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COMMONWEALTH OF PUERTO RICO
PUERTO RICO ENERGY BUREAU

IN RE: PUERTO RICO ELECTRIC POWER AUTHORITY RATE REVIEW	**CASE NO.:** NEPR-AP-2023-0003

ANSWERING TESTIMONY OF Anthony Hurley
September 8, 2025

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I. INTRODUCTION, PURPOSE AND SUMMARY OF TESTIMONY

Q.1 Please state your name, title, employer, and business address.

A. My name is Anthony Hurley. I am a partner at Critical Preparedness LLC, a consulting firm specializing in full-service emergency and disaster management, headquartered in Austin, Texas. My business address is 208 Bobbys Cove, Georgetown, Texas, 78633.

Q.2 Please describe your educational background and experience.

A. I have 45 years of experience working in the utility and critical infrastructure sector, specializing in operations, emergency management, business continuity, and physical security. I have obtained multiple industry specific certifications, including the Federal Emergency Management Administration ("FEMA") Master Exercise Practitioner program, the FEMA Master Continuity Practitioner program, the FEMA Professional Development Series, and the FEMA Advanced Professional Series. I am also a FEMA Certified Instructor of the Incident Command System. A copy of my curriculum vitae, including prior testimony and publications, is attached to this report as **Appendix A**.

Q.3 Please describe your professional experience.

A. From 1980 to 2017, I spent 37 years with FirstEnergy (and legacy companies), a Fortune 200 corporation, serving in management roles for electric utilities across three states (Ohio, Pennsylvania, and New Jersey). Between 2007 and 2009, I served as Director of Asset Management (Corporate) and was responsible for the development of a new Capital Prioritization Model to prioritize the corporation's transmission, substation and distribution projects for the capital portfolio, taking into consideration asset health degradation, reliability improvements, operations and maintenance ("O&M") reductions and resource availability. In my last assignment before retirement from FirstEnergy, I served as Vice President of

Operations, Jersey Central Power & Light (JCP&L), a FirstEnergy subsidiary utility, which served 1.1 million electric meters. I managed a workforce of over 1,250 professionals, including employees represented by the International Brotherhood of Electrical Workers. In both my Director and Vice President of Operations roles, I managed transmission and distribution lines, substation, dispatch, engineering, vegetation management, fleet, metering and stores organizations. My experiences include the preparedness, mitigation, response and recovery from countless thunderstorms, ice storms, floods, wind events, tornados, and hurricanes. While with FirstEnergy, I deployed numerous times to assist utilities in Gulf Coast states with emergency hurricane restoration.

Following my retirement from FirstEnergy in 2017, I have worked in various roles and organizations related to utility risk management, crisis and emergency management, and natural disaster relief and mitigation. In the aftermath of hurricanes Irma and Maria in 2017, I was an advisor to the Governor of the U.S. Virgin Islands ("USVI") on power restoration, and was named to the U.S. Virgin Island Hurricane and Resiliency Task Force board to assist in the development of long-term mitigation and resiliency solutions. Post-Irma/Maria, my USVI assignments included working directly with the Chairperson of the Board of the USVI Water and Power Authority ("WAPA"). In addition to working with the WAPA executives and staff on damage assessment, restoration prioritization, and FEMA Project Worksheets, I interacted with senior FEMA and U.S. Army Corp. of Engineers ("USACE") executive staff on power restoration. During my deployment to USVI, I was invited to visit Puerto Rico by the USACE to provide feedback on the differences between each island's restoration efforts.

Following Hurricane Fiona in 2022, I was retained as a consultant for Innovative

Emergency Management ("IEM") in Puerto Rico, serving as a senior advisor for IEM and IEM's client, LUMA, on matters related to prioritizing capital utility projects and FEMA funding opportunities, and I also led various trainings on the island.[1] As a consultant, I have taught storm restoration training courses for both the American Public Power Association and the National Rural Electric Cooperative Association. I currently serve as chairman of the Critical Infrastructure Committee (previously the Utility Committee), and the Homeland Security Committee of the National Hurricane Conference, and I am an adjunct instructor at the FEMA National Disaster & Emergency Management University (previously known as the Emergency Management Institute).

Q.4 On whose behalf are you testifying before the Commonwealth of Puerto Rico Energy Bureau (the "Energy Bureau")?

A. I am testifying on behalf of National Public Finance Guarantee Corporation, GoldenTree Asset Management LP, Syncora Guarantee, Inc., Assured Guaranty Inc., and the PREPA Ad Hoc Group[2] (collectively, the "Bondholders").

Q.5 Have you previously testified before the Energy Bureau?

A. No, I have not.

Q.6 Please describe the purpose of your testimony.

A. The purpose of my testimony is to review the available information concerning

[1] To be clear, I am not relying in this testimony or engagement on any information, documents, or communications obtained from my retention by IEM. I am no longer retained by IEM, and I have not done any work for IEM since 2024. I reference this prior retention only to illustrate the breadth of my experience in the utility industry, and not to state or imply that any of my testimony here is based on or otherwise results from my prior retention by IEM, or that my testimony reflects the opinions of IEM.

[2] The members of the PREPA Ad Hoc Group are listed in the Ninth Verified Statement of the PREPA Ad Hoc Group pursuant to Bankruptcy Rule 2019, Dkt. No. 5797, *In re Fin. Oversight & Mgmt. Bd. For Puerto Rico*, Case No. 17-BK-04780-LTS, August 28, 2025.

federally funded capital expenditures and non-federally funded capital expenditures ("NFC"), proposed by LUMA, Genera, and PREPA in the Optimal and Constrained Budgets for FY2026, FY2027, and FY2028[3] of the Rate Review Petitions, and to identify serious concerns apparent even from the limited information provided.[4] The extent and scope of these problems not only justify further transparency, but LUMA, Genera and PREPA should be directed to remedy them before ratepayers suffer the consequences.[5]

Q.7 Please summarize the key points in your testimony.

A. The key points in my testimony are as follows:

In **Section II**, I explain that the proper prioritization of capital spending is key to

[3] Motion Submitting Rate Review Petition: LUMA Revenue Requirement Schedules (7.03.25).xlsx, Case No. NEPR-AP-2023-0003 Annexes made public by Order of July 3, 2025, *In Re: Review of the Puerto Rico Electric Power Authority Integrated Resource Plan* (hereafter "LUMA Revenue Requirement Schedules").

[4] My review of materials is ongoing, and I reserve the right to supplement or amend my testimony. I understand from counsel that discovery in this proceeding is ongoing, and that responses to many Bondholder discovery requests have been delayed to the maximum allotted time, and then were deficient when finally received. I also understand from counsel that the submission of materials ordered in the provisional rate order and other Energy Bureau orders has in many instances been delayed. I further understand from counsel that relevant documentation that was to be filed by the operators in other proceedings has been delayed beyond the deadline for this answering testimony. *See* Resolution and Order pertaining to Urgent Motion Requesting Extension of Time to Comply with Resolution and Order of August 14, 2025 filed by LUMA Energy, LLC and LUMA Energy ServCo, LLC, Case No. NEPR-MI-2021-0002, August 28, 2025, available at https://energia.pr.gov/wp-content/uploads/sites/7/2025/08/20250828-MI20210002-Resolution-and-Order.pdf; Resolution and Order pertaining to Compliance with Priority Stabilization Plan; FEMA Formulation Practices, Case No. NEPR-MI-2024-0005, available at https://energia.pr.gov/wp-content/uploads/sites/7/2025/08/20250828-MI20240005-Resolution-and-Order.pdf.
On September 5, 2025 (just 1 business day before my answering testimony was due), LUMA submitted a list of most of its NFC projects with narrative descriptions on a project-by-project basis, with their reasoning for why federal funding could not be used for those NFCs. I reserve the right to further supplement my testimony if recently produced information changes my opinions related to federally funded or NFC projects. *See* Responses for Information on Permanent Rates, Response: NPFCG-of-LUMA-CAPEX-24, Case No. NEPR-AP-2023-0003, p. 1. *See also* Responses for Information on Permanent Rates, Response: NPFCG-of-LUMA-CAPEX-24, Attachment 1, Case No. NEPR-AP-2023-0003, Tab "Non-Federal Capital."

[5] For the avoidance of doubt, I am not offering any testimony about which costs in the Rate Review Petition constitute (i) Current Expenses, as defined in the Trust Agreement governing PREPA's bonds, or (ii) necessary operating expenses under 11 U.S.C. § 928(b). I have been informed by Bondholders' counsel that the Bondholders have a perfected lien on PREPA's Net Revenues and that, under the Trust Agreement, capital expenditures must be paid after debt service, not before it. I was also informed that the Title III court may address the classification of PREPA's costs and which categories of costs may be paid before debt service. I expressly reserve the right to offer opinions and testimony regarding PREPA's and its operators' costs in the Title III proceedings, as necessary and appropriate.

prudent use of capital expenditure funding. Both the prioritization of projects and the order of capital project development can have significant impacts on reliability improvements.

In **Section III**, I describe the various sources of federal funding available to PREPA and its private operators LUMA and Genera in the aftermath of hurricanes Irma and Maria – including billions of dollars in funding through the FEMA Public Assistance program, the FEMA Hazard Mitigation program, the U.S. Department of Housing and Urban Development ("HUD"), and the U.S. Department of Energy ("DOE"). I also explain the Commonwealth and internal funds that are available to support FEMA-funded projects and other capital spending. I do so because, as explained below, the operators are leaving funding on the table at the expense of ratepayers.

In **Section IV**, I provide an overview of FEMA funding and reimbursement procedures. FEMA has made a series of policy changes following the 2017 hurricanes in an attempt to support the recovery of the grid and to speed up the use of federal funding in Puerto Rico. I discuss various sources of start-up funding designed to aid project implementation, including Working Capital Advances provided by COR3, a Commonwealth of Puerto Rico agency. I find, for example, that PREPA and its operators have received over $2.0B of Working Capital Advances to date and that LUMA maintains a Federally Funded Capital Improvements account with account balances sufficient to initiate a substantial amount of restoration projects.

In **Section V**, I explain that PREPA and LUMA have underutilized federal funding, with large outstanding balances of FEMA-obligated funds yet to be disbursed – or in some cases, yet to be even allocated to a specific project. While LUMA has consistently utilized the

entirety of its previously budgeted non-federally funded capital expenditures each year (and has in some instances exceeded such budgeted expenses), LUMA has significantly underspent relative to its budgeted federally funded capital expenditures.

Based on the available information, I find that LUMA, Genera, and PREPA have proposed large amounts of spending on projects that either do not have an immediate reliability impact, are proposed to be sequenced in an order that is inconsistent with industry standards, or unnecessarily deplete federal funding that could be allocated to more impactful projects. These problems, if left unaddressed, will result in significant waste and inefficiency.

In **Section VI**, I explain that, based on the limited available information, it is clear that LUMA has included non-federal funding requests within the permanent rate revenue requirement that represent unnecessary uses of non-federal funds, within both the "Optimal Budget" and "Constrained Budget" cases.

In **Section VII,** I identify, again based on the limited available information, imprudent projects for which LUMA and PREPA have requested federal funding, which could alternatively be reallocated to projects that would more effectively improve reliability.[6]

In **Section VIII**, I explain that Genera also has included non-federal funding requests within the permanent rate revenue requirement that represent unnecessary uses of non-federal funds, within both the "Optimal Budget" and "Constrained Budget" cases.

In **Section IX**, I explain that it is inappropriate to include local cost share coverage as part of the permanent rate request from ratepayers (as opposed to covering it with federal funds). I describe specific sources of funding that could be used to offset the local cost share

[6] My failure to comment on specific spending requests does not imply that I find those requests necessary and prudent. There is often insufficient information for me to opine one way or the other.

requirement, including over $400 million of HUD CDBG-DR funding.

II. OVERVIEW OF CAPITAL SPENDING PRIORITIZATION

Q.8 In your experience, how do utilities typically prioritize capital spending?

A. There are a series of steps that are common to how utilities prioritize their capital spending:

First, the utility develops a set of key target metrics that define the purpose of spending, and the level of performance desired for each metric. These metrics can be related to issues such as level of reliability (as measured by metrics such as SAIDI or SAIFI),[7] resilience to severe events, meeting regulatory requirements, extension of asset life, etc. The desired level of performance for each metric is set within the bounds of prudency; for example, utilities do not strive for zero expected outages, since the cost of equipment to provide that level of reliability would be prohibitively high.

Second, the utility gathers information on its current system, including collecting an inventory of existing assets, evaluating the status and expected life of those assets, and identifying both the probability and consequences of asset failure or degradation. The collection of this information is essential to management's understanding of common sources of failures.

Third, the utility identifies the gaps between the expected and the desired level of performance for each system metric, and then develops a set of candidate capital projects that could most efficiently bridge any gaps. For example, in my experience at FirstEnergy, utility

[7] Financial Oversight and Management Board for Puerto Rico, "February 2025 Fiscal Plan for the Puerto Rico Electric Power Authority," February 6, 2025 (hereafter "2025 PREPA Fiscal Plan"), pp. 9-10, available at https://drive.google.com/file/d/1WksRhtfmoLvaZFb-5pUNkFXGEiT3t6vp/view.

operations tracked historical failures and causes on every piece of major transmission or distribution equipment and targeted repair or replacement of the specific pieces of equipment that were responsible for the largest outages. These repairs and replacements could be in the form of capital projects that encompassed the transmission or distribution circuit or substation, or programs that targeted a specific asset type, such as lightning arresters.

Finally, the utility chooses the set of candidate projects or programs to submit to its regulator and ultimately implement, based on evaluations of trade-offs, resource constraints, and an understanding of complementary project portfolios. There are positive impacts of capital spending on other parts of the budget, since capital spending on the system may reduce O&M spending on that same part of the system. For example, if a distribution pole is replaced with a new pole, maintenance labor costs in that location might be reduced.

The order of capital project development is also important, and can have considerable impacts on how the project portfolio as a whole affects key metrics such as reliability. Upgrades to "downstream" distribution, wires, or meters will not improve reliability if there is not dependable supply from "upstream" generation and transmission. Similarly, advanced grid modernization and technology upgrades only improve reliability or resilience if they are built on top of a solid foundation of reliable infrastructure.[8]

In my past employment at FirstEnergy, which served over 6 million electric meters, I developed and used a Capital Prioritization Model that prioritized (racked and stacked) transmission, substation and distribution projects based on weighted values of key metrics. It

[8] For example, see "Integrated Distribution System Planning: Principles and Approaches," US Department of Energy, November 4, 2023, p. 9, available at https://www.energy.gov/sites/default/files/2023-11/IDSP%20Principles%2011%2004%20_optimized.pdf.

considered, among other things, regulatory mandates, asset health degradation, reliability improvements, O&M reductions and resource availability. The philosophy was that if we were going to spend a capital dollar, it was going to be spent on the right option, on the right project, and at the right time. The same philosophy should be used by LUMA, Genera, and PREPA in developing their capital spending plans, and given the historic level of federal funding available to PREPA, federal dollars should be prioritized over ratepayer dollars.

Q.9 In your experience, how do utilities prioritize restoration of the grid after a disaster?

A. In the aftermath of a major disaster that damages electrical service, standard utility practice is to restore, in order, generation, then transmission, then substations, and finally distribution.[9] For each part of the system, the utility must start with an assessment of damage and an inventory of damaged equipment, before prioritizing repairs that will reconnect the maximum number of customers in the least amount of time. This order of operations follows the logic of fixing equipment issues caused by upstream parts of the system ahead of downstream parts. This order of prioritization is how I approached recovery in my role in the U.S. Virgin Islands after Hurricanes Maria and Irma. Over the years, I have explained this approach to prioritization to a member of Congress, a U.S. Senator, regulators, federal and local agencies, and at industry specific conferences. In addition, I have provided instruction on utility restoration, including damage assessment, to utility associations that belong to the American Public Power Association and the National Rural Electric Cooperative Association.

[9] Edison Electric Institute, "Restoring Power After a Storm: A Step-by-Step Process," available at https://www.energy.gov/sites/prod/files/2018/09/f55/Restoration_Process_Step_by_Step.pdf.

Q.10 How is your testimony about the correct prioritization of capital spending relevant to this rate case?

A. Given the current state of reliability of the PREPA grid, Puerto Rico's electric system is still in a stage of restoration and remediation. LUMA, Genera, and PREPA should focus on spending that maximizes the impact on system reliability with the most efficient use of internal and external resources, before diverting those resources to other priorities.

However, as I discuss below, LUMA, Genera, and PREPA have proposed large amounts of ratepayer spending on projects that either do not have an immediate reliability impact, could be paid for by outside federal or Commonwealth funding, are proposed to be sequenced in an order that is inconsistent with industry standards, or are an inefficient use of financial resources. This is clear from the available information and shows that LUMA, Genera and PREPA have failed to prioritize and properly coordinate projects consistent with prudent industry practice.

Q.11 How has LUMA calculated the reliability impacts of its project spending, and what are the issues with its approach?

A. For certain capital programs, LUMA states that it has estimated an incremental reliability impact of spending based on a statistical analysis of historical reliability data from fiscal years 2022 to 2024.[10] LUMA states that its mathematical model uses program cost as the input, and produces expected benefit to customer interruptions as the output.[11] Based on this description, the reliability benefit from each capital program is measured separately, and

[10] Responses for Information on Permanent Rates, Responses: NPFGC-of-LUMA-CAPEX-8, NPFGC-of-LUMA-CAPEX-9, NPFGC-of-LUMA-CAPEX-10, NPFGC-of-LUMA-CAPEX-11, Case No. NEPR-AP-2023-0003.
[11] Responses for Information on Permanent Rates, Responses: NPFGC-of-LUMA-CAPEX-8, NPFGC-of-LUMA-CAPEX-9, NPFGC-of-LUMA-CAPEX-10, NPFGC-of-LUMA-CAPEX-11, Case No. NEPR-AP-2023-0003.

the cumulative reliability benefit estimate from LUMA's capital budgets is calculated as the simple sum of the benefit from each program.[12]

This top-down mathematical modeling that LUMA has adopted is flawed. Most problematically, LUMA's model implicitly assumes that any spending will automatically have a benefit to customers. Such an approach fails to recognize that the order of capital spending matters as much as the total amount invested. As an example, LUMA could construct the most advanced, state-of-the-art substation anywhere on the island; however, if the upstream transmission lines supplying that substation are riddled with degraded assets and poor performance, the substation's performance will be limited to the reliability of the upstream circuit.

LUMA should be directed to correct its flawed modeling approach, which based on this simplistic construct misestimates the reliability impact of capital projects.

III. OVERVIEW OF FEDERAL AND COMMONWEALTH FUNDING SOURCES AVAILABLE TO PREPA

Q.12 Why is federal and Commonwealth funding important for PREPA?

A. In 2017, Hurricanes Irma and Maria caused system-wide damage to the grid in Puerto Rico, leading to the longest blackout in U.S. history.[13] In the aftermath of the hurricanes, the U.S. federal government made available several funding streams for disaster recovery, permanent repairs, and grid hardening from a variety of agencies and organizations, as I will

[12] The sum of the benefit of each program is used to produce PREPA's conservative reliability baseline. *See* Responses for Information on Permanent Rates, Responses: NPFGC-of-LUMA-CAPEX-10, Case No. NEPR-AP-2023-0003; Motion Submitting Rate Review Petition: Exhibit 5.01, Case No. NEPR-AP-2023-0003 Annexes made public by Order of July 3, 2025*, In Re: Review of the Puerto Rico Electric Power Authority Integrated Resource Plan*.

[13] U.S. Government Accountability Office, "Puerto Rico Electricity Grid Recovery: Better Information and Enhanced Coordination Is Needed to Address Challenges," GAO-20-141, October 2019, p. 2, available at https://www.gao.gov/assets/gao-20-141.pdf.

detail further below.

As has been acknowledged by PREPA, LUMA, and Genera,[14] federal funding is an essential financial resource for PREPA, and as such must be used prudently. As a general principle, the Energy Bureau has stated that "[f]ederal dollars are a pillar of the Puerto Rico electric system's long-term rebuilding and resiliency strategy," and that it "will not treat electricity customers as the funding source of first resort."[15]

Every capital project that is funded with federal money is a project that does not need to be funded by ratepayers. At the same time, if federal funding is misspent on projects that are unnecessary or imprudent, federal dollars that could be deployed elsewhere to improve the state of PREPA's system are lost. Therefore, it is critical that PREPA and its operators use the available federal funding on projects that address the reliability of the PREPA grid and simultaneously reduce the burden on ratepayers. Inefficient use of federal funding, delayed use of federal funding, or misspending on projects is a waste of resources and ultimately imposes an additional burden on PREPA's ratepayers.

This historical level of federal funding has also been supported and supplemented by the Commonwealth of Puerto Rico government, which has coordinated local distribution of federal funding and has also made certain new funding available to support various parts of

[14] 2025 PREPA Fiscal Plan, p. 62 ("Sufficient and coordinated deployment of federal and non-federal funds is crucial to adequately repairing and maintaining the system.") Pre-Application Questions from PREB Consultants, NEPR-AP-2023.0003, Response: ROI-LUMA-AP-2023-0003-20250324-PREB-004 ("LUMA has been working tirelessly to obtain federal funding for the improvement, restoration, and modernization of the Transmission and Distribution system."). Bnamericas, "Genera PR will ensure agility in the use of federal funds for improvements in the island's electrical system,", November 7, 2024, available at https://www.bnamericas.com/en/news/genera-pr-will-ensure-agility-in-the-use-of-federal-funds-for-improvements-to-the-islands-electrical-system (citing Genera's commitment to "ensure efficient use of these funds, to guarantee a robust energy system for all Puerto Ricans.").

