7 million)

The Energy Bureau makes the following system-level cost determinations:



- Operator Fees are **APPROVED** at the levels established by the June 20, 2025 Temporary Budget Resolution and Order:
  - LUMA Operator Fee: \$139.368 million (non-incremental)
  - Genera Operator Fee: \$25.161 million (denial of incremental increase)
- Bankruptcy and FOMB Advisor Costs are **APPROVED** at the previously authorized FY 2025 level of \$56.418 million, fully restoring all prior mechanical reductions.
- The Energy Bureau **ESTABLISHES** a Bad Debt factor of 1.5%.
- The Energy Bureau **DENIES** both a general inflation adjustment and legacy debt cost recovery at the provisional stage.

#### T. Pension Costs

 The Energy Bureau separately **APPROVES** a pension cost recovery rider for PREPA's Employee Retirement System, reflecting the full FY 2026 requested contribution of \$307.475 million.

The Energy Bureau **ORDERS** the following billing and reconciliation process:

- **Temporary Per-kWh Billing:** Due to technical constraints, the pension rider will initially be recovered through a per-kWh charge.
- **Conversion to Fixed Customer Charge:** LUMA **SHALL** notify the Energy Bureau as soon as it is feasible and cost-effective to implement the necessary billing-system modifications to convert the pension cost recovery from a per-kWh charge to a per-customer charge.
- **Retroactive True-Up:** Upon implementation of the fixed customer charge, the Energy Bureau will conduct a reconciliation pursuant to Act 57-2014 §6.25(f), applied retroactively to July 1, 2025. This reconciliation will ensure equitable cost allocation among customer classes and correct any interim under- or over-collections.

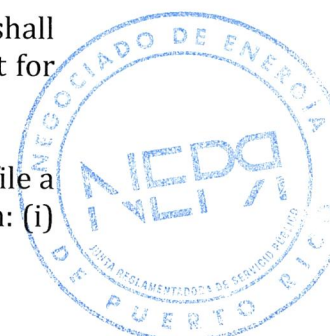
  
 This pension rider approach ensures transparent cost recovery, fairness among ratepayers, and compliance with all statutory obligations.

#### U. Emergency Reserve Account

The Energy Bureau **ESTABLISHES** a single, system-wide Emergency Reserve Account (ERA) funded at \$20 million. The ERA is a restricted account: withdrawals require prior, case-specific authorization by the Energy Bureau.

**To ensure the proper and transparent implementation of the System-Wide Emergency Reserve Account, the Energy Bureau further ORDERS that:**

- **Account Establishment:** PREPA shall establish a new, separate, and segregated account (the "Account") with an initial balance of \$20 million within sixty (60) days from the issuance of this resolution and order. PREPA shall submit proof of the Account's creation and funding to the Energy Bureau.
- **Account Administration:** The Account shall be held in trust, and PREPA shall act as the administrator, responsible for maintaining the account but not for authorizing withdrawals.
- **Withdrawal Protocol:** To request funds, LUMA, Genera or PREPA must file a petition with the Energy Bureau. The petition must include, at a minimum: (i)



a full description of the emergency event, (ii) a detailed, itemized estimate of the required funds, and (iii) a sworn statement certifying that the costs cannot be covered by the petitioner's approved operational budget.

#### V. Consideration Applicable to All Projects

The three entities' proposals include projects that are, in the proponent's view, necessary to electric service and important to carry out in FY 2026. For each of these projects, the proposing company shall be prepared to explain during the permanent-rate phase whether there is any disadvantage to deferring it to a point in time when external financing is available. The entities will likely secure external financing when they exit bankruptcy. This deferral option, if feasible and not disadvantageous to electric service, would allow the Energy Bureau to spread the project cost over a multi-year time period. Doing so would reduce the rate increase while freeing up current funds for other uses.

#### W. Compliance Filing

Because the total provisional revenue requirement approved in this Resolution and Order differs from that proposed by LUMA, the provisional-rate rider amount will differ from the \$0.07390 per kWh proposed by LUMA. In addition, a separate rider will be used to collect the pension costs, as described above. No later than **August 6, 2025**, LUMA shall make a compliance filing with the Energy Bureau, containing a clear calculation of the proposed provisional rate riders that aligns with the decisions in this Resolution and Order, accompanied by any workpapers or that support the calculation.

#### X. Corrections to and Clarifications of this Resolution and Order

The timely issuance of this Resolution and Order was challenging. The reasons included the time constraints, the existence of three separate sets of numbers (Constrained Budget, Optimal Budget, Provisional Budgets) for each of the entities, and various changes or corrections made by various entities. Most problematic was that nowhere in the Motion submitting the application, and nowhere in the prefiled testimony of any of the dozens of witnesses, was there a single clear picture of the total provisional revenue requirement and its distinct components.

We make this point not to criticize, because we recognize the pressures faced by all three entities in preparing this Application while also running the electric system. Many individuals had to perform in both roles during the same tight period of time. We make this point so that parties can look for errors and inform us. We ask the three applicants to inform the Hearing Examiner formally and expeditiously of any need to correct or clarify the numbers in this Resolution and Order, without rearguing points that the Energy Bureau has addressed. The Hearing Examiner then will schedule expeditiously the necessary conference to clear matters up so that the Energy Bureau can make any necessary corrections.

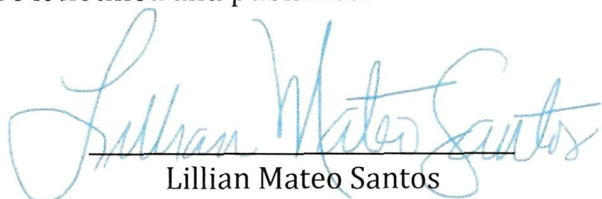
The Energy Bureau **WARNS** LUMA, Genera, and PREPA that, in accordance Art. 6.36 of Act 57-2014:<sup>108</sup>

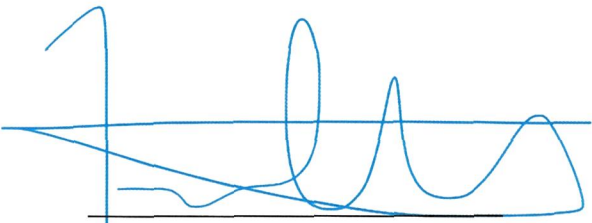
- (i) noncompliance with this Resolution and Order, regulations and/or applicable laws may carry the imposition of fines and administrative sanctions from ten thousand dollars (\$10,000) up to one hundred twenty-five thousand dollars (\$125,000) per day; and
- (ii) for any recurrence of non-compliance 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.


<sup>108</sup> Known as the *Puerto Rico Energy Transformation and RELIEF Act*, as amended ("Act 57-2014").