[15] Resolution and Order, Establishment of Fiscal Year 2026 Provisional Rates and Fiscal Year 2026 Provisional Budget, Case No. NEPR-AP-2023-003, July 31, 2025 (hereafter "Provisional Rate Order"), p. 32, available at https://energia.pr.gov/wp-content/uploads/sites/7/2025/07/20250731-AP20230003-Resolution-and-Order.pdf.

the energy sector and PREPA, including funding for legacy pensions and a reserve fund for the energy sector.[16]

Q.13 Please provide an overview of the types of federal and territorial funding that are relevant here, as well as existing holdings in federally funded operating accounts.

A. Please refer to **Exhibit 1**, below.

Exhibit 1: Summary of Funding Available for Capital Projects

Source	Total Funds Allocated *($ billions)*	Availability/Access to Funding
Federal Sources		
Federal Emergency Management Agency (FEMA)		
Public Assistance (FEMA 406/428)	13.5	Project Reimbursement; Working Capital Advances from COR3
Hazard Mitigation Grant Program (FEMA 404)	0.13	Project Reimbursement; Working Capital Advances from COR3
Dept. of Housing and Urban Development (HUD) Community Development Block Grant Disaster Recovery (CDBG-DR)	1.9	Grants to fund FEMA local-cost share requirement and community reliability/resilience
Dept. of Energy (DOE) Puerto Rico Energy Resilience Fund (PR-ERF)	1.0	Grants to support grid resilience
DOE Grid Resilience State/Tribal Formula Grants Program	-	Open to Puerto Rico applicants
Environmental Protection Agency (EPA) Clean Water State Revolving Fund	-	Open to PREPA for hydro projects related to water quality
Commonwealth of Puerto Rico Sources		
Office of Management and Budget (OGP)	0.68	Energy Sector Reserve Account
Central Office for Recovery, Reconstruction, and Resiliency (COR3)	>2.0	Working Capital Advance for FEMA funding; $2.0B used to date
Internal Operating Accounts		
LUMA Federally Funded Capital Improvement Account	0.50	Cash Account

Notes:
[1] The 2025 PREPA Fiscal Plan states that LUMA assumes there is a potential to receive an additional $6 billion in hazard mitigation funds as a result of an update to FEMA's methodology for calculating cost-benefit analyses.
[2] As of September 3, 2025, the COR3 Transparency Portal reported that $2.0 billion in Working Capital Advances had been disbursed to PREPA.

[16] For example, as of May 2025, the Commonwealth had provided PREPA with $375 million in loans to cover PREPA's pension payments through June 2025. U.S. Government Accountability Office, "U.S. Territories: Public Debt and Economic Outlook – 2025 Update," June 2025, GAO-25-107560, p. 23, available at https://www.gao.gov/assets/gao-25-107560.pdf. *See also* El Nuevo Dia, "AEE tendrá disponible reserva de $683 millones para gastos futuros de deuda y pensiones," August 5, 2025, available at https://www.elnuevodia.com/noticias/locales/notas/aee-tendra-disponible-reserva-de-683-millones-para-gastos-futuros-de-deuda-y-pensiones/.

Q.14 What types of federal funding were made available to repair the PREPA system in the aftermath of Hurricanes Irma and Maria in 2017?

A. The hurricanes of 2017 led the U.S. federal government to make available funding from FEMA, HUD and the DOE.[17] The Governor of Puerto Rico also established the Puerto Rico Central Office of Recovery, Reconstruction, and Resiliency ("COR3") to coordinate the recovery on the island.[18] Following the hurricanes and the President's associated emergency declarations[19] and major disaster declarations,[20] FEMA funds became available to Puerto Rico through the FEMA Public Assistance and Hazard Mitigation Assistance Programs, subject to the reimbursement process detailed in **Section IV** of this testimony. Additional federal funds have also been made available as a result of the 2020 earthquakes, the COVID-19 pandemic, Hurricane Fiona, and Tropical Storm Ernesto.

Q.15 Is FEMA the primary source of federal funding to PREPA?

A. Yes, FEMA's Public Assistance ("PA") program is the primary federal funding source for PREPA's permanent work. As of September 3, 2025, there has been $13.5 billion obligated[21] to PREPA from FEMA, including $10.5 billion under the FEMA Accelerated

[17] Congressional Research Service, "Electric Reliability and Resiliency in Puerto Rico," Updated May 30, 2025, p. 1, available at https://www.congress.gov/crs_external_products/IF/PDF/IF12913/IF12913.6.pdf.
[18] COR3, "Transformation and Innovation in the Wake of Devastation: An Economic and Disaster Recovery Plan for Puerto Rico," August 8, 2018, p. iv, available at https://prsciencetrust.org/wp-content/uploads/2019/01/pr-transformation-innovation-plan.pdf.
[19] Declared on September 5, 2017 for Hurricane Irma and September 18, 2017 for Hurricane María. U.S. Government Accountability Office, "Puerto Rico Recovery: FEMA Made Progress in Approving Projects, But Should Identify and Assess Risks to the Recovery," GAO-21-264, May 2021 (hereafter "GAO-21-264"), p. 7, available at https://www.gao.gov/assets/gao-21-264.pdf.
[20] Declared on September 10, 2017 for Hurricane Irma and September 20, 2017 for Hurricane María. GAO-21-264, p. 7.
[21] FEMA defines the obligation of funds as "An entry made by a member of a discretionary grant team in the federal agency's automated accounting system authorizing payments of federal grant funds to a grantee." FEMA, "Glossary," available at https://www.fema.gov/about/glossary/o.

Awards Strategy ("FAASt").[22] Additional funding for PREPA is also available from other FEMA programs, including $132.5 million allocated through the Hazard Mitigation Assistance program.[23] In addition to FEMA programs, funding is also available from other federal and territorial sources as depicted in **Exhibit 1** above. These additional sources of funding include $500 million from HUD's CDBG-DR program to assist with FEMA local cost-share requirements, of which PREPA has utilized less than 20%.[24]

In **Section IV**, I will describe in detail how the FEMA funding and reimbursement procedures work.

Q.16 What are other sources of federal and Commonwealth funding for PREPA, its operators and the Puerto Rico energy sector?

A. There are multiple additional federal sources of funding for PREPA and its operators. HUD administers the Community Development Block Grant-Disaster Recovery ("CDBG-DR") funds, through which HUD has allocated $1.93 billion to Puerto Rico's electricity grid, both for support of FEMA's local cost-share requirement and for general reliability and resilience.[25] The DOE administers the $1 billion Puerto Rico Energy Resilience Fund ("PR-ERF"), a program that has provided $450 million to support Puerto Rico's rooftop solar

[22] COR3, "Energy, Water, Education, and Public Housing Accelerated Projects Execution," available at https://recovery.pr.gov/en/road-to-recovery/pa-faast/map.
[23] Hazard Mitigation Grant Program reporting $127.4 million obligated and $43.6 million dispersed through September 3, 2025 to applicant Puerto Rico Electric Power Authority. Puerto Rico Disaster Recovery Transparency Portal – COR3 ("COR3 Transparency Portal"), accessed September 5, 2025, available at https://recovery.pr.gov/en/financial-analysis.
[24] Motion in Compliance with Resolution and Order Dated August 14, 2025: Exhibit B, Case No. NEPR-MI-2021-0002, August 29, 2025, p. 2, available at https://energia.pr.gov/wp-content/uploads/sites/7/2025/09/20250829-MI20210002-Exhibit-B-Motion-in-Compl-with-Resol-Aug-14-2025.pdf.
[25] Department of Housing and Urban Development Office of Inspector General, "Status of Puerto Rico Electric System Enhancements Efforts," August 9, 2024, pp. 1-4, available at https://www.hudoig.gov/sites/default/files/2024-08/2024-fw-1004_508.pdf.

initiatives and more recently, $365 million to immediate grid infrastructure upgrades.[26] The DOE also administers the smaller Grid Resilience State/Tribal Formula Grants Program, which is open to Puerto Rico applicants.[27] The U.S. Environmental Protection Agency provides funding for the Clean Water State Revolving Fund, which PREPA is eligible to use for hydropower projects related to water quality.[28]

The Commonwealth of Puerto Rico government is another source of funding for PREPA and its operators. For example, the director of the Puerto Rico Office of Management and Budget recently announced the creation of a $683 million "Energy Sector Reserve" fund with the purpose of addressing future needs related to legacy pension and debt service, but which could be used at the discretion of the government for other purposes as well.[29]

IV. OVERVIEW OF FEMA FUNDING AND REIMBURSEMENT PROCEDURES

Q.17 What are the types of FEMA assistance programs available to Puerto Rico?

A. The types of FEMA assistance programs available to a state or territorial government following a disaster event are dependent on the declaration issued.[30] For major disaster declarations, as in Puerto Rico, there are multiple forms of FEMA funding available through

[26] Department of Energy, "Puerto Rico Energy Resilience Fund," available at https://www.energy.gov/gdo/puerto-rico-energy-resilience-fund. *See also* Department of Energy, "Energy Department to Redirect $365 Million to Support Grid Resilience Efforts in Puerto Rico," March 21, 2025, available at https://www.energy.gov/articles/energy-department-redirect-365-million-support-grid-resilience-efforts-puerto-rico. *See also* The White House, "Fact Sheet: Biden-Harris Administration's Historic Investments in Puerto Rico's Energy Grid," January 10, 2025, available at https://bidenwhitehouse.archives.gov/briefing-room/statements-releases/2025/01/10/fact-sheet-biden-harris-administrations-historic-investments-in-puerto-ricos-energy-grid/.
[27] Department of Energy, "Grid Resilience State/Tribal Formula Grants Program," available at https://www.energy.gov/gdo/grid-resilience-statetribal-formula-grants-program.
[28] EPA, "Overview of Clean Water State Revolving Fund Eligibilities," May 2016, pp. 1-3, available at https://www.epa.gov/sites/default/files/2016-07/documents/overview_of_cwsrf_eligibilities_may_2016.pdf.
[29] El Nuevo Dia, "AEE tendrá disponible reserva de $683 millones para gastos futuros de deuda y pensiones," August 5, 2025, available at https://www.elnuevodia.com/noticias/locales/notas/aee-tendra-disponible-reserva-de-683-millones-para-gastos-futuros-de-deuda-y-pensiones/.
[30] FEMA Public Assistance Program and Policy Guide, p. 34.

the Individual Assistance, Public Assistance, and Hazard Mitigation programs.[31] Individual Assistance is provided to individual people and households, so the programs most relevant to recovery of the PREPA grid are the Public Assistance Program (FEMA 428 or 406) and Hazard Mitigation Grant (FEMA 404) Program.[32]

FEMA Public Assistance program projects are grouped into categories of emergency work and permanent work.[33] Emergency work expenditures, including for projects related to debris removal and emergency protective measures, are mainly undertaken in the immediate aftermath of the disaster.[34] Permanent work is for longer-term projects, and includes projects related to roads and bridges; water control facilities; public buildings and contents; public utilities; and parks, recreational, and other facilities.[35] The FEMA Public Assistance program also funds indirect costs and administrative costs.[36]

FEMA Hazard Mitigation Grant Programs, by contrast, are meant to fund activities and projects, before a disaster occurs, that reduce disaster losses and protect life and property from future damages.[37]

Q.18 What are the roles and responsibilities of participants in the FEMA funding process?

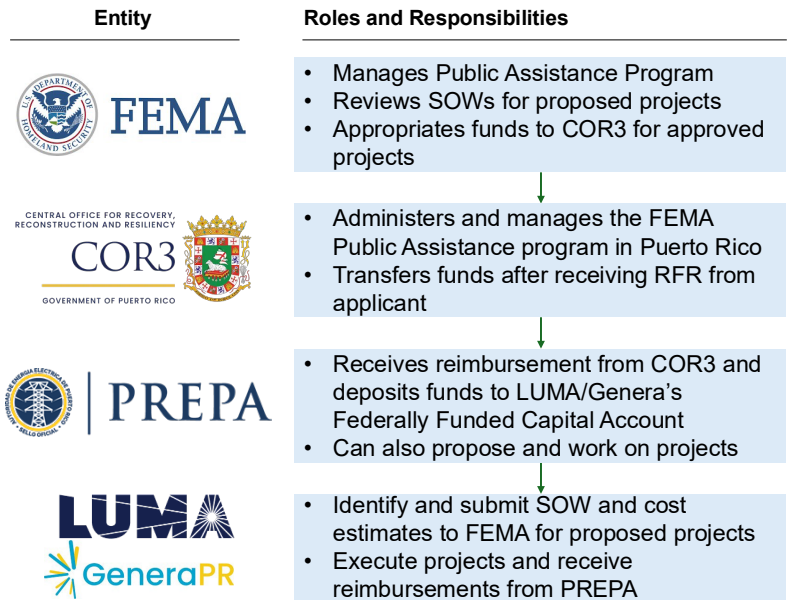
A. PREPA, LUMA, or Genera are responsible for assessing damaged sites and

[31] FEMA Public Assistance Program and Policy Guide, p. 34.
[32] 2025 PREPA Fiscal Plan, pp. 61-62.
[33] FEMA, "Public Assistance Fact Sheet," October 2019 (hereafter "FEMA Public Assistance Fact Sheet"), p. 1, available at https://www.fema.gov/sites/default/files/2020-07/fema_public-assistance-fact-sheet_10-2019.pdf. *See also* U.S. Government Accountability Office, "2017 Hurricanes: Update on FEMA's Disaster Recovery Efforts in Puerto Rico and the U.S. Virgin Islands," September 15, 2022, GAO-22-106211 (hereafter "GAO-22-106211"), pp. 5-6, available at https://www.gao.gov/assets/gao-22-106211.pdf.
[34] FEMA Public Assistance Fact Sheet, p. 1. *See also* U.S. Government Accountability Office, "2017 Hurricane Season: Federal Support for Electricity Grid Restoration in the U.S. Virgin Islands and Puerto Rico," GAO-19-296, April 2019 (hereafter "GAO-19-296"), p. 9, available at https://www.gao.gov/assets/gao-19-296.pdf.
[35] FEMA Public Assistance Fact Sheet, p. 1.
[36] GAO-22-106211, pp. 5-6.
[37] FEMA, "Hazard Mitigation Assistance Policies and Guidance," available at https://www.fema.gov/grants/mitigation/learn/hazard-mitigation-assistance-guidance/policies-guidance.

submitting a scope of work ("SOW") to FEMA and Puerto Rico's COR3.[38] As the federal awarding agency authorized to manage the Public Assistance program, FEMA reviews the application and determines the amount of eligible funding.[39] COR3 is the Puerto Rican government entity that manages FEMA funding for the island and receives appropriated funds from FEMA for approved projects.[40] After starting work and incurring expenses, the project applicant (PREPA, LUMA, or Genera)[41] submits to COR3 a request for reimbursement ("RFR"), after which COR3 will send the FEMA appropriations to PREPA.[42] If the project applicant is an operator (i.e., LUMA or Genera), PREPA will then transfer the funds to the operator.[43] **Exhibit 2** summarizes the role of each participant in the FEMA funding process:

[38] 2025 PREPA Fiscal Plan, pp. 138-139, Appendix C.
[39] FEMA, "Process of Public Assistance Grants" (hereafter "FEMA Process of Public Assistance Grants"), available at https://www.fema.gov/assistance/public/process.
[40] COR3, "Recovery Programs," available at https://recovery.pr.gov/en/programs.
[41] For purposes of my report, I consider "applicants," and "subrecipients" to be synonymous. *See* FEMA Process of Public Assistance Grants.
[42] 2025 PREPA Fiscal Plan, pp. 138-139, Appendix C; "Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement," June 22, 2020, (hereafter "T&D OMA"), pp. 69-70, available at https://docs.pr.gov/files/P3-PublicaPrivadas/Projects/Projects/TD%20-%20LUMA/OM%20Agreement/executed-consolidated-om-agreement-td.pdf.
[43] 2025 PREPA Fiscal Plan, pp. 138-139, Appendix C; T&D OMA, pp. 69-70.

Exhibit 2: Roles and Responsibilities of Federal Funding Process[44]



Q.19 Can you describe the standard eligibility criteria for FEMA Public Assistance funding?

A. State and territorial governments, including Puerto Rico, are eligible to request federal grants through FEMA's Public Assistance program to recover from major disasters or emergencies.[45] Through the Stafford Act, the President may authorize federal funding when the magnitude of a disaster exceeds a state's or territory's capability to recover.[46] This authorization is dependent on multiple steps. First, following a disaster, the government of a state or territory conducts a damage assessment to estimate the impact of the incident.[47]

[44] FEMA Process of Public Assistance Grants. *See also* 2025 PREPA Fiscal Plan, pp. 138-139, Appendix C.
[45] FEMA, "Public Assistance Program and Policy Guide," January 6, 2025 (hereafter "FEMA Public Assistance Program and Policy Guide"), pp. 25, 45, 46, available at https://www.fema.gov/sites/default/files/documents/fema_pa_pappg-5.0-amended.pdf.
[46] FEMA Public Assistance Program and Policy Guide, p. 30.
[47] FEMA Public Assistance Program and Policy Guide, p. 30.

Second, the governor of a state or territory requests a declaration from the President, through FEMA, to designate an event as either an emergency or a major disaster.[48] Third, for major disaster declarations, FEMA uses the information from the damage assessment to ensure that "estimated amounts do not include costs for ineligible items, costs covered by insurance, or costs above and beyond what is necessary to restore the facility."[49] Fourth, the President makes a declaration that an emergency or major disaster exists, which establishes the types of federal assistance authorized and the level of federal cost sharing.[50] Under the Stafford Act, program eligibility to secure public assistance funding requires that the applicant must be a U.S. state or territory.[51] The Stafford Act also requires that the reimbursement be associated with damage related to a major disaster located in a designated disaster area that is the legal responsibility of an eligible applicant and not fundable by another federal agency or insurance. In addition, for facility eligibility, the damaged equipment must have been in active use at the time of the disaster.[52]

Q.20 How has FEMA changed its standard policies and procedures to promote use of federal funding on electrical grid recovery in Puerto Rico?

A. As the recovery process from the 2017 hurricanes has dragged on in Puerto Rico and large amounts of federal funding have remained unspent, the federal government has allowed for major exceptions to FEMA's standard Public Assistance program policies to ease the use

[48] FEMA Public Assistance Program and Policy Guide, p. 31; FEMA, "Presidential Declaration: Type of Incident," available at https://emilms.fema.gov/is_1000/groups/9.html.
[49] FEMA Public Assistance Program and Policy Guide, pp. 31-32.
[50] FEMA Public Assistance Program and Policy Guide, p. 33-35.
[51] Congressional Research Service, "A Brief Overview of FEMA's Public Assistance Program," June 11, 2025 available at https://www.congress.gov/crs_external_products/IF/PDF/IF11529/IF11529.14.pdf.
[52] Code of Federal Regulations, "Restoration of Damaged Facilities, 44 CFR § 206.226," August 14, 2025 available at https://www.law.cornell.edu/cfr/text/44/206.226.

of federal funding by funding recipients in Puerto Rico. These exceptions together mean that certain projects can be federally funded in Puerto Rico, that in my experience, would not be federally funded following disasters in other states.

First, FEMA's project eligibility criteria are more lenient in Puerto Rico compared to other locations. FEMA's PA program usually only allows for assistance to restore facilities to "pre-disaster design and capacity."[53] However, given the poor condition of much of Puerto Rico's infrastructure in 2017, Congress passed an amendment to the Stafford Act in February 2018 which, for the duration of the recovery from the 2017 hurricanes,[54] allows for replacement or restoration of facilities or systems to "industry standards without regard to the pre-disaster condition," and to "replace or restore components of the facility or system not damaged by the disaster where necessary to fully effectuate the replacement or restoration of disaster-damaged components to restore the function of the facility or system to industry standards."[55] These revised criteria mean that a much wider set of utility projects would be eligible for FEMA funding in Puerto Rico compared to other locations.

Second, FEMA made a series of revisions to the procedures of the PA program to expedite work and make reimbursement more flexible. FEMA used its so-called "Alternative Procedures" in Puerto Rico to allow for recipients to use fixed-cost estimates for permanent work projects, and to allow for any excess funds within a particular project to be deployed elsewhere.[56] In addition, as I will describe later in more detail, FEMA created the FEMA

[53] FEMA Public Assistance Program and Policy Guide, p. 32.
[54] The 2018 Stafford Act amendment is specific to the disaster declarations for Hurricanes Maria and Irma in Puerto Rico and the USVI.
[55] Public Law 115-123. Bipartisan Budget Act of 2018. §20601 (2018) available at https://www.congress.gov/115/plaws/publ123/PLAW-115publ123.pdf.
[56] U.S. Government Accountability Office, "Puerto Rico Disasters: Progress Made, but the Recovery Continues to Face Challenges," GAO-24-105557, February 2024 (hereafter "GAO-24-105557"), pp. 9-10, available at

Accelerated Awards Strategy ("FAASt") program in 2020 to allow for funding of multiple critical projects under a single project ID.[57]

Third, FEMA has changed its local cost share policy to reduce the burden on Puerto Rico entities. As I will describe in more detail later, FEMA usually requires the recipient to fund 25% of project costs as a local cost share. In November 2017, FEMA changed that policy to only require a 10% cost share for recovery from Irma/Maria.[58] Moreover, while standard FEMA guidance does not allow for other federal funding to pay for that local cost share, in 2020 FEMA and HUD agreed to allow the use of HUD dollars for the cost-share under certain conditions applicable to Puerto Rico, effectively reducing local cost-share burden to zero for eligible projects.[59]

In short, the federal government and FEMA have actively modified their policies to promote and ease the use of federal funding to support Puerto Rico's disaster recovery, including for remediation and improvements to the electrical system that could not be federally funded elsewhere.

Q.21 What is the FAASt program?

A. The FAASt program is an initiative under the Public Assistance program that began in 2020 to expedite energy grid work in Puerto Rico by grouping critical infrastructure

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https://www.gao.gov/assets/gao-24-105557.pdf; FEMA Public Assistance Program and Policy Guide, pp. 289-296, Appendix G.

[57] FEMA, "FEMA Accelerated Awards Strategy (FAASt)," available at https://www.fema.gov/about/reports-and-data/faast.

[58] FEMA, "Puerto Rico; Amendment No. 5 to Notice of a Major Disaster Declaration," November 2, 2017, available at https://www.federalregister.gov/documents/2017/11/16/2017-24908/puerto-rico-amendment-no-5-to-notice-of-a-major-disaster-declaration.

[59] Department of Housing and Urban Development, "Implementation Guidance for Use of Community Development Block Grant Disaster Recovery Funds as Non-Federal Cost Share for the Public Assistance Program," October 2020, p. 1, available at https://www.hud.gov/sites/dfiles/OCHCO/documents/2020-10cpdn.pdf.

projects.[60] Notably, this program allows recipients to receive lump-sum awards.[61] As part of this program, FEMA uses a statistical sampling method to estimate the cost of repairs for all damaged facilities, and then obligates funding as part of one consolidated project. Subrecipients then submit scopes of work for each individual repair project to FEMA for approval. Upon FEMA approval, subrecipients can access funding for project work, which is drawn down from the total amount obligated for the consolidated project.[62]

The FAASt program provides many advantages relevant to the extensive work in Puerto Rico as compared to the standard FEMA Public Assistance program. For example, the standard Public Assistance program requires applicants to submit a detailed scope of work for each individual project and restricts subsequent funding to that specific project. Conversely, the FAASt program allows applicants to group funding requests for similar projects and allows recipients to easily reallocate any unspent funds on one project to another.[63]

Q.22 Can you describe FEMA's local cost share requirement?

A. FEMA's cost share rules shape whether and to what extent financial obligations from federally funded projects pass through utility rates to ratepayers. FEMA's Public Assistance program is structured as a cost-sharing model under the Stafford Act. For eligible projects,

[60] FEMA, "FEMA Accelerated Awards Strategy (FAASt)," available at https://www.fema.gov/about/reports-and-data/faast; COR3, "Energy, Water, Education, and Public Housing Accelerated Projects Execution," available at https://recovery.pr.gov/en/road-to-recovery/pa-faast/map.

[61] GAO-21-264, p. 21 ("In August 2019, FEMA developed an accelerated award strategy that allows Puerto Rico's Electric Power Authority […] to use a sample of the information needed to extrapolate costs and develop a fixed cost estimate for permanent work projects."). *See also* Informative Motion to Submit the Consolidated Project Plan, NEPR-MI-2020-0012, August 8, 2025, p. 1, available at https://energia.pr.gov/wp-content/uploads/sites/7/2025/08/20250808-MI20200012-Inf-Motion-to-Subm-Consolidated-Project-Plan.pdf.

[62] GAO-24-105557, p. 12.

[63] COR3, "Energy, Water, Education, and Public Housing Accelerated Projects Execution," available at https://recovery.pr.gov/en/road-to-recovery/pa-faast/map. *See also,* U.S. Government Accountability Office, "Puerto Rico Disaster Recovery: FEMA Actions Needed to Strengthen Project Cost Estimation and Awareness of Program Guidance," GAO-20-221, February 2020, p. 12, https://www.gao.gov/assets/gao-20-221.pdf.

FEMA funds at least 75 percent of eligible costs while requiring the remainder to be contributed by the state, territory, tribe, or eligible nonprofit.[64] Puerto Rico, however, receives a significantly higher proportion of federal funds. Following Hurricane Maria, the federal share was increased so that FEMA covers 90 percent of eligible costs,[65] meaning the subrecipient (i.e., PREPA) is responsible for funding only the remaining 10 percent of the project.[66]

While federal rules generally prohibit meeting the non-federal cost share with other federal funds, in 2020 FEMA and HUD made an agreement that allowed for the use of HUD dollars for that cost-share using HUD's Community Development Block Grant-Disaster Recovery program.[67] In 2021, HUD allocated $1.93B to support disaster recovery funding to Puerto Rico, working through the Puerto Rico Department of Housing ("PRDOH") as its local administrator. In 2023, PRDOH and HUD launched the $500 million Energy Grid Rehabilitation and Reconstruction Cost Share ("ER1") Program explicitly to fulfill all or a portion of FEMA's non-federal cost share requirements.[68] Local cost share could also be covered by the recently announced $683 million "Energy Sector Reserve" account or other

[64] Congressional Research Service, "FEMA's Public Assistance Program: A Primer and Considerations for Congress," R46749, April 1, 2021, pp. 2, 15, available at https://www.congress.gov/crs_external_products/R/PDF/R46749/R46749.4.pdf.
[65] FEMA, "Puerto Rico; Amendment No. 5 to Notice of a Major Disaster Declaration," November 2, 2017, available at https://www.federalregister.gov/documents/2017/11/16/2017-24908/puerto-rico-amendment-no-5-to-notice-of-a-major-disaster-declaration.
[66] 2025 PREPA Fiscal Plan, p. 62.
[67] Department of Housing and Urban Development, "Implementation Guidance for Use of Community Development Block Grant Disaster Recovery Funds as Non-Federal Cost Share for the Public Assistance Program," October 2020, p. 1, available at https://www.hud.gov/sites/dfiles/OCHCO/documents/2020-10cpdn.pdf; FEMA Public Assistance Program and Policy Guide, p. 35.
[68] Department of Housing and Urban Development Office of Inspector General, "Status of Puerto Rico Electric System Enhancements Efforts," August 9, 2024, pp. 1, 4-5, available at https://www.hudoig.gov/sites/default/files/2024-08/2024-fw-1004_508.pdf.

Commonwealth (as opposed to ratepayer) funds.[69] I discuss disbursements from HUD's ER1 program for cost share in more detail in **Section IX**.

Q.23 What are FEMA Hazard Mitigation Grants?

A. The Hazard Mitigation Grant Program is a source of funding from FEMA that can be used specifically to develop hazard mitigation plans and to rebuild in a way that reduces, or mitigates, future disaster losses.[70] Funding from this program is authorized under Section 404 of the Stafford Act and becomes available to state, local, tribal, and territorial governments following Presidentially-declared disasters.[71] These grants can be used to improve mitigation measures for previously damaged facilities and/or to reduce future risk for undamaged ones.[72]

As of September 3, 2025, PREPA has been allocated $132.5 million of Hazard Mitigation Grants.[73] Moreover, the 2025 PREPA Fiscal Plan states that LUMA assumes there is a potential to receive an additional $6 billion in hazard mitigation funds as a result of an update to FEMA's methodology for calculating cost-benefit analyses.[74]

Q.24 What are the key milestones in the timeline of a typical FEMA project?

A. A typical FEMA project progresses through four key phases: 1) Project Formulation and Damage Assessment, 2) Scoping and Costing, 3) Funding and Obligation, and 4) Project Implementation and Closeout. I describe each of these four phases below.

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[69] El Nuevo Dia, "AEE tendrá disponible reserva de $683 millones para gastos futuros de deuda y pensiones," August 5, 2025, available at https://www.elnuevodia.com/noticias/locales/notas/aee-tendra-disponible-reserva-de-683-millones-para-gastos-futuros-de-deuda-y-pensiones/.
[70] FEMA, "Hazard Mitigation Grant Program (HMGP)," April 24, 2025, available at https://www.fema.gov/grants/mitigation/learn/hazard-mitigation.
[71] FEMA, "Hazard Mitigation Grant Program (HMGP)," April 24, 2025, available at https://www.fema.gov/grants/mitigation/learn/hazard-mitigation.
[72] FEMA, "Section 404 vs Section 406," available at https://emilms.fema.gov/is_1014/groups/11.html.
[73] 2025 PREPA Fiscal Plan, pp. 62-63.
[74] 2025 PREPA Fiscal Plan, p. 59.

First, during the Project Formulation and Damage Assessment phase, FEMA conducts damage inventory and site inspections, and completes damage descriptions and dimensions ("DDD") for each project.[75] For a typical FEMA Public Assistance project, "FEMA works with the [r]ecipient to assess [a]pplicant capacity and complexity, as well as impacts and damage[.]"[76] In Puerto Rico, COR3 serves as the recipient and administrator on behalf of the Commonwealth, and PREPA and its operators are the applicants.

Second, during the Scoping and Costing phase, applicants complete Scope of Work development, cost estimation, and program compliance reviews for each project.[77]

Third, in the Project Funding and Obligation phase, FEMA conducts a final review to validate all project documentation for completeness, eligibility and compliance.[78] Once FEMA approves the project, the recipient reviews the project and the subgrant conditions.[79] If satisfactory, the applicant then "signs an agreement to the funding terms, including requirements for reporting on project work progress and completion."[80] FEMA then obligates the funds to the recipient in this case, COR3, based on the eligible total of an approved project, and the recipient disburses funding to the applicant, i.e., PREPA.[81] PREPA then distributes funding to its operators, LUMA and Genera, as necessary. Typically, the applicant coordinates with the recipient to provide FEMA with quarterly status updates and, in some cases, will submit a request to amend the scope of work, costs, or timeline of a project.[82]

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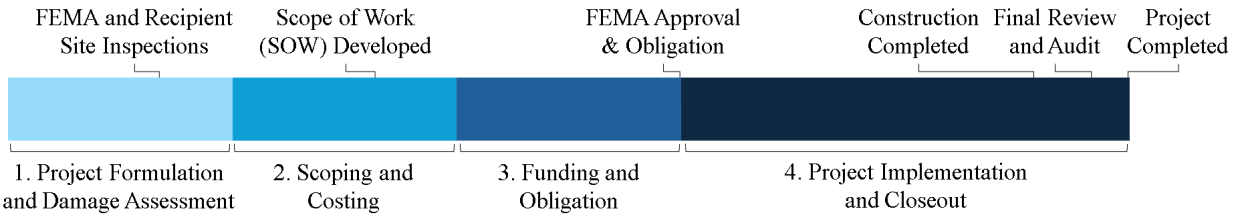
[75] FEMA Public Assistance Program and Policy Guide, p. 227.
[76] FEMA Process of Public Assistance Grants.
[77] FEMA Process of Public Assistance Grants.
[78] FEMA Public Assistance Program and Policy Guide, p. 233.
[79] FEMA Process of Public Assistance Grants.
[80] FEMA Process of Public Assistance Grants.
[81] FEMA Process of Public Assistance Grants.
[82] FEMA Process of Public Assistance Grants. *See also,* FEMA Public Assistance Program and Policy Guide, pp. 246, 248-250.

Finally, in the Project Implementation and Closeout phase, project construction is completed and the applicant submits documentation and reimbursement information to the recipient. The recipient then requests closeout from FEMA on behalf of the applicant, and the closeout occurs after FEMA conducts the final review and verifies there are no outstanding audits to ensure compliance.[83] Please refer to **Exhibit 3**, below.

Exhibit 3*:* Timeline for a Typical FEMA Project



Note: The periods for each phase are illustrative and vary by project.
Source: FEMA Process of Public Assistance Grants.

Note that in the case of Puerto Rico, some projects may deviate from this typical schedule. Reasons for deviation include (i) the fixed-cost estimation of FEMA's FAASt program developed in August 2019,[84] (ii) the alternative procedures used to address the deviation of actual costs to the fixed cost estimate,[85] and (iii) the Working Capital Advance ("WCA") program developed by COR3, which accelerates funding by providing cash advances to subrecipients approved for permanent work, rather than reimbursing subrecipients after costs are incurred.[86]

[83] FEMA Process of Public Assistance Grants. *See also,* FEMA Public Assistance Program and Policy Guide, pp. 253-257.
[84] GAO-21-264, pp. 21-22.
[85] GAO-20-221, pp. 11-12.
[86] COR3, "Questions from the U.S. House of Representatives Committee on Natural Resources," October 17, 2024, available at https://www.congress.gov/118/meeting/house/117665/documents/HHRG-118-II24-20240926-SD009.pdf.

Q.25 How is the scope of work for a FEMA project developed?

A. FEMA evaluates the damaged asset to ensure that it meets the criteria for eligibility, with a mission to restore the damaged asset to its pre-disaster condition. This restoration may involve repairs or, depending on the extent of damage, replacement. For restoration efforts in Puerto Rico related to Hurricanes Irma and Maria, FEMA has authorized restoration "of the function of a facility or system to industry standards without regard to the pre-disaster condition of the facility or system[.]"[87] I describe how the SOW is developed, below.

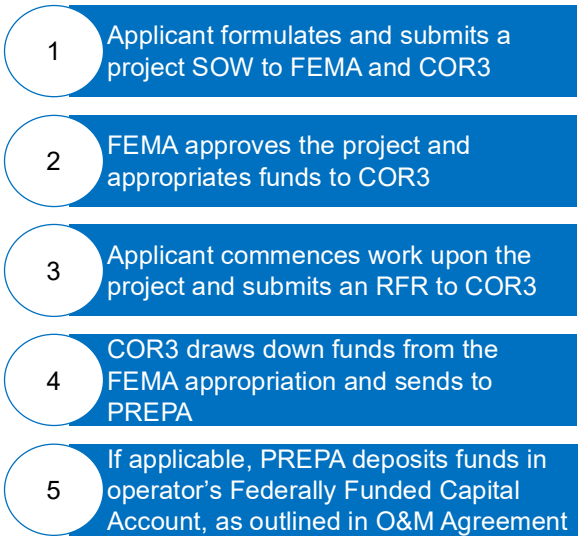
First, FEMA and the applicant agree on the description of disaster-related damage and its dimensions.[88] The applicant then submits either a proposed or completed SOW for each project, inclusive of any hazard mitigation plans. The SOW must include "work required to address removal of debris and reduction of immediate threats" for Emergency Work and "a description of how the [a]pplicant plans to repair, or has repaired, the damage(s), including repair dimensions and any proposed hazard mitigation measures" for Permanent Work.[89] FEMA may require additional assessment prior to approving the SOW, such as an engineering analysis to determine the method of repair or a review by FEMA's Environmental and Historical Preservation staff to reduce potential impacts to environmental or historical resources.[90] Once the applicant finalizes the repair method, it submits the SOW and a cost estimate for FEMA's approval.[91]

[87] Public Law 115-123. Bipartisan Budget Act of 2018. §20601 (2018) available at https://www.congress.gov/115/plaws/publ123/PLAW-115publ123.pdf.
[88] FEMA Public Assistance Program and Policy Guide, p. 227.
[89] FEMA, "Requirements to Develop the Scope of Work and Cost Estimate," available at https://emilms.fema.gov/is_1008/groups/10.html.
[90] FEMA, "Requirements to Develop the Scope of Work and Cost Estimate," available at https://emilms.fema.gov/is_1008/groups/10.html.
[91] FEMA, "Requirements to Develop the Scope of Work and Cost Estimate," available at https://emilms.fema.gov/is_1008/groups/10.html.

Q.26 How are funds obligated after FEMA/COR3 approval?

A. Once a project is approved, FEMA officially obligates the federal share of the project costs and makes those funds available to COR3, the Commonwealth's central entity to receive, administer and channel federal funds and grants for the recovery of Puerto Rico.[92] COR3's main purpose is to ensure compliance with all applicable federal regulations and an effective use of resources.[93] This process is displayed in **Exhibit 4**, below.

Exhibit 4: Summary of Federal Funding Process[94]



Q.27 What are sources of start-up funding for FEMA-reimbursed projects?

A. Because FEMA's project funding is primarily provided on a reimbursement basis, PREPA and its operators require start-up funding or capital to implement projects before

[92] COR3, "About COR3," available at https://recovery.pr.gov/en/about-cor3.
[93] COR3, "About COR3," available at https://recovery.pr.gov/en/about-cor3.
[94] FEMA Process of Public Assistance Grants. *See also* T&D OMA, pp. 69-70, 92-93; 2025 PREPA Fiscal Plan, pp. 138-139, Appendix C.

FEMA provides reimbursement upon project completion.[95]

In Puerto Rico, there is a variety of start-up funding for FEMA-reimbursed projects from a combination of utility, local, territorial, and federal sources. I understand that LUMA has an operating account that is specifically designated for federally funded projects, the current balance of which is $499.8 million, and the average balance of which over the last year is $591.2 million.[96] LUMA has stated that "the money in this account is only used in connection with federally funded capital improvements, and that PREPA has preapproved all transfers of monies from this account."[97]

In addition to internal accounts, Commonwealth government programs can provide start-up funds for FEMA-reimbursed projects and help address liquidity and timing issues. Since 2022, applicants in Puerto Rico have been able to rely on COR3's Working Capital Advance program, as discussed further below.[98] The Commonwealth's recently-created $683 million "Energy Sector Reserve" fund could also be used at the discretion of the government to support FEMA funding.[99]

In addition to governmental sources of start-up funding, financially strong utilities may also rely on debt funding procured from capital markets.[100] That source of start-up funding

[95] GAO-22-106211, pp. 26-27.
[96] Responses for Information on Permanent Rates, Response: NPFGC-of-LUMA-CAPEX-4, Case No. NEPR-AP-2023-0003.
[97] Responses for Information on Permanent Rates, Response: NPFGC-of-LUMA-CAPEX-4, Case No. NEPR-AP-2023-0003.
[98] COR3, "COR3 Disaster Recovery Federal Funds Management Guide," June 2025 (hereafter "COR3 Disaster Recovery Federal Funds Management Guide"), p. 84, available at https://recovery.pr.gov/documents/CH7-Payment-and-Cash-Management-V6.0-June-2025-SIGNED_20250630T213834.636Z.pdf. *See also* COR3, "Questions from the U.S. House of Representatives Committee on Natural Resources," October 17, 2024, available at https://www.congress.gov/118/meeting/house/117665/documents/HHRG-118-II24-20240926-SD009.pdf.
[99] El Nuevo Dia, "AEE tendrá disponible reserva de $683 millones para gastos futuros de deuda y pensiones," August 5, 2025, available at https://www.elnuevodia.com/noticias/locales/notas/aee-tendra-disponible-reserva-de-683-millones-para-gastos-futuros-de-deuda-y-pensiones/.
[100] Direct Testimony of Andrew Smith, July 2, 2025 (hereafter "Smith Testimony"), p. 25.

has been unavailable to PREPA since the 2017 Title III restructuring filing.[101] As LUMA's CFO described in this proceeding, PREPA has been unable to access "other sources of competitive financing, such as revolving credit facilities because of its weak financial condition and ongoing bankruptcy proceedings."[102]

As a last resort, start-up project funding can be sourced from rate revenues in that given year. However, in my opinion, and as ordered by PREB in the Provisional Rate Order, PREPA, LUMA, and Genera should first exhaust outside sources of federal funding before requesting that ratepayers cover such expenses. Because their budgets do not reflect that prioritization, PREB should not approve the NFC budgets (or NFC-related O&M expenses) as proposed.

Q.28 What is COR3's Working Capital Advance Program?

A. The Working Capital Advance ("WCA") program, also known as the Request for Working Capital Advance ("RFCA") Pilot Program,[103] was developed in 2022 by COR3, with the approval of FEMA, to address liquidity issues and to expedite Puerto Rico's disaster recovery efforts.[104] The WCA program provides cash advances to subrecipients for approved permanent work. FEMA highlighted this program in a 2024 report, stating that the WCA is an example of "Innovation in the Field."[105] This program has already been extensively used by PREPA and its private operators. As of September 2025, PREPA and its operators had

[101] Smith Testimony, p. 25.
[102] Smith Testimony, p. 25.
[103] COR3 Disaster Recovery Federal Funds Management Guide, p. 84. *See also* COR3, "Questions from the U.S. House of Representatives Committee on Natural Resources," October 17, 2024, available at https://www.congress.gov/118/meeting/house/117665/documents/HHRG-118-II24-20240926-SD009.pdf.
[104] COR3, "Questions from the U.S. House of Representatives Committee on Natural Resources," October 17, 2024, available at https://www.congress.gov/118/meeting/house/117665/documents/HHRG-118-II24-20240926-SD009.pdf.
[105] FEMA, "Puerto Rico: From Recovery to Resilience Region 2 Interim Progress Report," April 2024, p. 11.

received disbursements of $2.0B from COR3.[106] The record is less clear as to the distribution of those WCA funds between Genera and LUMA, but as of December 2024, LUMA had received $838 million in WCA funding intended to alleviate liquidity concerns,[107] and as of May 2024, Genera had received at least $127.5M in WCA funding.[108]

Eligible subrecipients may request an initial advance of 5 to 25 percent of a project's obligated federal share, supported by a 90-day spend plan, procurement documentation and certification that funds will be deposited in an interest-bearing account. Once reconciled, additional advances may be requested in 25 percent increments up to 75 percent of the obligated federal share.[109]

All advances must be reconciled within 180 days by submitting Requests for Reimbursement ("RFRs") with invoices, contracts, and proof of payment. If full reconciliation is not achieved by then, subrecipients must submit a status update and monthly RFRs until reconciliation is complete, with a maximum reconciliation period of 12 months. COR3 may recoup funds if requirements are not met.[110]

Q.29 What happens upon FEMA-funded project completion?