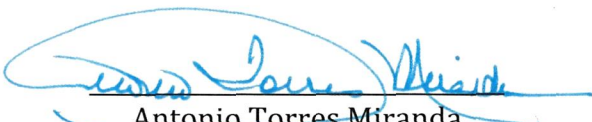


Be it notified and published.

  
Lillian Mateo Santos  
Associate Commissioner

  
Ferdinand A. Ramos Soegaard  
Associate Commissioner

  
Sylvia B. Ugarte Araujo  
Associate Commissioner

  
Antonio Torres Miranda  
Associate Commissioner

**CERTIFICATION**

I certify that the majority of the members of the Puerto Rico Energy Bureau has so agreed on July 31, 2025. Chairman Edison Avilés Deliz Dissented with a Written Opinion. I also certify that on July 31, 2025 a copy of this Resolution and Order was notified by electronic mail to the following: mvalle@gmlex.net; arivera@gmlex.net; jmartinez@gmlex.net; jgonzalez@gmlex.net; katiuska.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; gcastrodad@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@guidedhouse.com; Josh.Llamas@fticonsulting.com; Anu.Sen@fticonsulting.com; Ellen.Smith@fticonsulting.com; Intisarul.Islam@weil.com; kara.smith@weil.com; rafa.ortiz.mendoza@gmail.com; rolando@emmanuelli.law; monica@emmanuelli.law; cristian@emmanuelli.law; lgnq2021@gmail.com; jan.albinolopez@us.dlapiper.com; Rachel.Albanese@us.dlapiper.com; varoon.sachdev@whitecase.com; jdiaz@sbgblaw.com; javrua@sesapr.org; Brett.ingerman@us.dlapiper.com; agraitfe@agraitlawpr.com; jpouroman@outlook.com; epo@amgprlaw.com; loliver@amgprlaw.com; acasellas@amgprlaw.com; matt.barr@weil.com; Robert.berezin@weil.com; Gabriel.morgan@weil.com; corey.brady@weil.com; lramos@ramoscruzlegal.com; tlauria@whitecase.com; gkurtz@whitecase.com; ccolumbres@whitecase.com; isaac.glassman@whitecase.com; tmacwright@whitecase.com; jcunningham@whitecase.com; mshepherd@whitecase.com; jgreen@whitecase.com; hburgos@cabprlaw.com; dperez@cabprlaw.com; howard.hawkins@cwt.com; mark.ellenberg@cwt.com; casey.servais@cwt.com; bill.natbony@cwt.com; thomas.curtin@cwt.com; escalera@reichardescalera.com; riverac@reichardescalera.com; susheelkirpalani@quinnemanuel.com; erickay@quinnemanuel.com; dmonserrate@msglawpr.com; fgierbolini@msglawpr.com; rschell@msglawpr.com; eric.brunstad@dechert.com; Stephen.zide@dechert.com; David.herman@dechert.com; Julia@londoneconomics.com; Brian@londoneconomics.com; luke@londoneconomics.com; juan@londoneconomics.com; mmcgill@gibsondunn.com; LShelfer@gibsondunn.com; jnieves@cstlawpr.com; arrivera@nuenergypr.com; apc@mcvpr.com. I also certify that today, July 31, 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 July 31, 2025.



  
Sonia Seda Gaztambide  
Clerk

ATTACHMENT A  
FY 2026 Provisional Budgets – Electric Utility

FY 2026 Electric Utility Provisional Budgets Summary

(\$ in 000s)

1	TRANSMISSION AND DISTRIBUTION		\$780,130
2	T&D Operating Expenditures	596,472	
3	T&D Non-Federally Funded Capital Expenditures	183,658	
4			
5	GENERATION		\$358,961
6	GenCo Operating and Capital Expenditures	345,322	
7	HydroCo Operating and Capital Expenditures	13,639	
8	HOLDCO (PROPERTYCO) OPERATING AND CAPITAL EXPENDITURES		\$34,220
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		\$27,450
13	FOMB ADVISOR COSTS		\$28,968
14	BAD DEBTS		\$62,893
15	EMERGENCY RESERVE ACCOUNT		\$15,000
15	PENSION		\$307,475
16	TOTAL NON-FEDERALLY FUNDED ELECTRIC UTILITY EXPENDITURES		\$1,779,626
Notes			
FEDERALLY FUNDED CAPITAL EXPENDITURES			APPROVED
17	T&D FEDERALLY FUNDED CAPITAL EXPENDITURES		\$1,207,157
	GENERATION FEDERALLY FUNDED CAPITAL EXPENDITURES		
18	GenCo <sup>1</sup>		\$1,774,120
19	HydroCo <sup>2</sup>		\$2,140,360
Notes			
<sup>1</sup> 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.			
<sup>2</sup> 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  
FY 2026 Provisional Budget – GridCo (LUMA)

FY 2026 T&D Provisional Operating Budget

(\$ in 000s)

					Customer Experience	Operations	Utility Transformation	Support Services					
1	SUBTOTOTAL LABOR AND NON-LABOR EXPENSES (DEPARTMENTS)				88,840	248,260	29,999	217,677	\$584,776				
2	2% Reserve for Excess Expenditures								\$11,696				
3	TOTAL OPERATING BUDGET								\$596,472				
					PSP <sup>1</sup>	Customer Experience	Distribution	Transmission	Substations	Control Center & Buildings	Enabling	Support Services	
4	SUBTOTOTAL NON-FEDERALLY FUNDED CAPITAL BUDGET (PORTFOLIOS)				45,552	24,805	35,437	5,863	19,770	3,536	36,258	8,836	\$180,057
5	2% Reserve for Excess Expenditures												\$3,601
6	TOTAL NON-FEDERALLY FUNDED CAPITAL BUDGET												\$183,658
7													
8	TOTAL T&D OPERATING AND NON-FEDERALLY FUNDED CAPITAL BUDGET												\$780,130
<b>Notes</b>													
<sup>1</sup> Electric System Priority Stabilization Plan (NEPR-MI-2024-0005)													



ATTACHMENT C  
FY 2026 Provisional Budget – GenCo (Genera)

FY 2026 GenCo Provisional Operating Budget

(\$ in 000s)

1	LABOR OPERATING EXPENSES	\$75,404
2	NON-LABOR	\$71,103
3	PSP <sup>1</sup>	\$17,000
4	NME	\$113,318
5	Generation Maintenance Reserve	\$11,671
6	SHARED SERVICES	\$56,826
7	<b>TOTAL OPERATING BUDGET</b>	<b>\$345,322</b>
<b>Notes</b>		
<sup>1</sup> Electric System Priority Stabilization Plan Activity #1, Match 28, 2025 order (NEPR-MI-2024-0005)		



ATTACHMENT D  
FY 2026 Provisional Budget – HydroCo (PREPA)

FY 2026 HydroCo Provisional Operating Budget

(\$ in 000s)

1	LABOR OPERATING EXPENSES	\$4,398
2	NON-LABOR EXPENSES	\$5,470
3	NME	\$1,234
4	SHARED SERVICES	\$2,537
5	TOTAL OPERATING BUDGET	\$13,639
<u>Notes</u>		



ATTACHMENT E  
FY 2026 Provisional Budget – HoldCo/PropertyCo (PREPA)

FY 2026 HoldCo (PropertyCo) Provisional Operating Budget

(\$ in 000s)

1	LABOR OPERATING EXPENSES	\$7,892
2	NON-LABOR	\$21,878
3	NME	\$645
4	SHARED SERVICES	\$3,805
5	TOTAL OPERATING BUDGET	\$34,220
<u>Notes</u>		



ATTACHMENT F  
Approved NME Activities - GenCo (Genera

Aguire Power Plant			
Item	Generation Unit	Activity	Approved Amount
1	Aguire 1	Purchase of 480 VAC (LA3000, LA5000 & LA500 Series) Breakers for Unit 1 Switch Gear	\$175,000
2	Aguire 1	Boiler G-7-8-9 Duct Joints, Unit 1	\$175,000
3	Aguire 1	HP & IP Rotors Rehabilitation & Trip block	\$4,000,000
4	Aguire 2	Low Pressure Steam Turbines Recertification (Rotors) U2	\$3,000,000
5	Aguire 2	Purchase of 480VAC (LA3000 series) Breakers for Unit 2 Switch Gear	\$275,000
6	Aguire 1	Generator Rotor Revind	\$1,000,000
7	Aguire 1	Purchase of Material for Generator Rotor Revind	\$2,000,000
8	Aguire 1	Generator Stator Revind	\$3,000,000
9	Aguire 1	Purchase of Material for Generator Stator Revind & Install	\$5,500,000
10	Aguire 18.2	Covering of Structural Elements and Auxiliary Equipment's	\$200,000
11	Aguire 18.2	Fuel Loading Arms Rehabilitation	\$50,000
12	Aguire 18.2	Auxiliary Equipment	\$150,000
13	Aguire 2	Hotwell Level Regulator	\$100,000
14	Aguire 18.2	Diesel Engine & Fire System Pumps	\$150,000
15	Aguire 18.2	Fender System for the Fuel Receipt Dock	\$750,000
16	Aguire 18.2	Transmission Rotor Drive Air Heater	\$152,000
17	Aguire 18.2	Rehabilitation Of The Existing Reverse Osmosis System	\$250,000
18	Aguire 18.2	Internal/External Treatment of Calcium at the DEM Plant	\$50,000
19	Aguire 18.2	Internal/External Treatment of Anions at the DEM Plant	\$50,000
20	Aguire 18.2	Supply and Install On-Line DEM Instruments (Sodium, Silica) - Training/Commissioning	\$100,000
21	Aguire 18.2	Supply and Install Acid Tank for the Thermo Cooling Towers	\$60,000
22	Aguire 18.2	Process and Safety Valves	\$375,000
23	Aguire 18.2	Replacement Of Economizer U1&U2	\$2,500,000
24	Aguire 18.2	Replacement of Second Rotatory Screens & Parts	\$620,000
25	Aguire 18.2	Critical Motor Adjustment for Induced, Forced & Gas Recirculation Fans (3)	\$500,000
26	Aguire 18.2	Reconstruction Service For The Rotary Screens Header	\$655,000
27	Aguire 2	Replacement of Battery Charger & UPS U2	\$250,000
Subtotal =			\$28,307,000
Aguire CIC			
Item	Generation Unit	Activity	Approved Amount
28	CIC 18.2	Aguire CC STG 18.2 M	\$100,000
29	CIC 1	Major Inspection of Units GT 1-1 Necessary Repairs on the Heat Recovery Steam Generators, Auxiliary Equipment to be Repaired (Fuel, Water Pumps, MCC, Compressors, Among Others)	\$2,500,000
30	CIC 2	Major inspection of units GT 2-4 Necessary Repairs on the Heat Recovery Steam Generators, Auxiliary Equipment to be Repaired (Fuel, Water Pumps, MCC, Compressors, Among Others)	\$1,460,000
31	CIC 18.2	Combustion Inspection of Units GT 1-1, GT 1-2, GT 1-3, GT 2-2, GT 2-3, GT 2-4, Battery Banks Replacement	\$547,500
32	CIC 18.2	Anticorrosion Coating, Structure Repair and Structural Repairs of Heat Recovery Systems	\$750,000
33	CIC 18.2	Auxiliary Equipment	\$750,000
34	CIC 18.2	Control Systems Improvement in Gas Turbine Units	\$105,500
35	CIC 18.2	Building Roof Sealing, Windows and Doors Repairs and Paint	\$73,000
36	CIC 18.2	230 KV Breakers (CIC-8-0094 & CIC-8-0095)	\$400,000
37	CIC 18.2	Steam Path, Steam Pipes & Auxilar Repair and Rehabilitation	\$547,500
38	CIC 18.2	GT CO2 Fire Systems Repair	\$146,000
39	CIC 18.2	UPS of Control Systems Replace for STAG 18.2	\$300,000
Subtotal =			\$8,543,500
Costa Sur			
Item	Generation Unit	Activity	Approved Amount
40	Costa Sur Power Plant	Water Treatment Plant Maintenance Services (Sewer and Processed Waters)	\$150,000
41	Costa Sur Power Plant	Auxiliary Equipment Procurement and Repair Works for Boilers	\$750,000
42	Costa Sur Power Plant	Inspection and Repair Refractory Insulation	\$350,000
43	CS 6	Remove, Supply and Install Boiler Water Wall Panel	\$500,000
44	CS 6	AH Replacement Basket, Seal and Trunnion Unit 6	\$750,000
45	CS 6	Procurement of Parts for the Major Repair Unit 6	\$1,000,000
46	Costa Sur Power Plant	Repair of Peripheral Security Fence	\$400,000
47	Costa Sur Power Plant	Fire Protection System - Improvements, Inspection and Repairs	\$250,000
48	Costa Sur Power Plant	Water Pretreatment and Treatment (DEMI) Reverse Osmosis & Electrodeionization System Maintenance Services	\$150,000
49	Costa Sur Power Plant	Corrosion protection for Natural Gas Pipelines	\$350,000
50	CS 6	Corrosion Protection for Unit 5	\$750,000
51	CS 6	Corrosion Protection for Unit 6	4
52	CS 5 & 6	Rehabilitation of CEMS (Air Quality Compliance EPA)	\$200,000
53	Costa Sur Power Plant	Protective Mesh on the Condenser Inlet Suction to Comply with 316B (Clean Water Act)	\$250,000
54	CS 6	Environmental Outage Costa Sur 6	\$2,500,000
55	Costa Sur Power Plant	Procurement and Installation of 1 Stand By Generator (IMV) 4160V for 800HP Fire Pump 2, Foam Fire Protection System for the Fuel Oil Facilities	\$750,000
56	Costa Sur Power Plant	Repair a Set of Turbine Rotors (HP, IP, LPA, LPB) and Diaphragms	\$500,000
57	CS 5 & 6	Procurement and Installation of A/C System for Switchgears Rooms (4160V and 480V) Units 5 and 6	\$150,000
58	CS 5	Procurement of 1 Condenser Vacuum Pumps Skid Unit 5	\$357,000
59	CS 6	Procurement of 1 Condenser Vacuum Pumps Skid Unit 6	\$357,000
60	Costa Sur Power Plant	Procurement of (2) 12" Butterfly Valve w/ Electrical Operators for North and South Sectionalizer Valves CLWP's	\$350,000
61	CS 5 & 6	Procurement and Installation of 2 Sets of Opacity Monitor Durag (One per Stack, Two Stacks per Unit) Units 5 and 6	\$125,000
62	Costa Sur Power Plant	Purchase of Paint for Structure and Equipments	\$250,000
63	CS 6	Generator Inspection, Test & Maintenance Unit 6	\$250,000
64	CS 5 & 6	Auxiliary Equipment Procurement and Repair Works for Turbines	\$1,000,000