A. After tracking all costs, the project sub-applicant (PREPA/LUMA/Genera) submits all final documentation to the applicant (COR3) for reimbursement, generally within 180 days following the sooner of (i) project completion, or (ii) the last approved completion

[106] Public Assistance and Hazard Mitigation Grant Program disbursements through September 3, 2025 to applicant Puerto Rico Electric Power Authority with Working Capital Advance request type. COR3 Transparency Portal.
[107] LUMA, "RE: Compliance with Section 7.5 of the T&D OMA: Federally Funded Capital Improvements Schedule and Reconciliation Deficiencies," December 6, 2024, p. 1, available at https://lumapr.com/wp-content/uploads/2025/08/24.12.06_Compliance-with-7.5-OMA-Fed-Fund-Capital-Improvements.pdf.
[108] Genera PR, "Five-year Capital Improvements Plan," May 31, 2024, p. 9, available at https://recovery.pr.gov/documents/Appendix%20A%20-%20Generation_20241212T163945.279Z.pdf.
[109] COR3 Disaster Recovery Federal Funds Management Guide, pp. 84-85.
[110] COR3 Disaster Recovery Federal Funds Management Guide pp. 86-87.

deadline.[111] Upon receiving all required documentation, COR3 confirms subrecipient compliance with federal requirements before sharing with FEMA, then FEMA reconciles the project's funding and determines if audits are required to ensure compliance.[112] For large projects, recipients provide documentation supporting the actual costs with a large project expenditure report and a completion certification, which certifies that (i) all incurred costs are associated with the approved SOW; (ii) all work was completed in compliance with the entity's agreement with FEMA and any other relevant policies and regulations; and (iii) all payments were made in accordance with the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 C.F.R § 200.305).[113] Failure to properly document and present expenses, or failure to respond to Requests for Information (RFIs) in a timely manner, may result in funds being reclassified as de-obligated.[114] If FEMA confirms there are no discrepancies or items of noncompliance, FEMA makes any final disbursements (discussed below) and closes the grant, meaning that FEMA has completed its administrative review and no further reimbursements will be made.

For reimbursed projects, there is typically a span of time between the recipient incurring project expenses and receiving reimbursement from FEMA. As detailed throughout my testimony, there are multiple, significant sources of funds—aside from ratepayer collections—to bridge this timing issue. These include, for example, HUD CDBG funds to cover the already-reduced 10 percent local cost share, COR3 Working Capital Advances to cover up to 75 percent of project costs up front, LUMA's Federally Funded Capital

[111] FEMA Public Assistance Program and Policy Guide, pp. 253-256.
[112] FEMA Public Assistance Program and Policy Guide, pp. 253-256.
[113] FEMA Public Assistance Program and Policy Guide, pp. 253-256.
[114] FEMA Public Assistance Program and Policy Guide, pp. 42, 253-257.

Improvements account, the "Energy Sector Reserve" account, and potentially other funding from the Commonwealth. *See* **Exhibit 1**.

Q.30 When does final reimbursement occur?

A. As described previously, the recipient must submit a project's completion certification and supporting documentation within 180 days of the sooner of project completion or the project completion deadline.[115] After all requests for information have been addressed and all reviews have been completed, the funds are disbursed to the recipient.

V. PREPA AND LUMA HAVE UNDERUTILIZED FEDERAL FUNDING

Q.31 How much has FEMA obligated for PREPA expenses since 2017?

A. As of August 2025, FEMA has obligated $13.6 billion of federal funds for PREPA expenses. This amount does not include other, additional sources of federal and territorial funding, such as from HUD, DOE, COR3, the Energy Sector Reserve account, and the Commonwealth.

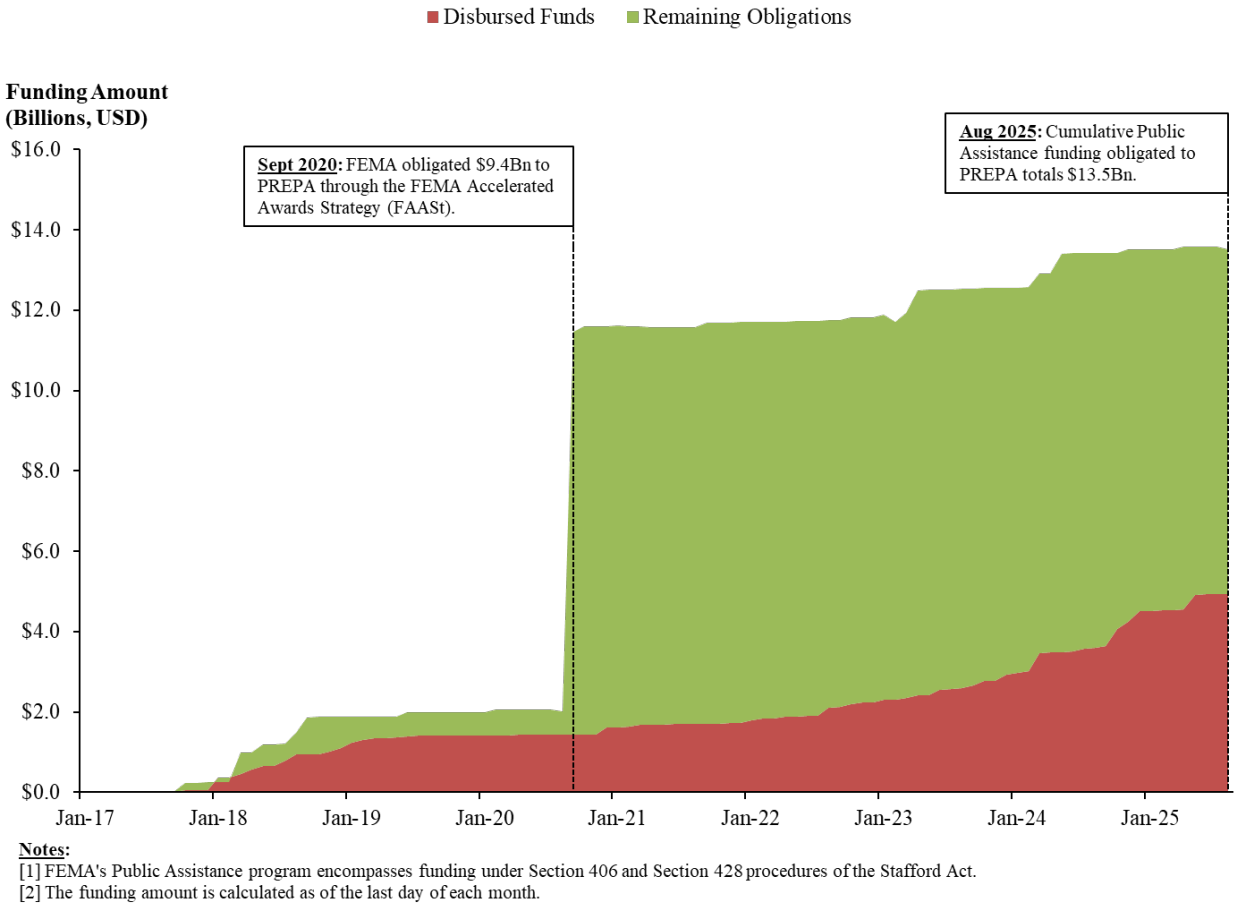
Q.32 Of this obligated amount, how much has FEMA disbursed?

A. As of August 2025, nearly eight years after Hurricanes Irma and Maria, FEMA has disbursed $4.9 billion of federal funds to PREPA. This means that as of August 2025, there is $8.6 billion of remaining FEMA-committed obligations yet to be disbursed. Please refer to **Exhibit 5**, below.

[115] FEMA Public Assistance Program and Policy Guide, pp. 253-256.

Exhibit 5: FEMA's Cumulative Public Assistance Funding Obligated to PREPA[116]

January 2017 – August 2025



Notes:
[1] FEMA's Public Assistance program encompasses funding under Section 406 and Section 428 procedures of the Stafford Act.
[2] The funding amount is calculated as of the last day of each month.

Q.33 What are the categories of federally funded projects currently obligated by FEMA?

A. FEMA has obligated funds to various permanent work projects aimed at the repair and reconstruction of the grid. PREPA has grouped these projects into categories, including:

a) Administrative costs, related to the preparation of project worksheets, site inspections, and other expenses incurred for the management of Public Assistance

[116] COR3 Transparency Portal; FEMA, "FEMA Accelerated Awards Strategy (FAASt)," available at https://www.fema.gov/ht/about/reports-and-data/faast; COR3 Transparency Portal.

funds.[117]

b) Generation projects, such as the restoration of power plants and the purchase of additional generators.[118]

c) Substation projects, such as the maintenance of high-voltage substations and the replacement of transformers.[119]

d) Telecommunication projects, such as the deployment of advanced metering infrastructure.[120]

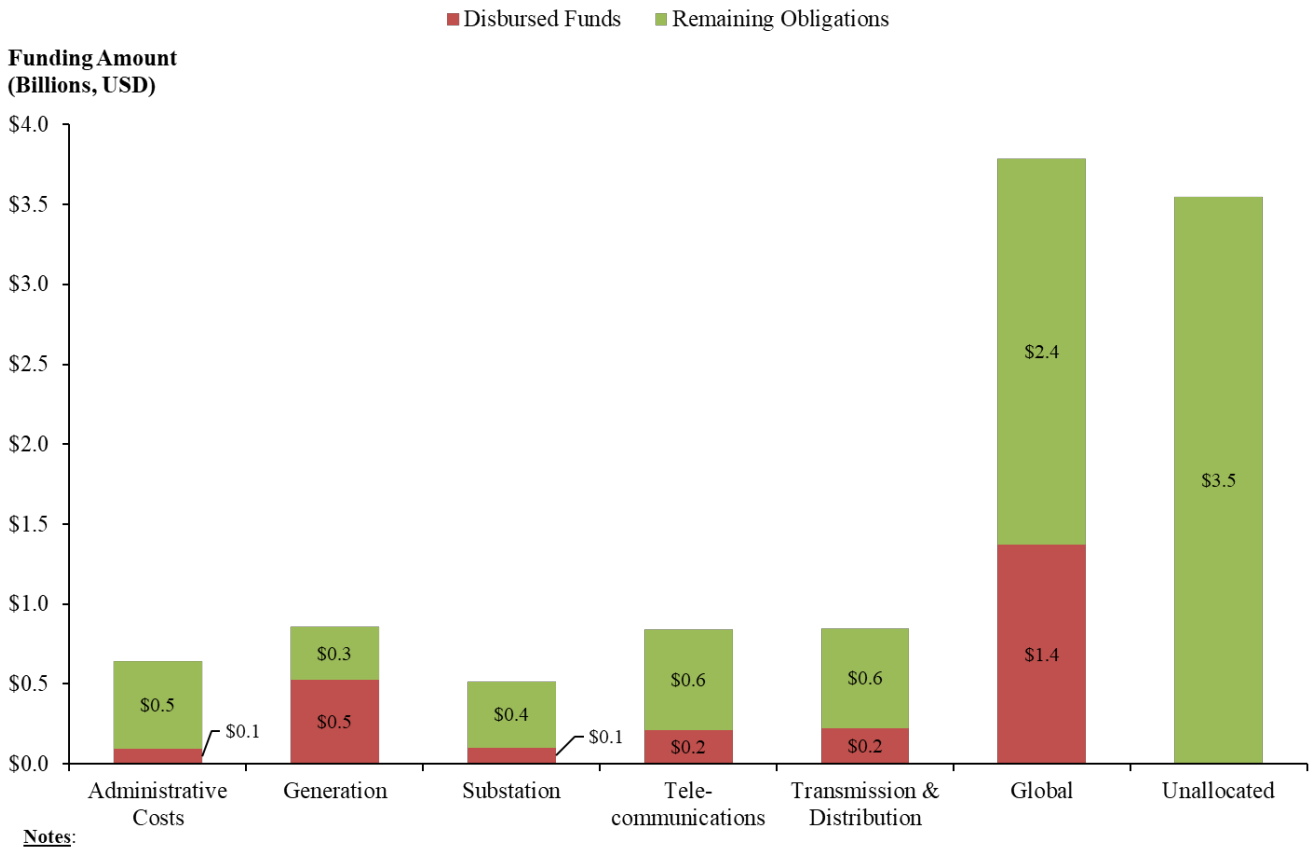
e) Transmission and distribution projects, such as vegetation clearing and conductor repairs.[121]

As a matter of accounting, FEMA maintains a single project worksheet that tracks the amount of unallocated FAASt funding.[122] In addition, FEMA has created two shared "Global" project worksheets through which it obligates funds to the architecture and engineering ("A&E") services and the equipment and materials ("E&M") component of projects by PREPA and its operators. Please reference **Exhibit 6**, below.

[117] GAO-22-106211, pp. 5-6; FEMA, "Management Costs," available at https://www.fema.gov/es/hmgp-appeal-categories/management-costs.
[118] Informative Motion to Submit the Consolidated Project Plan, August 8, 2025: Exhibit B, 20250808-MI20200012-Exhibit-B-Inf-Motion-to-Subm-Consolidated-Project-Plan.xlsx, (hereafter "Consolidated Project Plan Backup").
[119] Consolidated Project Plan Backup.
[120] Consolidated Project Plan Backup.
[121] Consolidated Project Plan Backup.
[122] PW-6099 ("MEPA078 Puerto Rico Electrical Power Authority Island Wide FAASt Project") records all activities under the FAASt program. The project worksheet records a $9.5 billion obligation on September 23, 2020, the date on which FEMA appropriated the fixed-cost award to Puerto Rico. Subsequent FAASt projects approved by FEMA are recorded as a "de-obligation" under the same project worksheet. The difference between $9.5 billion and the total amount of "de-obligation" is the remaining available budget under FAASt. *See* COR3 Transparency Portal.

Exhibit 6: FEMA's Public Assistance Funding Obligated to PREPA by Project Type[123]

As of August 2025



Notes:
[1] The "Global" category refers to PW 9510 and PW 10710, which are shared project codes for permanent work projects by PREPA, LUMA and Genera. 9510 includes the architecture and engineering ("A&E") components of projects, while 10710 encompass components related to equipment and materials ("E&M"). *See* PREPA 2025 Fiscal Plan, p. 64, fn 93.
[2] The funding amount excludes "Category B - Emergency Protective Measures" projects, which are outside the scope of permanent work for facilities repair.

In my experience, the levels of funding identified in the Global and Unallocated categories are concerning. The Global category represents obligations booked to island-wide shared project worksheets. In my experience, it is atypical to reserve such a large balance of funds for a non-specific pool of projects. Appropriate project management requires estimating costs against specific uses of funds. A Global account balance of this magnitude likely indicates a lack of precision in project planning. Additionally, the Unallocated category

[123] COR3 Transparency Portal.

reflects funds that are available for projects that have not yet been formulated, which means these funds cannot even be obligated or disbursed at this time. In fact, on June 3, 2025, FEMA sent a letter to COR3 and PREPA requesting a list of projects that would exhaust the $3.6 billion of FAASt funding that was unallocated as of the date of the letter.[124] Given the condition of the grid, I consider it to be unprecedented for this level of federal funding to remain unallocated years later. If these funds were instead identified as specific projects or programs in a generation, substation or T&D category, a capital prioritization model could be used to identify the forecasted reliability improvements, project timelines, resources and materials required, as well as the anticipated O&M spending reductions in future years. In that hypothetical scenario, a robust capital prioritization model could also be developed to ensure that the costs and benefits of alternative solutions to the project would be evaluated as well. Having this information enables a utility to develop a manageable multi-year project capital portfolio, which, on top of the benefits identified above, could be used to develop rates. However, as noted above, most of the obligated FEMA funding here is not so identified by LUMA, PREPA, and Genera.

The rate proponents should be directed to identify the specific projects and programs within the Global and Unallocated categories, and to revise the capital portfolio in accordance with the industry standards described above. Because they have not done so, their proposed NFC budgets (and any NFC-related O&M expenses) should not be approved as submitted.

[124] Informative Motion to Submit the Consolidated Project Plan: Exhibit A, Case No. NEPR-MI-2020-0012, August 8, 2025, p. 2, available at https://energia.pr.gov/wp-content/uploads/sites/7/2025/08/20250808-MI20200012-Exhibit-A-Inf-Motion-to-Subm-Consolidated-Project-Plan.pdf.

Q.34 How have FEMA and the Energy Bureau reacted to the pace of federally funded spending?

A. Both FEMA and the Energy Bureau have taken notice of the slow pace of federal funding use and requested in mid-2025 that PREPA and its private operators submit additional detailed information on 1) FEMA-funded projects that are ongoing and pending reimbursement, and 2) a prioritized list of projects that would use up the remaining FAASt funding.[125]

As of the date of this testimony, LUMA has not yet produced its detailed status report on FEMA-funded projects that are pending reimbursement. The Energy Bureau has extended LUMA's deadline to submit such information to September 12, 2025.[126] I reserve the right to supplement my testimony if and when that information is released, as it is directly relevant to this proceeding, yet I understand from Bondholder's counsel that LUMA sought and received an extension until after intervenor answering testimony was due.

Q.35 Do you have an opinion on the pace of federal fund deployment by PREPA and its operators?

A. While electric utilities often utilize a multi-year capital portfolio that enables them to plan, forecast and manage their available resources and supply chain, there are times when

[125] Informative Motion to Submit the Consolidated Project Plan, Case No. NEPR-MI-2020-0012, August 8, 2025 (hereafter "Informative Motion to Submit the Consolidated Project Plan, August 8, 2025"), available at https://energia.pr.gov/wp-content/uploads/sites/7/2025/08/20250808-MI20200012-Inf-Motion-to-Subm-Consolidated-Project-Plan.pdf; Resolution and Order pertaining to Urgent Motion Requesting Extension of Time to Comply with Resolution and Order of August 14, 2025, filed by LUMA Energy, LLC and LUMA Energy ServCo, LLC, Case No. NEPR-MI-2021-0002, p. 1, available at https://energia.pr.gov/wp-content/uploads/sites/7/2025/08/20250828-MI20210002-Resolution-and-Order.pdf.

[126] Resolution and Order pertaining to Urgent Motion Requesting Extension of Time to Comply with Resolution and Order of August 14, 2025 filed by LUMA Energy, LLC and LUMA Energy ServCo, LLC, Case No. NEPR-MI-2021-0002, August 28, 2025, p. 1, available at https://energia.pr.gov/wp-content/uploads/sites/7/2025/08/20250828-MI20210002-Resolution-and-Order.pdf.

that utility may experience an influx of unexpected funding. I have experienced this several times during my career. This influx may be associated with a commitment to improve reliability. In these cases, previously proposed projects that have the largest reliability impact are identified for approval. Additional funding may be dependent on the utility being able to commit to meeting certain project milestones. Maintaining a robust capital portfolio enables a utility to quickly identify previously submitted projects that were not approved for funding and select those that best meet the requirements of a new funding source. The utility can then accelerate the engineering and procurement of materials, identify if internal labor resources or contractors will be assigned to the project(s), and develop a project management plan for the newly funded projects. Key milestones are identified, and the projects are advanced to completion, with an emphasis on delivering on time and on budget. These steps have not been taken in Puerto Rico. Based on my professional experience, it is unprecedented for the grid to remain in such a degraded condition eight years after Hurricanes Irma and Maria and despite the availability of an unprecedented amount of federal funds. This situation reflects a failure to advance federally funded projects to timely completion. At this stage of the storm recovery, PREPA and its operators should be receiving disbursements for completed projects at a level close to the total obligated amounts, not continuing to identify uses for billions of dollars in unallocated funds.

Q.36 What is the Consolidated Project Plan and how is it relevant to the rate case?

A. On June 3, 2025, FEMA sent a letter to COR3 and PREPA requesting a list of projects that would exhaust the $3.6 billion of FAASt funding that continued to be unallocated at that

time.[127] In other words, PREPA has been so ineffective at deploying FEMA funding that FEMA (the donor) has had to ask PREPA what it is planning to do with the obligated money. In my experience, this dynamic occurs when entities are stagnant, are unable to develop a prioritized project portfolio, and fail in their execution of projects.

After conferral between COR3, PREPA, and its operators, PREPA, LUMA, and Genera released their so-called Consolidated Project Plan on August 8, 2025, which details the consolidated list of projects that they propose to be funded by FAASt in the future, totaling $2.9 billion.[128] The list consists, in part, of projects that are not yet obligated by FEMA (and in some cases that do not yet have a detailed Scope of Work written up).[129] I note that even accounting for all the projects in the Consolidated Project Plan, there remains $0.6 billion leftover under the FAASt obligation that is unused.

In **Section VII**, I will analyze in detail the necessity and prudence of certain proposed projects contained in the Consolidated Project Plan. Insofar as, based on the available information, projects in the Consolidated Project Plan are not necessary or prudent, that federal funding could instead be spent on projects that *are* useful in restoration of PREPA's grid.