65	Costa Sur Power Plant	Maintenance of Metering Station, PRV1, PRV2 and PRV3, Replacement of Isolation Valves, Painting and Integrity Tests	\$500,000
66	Costa Sur Power Plant	Structural Steel	\$200,000
Subtotal =			\$13,135,000
Mayaguez			
Item	Generation Unit	Activity	Approved Amount
67	M2	Repair & Replacement of Combustion Components 2 Units	\$655,000
68	Mayaguez Power Plant	DEMI Plant Capacity Increase	\$730,000
69	M4	Hot Section Inspection/IME	\$5,180,000
70	Mayaguez Power Plant	Protective Coating Against Corrosion For Units	\$125,000
Subtotal=			\$6,620,000
Palo Seco			
Item	Generation Unit	Activity	Approved Amount
71	PS 4	Unit 4 Economize Water Inlet Valve	\$750,000
72	PS 3 & 4	New Multimedia Filter Water Treatment Plant	\$73,000
73	PS 3 & 4	Instrumentation for Performance Test of Units 3 & 4	\$0.00
74	PS 3 & 4	Manufacture and delivery of a Separator Pump	\$50,000
75	PS 3 & 4	Turbine Area Crane Maintenance - Repair	\$273,750
76	PS 3 & 4	Fire Protection System - Improvements, Inspection and Repairs	\$385,000
77	PS 3 & 4	Steam Coil Units 3 & 4 Replacement	\$547,500
78	PS 3 & 4	Boiler U3 & U4 Structure Reinforcement & Coating	\$1,000,000
79	PS 3 & 4	UPS Cybernet (AB 3.0) Upgrade	\$25,750
80	PS 3 & 4	Demt Raw Water Pumps Replacement	\$38,325
81	PS 3 & 4	Switchgear Units 3 & 4	\$249,113
82	PS 3 & 4	Environmental Outage Unit 3	\$2,000,000
83	PS 3 & 4	Demitronics Laticone Vessels	\$150,000
84	PS 3 & 4	Laboratory Automation	\$105,500
85	PS 3 & 4	Unit #3 Electro Hydraulic System Accumulators Refurbish	\$73,000
86	PS 3 & 4	Unit 3 and 4 Chimney Balloony Rehabilitation	\$438,000
87	PS 3 & 4	Units 3 and 4 Battery Chargers	\$54,750
88	PS 3 & 4	Hydraulic Servo Oil Conditioning System for Units 3 and 4	\$75,000
Subtotal=			\$5,870,038
San Juan			
Item	Generation Unit	Activity	Approved Amount
89	SJ 5 & 6	LTSA Units 5 & 6	\$115,500,000
90	SJ Power Plant	DEMI Water Treatment Resin Purchase	\$105,000
91	SJ 5 & 6	Units 5 and 6 Gas Conversion Infrastructure Project (Surcharge)	\$10,000,000
92	SJ 5 & 6	Acquisition & Installation R/W LP US & 6 (3 Pumps)	\$438,000
93	SJ Power Plant	Procurement and Installation Air Compressors for Instrumentation Equipment	\$273,750
94	SJ 5 & 6	Condensers Coating & Repair US&6	\$146,000
95	SJ Power Plant	Buy Electrical Motors and Associate Electrical Components for All Plant	\$385,000
96	SJ7	General Repair Boiler U7 Not included in Fed Funds	\$547,500
97	SJ Power Plant	Water Treatment Plant Multimedia Filter Parts & Maintenance Services	\$35,500
98	SJ Power Plant	Boiler Structure Coating Application S to 9 (9, 7, 5, 6)	\$730,000
99	SJ Power Plant	Fire Protection for Unit 5 to 9 Improvements	\$730,000
100	SJ 5 & 6	HSG's Remaining Life Pressure Parts Assessment US&6	\$281,050
101	SJ 5 & 6	HSG's Desuperheater Valves US&6	\$80,300
102	SJ Power Plant	Reverse Osmosis and Ultrafiltration Water Pretreatment System Parts & Services	\$54,750
103	SJ 5 & 6	Buy CCWP-5&6	\$43,800
104	SJ5	San Juan 5 Programmed Outage (C.T. STG, HRS/G)	\$365,000
105	SJ Power Plant	Auxiliary Equipment Boiler, HSG's, Turbines & Generators	\$500,000
106	SJ Power Plant	Catalytic Maintenance HPGSS	\$105,500
107	SJ 5 & 6	Units 5 & 6 STG Overhead Crane	\$182,500
108	SJ 5 & 6	Units 5 & 6 Condenser Pin Draining System Rehabilitation	\$750,000
109	SJ Power Plant	Reverse Osmosis and Ultrafiltration Water Pretreatment System DCS Fouboro	\$100,000
110	SJ 5 & 6	Units 5 & 6 C.T. Bypass Valves System Rehabilitation	\$100,000
111	SJ 7 & 9	Units 7 and 9 Battery Chargers Replacement	\$200,000
112	SJ Power Plant	Units 5 to 9 Electrical Breakers Rehabilitation	\$150,000
113	SJ 5 & 6	Units 5 & 6 Compress Air Dryers Rehabilitation	\$100,000
114	SJ Power Plant	Removal of Old Overhead Crane from Travelling Screens 9-10 (Safety)	\$73,000
115	SJ5	Unit 5 STG Main Valves Rehabilitation	\$105,500
116	SJ 7 & 9	San Juan Cooling Towers 7 & 9 Pumps Rehabilitation	\$43,800
117	SJ 5 & 6	San Juan C.T 5 & 6 Torque Converter Repair	\$350,400
118	SJ 5 & 6	STGSS's Switch Gear Rehabilitation	\$238,712
119	SJ Power Plant	Upgrade Lock Out - Tag Out Systems	\$38,500
120	SJ Power Plant	Upgrade Panel Alarms Electrical Control Room	\$73,000
121	SJ 5 & 6	STG's 5 & 6 DC Lube Oil Control System Replacement	\$500,000
122	SJ Power Plant	San Juan Chem Shed (Reliability Improvements)	\$1,100,000
Subtotal=			\$29,866,362
Cambalache			
Item	Generation Unit	Activity	Approved Amount
123	CT 2 & 3	Turbo Compressor Inspection Materials GT5 2 & 3	\$8,000,000.00
124	CT 2 & 3	Non R/W Parts	\$500,000.00
125	CT 2 & 3	Inspection C (TFA Services + Gen Insp + RLM) GT2 & GT3	\$3,400,000.00
126	CT 2 & 3	HTS SFC, HM, BLUE LINE, P13 Controls Contract	\$500,000.00
127	CT 2 & 3	Compressor Inspection & Maintenance (RLM)	\$200,000.00
128	Cambalache Power Plant	Painting And Anticorrosion Protection Of Units, Including Chimneys	\$375,000.00
129	Cambalache Power Plant	Auxiliary Equipment Replacements (AC 800 motors, Valves)	\$500,000.00
130	CT 2 & 3	Enclosure Repair GT 2 & 3	\$250,000.00
131	CT 2 & 3	Turbine Transformer Maintenance	\$50,000.00
132	Cambalache Power Plant	Crane Maintenance	\$250,000.00
133	CT 3	Logic Modification For The GT3 Black Start System	
Subtotal=			\$14,075,000.00
Peakers Units			
Item	Generation Unit	Activity	Approved Amount
134	Mobil Pac SJ & PS	Mobil Pac Annual Audit	\$25,500
135	PS Peaker units an others	Combustion Inspection & Repair Frame 5000	\$146,000
136	Culebra Emergency Plant	Culebra Engines Annual Inspection & Maintenance	\$120,000
137	Vieques Emergency Plant	Vieques Engines Annual Inspection & Maintenance	\$100,000
Subtotal=			\$621,500.00
Other Costs			
Item	Generation Unit	Activity	Approved Amount
138	All Plants	Oil shed (Environmental improvement)	\$25,000
139	All Plants	Infrastructure Support Hardware (UPS, Battery Banks, Racks, etc.)	\$750,000
140	All Plants	Substations Maintenance	\$150,000
141	All Plants	Inspection/Rehabilitation of All Fuel/Water Handling Assets (i.e. Pipelines, Storage Tanks, Pumps, Dams, etc.)	\$2,000,000
142	All Plants	Performance Test of the System	\$500,000
143	All Plants	Purchase Spare Transformer Bushing for All Sites	\$500,000
Subtotal=			\$5,675,000.00
Total NME budget recommended for FY 2026 =			\$113,318,000



APPENDIX 1  
Attestation of Jessica Laird

Responses to Provisional Rate Information Requests

NEPR-AP-2023-0003

Response to Hearing Examiner’s Order on Billing System

SUBJECT

Billing System

REQUEST

I would like Ms. Laird to support her July 24 statements with an attestation, submitted officially to the Energy Bureau and copied to all parties as soon as possible. The attestation should contain as much detail as is available to her, should be based on facts and professional experience, and should cover the following topics:

- 1. the specific characteristics of PREPA’s current billing system that would require change or replacement;
- 2. the technical steps necessary to achieve the change or replacement;
- 3. the time and cost associated with those steps; and
- 4. the specific risks—including events and consequences—that would accompany an attempt to achieve the change or replacement by September 1.

RESPONSE

- 1. LUMA inherited the Customer Care & Billing System (“CC&B system” or “billing system”) from the Puerto Rico Electric Power Authority (PREPA) in 2020. LUMA believes that the system was last upgraded in 2019, based on information obtained at that time. LUMA believes that the system had to have been tested in 2019 due to the upgrade, but LUMA does not know the extent of the testing that occurred at that time because no documentation as to the extent of testing was shared. Since LUMA took over, it has made no modifications have been made by LUMA to the permanent rates (or “base rates”).

The specific complicating characteristics of the billing system are twofold. First, the original design of the billing system dates back 14 years and was highly customized by PREPA, which makes updates risky, costly and extremely arduous. As noted in the virtual conference, there are currently 4,800 rate components that are used in different permutations and combinations to create 63 different rates in the billing system.<sup>109</sup> This is a nonstandard and highly customized approach that makes rate updates and/or configuration changes, time consuming, costly and risky without significant (and time consuming), and thorough testing.

For example, best practice would have been to have one residential tariff (GRS) in the billing system, that could have various riders (e.g., Net Metering (NM) or EV-TOU) added to it modularly depending on the service agreement. Instead, the system was designed by PREPA for each combination to be set up as its own rate. This means that the billing system contains a GRS rate that has no riders applied, another GRS rate that has NM applied, and another GRS rate that has EV-TOU applied and so on. In this simple example, rather than one flexible rate, there are three different rates. Therefore, updating the values for GRS requires updating the value in each discrete element, and then testing each element to ensure that it functions properly without breaking any of the underlying code.

<sup>109</sup> NEPR-AP-2023-0003 Virtual Technical Conference, at 4:11. Available at [https://www.youtube.com/watch?v=2ydh\\_qp-PhI](https://www.youtube.com/watch?v=2ydh_qp-PhI)



2. To implement the provisional rate rider in the manner suggested by the Energy Bureau at the July 24 conference, where the Hearing Examiner and the Energy Bureau consultants asked Ms. Laird about the feasibility of altering one of those riders to accommodate fixed charges rather than an equal cents/kWh charge, where the fixed charge would differ among the customer categories, would entail the 4800 billing components in various combinations and permutations to create the 63 different rates within the billing system, requiring thousands of testing scenarios to be executed and validated.
3. Estimate of 6 months and several hundred thousand dollars.
4. The potential risks associated with any attempt to implement changes or replacements by September 1 are extensive and difficult to predict. LUMA may face complications such as partial billings, incorrect billings, missed billings, or over- or under-billings, all of which could lead to inaccurate invoices sent, cash flow impacts, lost revenue, an increase in Act 57 Objections, and customer frustration. This could also lead to additional complexity and administrative burden to resolve these complications in a timely and effective manner.