[127] Informative Motion to Submit the Consolidated Project Plan: Exhibit A, Case No. NEPR-MI-2020-0012, August 8, 2025, p. 2, available at https://energia.pr.gov/wp-content/uploads/sites/7/2025/08/20250808-MI20200012-Exhibit-A-Inf-Motion-to-Subm-Consolidated-Project-Plan.pdf.

[128] Excludes 10% local cost share. The original FEMA letter, dated June 3, 2025, stated that there were $3.6 billion unallocated funding. By the time the Consolidated Project Plan was submitted in August 2025, the unallocated funding was down to $3.5 billion. Informative Motion to Submit the Consolidated Project Plan: Exhibit A, Case No. NEPR-MI-2020-0012, August 8, 2025, p. 2, available at https://energia.pr.gov/wp-content/uploads/sites/7/2025/08/20250808-MI20200012-Exhibit-A-Inf-Motion-to-Subm-Consolidated-Project-Plan.pdf; Consolidated Project Plan Backup.

[129] Informative Motion to Submit the Consolidated Project Plan, August 8, 2025, pp. 2-3.

Q.37 Do you have an opinion on LUMA's past use of federal versus non-federal funding?

A. Yes – while LUMA consistently utilizes the entirety of its budgeted non-federally funded capital expenditures each year (and has in some instances exceeded such budgeted expenses),[130] it has significantly underspent relative to its budgeted federally funded capital expenditures. Specifically, between FY2023 and FY2025, LUMA underspent its federally funded capital expenditures budget by 30.8% (or $179.1 million), 20.0% (or $160.3 million), and 43.3% (or $523.1 million), respectively.[131] Notably, in each of these years, the unspent portion of LUMA's federally funded capital expenditures budget exceeded the entirety of its budget for non-federally funded capital expenditures.

LUMA's persistent and significant underspending of federal funds indicates that it is failing to appropriately prioritize the federal resources available for capital investment. Rather than fully deploying these funds, LUMA now seeks to shift costs to customers through a permanent rate request, as discussed below, which is inconsistent with the Energy Bureau's Provisional Rate Order.[132] Please refer to **Exhibit 7**, below.

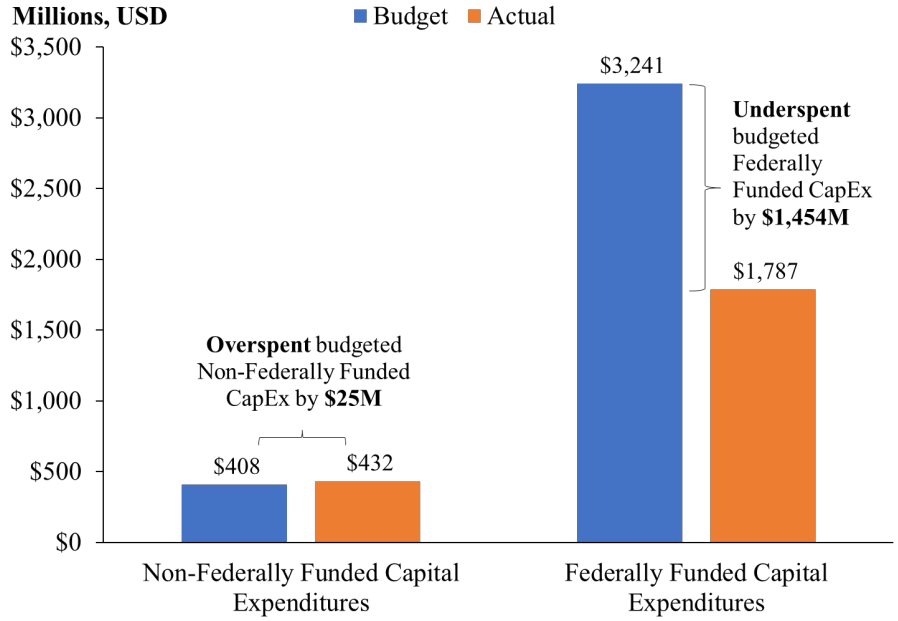
[130] I understand from counsel that the testimony of Patrick Hogan will argue that the fact that LUMA has previously spent most of its budgeted NFCs does not reflect an ability to execute on the much-higher NFC budgets that it now proposes in this rate case.

[131] Motion to Submit Quarterly Report for the Fourth Quarter of Fiscal Year 2025: Exhibit 1, Case No. NEPR-MI-2021-0004, tab "Summary;" Motion Submitting LUMA's Annual Report for Fiscal Year 2024 and Report on Efficiencies: Exhibit 1, Case No. NEPR-MI-2021-0004, p. 22; Motion Submitting LUMA's Annual Report for Fiscal Year 2023 and Report on Efficiencies: Exhibit 1, Case No. NEPR-MI-2021-0004, p. 21. Motion Submitting LUMA's Annual Report for Fiscal Year 2022 and Report on Efficiencies: Exhibit 1, NEPR-MI-2021-0004, p. 10.

[132] *See* Provisional Rate Order, p. 32 ("The Energy Bureau will not treat electricity consumers 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.").

Exhibit 7: LUMA's Sum of Yearly Budget-to-Actual Capital Expenditures[133]

FY2022 – FY2025



Q.38 How does LUMA's past use of federal versus non-federal funding relate to the current rate petition?

A. In the rate petition, LUMA appears to be continuing its past practice of underutilizing federal funding. For example, when asked about what types of federal funding LUMA has received related to declared disasters, LUMA's Chief Capital Programs & Grid Transformation Officer, Pedro A. Meléndez-Meléndez, listed only receipts from FEMA categories – Section 406 Hazard Mitigation Projects, Section 428 FEMA Accelerated

[133] Motion to Submit Quarterly Report for the Fourth Quarter of Fiscal Year 2025: Exhibit 1, Case No. NEPR-MI-2021-0004, tab "Summary;" Motion Submitting LUMA's Annual Report for Fiscal Year 2024 and Report on Efficiencies: Exhibit 1, Case No. NEPR-MI-2021-0004, p. 22; Motion Submitting LUMA's Annual Report for Fiscal Year 2023 and Report on Efficiencies: Exhibit 1, Case No. NEPR-MI-2021-0004, p. 21. Motion Submitting LUMA's Annual Report for Fiscal Year 2022 and Report on Efficiencies: Exhibit 1, NEPR-MI-2021-0004, p. 10.

Alternative Procedures, and Section 404 Public Assistance[134] – without acknowledging receipt of other material federal and territorial funding sources that already exist, such as HUD's CDBG-DR and COR3 Working Capital Advances. Mr. Meléndez further states that "LUMA is looking proactively to do more" to utilize outside funding, but that there needs to be "a materially significant immediate increase in NFC."[135]

What's more, rather than recognizing or utilizing the broad pool of federal and territorial resources available for recovery, the rate petition includes various purported expenses—to be funded by ratepayers—that LUMA failed to acknowledge were already covered by federal funding, as discussed in **Section VI** below. The eligibility of such expenses for federal funding largely came to light through the diligence and discovery of the Energy Bureau, its consultants, and intervenors, rather than through LUMA disclosures in the rate petition. Once again, this shows LUMA's preference for utilizing ratepayer collections, despite the Energy Bureau's preference to "not treat electricity customers as the funding source of first resort."[136]

Q.39 What is your opinion on the purpose of requesting substantial NFCs in addition to available federal funding?

A. LUMA's proposed reliance on ratepayer collections for capital projects appears to be based on its stated view that the NFCs it is requesting serve as a way to "maintain sufficient liquidity" to advance federal projects, citing the "fungibility of cash" (meaning fungible as between federal funds and ratepayer collections).[137] Yet, LUMA's stated view overlooks:

[134] Direct Testimony of Pedro A. Meléndez-Meléndez, July 1, 2025 ("Meléndez Testimony"), p. 23.
[135] Meléndez Testimony, pp. 27-28.
[136] Provisional Rate Order, p. 32.
[137] Meléndez Testimony, pp. 49-50.

(i) COR3's Request for Working Capital Advance ("RFCA") Pilot Program, which was specifically designed to provide subrecipients with additional working capital to launch projects quickly; (ii) LUMA's Federally Funded Capital Account, discussed below, which serves as another source of funds to launch projects; (iii) HUD CDBG funds that are available to cover the 10 percent local cost share; (iv) the Commonwealth Energy Sector Reserve account; and (v) the potential availability of additional funds from the Commonwealth, as PREPA has received periodically to cover pensions and other obligations.[138]

The large requests for ratepayer-funded NFCs in the rate petition are particularly surprising given that LUMA has a Federally Funded Capital Improvement Account currently holding approximately half a billion dollars. In response to a discovery request from the Bondholders, LUMA confirmed that as of August 25, 2025, the balance of its Federally Funded Capital Improvement account was $499.8 million, and the average balance over the past year was even higher, at approximately $591.2 million.[139] This account constitutes a major source of available funding to advance capital projects and utilize federal funds towards project completion, removing the alleged need to increase permanent rates to "maintain sufficient liquidity."[140] In my experience, half a billion dollars dedicated for federally funded

[138] COR3 Disaster Recovery Federal Funds Management Guide, p. 84; The Wall Street Journal, "Federal Judge Approves $300 Million Loan for Puerto Rico Utility," February 19, 2018, available at https://www.epa.gov/sites/default/files/2016-07/documents/overview_of_cwsrf_eligibilities_may_2016.pdf; El Nuevo, "Central government to lend PREPA $300 million for pensions," November 13, 2023, available at https://www.elnuevodia.com/english/news/story/central-government-to-lend-prepa-300-million-for-pensions/; PREPA's Responses to RFIs, Motion in Compliance with Resolution and Order of October 16, 2024: Exhibit A, Case No. NEPR-MI-2020-0001, October 25, 2024, p. 5. available at https://energia.pr.gov/wp-content/uploads/sites/7/2024/10/20241025-MI20200001-Exhibit-A-PREPAs-responses-RFI-1-1.pdf.
[139] Responses for Information on Permanent Rates, Response: NPFGC-of-LUMA-CAPEX-4, Case No. NEPR-AP-2023-0003, p. 2.
[140] 2025 PREPA Fiscal Plan, pp. 37-38, Table 10; Meléndez Testimony, p. 49.

projects is a significant amount of "liquidity."[141]

In addition, LUMA has stated in various forums that federal funding comes with certain requirements and restrictions that make it less favorable to use than cash collected from ratepayers. For example, LUMA has said that "the type of funding that LUMA currently primarily relies upon for capital needs – FEMA disaster restoration funding – is not intended to fund a general utility capital program and is not well-suited to that purpose. Instead it has requirements, limitations, and timelines that serve the goal of ensuring funds are utilized to meet the Federal government's goals of storm resilience…"[142] However, the existence of federal requirements, limitations, and timelines is an unavoidable byproduct of receiving billions of dollars in grants from the government, and it is no reason to forgo federal funding in favor of imposing higher costs onto ratepayers.

Q.40 Do you have an opinion on the impact on other system costs of LUMA underspending on federally funded capital expenditures?

A. LUMA's multi-year failure to utilize the budgeted amounts of federal funds has likely contributed to maintaining ratepayer-funded O&M costs at levels higher than would otherwise be necessary. As the budgeted capital expenditures are implemented, O&M costs should decline. For example, if a distribution pole is replaced with a new pole using federal funding, maintenance costs in that location might be reduced.

[141] In addition, PREPA stated that LUMA had withdrawn $564 million from the Federally Funded Account but secured only $235 million in reimbursements, which in turn forced PREPA to transfer $496 million of its own funds to cover the resulting discrepancy "caused by LUMA's failures." *See* Puerto Rico Public-Private Partnerships Authority, "Notice of Disputes to LUMA Energy, LLC and LUMA Energy ServCo, LLC, under Article 15 of the T&D OMA," July 22, 2025, p. 6, available at https://bloximages.newyork1.vip.townnews.com/wapa.tv/content/tncms/assets/v3/editorial/c/9d/c9d5478e-2887-4608-8745-f24d8cd5a91e/687fc5342c711.pdf.pdf.

[142] Responses for Information on Permanent Rates, Response: NPFGC-of-LUMA-OTH_OPEX-52, Attachment 1, Case No. NEPR-AP-2023-0003, p. 1.

VI. LUMA IS INCLUDING EXPENSES IN THEIR PERMANENT RATE REVENUE REQUIREMENT THAT ARE INAPPROPRIATE OR SHOULD BE COVERED BY FEDERAL FUNDING; THIS IS NOT A PRUDENT OR REASONABLE REQUEST FOR RATEPAYER FUNDS

Q.41 What are LUMA's projections of its own federally funded capital project spending?

A. Under the Constrained Budget, LUMA budgets federally funded capital expenditures of $901.4 million in FY2026, $1,658.9 million in FY2027, and $1,886.9 million in FY2028. In the Constrained Budget, LUMA budgets non-federally funded capital expenditures of $398.5 million in FY2026, $504.2 million in FY2027, and $603.9 million in FY2028.[143] Please refer to **Exhibit 8**, below. The sum of all such spending across the three-year rate period is $5,953.8 million.

Exhibit 8: LUMA Capital Expenditures, by Category

Constrained Budget

	FY2026		FY2027		FY2028	
Categories	**Federal Funded**	**Non-Federal Funded**	**Federal Funded**	**Non-Federal Funded**	**Federal Funded**	**Non-Federal Funded**
Customer Experience	$261,426,862	$29,274,849	$434,668,515	$28,220,826	$280,072,671	$29,221,359
Control Center & Buildings	$34,931,047	$37,129,635	$58,784,254	$9,163,706	$67,258,147	$17,750,478
Distribution	$202,371,821	$101,806,389	$344,740,716	$185,041,809	$326,493,913	$231,087,327
Enabling	$179,816,787	$55,889,505	$290,021,334	$43,770,455	$439,361,069	$48,079,796
Substation	$154,196,935	$81,654,696	$287,348,461	$121,131,766	$340,455,028	$142,676,976
Support Services	$6,157,930	$31,562,405	$16,313,544	$40,552,962	$15,565,922	$26,631,089
Transmission	$62,488,337	$61,174,492	$227,072,620	$76,311,981	$417,698,017	$108,441,881
Total	**$901,389,720**	**$398,491,970**	**$1,658,949,446**	**$504,193,505**	**$1,886,904,766**	**$603,888,906**

Under the Optimal Budget, LUMA budgets federally funded capex of $901.4 million in FY2026, $1,658.9 million in FY2027, and $1,886.9 million in FY2028, the same as in the Constrained Budget. In the Optimal Budget, LUMA budgets non-federally funded capex of $602.6 million in FY2026, $762.4 million in FY2027, and $928.3 million in FY2028.[144] Please refer to **Exhibit 9**, below. The sum of all such spending across the three-year rate

[143] Excludes Generation (D-2), HydroCo (D-2), and HoldCo subtotal figures rounded to the nearest million. *See*, LUMA Revenue Requirement Schedules, tab "D-1-Constrained."
[144] Excludes Generation (D-2), HydroCo (D-2), and HoldCo subtotal figures rounded to the nearest million. *See*, LUMA Revenue Requirement Schedules, tab "D-1-Optimal."

period is $6,740.5 million – an increase of $786.7 million compared to the Constrained Budget.

Exhibit 9: LUMA Capital Expenditures, by Category

Optimal Budget

	FY2026		FY2027		FY2028	
Categories	**Federal Funded**	**Non-Federal Funded**	**Federal Funded**	**Non-Federal Funded**	**Federal Funded**	**Non-Federal Funded**
Customer Experience	$261,426,862	$38,565,070	$434,668,515	$59,471,982	$280,072,671	$63,128,898
Control Center & Buildings	$34,931,047	$67,465,203	$58,784,254	$8,363,000	$67,258,147	$7,638,000
Distribution	$202,371,821	$164,811,281	$344,740,716	$343,401,390	$326,493,913	$409,513,704
Enabling	$179,816,787	$96,370,928	$290,021,334	$84,794,652	$439,361,069	$90,128,193
Substation	$154,196,935	$115,177,900	$287,348,461	$123,985,437	$340,455,028	$150,511,976
Support Services	$6,157,930	$51,328,185	$16,313,544	$46,039,437	$15,565,922	$69,035,714
Transmission	$62,488,337	$68,850,666	$227,072,620	$96,300,815	$417,698,017	$138,371,881
Total	**$901,389,720**	**$602,569,233**	**$1,658,949,446**	**$762,356,713**	**$1,886,904,766**	**$928,328,367**

Q.42 Do you have any opinions on the appropriateness of this proposed LUMA project spending based on the information that has been disclosed?

A. Yes, from the limited information available, I consider various of the proposed expenditures to be relying on inappropriate sources of funding, either by seeking collections from ratepayers for projects that could be federally funded or by imprudently using the limited (though large) pot of federal funds. I discuss select examples of particular expenditures in more detail below. I list the projects discussed in this section in detail in **Appendix B**, which also includes the LTIP and FAASt documents I reviewed that were available to me at the time I made these determinations.[145]

Q.43 Based on LUMA's permanent rate request under its Constrained Budget, are there opportunities for the ratepayer-funded NFCs to be paid for through federal funding?

A. Yes. From my review of available documentation, multiple opportunities appear to

[145] *See* footnote 4.

exist for LUMA's non-federally funded capital expenditures to instead be reallocated to federal funding sources, particularly FEMA funding.[146]

Q.44 What is your opinion on the reallocation of the Distribution Pole & Conductor Repair program to federal funding?

A. To assess these opportunities for reallocation to federal funding, I first identify programs related to Transmission, Distribution, and Substation from LUMA's permanent rate request that contain a mix of federal and non-federal funding. Of these programs, the most prominent candidate for reallocation to federal funding is LUMA's permanent rate request for non-federally funded capital expenditures related to the Distribution Pole & Conductor Repair program, which encompasses multiple individual projects that total $283.2 million for FY2026-2028 in the Constrained Budget.[147] Under the revised Stafford Act provisions as stated in the Bipartisan Budget Act of 2018, damaged distribution system equipment could be replaced or restored "to industry standards without regard to the pre-disaster condition," including "components of the facility or system not damaged by the disaster where necessary to fully effectuate the replacement or restoration of disaster-damaged components to restore the function of the facility or system to industry standards."[148] In my opinion, this standard gives a wide scope for eligibility of distribution repair projects for FEMA permanent work funding. Given that effectively the entire electrical distribution system in Puerto Rico is

[146] *See* footnote 4.
[147] Motion Submitting Public Version of LUMA's Long Term Investment Plans and Memorandum of Law in Support of Confidential Treatment of Redacted Portions: Exhibit 2.06, 20250819-AP20230003-Exhibit-2.06-Motion-Subm-PV-of-Luma-Long-Term-Investment.xlsx, Case No. NEPR-AP-2023-0003, August 19, 2025 (hereafter "Constrained LTIP"), tab "Non-Federal Capital", calculated as the sum of Program Brief Name "Distribution Pole & Conductor Repair", $43.8 million for FY2026, $107 million for FY2027, and $132.3 million for FY2028.
[148] Public Law 115-123. Bipartisan Budget Act of 2018. §20601 (2018) available at https://www.congress.gov/115/plaws/publ123/PLAW-115publ123.pdf.

outdoors and exposed to weather, existing poles and conductors would effectively all have been affected by the 2017 hurricanes.

Note that in its applications for federal funding, LUMA would still need to confirm that the damaged state of the pole or conductor was associated with an eligible disaster, or that it could be eligible for restoration/repair in order to "fully effectuate the replacement or restoration of disaster-damaged components."[149] For example, in the case of conductors, LUMA should have conducted a conductor assessment by using various tools such as drones, thermal imaging, and even removing sections of the conductor for analysis. Such assessments can verify the most likely probable cause for the conductors' damage, which can then be documented on Project Worksheets to secure federal funding. Conductors that show recent signs of damage – such as slapping together, tree or limb contact, or debris contact – could be identified as disaster related due to hurricane winds. On the other hand, if damage appeared to have resulted from prior lightning strikes or overgrown vegetation, the damage would be considered non-disaster related. If it was non-disaster related, restoration could still be eligible for federal funding if it was deemed necessary to "fully effectuate the replacement or restoration of disaster-damaged components," another significant carveout applicable here. If that carveout did not apply, however, the use of federal funds would be inappropriate. With the caveats related to determinations of damage, I assess that all of the $283.2 million of NFCs for Distribution Pole & Conductor Repair for FY2026-2028 could either be shifted to federally funded capital expenditures for the same program, or eliminated if not needed to bring the system to industry standard.

[149] Public Law 115-123. Bipartisan Budget Act of 2018. §20601 (2018) available at https://www.congress.gov/115/plaws/publ123/PLAW-115publ123.pdf.

Q.45 What is your opinion on other opportunities to reallocate LUMA NFCs to federal funding?