The system as designed by PREPA was highly customized and the underlying code was not properly documented,<sup>110</sup> which adds significant risk because modifications may break the underlying code, limiting the billing system's flexibility.

I, Jessica Laird, state that the information contained in this response is complete, true, and accurate to the best of my knowledge and belief.

/s/Jessica Laird




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<sup>110</sup> Direct Testimony of Jessica Laird, LUMA Ex. 7.00, Q&A 32.

**DISSENTING OPINION OF CHAIRMAN EDISON AVILÉS DELIZ**

I **PARTIALLY DISSENT** from the determination regarding the accelerated adjustment. While I agree with the approved adjustment, which benefits consumers, I believe that both the adjustment and the provisional rate should have been addressed in a single resolution, as they are closely related matters. Treating these processes separately can create confusion among consumers and weakens the clarity and coherence of the regulatory message.

I **TOTALLY DISSENT** from the provisional rate that has been approved. The rate should have been addressed jointly with the adjustment. Moreover, multiple items whose funding is still under evaluation by the U.S. Department of Energy (“DOE”) should not have been approved. This determination imposes avoidable burdens on consumers and represents an improper use of the provisional rate mechanism. I also believe that excluding customers under the net metering program from contributing to the payment of pensions of the Puerto Rico Electric Power Authority (“PREPA”) is both unfair and inequitable. All consumers should contribute proportionally to the system’s obligations, particularly when it comes to legacy costs such as pensions.

*Determination on the Accelerated Adjustment*

While I concur with the decision to approve the accelerated adjustment, I would have addressed the quarterly adjustment and the provisional rate together in a single resolution.<sup>1</sup> Doing so would have enhanced clarity and transparency for all stakeholders and ultimately served the public interest.

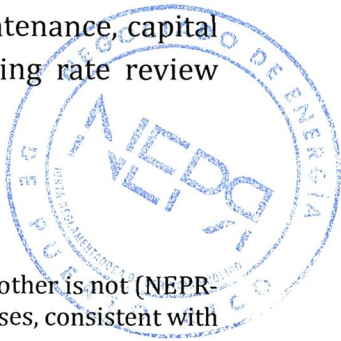
I submit this partial dissent to reinforce the distinction between the different components of the electric rate and to help clarify an issue that may be confusing to the general public: specifically, how one portion of the rate increased while another decreased, and why that outcome occurred.

Regulatory language and rate mechanisms can be difficult for consumers to understand. It is essential that we, as regulators, make a concerted effort to explain in plain terms how electricity rates are structured, how they change, and what the impact on customers’ bills will be.

The base rate, whether provisional or final, reflects long-term costs associated with maintaining and improving the electric system. In contrast, quarterly adjustment factors (FCA and PPCA) reflect real-time variations in the cost of fuel and purchased energy. Together, these elements make up the total rate paid by consumers.

It is important to emphasize that the electric service charge, whether referred to as the provisional or final base rate, represents a structural component of the rate framework. This charge is designed to recover fixed and projected costs of operations, maintenance, capital investments, and other ongoing cost elements, as set forth in the pending rate review proceeding (Case No.: NEPR-AP-2023-0003).

<sup>1</sup> Although one of the proceedings is adjudicative in nature (NEPR-AP-2023-0003) and the other is not (NEPR-MI-2020-0001), the applicable procedural guarantees would be safeguarded in both processes, consistent with their respective character and scope.



Meanwhile, the quarterly adjustment factors, specifically, the Fuel Cost Adjustment (“FCA”) and the Purchased Power Cost Adjustment (“PPCA”), function as dynamic mechanisms that reflect actual fuel and energy purchase costs. These factors are subject to regular review and updating (Case No.: NEPR-MI-2020-0001) to ensure timely and accurate cost recovery aligned with real market conditions. They are not intended to duplicate or overlap with the base rate but rather to complement it by adjusting for cost variability.

In this particular case, while the provisional base rate taking effect on August 1, 2025, represents an increase of 3.412 cents per kilowatt-hour, the Energy Bureau simultaneously approved an accelerated reduction in the quarterly adjustment factors totaling 3.426 cents per kilowatt-hour for the months of August and September 2025. **This results in a net reduction of 0.014 cents per kilowatt-hour during that period, which translates into an economic benefit for the consumer.** See the table for reference.

At first glance, it may seem contradictory that the rate both “increased” and “decreased” at the same time. However, this outcome reflects that the electric rate is composed of different components with distinct purposes. The base rate is designed to recover fixed, long-term costs such as operations, maintenance, and infrastructure, while the adjustment factors are updated quarterly to reflect actual fuel and purchased energy costs.

This type of outcome may be difficult to understand unless we make the effort to explain it clearly. This is not only a regulatory responsibility; it is public service. Transparency and clarity are essential to building and maintaining public trust in our decisions.

I submit this opinion to provide additional context and to promote a better public

COMPONENT			AMOUNT (¢/kWh)	DETAILS
Provisional Increase	Base Rate		+3.412	Composed of 1.919 + 1.493
Quarterly Reduction	Adjustment		-3.426	Includes FCA and PPCA for Aug.-Sept. 2025
Net Change in Cost	Consumer		<b>-0.014</b>	Net <b>decrease</b> in total cost to consumer

understanding of the rate structure and the recent adjustments.

**IMPACT OF PROVISIONAL RATE & QUARTERLY ADJUSTMENT ON CONSUMER COSTS – AUGUST & SEPTEMBER 2025**

*Determination on the Provisional Rate*

On the other hand, **I TOTALLY DISSENT** from the approved provisional rate. As I previously stated, I would have addressed both determinations together. Moreover, I believe that authorizing the recovery of **\$41.55 million** through the provisional rate for costs that are expected to be covered by the DOE places an unnecessary burden on consumers and creates a risk of over-recovery, even if a future reconciliation is contemplated.

The DOE and the Government of Puerto Rico are currently engaged in a collaborative process to identify and fund the costs associated with the prioritized projects. That process is underway, and in my opinion, those discussions should have been allowed to conclude in order to determine with certainty whether, and to what extent, those costs would be covered by federal funds. Given the **concrete federal commitments already made**, the prudent course would have been to exclude those costs from the provisional rate.

I also would not have authorized the **\$24 million** and **\$11.70 million** allocations for vegetation management and wildfire mitigation and infrastructure hardening, respectively. There is a high likelihood that both items will also be covered by the DOE, which makes their inclusion in the provisional rate premature.