A. I have also reviewed the constrained version of LUMA's long-term investment plan ("LTIP"), which corresponds to the project-by-project budget requests underlying LUMA's yearly NFC requests under the Constrained Budget, and compared the projects listed therein to those listed in the consolidated summary of FEMA Accelerated Awards Strategy ("FAASt") projects. Based on my review, I have identified $304.6 million of non-federally funded projects in the Constrained Budget for FY2026-2028, which have hallmarks of federal funding eligibility.[150] I list examples of these projects, below:

a) LUMA has requested $1.5 million of NFCs related to the "Guanica TC - Transformer Replacement" project,[151] despite noting in its 2025 Q4 Report on Federal Funding Activities that "Transformer Replacement" is a part of the FAASt project 825843, with $2.3 million of allocated federal funding.[152]

b) LUMA has requested $0.9 million of NFCs related to the "Maunabo - Transformer Replacement (Energize)" project,[153] despite having $8.3 million of federal funds allocated to this project.[154]

In addition, I note that in the Provisional Rate Order, the Energy Bureau has already reallocated five projects totaling $19.0 million (for FY2026 only) that are listed in LUMA's

[150] See **Appendix B**, tab "LUMA Appendix – Constrained", column I, "Suggested Reallocation to Federal Funding."
[151] Constrained LTIP, tab "Non-Federal Capital," row 158.
[152] Motion Submitting Quarterly Report on Federal Funding Activities for the Fourth Quarter of Fiscal Year 2025, Exhibit 1, Case No. NEPR-MI-2021-0002, August 14, 2025, p. 9, available at https://energia.pr.gov/wp-content/uploads/sites/7/2025/08/20250814-MI20210002-Motion-Subm-Quarterly-Report.pdf; Consolidated Project Plan Backup, tab "LUMA - Projects," row 20.
[153] Constrained LTIP, tab "Non-Federal Capital," row 175.
[154] Consolidated Project Plan Backup, tab "LUMA - Projects," row 12.

LTIP to "the federal-funding pipeline, removing them from ratepayer recovery."[155] I did not specifically review documents related to all of these projects, but I accept the Energy Bureau's reasoning in the Provisional Rate Order since these projects only have NFC requests for FY2026:

a) LUMA has requested $2.2 million of NFCs related to the "Factor - Transformer Replacement (Energize)" project,[156] despite having $3.8 million of federal funds allocated to this project.[157] In the Provisional Rate Order, the Energy Bureau reallocated this project to the federal-funding pipeline.[158]

b) LUMA has requested $1.9 million of NFCs related to the "Caguas TC - Transformer Replacement (Energize)" project.[159] In the Provisional Rate Order, the Energy Bureau reallocated this project to the federal-funding pipeline.[160]

c) LUMA has requested $2.0 million of NFCs related to the "Costa Sur - Transformer Replacement (Energize)" project.[161] In the Provisional Rate Order, the Energy Bureau reallocated this project to the federal-funding pipeline.[162]

d) LUMA has requested $2.9 million of NFCs related to the "Fajardo - Transformer

[155] Provisional Rate Order, p. 19. I note that the total amounts listed for funding in the Provisional Rate Order for these five projects are not exactly the same as the requested amounts in the LTIP, and for the purposes of my testimony I cite the amounts in the LTIP. I further note that there are three projects that were reallocated to the federal funding pipeline in the Provisional Rate Order that are not included in the LTIP: "Juncos – Transformer Replacement," "Mora TC - Transformer Replacement (Energize)," and "Veredas Transformer."
[156] Constrained LTIP, tab "Non-Federal Capital," row 163.
[157] Consolidated Project Plan Backup, tab "LUMA - Projects," row 88.
[158] The Provisional Rate Order reallocated $2.8 million of requested non-federal funds related to this project. See Provisional Rate Order, p. 19.
[159] Constrained LTIP, tab "Non-Federal Capital," row 161.
[160] The Provisional Rate Order reallocated $2.1 million of requested non-federal funds related to this project. See Provisional Rate Order, p. 19.
[161] Constrained LTIP, tab "Non-Federal Capital," row 162.
[162] The Provisional Rate Order reallocated $2.9 million of requested non-federal funds related to this project. See Provisional Rate Order, p. 19, available at https://energia.pr.gov/wp-content/uploads/sites/7/2025/07/20250731-AP20230003-Resolution-and-Order.pdf.

Replacement (Energize)" project.[163] In the Provisional Rate Order, the Energy Bureau reallocated this project to the federal-funding pipeline.[164]

e) LUMA has requested $10.0 million of NFCs related to the Transmission Line Rebuild of Line 8700 project.[165] In the Provisional Rate Order, the Energy Bureau reallocated this project to the federal-funding pipeline.[166]

In total, based on the limited available information I have reviewed, I identify at least $304.6 million in LUMA Projects from the Constrained Budget (including the "Distribution Pole & Conductor Repair" program) that in my opinion can be reallocated to federal funding and excluded from LUMA's revenue requirement.[167]

Q.46 Based on LUMA's permanent rate request under its Optimal Budget, are there opportunities for these NFC's to be paid for through federal funding or eliminated as unnecessary?

A. Yes. From my review of available documentation, there are multiple opportunities for LUMA's non-federally funded capital expenditures to be reduced or covered by federal funding under the Optimal Budget.

First, the Optimal Budget includes higher NFC spending levels for the capital spending programs and projects for which I have identified opportunities for reallocation to federal funding earlier. For example, the "Distribution Pole & Conductor Repair" program has

[163] Constrained LTIP, tab "Non-Federal Capital," row 165.
[164] The Provisional Rate Order reallocated $1.7 million of requested non-federal funds related to this project. See Provisional Rate Order, p. 19.
[165] Constrained LTIP, tab "Non-Federal Capital," row 119.
[166] The Provisional Rate Order reallocated $10 million of requested non-federal funds related to this project. See Provisional Rate Order, p. 19.
[167] See **Appendix B**, tab "LUMA Appendix – Constrained", column I, "Suggested Reallocation to Federal Funding."

allocated $650.5 million in NFC spending for FY2026-2028 in the Optimal Budget.[168] I have not changed my opinion on the opportunities for reallocation to federal funding of this set of projects, which total $675.1 million in LUMA Projects from the Optimal Budget (including the "Distribution Pole & Conductor Repair" program and the set of projects reallocated in the Provisional Rate Order)[169], which in my opinion can be reallocated to federal funding.

I also identify requests for non-federal funding that are incremental to the non-federal funding requests under the Constrained Budget. Of these incremental requests for non-federal funding, I consider multiple projects to be either unnecessary, over-funded, or potentially eligible for federal funding. I list these in detail in **Appendix B**, which also includes the Unconstrained version of LUMA's LTIP I reviewed that was available to me at the time I made these determinations. These determinations include the following:

a) Between FY2026 and FY2028, LUMA requested $138.0 million in NFCs for "Fleet Capital Vehicle Purchase" in the Optimal Budget, which is $103.6 million more than the $34.4 million requested in the Constrained Budget.[170] I interpret this additional $103.6 million of non-federal funding to be non-essential to the restoration of the grid.

b) Between FY2026 and FY2028, LUMA requested $34.1 million in NFCs for "Retail Wheeling" in the Optimal Budget, but does not request any funding for this program in the Constrained Budget.[171] I interpret this $34.1 million of non-federal

[168] LUMA Revenue Requirement Schedules, tab "D-1-Optimal," Line No. 38; tab "D-1-Constrained," Line No. 38.
[169] See **Appendix B**, tab "LUMA Appendix – Optimal", column I, "Suggested Reallocation to Federal Funding."
[170] Unconstrained LTIP, tab "Non-Federal Capital," row 241; Constrained LTIP, tab "Non-Federal Capital," row 236.
[171] Unconstrained LTIP, tab "Non-Federal Capital," row 7; Constrained LTIP, tab "Non-Federal Capital."

funding to be non-essential to the restoration of the grid.

c) Between FY2026 and FY2028, LUMA requested $20.3 million in NFCs for a "Workforce Management System" in the Optimal Budget, but only $5.4 million in the Constrained Budget, for a decrease of $14.9 million.[172] I interpret this additional $14.9 million of non-federal funding to be non-essential to the restoration of the grid.

d) Between FY2026 and FY2028, LUMA requested $1.8 million in NFCs to purchase "Employees Ergonomic chairs" in FY2026 in the Optimal Budget. They do not make this request in the Constrained Budget.[173] I interpret this $1.8 million of non-federal funding to be non-essential to the restoration of the grid.

In total, I find at least $139.7 million in incremental program spending in the Optimal Budget which in my opinion is non-essential to the restoration of the grid and can be excluded from LUMA's revenue requirement.[174]

In total, based on the limited available information I have reviewed, I identify at least $814.9 million in LUMA Projects from the Optimal Budget which in my opinion either can be reallocated to federal funding or are non-essential to the restoration of the grid, and can be excluded from LUMA's revenue requirement.[175]

[172] Unconstrained LTIP, tab "Non-Federal Capital," row 41; Constrained LTIP, tab "Non-Federal Capital," row 38.
[173] Constrained LTIP, tab "Non-Federal Capital;" Unconstrained LTIP, tab "Non-Federal Capital," row 239.
[174] See **Appendix B**, tab "LUMA Appendix – Optimal", column H, where project categorization is "Reallocate – Preliminary." Note that there is a less than $0.1 million rounding difference.
[175] See **Appendix B**, tab "LUMA Appendix – Optimal", column I, "Suggested Reallocation to Federal Funding." Note that there is a less than $0.1 million rounding difference.

Q.47 Are there additional LUMA NFC projects that you identify as requiring further specific cost scrutiny?

A. Yes. Given the limited available project-level information I have reviewed, there are a number of additional projects for which I was not able to make a definitive determination of whether they should be included in LUMA's revenue requirement, but I flag as warranting further cost scrutiny from the Energy Bureau. Some of these projects could be federally funded instead of relying on ratepayer funds, while others may be unnecessary.

I reviewed LUMA's response to the Hearing Examiner's questions regarding Priority Stabilization Plan ("PSP")-related costs,[176] and have identified several proposed NFC transmission projects that warrant further scrutiny because they are incremental to the 51 transmission lines that "contributed to approximately 75% of all transmission related customer minute interruptions," or "the bulk of T&D-related outages" according to the PSP and LUMA's System Improvements Plan.[177,178] These projects include (but are not limited to) the

[176] Hearing Examiner's Order Posing Provisional Rate Review Questions; Addressing PREPA's Challenge to LUMA's Request for Incremental Funding: Attachment A, Case No. NEPR-AP-2023-0003, July 14, 2025, available at https://energia.pr.gov/wp-content/uploads/sites/7/2025/07/20250714-AP20230003-Hearing-Examiner-Order.pdf. *See* also LUMA's Motion in Compliance with Hearing Examiner's Order Posing Provisional Rate Questions: PROV-002 Attachment 1, Case No. NEPR-AP-2023-0003, July 15, 2015, available at https://energia.pr.gov/wp-content/uploads/sites/7/2025/07/ROI-LUMA-AP-2023-0003-20250712-PREB-PROV-002_Attachment-1-1.xlsx (hereafter "PROV-002 Attachment 1").

[177] On March 28, 2025, the Energy Bureau established the Priority Stabilization Plan ("PSP"). The PSP builds on the July 2024 "System Improvements Preliminary Plan" developed by LUMA, which is also referred to as the "System Stabilization Plan" in the rate filing. *See* Establishment of the Electric System Priority Stabilization Two-Year Plan: Resolution and Order, Case No. NEPR-MI-2024-0005, March 28, 2025 (hereafter "Establishment of the Electric System Priority Stabilization Two-Year Plan"), p. 1, available at https://energia.pr.gov/wp-content/uploads/sites/7/2025/04/20250328-MI20240005-Resolution-and-Order.pdf.

[178] Establishment of the Electric System Priority Stabilization Two-Year Plan, p. 16 ("[F]inish the urgent repairs and hardening on the 51 targeted transmission line segments (38kV and 115kV) that account for the bulk of T&D-related outages. This includes replacing deteriorated poles/towers, upgrading insulators, and adding redundancy (where feasible, such as looping radial lines). Ensure all identified critical components on these lines have been repaired or replaced."). For the list of prioritized transmission line segments, *see* Motion Submitting Updated Preliminary Plan: Exhibit 1, Table 1-5, Case No. NEPR-MI-2024-0005, July 19, 2024, available at https://energia.pr.gov/wp-content/uploads/sites/7/2024/07/20240719-MI20240005-Submittal-of-Updated-Preliminary-Plan.pdf.

following in the Constrained Budget:

a) "Line 16800," related to transmission line rebuild, with an estimated total budget cost of $4.0 million.[179]

b) "Line 9100," related to transmission line rebuild, with an estimated total budget cost of $1.5 million.[180]

c) "4500-Canas TC-LA Rambla Sect," related to transmission priority pole replacements, with an estimated total budget cost of $1.4 million.[181]

d) "1700-Guanica TC-Yauco 2 HP-," related to transmission priority pole replacements, with an estimated total budget cost of $1.2 million.[182]

e) "800-Comsat Sect-Cidra Sect," related to transmission priority pole replacements, with an estimated total budget cost of $0.7 million.[183]

These projects that should be subject to additional cost scrutiny add up to at least $8.8 million[184] in the Constrained Budget and $10.1 million[185] in the Optimal Budget. In the Optimal Budget, I also identify at least two additional projects as warranting further cost scrutiny from the Energy Bureau. These projects include but are not limited to $34.1 million related to Retail Wheeling,[186] and $20.3 million related to Workforce Management System.[187]

[179] Constrained LTIP, tab "Non-Federal Capital," row 120.
[180] PROV-002 Attachment 1, row 46.
[181] PROV-002 Attachment 1, row 62.
[182] PROV-002 Attachment 1, row 50.
[183] PROV-002 Attachment 1, row 65.
[184] *See* **Appendix B**, tab "LUMA Appendix – Constrained", column H, where projects are categorized as "Further Scrutiny."
[185] *See* **Appendix B**, tab "LUMA Appendix - Optimal", column H, where projects are categorized as "Further Scrutiny."
[186] Unconstrained LTIP, tab "Non-Federal Capital," row 7.
[187] Unconstrained LTIP, tab "Non-Federal Capital," row 41.

Q.48 What is your opinion on how LUMA's funding requests to the Department of Energy should affect LUMA's revenue requirement?

A. I understand that in a discovery request, LUMA acknowledges that it has recently applied for funding from the Department of Energy's Puerto Rico Energy Resilience fund for $54.8 million worth of projects that it has simultaneously included in its NFC revenue requirement request.[188] Based on the information I have available to me, I am not able to identify which projects in LUMA's LTIP are represented by that $54.8 million request. However, it is not reasonable for LUMA to request ratepayer funding for projects that it is already developing with the DOE. Therefore, LUMA's revenue requirement should be reduced by an additional $54.8 million.

Q.49 Based on the information available to you, how much should LUMA's filed revenue requirement related to NFC projects be reduced?

A. Based on the limited available information which I have reviewed, LUMA's revenue requirement for its Constrained Budget should be reduced by at least $304.6 million on the basis that these costs should be paid for by external funding (FEMA or other federal or territorial funding).[189] Additionally, LUMA's revenue requirement for its Optimal Budget should be reduced by at least $814.9 million that these costs should be paid for by external funding or are unnecessary.[190] Finally, I have identified $8.8 million worth of projects in the Constrained Budget (and $64.5 million in the Optimal Budget) that, while I am unable to

[188] Responses for Information on Permanent Rates, Responses: NPFGC-of-LUMA-CAPEX-7.1, Case No. NEPR-AP-2023-0003.
[189] See **Appendix B**, tab "LUMA Appendix – Constrained", column I, "Suggested Reallocation to Federal Funding."
[190] See **Appendix B**, tab "LUMA Appendix – Optimal", column I, "Suggested Reallocation to Federal Funding." Note that there is a less than $0.1 million rounding difference.

quantify specific reallocations based on available documentation, should be subject to further cost scrutiny. These values do not include other reductions to LUMA's revenue requirement related to local cost-share requests, which I will discuss in **Section IX**.

VII. LUMA AND PREPA REQUEST FEDERAL FUNDING FOR PROPOSED PROJECTS THAT ARE UNNECESSARY OR IMPRUDENT; THIS DEPLETES FEDERAL FUNDS THAT WOULD OTHERWISE BE AVAILABLE FOR MORE USEFUL PROJECTS

Q.50 Why is it important that proposed federally funded projects be necessary and prudent?

A. While large amounts of federal funding have been made available for Puerto Rico's electric system, it is not an unlimited resource. If federal funding is used on projects that are unnecessary for restoration of the grid or is used prematurely on nonessential enhancements, that funding is gone forever, and it cannot be deployed on projects that are more useful and have a greater immediate impact on electrical reliability. Misuse of federal funding wastes dollars provided by American taxpayers, increases ultimate expenses to ratepayers, and leaves the grid in a worse shape for longer. In this section I will discuss proposed federally funded projects that I do not believe are necessary or prudent, and which, if disallowed, would allow for that federal funding to be reallocated more productively elsewhere.[191] I do not propose specific uses for that unallocated federal funding, which will ultimately be the job of PREPA and its operators in conjunction with COR3 and FEMA.

At a high level, LUMA expresses a goal of achieving a "future state" and describes the desire for massive funding to build smart grid technologies and to "prepar[e] for a future of

[191] My failure to comment on specific spending requests does not imply that I find those requests necessary and prudent. There is often insufficient information for me to opine one way or the other.

renewable energy."[192] While projects of this nature may offer benefits when considered in isolation, I do not consider them to be an appropriate use of funds when resources are limited. LUMA's proposed allocation of project spending seems particularly inappropriate, given the degree to which transmission and distribution lines remain out of service. As one example, in a Response to a Request for Information on Provisional Rates, LUMA references 49 transmission line segments that are out of service.[193] Considering the industry restoration and mitigation priorities described above, the core priority of restoring transmission lines should come first, instead of so-called "future state" projects that LUMA desires to undertake. In my professional experience, restoring the grid to its normal operating condition should be the first priority, and federal funds should be deployed accordingly.

Q.51 Have you identified federally funded projects that LUMA has proposed that are not necessary or prudent?

A. Yes, even based on the limited information I have available to me, I have reviewed LUMA's Consolidated Project Plan, and have identified multiple proposed additional projects that I assess as being unnecessary to the restoration of the pre-existing energy grid. These projects may be appropriate in the future, but not while transmission line segments and necessary equipment remain out of service. While these projects are not proposed to be funded by rates in FY2026 to FY2028, they would nonetheless restrict the use of federal funds which could otherwise be allocated to projects that have a more immediate impact on system

[192] Direct Testimony of Kevin Burgemeister, July 2, 2025, at pp. 24-25, 64-65; Motion Submitting Rate Review Petition: Exhibit 1.04, Case No. NEPR-AP-2023-0003 Annexes made public by Order of July 3, 2025, *In Re: Review of the Puerto Rico Electric Power Authority Integrated Resource Plan*.
[193] Responses for Information on Provisional Rates, Response: NPFGC-of-LUMA-PROV-26, Case No. NEPR-AP-2023-0003, p. 2.

operations and reliability.

These projects include, but are not limited to, the following:

a) Project 751655, related to the construction of a new microgrid system for the island of Vieques, with a projected cost of $105.5 million.[194] A microgrid allows a limited area of the electrical system to remain online during a more widespread outage, but it does not address the underlying issues with the overall system. In the documents that I have reviewed, the outage on Vieques was primarily caused by circuit outages on the Island of Puerto Rico.[195] I did not locate an analysis where alternate options were considered, such as circuit hardening of the supply circuit on the Island of Puerto Rico, an alternate submarine cable placed into service, or simply the restoration of available generation capacity to be installed on the Island of Puerto Rico, so that more customers could benefit from its availability.[196] I acknowledge that this would require a substantial amount of engineering and analysis, but for a request totaling $105.5 million, I would have expected to see that analysis completed.

[194] Urgent Motion Submitting One Scope of Work and a Request for Confidentiality and Supporting Memorandum of Law: Exhibit 1, Case No. NEPR-MI-2021-0002, February 2, 2024 (hereafter "Urgent Motion Submitting One Scope of Work, February 2, 2024"), p. 4, available at https://energia.pr.gov/wp-content/uploads/sites/7/2024/02/20240202-Urgent-Motion-Submitting-One-Scope-of-Work-and-a-Request-for-Confidentiality-and-Supporting-Memorandum-of-Law.pdf ("LUMA will construct two microgrid systems capable of running in a grid connected mode or islanded mode. The microgrid will include Microgrid Controllers (MGC), Solar PV, Battery Energy Storage Systems (BESS), and upgraded dual-fuel thermal capabilities."); Consolidated Project Plan Backup, tab "LUMA - Projects," row 96.

[195] Blackouts on Vieques and Culebra tend to be spillovers from blackouts on the main island, which reduce the power feed from the main island to Vieques and Culebra. *See* "Culebra and Vieques Microgrid Technical Assistance Efforts," US Department of Energy, June 27, 2024, available at https://www.sandia.gov/app/uploads/sites/273/2024/07/June_2024_meeting_Sandia_slides_Vieques_only.pdf.