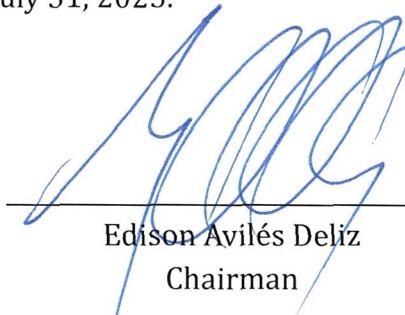
Nor would I have approved the **\$28 million** allocated for necessary maintenance expenses (“NME”), as their inclusion in the provisional rate is not justified at this stage. The criterion adopted by the majority for the approval of costs during this phase of the rate proceeding is that the costs and/or projects must be high priority and non-controversial. However, the administrative record does not contain a concrete description of the specific NME projects or their individual costs, and thus their inclusion in the provisional rate is not warranted.

For the reasons stated above, I would not have included at this time the four items previously outlined, totaling **\$105.25 million**, as part of the approved provisional rate.

Furthermore, I dissent from the manner in which PREPA’s pension-related costs are being distributed. When the Puerto Rico Legislature enacted the Net Metering Act, it did not contemplate that this group of customers would be exempt from contributing to pension obligations or PREPA’s debt. What the legislature did foresee was that no discrimination would be made against net metering.<sup>2</sup> Accordingly, it would have been more appropriate to identify a mechanism ensuring that **all customers**, including net metering participants, contribute **proportionally** to the pension obligation based on their level of consumption.

The payment of pensions constitutes a **historical obligation that falls on all consumers**, since we have all benefited at some point from the services provided by PREPA’s employees.

In San Juan, Puerto Rico, on July 31, 2025.

  
\_\_\_\_\_  
Edison Avilés Deliz  
Chairman

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<sup>2</sup> See, among others, the discussion included in the Restructuring Order, Case No.: CEPR-AP-2016-0001, *In Re: Order Request for the Restructuring of the Corporation for the Revitalization of the AEE*, and in the Positive Report of the House of Representatives of P. of S. 1121.

**IN RE:** TARIFA PERMANENTE DE LA  
AUTORIDAD DE ENERGÍA ELÉCTRICA DE  
PUERTO RICO

**CASO NÚM.:** NEPR-MI-2020-0001

**ASUNTO:** Ajuste Acelerado de la Cláusula de  
Compra de Energía; Actualización de los  
Factores Trimestrales para el periodo del 1  
de agosto de 2025 al 30 de septiembre de  
2025.

### **DISENSO DEL PRESIDENTE, EDISON AVILÉS DELIZ**

**DISIENTO EN PARTE** de la determinación de ajuste acelerado. Aunque concuerdo con el ajuste aprobado, que redundará en beneficio del consumidor, entiendo que tanto dicho ajuste como la tarifa provisional debieron haberse atendido en una misma resolución, por ser asuntos íntimamente relacionados. Separar ambos procesos puede generar confusión en los consumidores y debilita la claridad y coherencia del mensaje regulatorio.

**DISIENTO TOTALMENTE** de la tarifa provisional aprobada. La tarifa debió haberse atendido de forma conjunta con el ajuste. Además, no debieron haberse aprobado múltiples partidas cuyo financiamiento aún está bajo evaluación del Departamento de Energía de los Estados Unidos ("DOE", por sus siglas en inglés). Esta determinación impone cargas evitables a los consumidores y representan un uso inadecuado del mecanismo de tarifa provisional. Asimismo considero que excluir a los clientes que están acogidos a la medición neta de la responsabilidad de aportar al pago de pensiones de la Autoridad de Energía Eléctrica de Puerto Rico ("Autoridad"), constituye una determinación injusta y no equitativa. Todos los consumidores debemos contribuir proporcionalmente a las obligaciones del sistema, particularmente cuando se trata de costos heredados como las pensiones.

#### *Determinación sobre Ajuste Acelerado*

Aunque coincido con la determinación de aprobar el ajuste acelerado, hubiera atendido la aprobación del ajuste trimestral y la tarifa provisional de manera conjunta.<sup>1</sup> Esto habría contribuido a una mayor claridad y transparencia para todas las partes interesadas y, en última instancia, beneficiado al interés público.

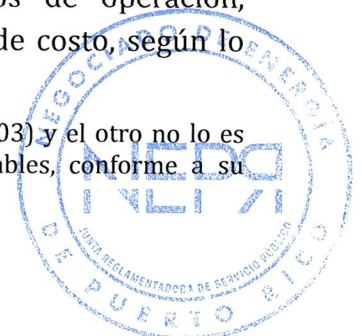
Presento este disenso parcial para reforzar la distinción entre ambos componentes de la tarifa eléctrica y ayudar a aclarar un asunto que puede resultar confuso para el público en general: específicamente, cómo una parte de la tarifa aumentó mientras otra disminuyó, y por qué ocurrió ese resultado.

El lenguaje regulatorio y los mecanismos tarifarios pueden generar confusión entre los consumidores. Es fundamental que nosotros, como reguladores, hagamos un esfuerzo concertado por explicar en términos sencillos cómo se estructuran las tarifas eléctricas, cómo cambian y cuál será su impacto en las facturas de los clientes.

La tarifa base, ya sea provisional o final, refleja los costos a largo plazo asociados con el mantenimiento y la mejora del sistema eléctrico. Por su parte, los factores de ajuste trimestrales (FCA y PPCA) reflejan variaciones en tiempo real en el costo de compra de combustible y energía. Ambos elementos, en conjunto, componen la tarifa total que pagan los consumidores.

Es importante enfatizar que el cargo por servicio eléctrico, ya sea que se denomine como tarifa base provisional o final, representa un componente estructural del marco tarifario. Este cargo está diseñado para recuperar los costos fijos y proyectados de operación, mantenimiento, inversiones de capital y otros elementos permanentes de costo, según lo

<sup>1</sup> Aunque uno de los procedimientos es de naturaleza adjudicativa (NEPR-AP-2023-0003) y el otro no lo es (NEPR-MI-2020-0001), en ambos se salvaguardarían las garantías procesales aplicables, conforme a su naturaleza y alcance respectivos.



establecido en el procedimiento de revisión tarifaria en curso (Caso Núm.: NEPR-AP-2023-0003).

En cambio, los factores de ajuste trimestrales, específicamente el Ajuste por Compra de Combustible (“FCA”) y el Ajuste por Compra de Energía (“PPCA”), funcionan como mecanismos dinámicos que reflejan los costos reales de compra de combustible y energía. Estos factores están sujetos a revisión y actualización periódica (Caso Núm.: NEPR-MI-2020-0001) para garantizar una recuperación de costos precisa, oportuna y alineada con las condiciones reales del mercado. No están diseñados para duplicar o solaparse con la tarifa base, sino para complementarla ajustando la tarifa ante la variabilidad de costos.

En este caso particular, si bien la tarifa base provisional que entrará en vigor el 1 de agosto de 2025 representa un aumento de 3.412 centavos por kilovatio-hora, el Negociado de Energía aprobó simultáneamente una reducción acelerada en los factores de ajuste trimestrales por un total de 3.426 centavos por kilovatio-hora para los meses de agosto y septiembre de 2025. **Esto representa una disminución neta de 0.014 centavos por kilovatio-hora durante ese período, lo cual se traduce en un beneficio económico para el consumidor.** Véase la tabla para referencia.

A primera vista, puede parecer contradictorio que la tarifa haya “aumentado” y “disminuido” al mismo tiempo. Sin embargo, este resultado refleja que la tarifa eléctrica está compuesta por distintos componentes con propósitos diferentes. La tarifa base está diseñada para recuperar costos fijos y a largo plazo como operación, mantenimiento e infraestructura. Los factores de ajuste se actualizan trimestralmente para reflejar los costos reales del combustible y la energía comprada.

Este tipo de resultado puede ser difícil de entender si no hacemos el esfuerzo de desglosarlo claramente. No se trata solo de una responsabilidad regulatoria; es un servicio público. La transparencia y la claridad son esenciales para generar y mantener la confianza del público en nuestras decisiones.

COMPONENTE	MONTO (¢/kWh)	DETALLES
Aumento en Tarifa Base Provisional	+3.412	Compuesto por of 1.919 + 1.493
Reducción por Ajustes Trimestrales	-3.426	Incluye FCA and PPCA para agosto – sept. 2025
Cambio Neto en el Costo al Consumidor	<b>-0.014</b>	<b>Reducción</b> neta en el costo total al consumidor

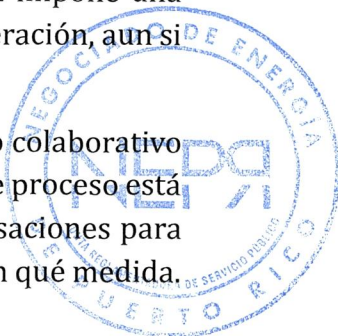
Presento esta opinión para ofrecer mayor contexto y fomentar una mejor comprensión pública de la estructura tarifaria y sus ajustes recientes.

**IMPACTO DE LA TARIFA PROVISIONAL Y DEL AJUSTE TRIMESTRAL EN EL COSTO AL CONSUMIDOR – AGOSTO Y SEPTIEMBRE DE 2025**

*Determinación sobre Tarifa Provisional*

Por otro lado, **DISIENTO TOTALMENTE** de la tarifa provisional aprobada. Como mencioné anteriormente, hubiera atendido ambas determinaciones conjuntamente. Por otro lado, considero que autorizar como parte de la tarifa provisional la recuperación de **\$41.55 millones** por concepto de costos que se anticipa serán cubiertos por el DOE impone una carga innecesaria sobre los consumidores y conlleva un riesgo de sobre-recuperación, aun si se contempla una reconciliación futura.

El DOE y el Gobierno de Puerto Rico se encuentran actualmente en un proceso colaborativo para identificar y sufragar los costos asociados a los proyectos priorizados. Este proceso está encaminado y, a mi entender, debió permitirse que culminaran dichas conversaciones para contar con certeza sobre si los costos serían cubiertos con fondos federales y en qué medida.



En momentos en que existen **compromisos concretos de fondos federales para estos fines**, lo prudente hubiese sido excluir dichos costos de la tarifa provisional.

Tampoco hubiese autorizado las partidas de **\$24 millones** y **\$11.70 millones** por concepto de vegetación y mitigación de incendios forestales y refuerzo de infraestructura, respectivamente. Existe una alta probabilidad de que ambas partidas también sean cubiertas por el DOE, por lo que resulta prematuro incluirlas en la tarifa provisional.

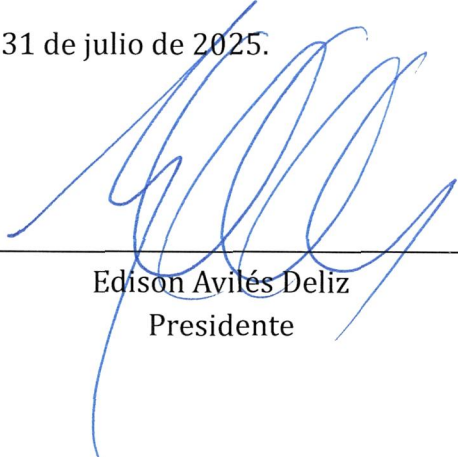
De igual forma, no habría aprobado los **\$28 millones** asignados para gastos necesarios de mantenimiento ("NME", por sus siglas en inglés), ya que su inclusión en la tarifa provisional no está justificada en esta etapa. El criterio adoptado por la mayoría para la aprobación de costos dentro de esta fase del procedimiento tarifario es que se trate de costos y/o proyectos que sean de alta prioridad y no controversiales (*high priority and non-controversial*). Sin embargo, del expediente administrativo no surge una descripción concreta de cuáles son los proyectos específicos de NME ni sus costos específicos, por lo que no se justifica su inclusión en la tarifa provisional.

Por las razones antes expuestas, no hubiese incluido en este momento las cuatro partidas antes reseñadas que ascienden a **\$105.25 millones** como parte de la tarifa provisional aprobada.

Asimismo, disiento de la manera en que se distribuyen los costos relacionados al pago de pensiones de la Autoridad. Lo que sí vislumbró la Asamblea Legislativa fue que no se discriminara en contra de la medición neta.<sup>2</sup> Cuando la Asamblea Legislativa aprobó la Ley de Medición Neta, no contempló que dicho grupo de consumidores quedaría exento del pago de pensiones ni de la deuda de la Autoridad. En vista de ello, hubiese sido más adecuado identificar un mecanismo que permitiera que **todos los consumidores**, incluyendo aquellos acogidos a la medición neta, contribuyeran de forma **proporcional** al pago de pensiones, de acuerdo a su nivel de consumo.

El pago de pensiones constituye una **obligación histórica que recae sobre todos los consumidores**, ya que todos nos beneficiamos en algún momento de los servicios prestados por los empleados de la Autoridad.

En San Juan, Puerto Rico, hoy 31 de julio de 2025.



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Edison Avilés Deliz  
Presidente



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<sup>2</sup> Véase, entre otras, la discusión que obra en la Orden de Reestructuración, Caso Núm.: CEPR-AP-2016-0001, *In Re: Petición de Orden de Reestructuración de la Corporación para la Revitalización de la AEE*, y en el Informe Positivo de la Cámara de Representantes del P. del S. 1121.