[196] While the two microgrids may feed excess generation "backwards" to the main island during typical weather conditions, their combined capacity is projected to be less than 40MW, which is less efficient than restoring capacity on the main island to nameplate level to meet the load on both the main island and Vieques and Culebra. *See* Urgent Motion Submitting One Scope of Work, February 2, 2024, p. 10.

b) Project 751656, related to the construction of a new microgrid system for the island of Culebra, with a projected cost of $40.0 million. [197] The documents that I have reviewed demonstrate that the outage on Culebra was primarily caused by circuit outages on the Island of Puerto Rico. I did not locate an analysis where alternate options were considered, such as circuit hardening of the supply circuit on the Island of Puerto Rico, an alternate submarine cable placed into service, or this new microgrid being constructed on the Island of Puerto Rico, so that more customers could benefit from its availability. I acknowledge that this would require a substantial amount of engineering and analysis, but for a request totaling $40.0 million, I would have expected to see that analysis completed.

c) Project 746545, related to the consolidation of six control centers into one primary and one secondary "state-of-the-art" facility to improve grid operations, with a projected cost of $131.2 million. [198] Having managed the design and upgrading of an existing Dispatch / Control Center, and the design and construction of a new center, I understand the impact of operating the system with revitalized or new

[197] Urgent Motion Submitting One Scope of Work, February 2, 2024, p. 4 ("LUMA will construct two microgrid systems capable of running in a grid connected mode or islanded mode. The microgrid will include Microgrid Controllers (MGC), Solar PV, Battery Energy Storage Systems (BESS), and upgraded dual-fuel thermal capabilities."); Consolidated Project Plan Backup, tab "LUMA - Projects," row 97.

[198] Motion Submitting One Amended Scope of Work and a Request for Confidentiality and Supporting Memorandum of Law: Exhibit 1, Case No. NEPR-MI-2021-0002, April 16, 2024, pp. 3-12, available at https://energia.pr.gov/wp-content/uploads/sites/7/2024/04/20240416-MI20210002-Motion-Submitting-One-Amended-Scope-of-Work-and-a-Request-for-Confidentially-and-Supporting-Memorandum-of-Law.pdf ("The facilities being described in this scope of work are facilities to replace the existing Monacillo Primary Control Center, Ponce Secondary Control Center, and the Distribution Control Room sites in Monacillo, Ponce, Caguas, and Mayagüez. These are LUMA's primary and secondary control centers for Generation, Transmission, Distribution and Dispatch. LUMA's System Operations team's vision is to operate the reconstructed electric grid with a new Energy Management System (EMS) from one Primary location and one Secondary location providing improved management, oversight, and functionality of the electric power grid."); Consolidated Project Plan Backup, tab "LUMA - Projects," row 101.

accommodations. A new facility, however, does not improve for example the (i) asset health of a steel transmission structure and foundation, (ii) condition of a vintage substation breaker, or (iii) asset health and performance of a wooden distribution pole line that continues to be plagued with outages. Although such a facility is certainly something to consider in the future, considering the assets that remain out of service or known to be near failure, I conclude that the $131.2 million could be spent more prudently to improve system reliability and truly benefit the customers in Puerto Rico.

d) Projects 547251 (FAASt Line 2400 Dos Bocas HP to America Apparel (Transmission)), 756997 (FAASt [TL 1900 Caguanas to Lares TO] (Transmission)), and 756999 (FAASt [TL 1900 Lares TO to San Sebastian] (Transmission)), related to the restoration of transmission lines to pre-disaster conditions, with an estimated total project cost of $120.2 million. The scopes of work are littered with non-definitive statements, such as, a component "may" need to be replaced, the preliminary project phase "may" require soil boring, and the replacement "may" include insulators.[199] Considering the length of time since the disaster occurred, and the requested amount of $120.2 million dollars, I would have expected a significantly more detailed and precise scope of work identifying how

[199] Motion Submitting Three Amended Scopes of Work, One Scope of Work, an Updated Project List, and Request for Confidentiality and Supporting Memorandum of Law: Exhibit 1, Case No. NEPR-MI-2021-0002, July 31, 2024, p. 5, available at https://energia.pr.gov/wp-content/uploads/sites/7/2024/08/20240731-MI20210002-Motion-Subm.-Three-Amended-Scopes-of-Work-and-One-Scope-of-Work-and-Req.-for-Confidentiality.pdf ("In certain circumstances, transmission structures *may* need to be replaced to meet applicable codes and standards […] The repair or replacement of a transmission structure and components *may* include: replacing insulators with polymer type […] The preliminary engineering phase *may* also dictate a need for soil boring or testing to evaluate suitability […]" (emphases added)); Consolidated Project Plan Backup, tab "LUMA - Projects," rows 80-82.

federal dollars will be used.

With the descoping of the above projects that are unnecessary for the restoration of the energy grid from LUMA's consolidated project plan, I identify at least $330.6 million of additional federal funds under the constrained version, that should be considered available for use and yet to be allocated to a higher-priority project.[200] Additionally, I identify at least $76.2 million of projects that may be considered unnecessary upon review of further documentation under the constrained version.[201]

Q.52 Have you identified federally funded projects that PREPA has proposed that require further scrutiny?

A. Yes, again based on the limited information available to me. As identified by PREB in an order warning of non-compliance with the Priority Stabilization Plan, PREPA has requested almost $1.3 billion in the Consolidated Project Plan for dam rehabilitation, rather than grid improvement in the near-term.[202] Notably, hydroelectric power was not included in the Priority Stabilization Plan approved by the Energy Bureau on March 28, 2025, and PREPA itself has stated that the hydroelectric generation hazard mitigation project was not guided by a need determination made by LUMA, the system operator.[203] LUMA's Electrical System Resource Adequacy Analysis Report disclosed that Puerto Rico's small fleet of hydroelectric power plants have "a nameplate capacity of approximately 100 MW," which

[200] See **Appendix B**, tab "LUMA Appendix – Constrained", column F, where Project Categorization is equal to "Unnecessary Project Receiving Federal Funding."
[201] See **Appendix B**, tab "LUMA Appendix – Constrained", column F, for Federally Funded Capital Programs where Project Categorization is equal to "Further Scrutiny."
[202] Resolution and Order, "Compliance with Priority Stabilization Plan; FEMA Formulation Practices," Case No. NEPR-MI-2024-0005, August 28, 2025.
[203] Resolution and Order, "Establishment of the Electric System Priority Stabilization Two-Year Plan," Case No. NEPR-MI-2024-0005, *In Re: Electric System Priority Stabilization Plan,* March 28, 2025.

represents only approximately 1.5 percent of total generation capacity.[204] However, most of these hydroelectric power plants date back to the 1930s and 1940s, meaning they are either not operational or experience outage rates greater than 50 percent.[205] After accounting for long-term outages and capacity reductions due to damage, the effective capacity is roughly 10 MW, or only approximately 0.15 percent of total generation capacity.[206] Given the lack of need identification by the system operator LUMA, and the extremely high cost per MW of restoring this small source of generation, funding for this project is not a prudent use of the available federal funds, which could be used for other purposes that improve grid reliability.

VIII. GENERA IS INCLUDING EXPENSES THAT SHOULD BE COVERED BY FEDERAL FUNDING IN THE PERMANENT RATE REVENUE REQUIREMENT; THIS IS NOT A PRUDENT OR REASONABLE REQUEST FOR RATEPAYER FUNDS

Q.53 What are Genera's projections of its own federally funded capital project spending?

A. Under the Constrained Budget, Genera budgets federally funded capital expenditures of $632.4 million in FY2026, $396.5 million in FY2027, and $135.6 million in FY2028. Non-federally funded capital expenditures are budgeted at $209.3 million in FY2026, $179.6 million in FY2027, and $180.4 million in FY2028.[207] In total, these expenditures amount to $1,734.1 million over the three-year rate period. Please refer to **Exhibit 10**, below.

[204] LUMA's latest Daily Generation Availability Report indicates that the system's total nameplate capacity is 6461 MW. *See* "Daily Generation Availability Report," LUMA, September 2, 2025, p. 1.
[205] LUMA, "Puerto Rico Electrical System Resource Adequacy Analysis Report," October 31, 2024, p. 34.
[206] LUMA, "Puerto Rico Electrical System Resource Adequacy Analysis Report," October 31, 2024, p. 34.
[207] Motion Submitting Rate Review Petition: Gen. Ex. 22.2 - Filing Schedules Rev. 07182025, Case No. NEPR-AP-2023-0003 Annexes made public by Order of July 3, 2025, *In Re: Review of the Puerto Rico Electric Power Authority Integrated Resource Plan*, tab "D-2-Constrained.". *See* also, Direct Testimony of Joaquín Antonio Quinoy Ortiz, July 1, 2025, (hereafter "Quinoy Ortiz Testimony"), p. 12.

Exhibit 10: Genera Constrained Budget Capital Expenditures, by Plant and Category

Categories	Capacity (MW)	FY2026 Federal Funded	FY2026 Non-Federal Funded	FY2027 Federal Funded	FY2027 Non-Federal Funded	FY2028 Federal Funded	FY2028 Non-Federal Funded
Aguirre Combined Cycle	634	-	$12,054,500	-	$8,149,500	-	$2,701,000
Aguirre Plant	992	$867,769	$31,304,634	$332,273	$36,004,862	$59,063	$16,109,862
Cambalache Plant	248	-	$35,175,000	-	$8,725,000	-	$16,900,000
Costa Sur Plant	862	$8,390,032	$12,565,894	$6,851,674	$13,223,745	$2,141,490	$15,767,000
Daguao Plant	40	-	$2,339,715	-	-	-	-
Jobos Plant	42	-	$2,749,585	-	-	-	-
Mayaguez Plant	220	-	$11,730,000	-	$13,265,000	-	$15,455,000
Palo Seco Plant	809	$5,165,756	$5,731,413	$2,149,926	$7,554,040	$324,359	$3,146,300
San Juan Plant	400	$39,016,203	$32,570,021	-	$22,394,200	-	$26,328,300
Vega Baja Plant	40	$394,424	-	-	-	-	-
Yabucoa Plant	40	-	$2,581,430	-	-	-	-
PW 9510 - FAASt A&E PREPA	-	$27,048,808	-	$292,362	-	$2,562	-
PW 10710 - FAASt Equipment and Materials	-	$266,433,723	-	$86,298,175	-	$67,556,754	-
PW 11855 - FAASt Generation Fleet	-	$261,817,658	-	$295,897,424	-	$60,425,458	-
BESS	-	-	$1,494,000	-	$3,142,000	-	$4,744,000
New PK	-	-	-	-	$4,272,000	-	$9,701,000
Peakers	-	-	$1,109,600	-	$8,036,600	-	$8,401,600
Temp Pwr	-	-	$19,079,376	-	$19,429,376	-	$19,079,376
All Plants	-	-	$38,775,000	-	$35,765,000	-	$42,025,000
Other	-	$23,231,593	$16,500	$4,711,219	-	$5,103,821	-
Total		**$632,365,965**	**$209,276,668**	**$396,533,052**	**$179,961,323**	**$135,613,506**	**$180,358,438**

Notes:
[1] The categories of "BESS," "New PK," "Peakers," "Temp Pwr," and "All Plants" are names of portfolios listed in Schedule "D-2-Constrained."
[2] The "Other" category includes subrecipient administrative costs, auxilary equipment, and vehicle fleet decommission.

Under the Optimal Budget, Genera budgets federally funded capital expenditures of $632.4 million in FY2026, $396.5 million in FY2027, and $135.6 million in FY2028. Non-federally funded capital expenditures are budgeted at $291.0 million in FY2026, $292.2 million in FY2027, and $277.7 million in FY2028.[208] In total, these expenditures amount to $2,025.4 million over the three-year rate period – an increase of $291.3 million compared to the Constrained Budget. Please refer to **Exhibit 11**, below.

[208] Motion Submitting Rate Review Petition: Gen. Ex. 22.2 - Filing Schedules Rev. 07182025, Case No. NEPR-AP-2023-0003 Annexes made public by Order of July 3, 2025, *In Re: Review of the Puerto Rico Electric Power Authority Integrated Resource Plan,* tab "D-2-Optimal." *See* also, Direct Testimony of Joaquín Antonio Quinoy Ortiz, July 1, 2025, (hereafter "Quinoy Ortiz Testimony"), p. 12.

Exhibit 11: Genera Optimal Budget Capital Expenditures, by Plant and Category

Categories	Capacity (MW)	FY2026 Federal Funded	FY2026 Non-Federal Funded	FY2027 Federal Funded	FY2027 Non-Federal Funded	FY2028 Federal Funded	FY2028 Non-Federal Funded
Aguirre Combined Cycle	634	-	$17,900,000	-	$11,400,000	-	$3,700,000
Aguirre Plant	992	$867,769	$44,548,954	$332,273	$42,077,225	$59,063	$22,109,400
Cambalache Plant	248	-	$44,175,000	-	$21,725,000	-	$30,900,000
Costa Sur Plant	862	$8,390,032	$16,276,774	$6,851,674	$17,565,345	$2,141,490	$17,900,000
Daguao Plant	40	-	$2,339,715	-	-	-	-
Jobos Plant	42	-	$2,749,585	-	-	-	-
Mayaguez Plant	220	-	$15,780,000	-	$18,125,000	-	$21,125,000
Palo Seco Plant	809	$5,165,756	$7,851,250	$2,149,926	$10,448,000	$324,359	$4,310,000
San Juan Plant	400	$39,016,203	$55,702,769	-	$88,540,000	-	$78,810,000
Vega Baja Plant	40	$394,424	-	-	-	-	-
Yabucoa Plant	40	-	$2,581,430	-	-	-	-
PW9510 - FAASt A&E PREPA	-	$27,048,808	-	$292,362	-	$2,562	-
PW10710 - FAASt Equipment and Materials	-	$266,433,723	-	$86,298,175	-	$67,556,754	-
PW 11855 - FAASt Generation FleeT	-	$261,817,658	-	$295,897,424	-	$60,425,458	-
BESS	-	-	$1,494,000	-	$3,142,000	-	$4,744,000
New PK	-	-	-	-	$4,272,000	-	$9,701,000
Peakers	-	-	$8,520,000	-	$8,420,000	-	$1,920,000
Temp Pwr	-	-	$19,079,376	-	$19,429,376	-	$19,079,376
All Plants	-	-	$51,950,000	-	$47,040,000	-	$63,400,000
Other	-	$23,231,593	$16,500	$4,711,219	-	$5,103,821	-
Total		**$632,365,965**	**$290,965,353**	**$396,533,052**	**$292,183,946**	**$135,613,506**	**$277,698,776**

Notes:
[1] The categories of "BESS," "New PK," "Peakers," "Temp Pwr," and "All Plants" are names of portfolios listed in Schedule "D-2-Optimal."
[2] The "Other" category includes subrecipient administrative costs, auxilary equipment, and vehicle fleet decommission.

Q.54 Do you have any opinions on the appropriateness of the proposed Genera project spending based on the information that has been disclosed?

A. Yes, from the limited information available, I consider various of the proposed expenditures to be relying on inappropriate sources of funding by seeking collections from ratepayers for projects that could be federally funded. I discuss select examples of expenditures in more detail below. I list the projects discussed in this section in detail in **Appendix C**, which also includes the LTIP and FAASt documents I reviewed that were available to me at the time I made these determinations.[209]

Q.55 Based on Genera's permanent rate request under the Constrained Budget, are there opportunities for these NFC's to be paid for through federal funding?

A. From my review of the limited available documentation, yes. Multiple opportunities appear to exist for Genera's non-federally funded capital expenditures to be paid for through

[209] *See* footnote 4.

FEMA or other federal or territorial funding.[210] To the extent that a non-federally funded capital expenditure can be integrated into the scope of a federally funded capital expenditure, it should be removed from the permanent rate request. To assess these opportunities, I identify non-federally funded capital expenditures that can be consolidated into existing federally funded capital expenditures. Based on my review, I have identified $117.4 million of non-federally funded projects in the Constrained Budget for FY2026-2028, which have hallmarks of federal funding eligibility.[211] I list these in all detail in **Appendix C**, which also includes the Constrained LTIP and FAASt documents I reviewed that were available to me at the time I made these determinations.[212]

Examples of this include, but are not limited to, the following:

a) Joaquín Quinoy Ortiz, testifying on behalf of Genera, stated that $10.7 billion of FAASt funding covers the scope of work for Project 673691 (FAASt Equipment and Material) and Project 164988 (FAASt Generation Fleet Project- VI, including BESS & Peakers Installation & Construction Management Costs).[213] From my review of supporting project documentation, it appears that non-federally funded capital expenditures totaling $17.5 million[214] related to the Peakers project portfolio could instead be eligible for reallocation to the $618.1 million in federal funds secured in support of Project 164988 (FAASt Generation Fleet Project- VI, including BESS & Peakers Installation &

[210] *See* footnote 4.
[211] *See* **Appendix C**, tab "Genera Appendix - Constrained", column P where projects are categorized as "Reallocate – Preliminary" or "Reallocate – High Confidence."
[212] *See* footnote 4.
[213] Quinoy Ortiz Testimony, p. 21. *See also*, LUMA Revenue Requirement Schedules, tab "D-2-Constrained."
[214] *See* **Appendix C**, tab "Genera Appendix - Constrained", column E where plants are labelled as "Peakers."

Construction Management Costs). Additional reallocations may include the $9.4 million in projects related to Battery Energy Storage Systems.[215]

b) Mr. Ortiz's testimony also states that Genera has secured $1.3 billion of federal funding related to the replacement of critical components.[216] From my review of supporting project documentation, I identify $63.5 million of non-federally funded capital expenditures currently being allocated to critical components. These capital expenditures include, but are not limited to, $46.0 million related to the Camblalache Plant Turbo Compressor GTS 2 & 3 project; $10.0 million related to the Costa Sur Plant Major Program Outage Turbine/Generator project; $5.3 million related to the Aguirre Plant Economizer Replacement project; and $2.2 million related to the San Juan Plant Auxiliary Equipment Boiler, HRSG, Turbine, and Generator project.[217]

This category includes several Genera projects in its non-federally funded capital expenditures that Genera has simultaneously submitted to FEMA for federal funding (though without identifying that fact in the rate petition). I list these projects below.

a) Genera has requested $25.1 million of non-federally funded capital expenditures for San Juan LTSA Units 5 & 6 project, despite having previously identified this project as being federally funded.[218]

b) Genera has requested $1.8 million of non-federally funded capital expenditures for

[215] *See* **Appendix C**, tab "Genera Appendix - Constrained", column E where plants are labelled as "BESS."
[216] Quinoy Ortiz Testimony, p. 2
[217] LUMA Revenue Requirement Schedules, tab "D-2-Constrained," Line Nos. 32, 90, 177, 211.
[218] Motion to Submit Estimated Cost of SOW, Case No. NEPR-MI 2021-0002, January 31, 2025, p. 2, available at https://energia.pr.gov/wp-content/uploads/sites/7/2025/02/20250131-MI20210002-Motion-to-Subm-Estimated-Cost-oF-SOW.pdf.

the Aguirre Plant Generator Spare Rotor Rewind project, while also submitting the scope of work related to this project to COR3 and FEMA for Public Assistance funding.[219]

c) Genera has requested $109.5 thousand of non-federally funded capital expenditures for the Palo Seco Plant Unit #4 Economizer Water Inlet Valve project, while also submitting the scope of work related to this project to COR3 and FEMA for Public Assistance funding.[220]

Q.56 Based on Genera's permanent rate request under the Optimal Budget, are there opportunities for these NFCs to be paid through federal funding?

A. Yes. From my review of available documentation, there are opportunities within the Optimal Budget for Genera's non-federally funded capital expenditures to be reduced, or paid for through FEMA funding.

To identify these opportunities, first, I identify requests for non-federal funding that are incremental to the non-federal funding requests under the Constrained Budget. Of these incremental requests for non-federal funding, I consider this project to be potentially eligible for federal funding:

a) Genera requested non-federally funded capital expenditures in the Optimal Budget of $30.0 million for the "Repair Unit 1 Cambalache" program at the Cambalache Plant. This represents an additional $30.0 million in incremental

[219] LUMA Revenue Requirement Schedules, tab "D-2-Constrained"; Motion Submitting Nine Scope of Works in Connection with Genera's FY2025 NME Budget Reallocation Request, Case No. NEPR-MI-2021-0002, November 27, 2024, pp. 117-124, available at https://energia.pr.gov/wp-content/uploads/sites/7/2024/12/20241127-MI20210002-Motion-Subm-Nine-SOW-in-Conn-With-Genera-FY2025-NME-Budget-Reallocation.pdf.
[220] LUMA Revenue Requirement Schedules, tab "D-2-Constrained." 2024.11.27-MI-2021-0002-Motion 9 SOW.pdf, pp. 40-42.

non-federal funding requested, compared to no funding requested in the Constrained Budget. This program could also potentially be eligible for federal funding, consistent with Genera's prior submission to PREB for federal funding approval related to the rehabilitation of Cambalache Unit 1.[221] The "FAASt [Cambalache Power Plant Permanent Repairs] (Generation)" project, currently under formulation could be amended to include the scope for this program.[222]

Q.57 Are there additional NFC projects that you identify as requiring further specific cost scrutiny?

A. Yes, given the limited available project-level information I have reviewed, there are a number of additional projects for which I was not able to make a definitive determination of whether they should be included in Genera's revenue requirement, but I flag as warranting further cost scrutiny from the Energy Bureau. These projects could be federally funded instead of relying on ratepayer funds:

a) In particular, Genera has requested $14.2 million of non-federally funded capital expenditures related to decommissioning projects at the Jobos, Yabucoa, Daguao, Aguirre, and Costa Sur plants. Similar decommissioning projects for the Vega Baja and Palo Seco plants have received federal funding approval and are listed as federally funded capital projects.[223] Genera has stated that the

[221] Motion to Request Approval for Rehabilitation Projects for the San Juan Plant Units 8 and 10 and Cambalache 1, Case No. NEPR-MI-2021-0002, p. 4, available at https://energia.pr.gov/wp-content/uploads/sites/7/2025/02/20250221-MI20210002-Motion-to-Request-Approval-for-Rehabilitation-Projects.pdf.
[222] Consolidated Project Plan Backup, tab "FAASt – Obligations Summary," row 391.
[223] Motion to Submit Responses and in Compliance to the Hearing Examiner's Order Posing Provisional Rate Review Questions issued July 14th, 2025: Exhibit A, Case No. NEPR-AP-2023-0003, July 15, 2025, p. 17, available at https://energia.pr.gov/wp-content/uploads/sites/7/2025/07/20250715-AP20250003-Motion-to-Submit-Responses.pdf.

decommissioning projects listed as NFCs "have not yet been approved by FEMA or any other federal funding agency" and that they "have been provisionally budgeted under non-federal funding assumptions, pending further action or eligibility determinations by the relevant federal entities."[224] I do not have visibility into the status of federal funding requests for these projects, but if they can be federally funded, they should be excluded from Genera's revenue requirement.

b) Genera requests non-federally funded capital expenditures in the Optimal Budget of $125.0 million for the "Repair Units 7-10 SJ and Modify to Gas" program at the San Juan Plant.[225] This represents an additional $125.0 million in incremental non-federal funding requested, compared to no funding requested in the Constrained Budget. Mr. Ortiz states that this program "is focused on recovering all four units, bringing them back to working condition and burning natural gas (Turbine, Generator, and auxiliaries)."[226] Repairs to the units could potentially be reallocated to federal funding, either through existing federal funded programs for the San Juan plant or through the development of new projects, consistent with prior submissions to PREB for federal funding related to San Juan units 8 and 10.[227] PREB has also previously approved

[224] Motion to Submit Responses and in Compliance to the Hearing Examiner's Order Posing Provisional Rate Review Questions issued July 14th, 2025: Exhibit A, Case No. NEPR-AP-2023-0003, July 15, 2025, p. 17, available at https://energia.pr.gov/wp-content/uploads/sites/7/2025/07/20250715-AP20250003-Motion-to-Submit-Responses.pdf.
[225] LUMA Revenue Requirement Schedules, tab "D-2-Constrained;" LUMA Revenue Requirement Schedules, tab "D-2-Optimal."
[226] Quinoy Ortiz Testimony, p. 16.
[227] Motion to Request Approval for Rehabilitation Projects for the San Juan Plant Units 8 and 10 and Cambalache 1, Case No. NEPR-MI-2021-0002, p. 4, available at https://energia.pr.gov/wp-

federally funding for projects related to San Juan Units 7 and 9.[228] The "FAASt [San Juan Power Plant 002 Units 7 & 8] (Generation)" and "FAASt [Repair Unit 9 San Juan Steam Plant] (Generation)" projects currently under formulation can be augmented to include this program, for example.[229]

Q.58 Based on the information available to you, how much should Genera's filed revenue requirement be reduced?

A. Based on the limited available information which I have reviewed, Genera's revenue requirement for its Constrained Budget should be reduced by at least $117.4 million on the basis that these costs should be paid for by external funding (FEMA or other federal or territorial funding).[230] PREB should require Genera to migrate overlapping projects into existing FAASt programs. Mechanisms exist today that can absorb non-federally funded work without placing an undue burden on rate payers. Additionally, Genera's revenue requirement for its Optimal Budget should be reduced by at least $150.8 million that these costs should be paid for by external funding or are unnecessary.[231] Finally, I have identified at least $14.2

content/uploads/sites/7/2025/02/20250221-MI20210002-Motion-to-Request-Approval-for-Rehabilitation-Projects.pdf.

[228] Resolution and Order on PREPA's June 24 Motion, Case No. NEPR-MI-2021-0002, p. 2, available at https://energia.pr.gov/wp-content/uploads/sites/7/2022/10/20221021-MI20210002-Resolution-and-Order.pdf; Determination in Genera's July 24 Motion to Submit Two Scope of Work for Critical Infrastructure Projects at the Aguirre Power Plant and the San Juan Steam Plant, Resolution and Order, Case No. NEPR-MI-2021-0002, p. 2, available at https://energia.pr.gov/wp-content/uploads/sites/7/2024/08/20240808-MI20210002-Resolution-and-Order-Generas-Motion.pdf.

[229] Consolidated Project Plan Backup.

[230] *See* **Appendix C**, tab "Genera Appendix - Constrained", column P where projects are categorized as "Reallocate – Preliminary" or "Reallocate – High Confidence.".

[231] *See* **Appendix C**, tab "Genera Appendix - Optimal", column P where projects are categorized as "Reallocate – Preliminary" or "Reallocate – High Confidence."

million[232] worth of projects in the Constrained Budget (and $139.2 million[233] in the Optimal Budget) that, while I am unable to quantify specific reallocations based on available documentation, should be subject to further cost scrutiny. These values do not include other reductions to Genera's revenue requirement related to local cost-share requests, which I will discuss in **Section IX**.

IX. INCLUDING LOCAL COST SHARE IN THE PERMANENT RATE REVENUE REQUIREMENT IS NOT REASONABLE

Q.59 How much have LUMA and Genera requested for local-cost share for FEMA funded projects?

A. As I described earlier in **Section IV**, FEMA's Public Assistance program is structured as a cost-sharing model, where federal funding will cover 90 percent of project costs but local parties must cover 10 percent. In their proposed revenue requirements, LUMA and Genera have collectively included hundreds of millions of dollars per year to cover the 10 percent FEMA local cost-share obligations, despite federal money from HUD being available to cover the vast majority of the cost share. For FY2026 alone, LUMA sought cost-shares of $90.1 million, and Genera sought cost-shares of $67.4 million. Across FY2026 –2028, the total requests were $444.7 million for LUMA and $110.2 million for Genera.[234] Over the same period, federally funded capital investment is projected to exceed $5.6 billion, including $1.5 billion in FY2026, and $2.0 billion in each of FY 2027 and 2028. This highlights a counterintuitive trend – the operators are increasing their ratepayer-funded revenue request at

[232] *See* **Appendix C**, tab "Genera Appendix - Constrained", column P where projects are categorized as "Further Scrutiny."
[233] *See* **Appendix C**, tab "Genera Appendix - Optimal", column P where projects are categorized as "Further Scrutiny."
[234] Provisional Rate Order, p. 13.

a time of increased federal funding. Under LUMA and Genera's logic, the more FEMA funds are obligated to the electric system, the more they need to charge ratepayers.

Q.60 Are alternative funds available to pay for the FEMA local cost-share?

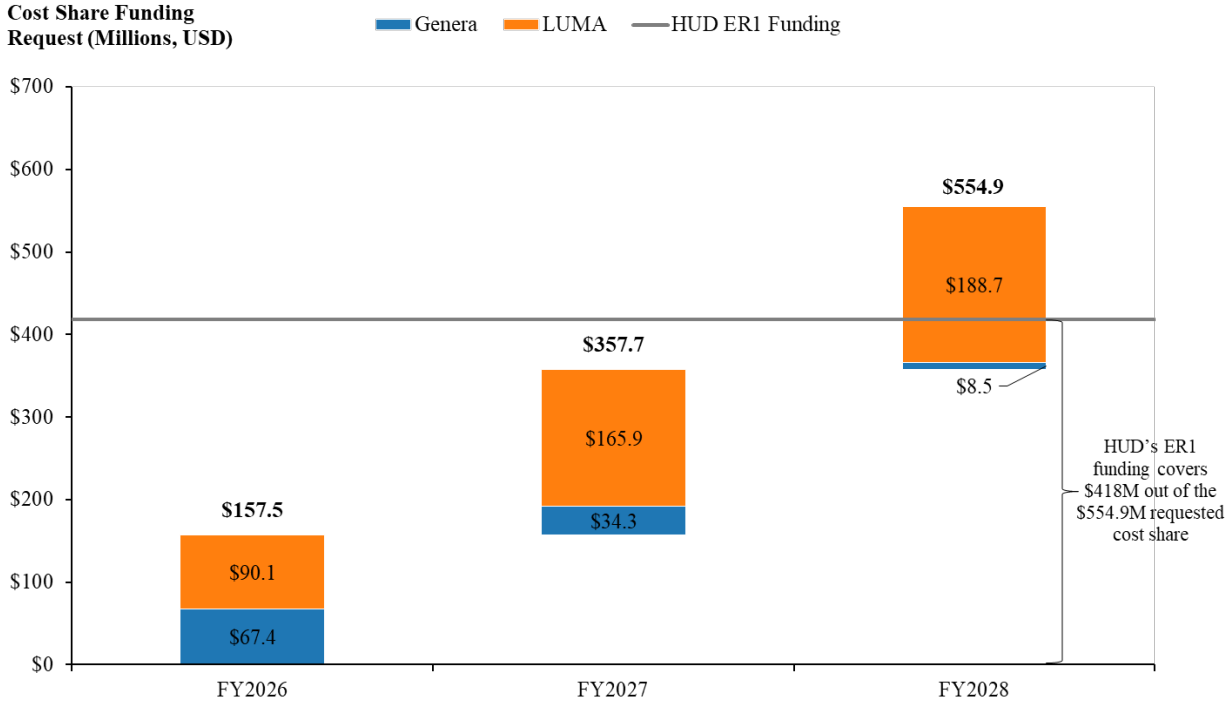
A. As PREB has recognized, substantial federal and Commonwealth grant programs are available to cover the local cost-share obligations.[235] In particular, as discussed in **Section IV**, the HUD CDBG-DR funds budgeted $500 million to its Energy Grid Rehabilitation and Reconstruction Cost Share Program, which is dedicated specifically to paying the 10 percent local cost-share required for FEMA Public Assistance and related projects related to the PREPA electrical system.[236]

However, as of August 29, 2025, PREPA reported that less than 20% of the $500 million allocation had been utilized, even though PREPA, COR3, and PRDOH signed a subrecipient agreement in March 2024 to operationalize ER1.[237] As of September 4, 2025, $418.1 million in ER1 funding remains available, enough to cover LUMA and Genera's local cost share expenses for the entirety of FY2026 and FY2027, in addition to a portion of the cost share expenses for FY2028. Please refer to **Exhibit 12**, below, which displays LUMA and Genera's annual requested cost share funding between FY2026 and FY2028, relative to the $418.1 million in remaining ER1 funds:

[235] Provisional Rate Order, p. 32.
[236] Provisional Rate Order, p. 32.
[237] Motion in Compliance with Resolution and Order Dated August 14, 2025: Exhibit B, Case No. NEPR-MI-2021-0002, August 29, 2025, p. 2, available at https://energia.pr.gov/wp-content/uploads/sites/7/2025/09/20250829-MI20210002-Exhibit-B-Motion-in-Compl-with-Resol-Aug-14-2025.pdf.

Exhibit 12: Local Cost Share Requests and HUD's ER1 Funding[238]

FY2026 – FY2028 (Constrained Scenario)



Despite the availability of these and other federal and territorial resources, Mr. Meléndez's testimony consistently frames the choice of funding as being between utilizing FEMA funding and utilizing rate-based revenues. For example, he testified that if FEMA Section 428 funds are insufficient, "either additional NFC funds would be required, or critical repairs could remain incomplete."[239] This framing overlooks HUD's ER1 program and other federal and territorial sources, such as COR3 working capital advances, LUMA's Federally Funded Capital Improvement account, the Energy Sector Reserve account, and potentially other Commonwealth funding. Similarly, while Mr. Meléndez testified that LUMA is

[238] LUMA Revenue Requirement Schedules, tab "C-2 – CONSTRAINED," Line No. 66 Federal Funding Cost Share (Commonwealth Match Obligation).
[239] Meléndez Testimony, p. 24.

"looking proactively at opportunities to do more" to secure external funding, he provided no specific support for this claim and instead asserted that immediate NFC increases are needed.[240] Finally, when asked about the impacts of reduced budgets, Mr. Meléndez again referred solely to "FEMA investment," disregarding other available federal or Commonwealth sources of funding (such as from HUD, DOE, COR3 working capital advances, or otherwise).[241] While over $400 million remains available in HUD's CDBG-DR funds to pay the 10 percent local cost-share, these allocated resources have not been utilized, and instead the operators are requesting hundreds of millions of dollars in ratepayer funding for the local cost share.

Q.61 What are your opinions on the cost share expense?

A. In my opinion, it is inappropriate to include FEMA cost-share obligations in the permanent rate requests through FY 2027. PREB's own rulings support this opinion – denying both LUMA's $90.1 million and Genera's $67.4 million Provisional Rate Order requests for FY2026, because there is credible information showing that "outside funding paths exist."[242]

In LUMA's case, the operator claimed that cost-share was necessary to secure FEMA reimbursements, citing purported cash-flow challenges in FEMA's reimbursement model.[243] PREB rejected this rationale in the Provisional Rate Order, pointing to credible outside funding already in place to cover FEMA cost-share – specifically HUD's $500 million CDBG-DR program. PREB also noted that LUMA has already submitted eligible projects to

[240] Meléndez Testimony, pp. 27-28.
[241] Meléndez Testimony, p. 66.
[242] Provisional Rate Order, p. 32.
[243] Provisional Rate Order, p. 13. *See* also, Meléndez Testimony, p. 49.

this program, making it inappropriate to shift the cost-share obligation onto ratepayers.[244] And, as discussed above, there are also other means of starting federally funded projects, including LUMA's Federally Funded Capital Improvement account (currently funded at half a billion dollars), COR3 working capital advances, the Energy Sector Reserve account, and Commonwealth resources.

In Genera's case, management claimed that rate recovery was the only viable path to securing project funding, with its Chief Financial Officer, María Sánchez Brás, testifying that PREPA lacked the financial capability to provide the match and that Genera was contractually prohibited from contributing its own funds.[245] PREB again rejected this claim in the Provisional Rate Order, concluding that Genera's claimed cash-flow gap did not justify imposing the cost on ratepayers.[246] PREB found instead that substantial external funds remain attainable and that Genera had failed to demonstrate those sources have been fully pursued or exhausted.[247] And Genera, like LUMA, has multiple options for launching federally funded projects, including HUD CDBG-DR funds, COR3 working capital advances, the Energy Sector Reserve account, and Commonwealth resources.

PREB's denials of provisional rate increases reinforces that dedicated federal resources exist for the purpose of covering FEMA cost-share obligations, and that these resources must be pursued and exhausted before shifting cost-share obligations onto customers. For these reasons, I believe that the FEMA cost-share obligations should be excluded from the

[244] Establishment of Fiscal Year 2026 Provisional Rates and Fiscal Year 2026 Provisional Budget, Resolution and Order, July 31, 2025, p. 29.
[245] Supplemental Direct Testimony of María Sánchez Brás, July 15, 2025, p. 7.
[246] Provisional Rate Order, p. 29.
[247] Provisional Rate Order, p. 30.

permanent rate request and instead funded through the federal allocations already available.

Q.62 Does this complete your testimony?

A. Yes.

ATTESTATION

Affiant, Anthony Hurley, being first duly sworn, states the following:

The prepared Answering Testimony and Appendices constitute my testimony in the above-styled proceeding before the Puerto Rico Energy Bureau. I would give the answers set forth in the Answering Testimony if asked the questions that are included in the Answering Testimony. I further state that the facts and statements provided herein are true and correct to the best of my knowledge, information, and belief.

Anthony Hurley

The foregoing instrument was acknowledged and subscribed before me by Anthony Hurley, in his capacity as Partner at Critical Preparedness LLC, of legal age, married, and resident of Georgetown, Texas, who has been identified by means of his driver's license/ U.S. Passport with registration number [redacted].

In Georgetown Texas, this 8th day of September 2025.

JENNIFER L BANKS
Notary ID #134030779
My Commission Expires
November 15, 2026

Notary Public

RESUMEN DE: DECLARACIÓN DE ANTHONY HURLEY

Tanto la priorización de los proyectos como el orden de desarrollo de los proyectos de capital pueden tener un impacto significativo en las mejoras de la fiabilidad. Hay diversas fuentes de financiación federal disponibles para la AEE y sus operadores privados LUMA y Genera tras los huracanes Irma y María, incluidos miles de millones de dólares en financiación a través del programa de asistencia pública de la FEMA, el Departamento de Vivienda y Desarrollo Urbano de los Estados Unidos (HUD) y el Departamento de Energía de los Estados Unidos (DOE). También hay fondos internos que están disponibles para apoyar los proyectos financiados por la FEMA y otros gastos de capital. Los operadores están dejando de lado la financiación a expensas de los contribuyentes.

La FEMA ha realizado una serie de cambios en sus políticas tras los huracanes de 2017 en un intento de apoyar la recuperación de la red eléctrica y acelerar el uso de los fondos federales en Puerto Rico. Hay diversas fuentes de financiación inicial destinadas a ayudar a la ejecución de proyectos, incluidos los anticipos de capital circulante proporcionados por COR3, una agencia del Estado Libre Asociado de Puerto Rico. He constatado que la AEE y sus operadores han recibido anticipos de capital circulante y que LUMA mantiene mejoras de capital financiadas con fondos federales con saldos suficientes para iniciar una cantidad sustancial de proyectos de restauración.

PREPA y LUMA han infrautilizado los fondos federales, con grandes saldos pendientes de fondos comprometidos por FEMA que aún no se han desembolsado o, en algunos casos, ni siquiera se han asignado a un proyecto específico. Si bien LUMA ha

utilizado sistemáticamente la totalidad de sus gastos de capital no financiados con fondos federales previamente presupuestados cada año, LUMA ha gastado significativamente menos de lo presupuestado en gastos de capital financiados con fondos federales. Considero que LUMA, Genera y PREPA han propuesto grandes cantidades de gasto en proyectos que o bien no tienen un impacto inmediato en la fiabilidad, se propone secuenciar en un orden que no se ajusta a los estándares del sector, o bien agotan innecesariamente los fondos federales que podrían asignarse a proyectos de mayor impacto. Si no se abordan estos problemas, se producirá un importante desperdicio e ineficiencia.

Está claro que LUMA ha incluido solicitudes de financiación no federal dentro de los requisitos de ingresos por tarifas permanentes que representan usos innecesarios de fondos no federales, tanto en el caso del «presupuesto óptimo» como en el del «presupuesto restringido». Hay proyectos imprudentes para los que LUMA y PREPA han solicitado financiación federal, que podrían reasignarse a proyectos que mejorarían la fiabilidad de manera más eficaz. Genera también ha incluido solicitudes de financiación no federal dentro del requisito de ingresos por tarifas permanentes que representan usos innecesarios de fondos no federales, tanto en el caso del «presupuesto óptimo» como en el del «presupuesto restringido». No es apropiado incluir la cobertura de la participación en los costos locales como parte de la solicitud de tarifa permanente de los contribuyentes (en lugar de cubrirlo con fondos federales). Hay fuentes específicas de financiación que podrían utilizarse para compensar el requisito de participación en los costos locales, incluidos más de 400 millones de dólares de financiación del HUD CDBG-DR.

Appendix A: Anthony Hurley

ANTHONY HURLEY
TEXAS

EXPERIENCE

CRITICAL PREPAREDNESS LLC **2020 - Present**
Independent Consultant

- Work closely with state, local, territorial and tribal communities, as well as private and public entities, across the country to prepare for and proactively mitigate disasters, and if needed, respond to communities as they recover from natural disasters or malevolent incidents.
- Specializes in the Operations, Emergency Management, and Physical Security Management related to Critical Infrastructure / Key Resource (CI/KR) sectors.
- Experience working with Fortune 200 companies, as well as small CI/KR sector clients.
- Extensive background in emergency management, including the preparedness, response and recovery of countless thunderstorms, ice storms, floods, tornados, wind events, and hurricanes, many of which were national emergencies.
- Past hurricane deployments include Isabel (NJ), Francis (FL), Ivan (FL & AL), Katrina (LA), Rita (TX), Irene (NJ), Sandy (NJ), Harvey (TX), and hurricanes Irma and Maria (U.S. Virgin Islands).
- Experience responding to natural disasters in OH, MI, KY, MD, NJ, WV and PA

WITT O'BRIEN'S **2017 - 2020**
A SEACOR Company
Managing Director, Utility Practice (2017 - 2020)
Associate Managing Director, Utilities (2017)

- Provides consulting services to electric, gas, water, wastewater, communications, and hydro clients.
- Practice offers emergency management and security management services, including storm support, public assistance, emergency and security plan review and development, security assessments, the implementation of the Incident Command System (ICS), exercise development and execution, in addition to other services.
- Responsible for the development of a utility practice marketing plan, and all associated marketing materials.
- Led an initiative to identify and join specific industry associations, with an emphasis of building strong relationships with those associations. These associations were:
    - American Gas Association (AGA)
    - American Public Power Association (APPA)
    - American Water Works Association (AWWA)
    - Edison Electric Institute (EEI)
    - Emergency Management Association of Texas (EMAT)
    - National Rural Electric Cooperative Association (NRECA)
    - Texas American Water Works Association (TAWWA)
- Immediately after hurricane Irma devastated the U.S. Virgin Islands (USVI), was asked to deploy to the USVI to serve as part of the Bloomberg/Secunda Storm Response Team. Served as the Power Restoration Advisor to the USVI Governor Kenneth Mapp and worked closely with Board President of the USVI Water and Power Authority (VIWAPA), FEMA, Department of Energy (DOE), and the Army Corps of Engineers (USACE).
- Days later hurricane Maria impacted the USVI, further damaging critical infrastructure, and to some degree, damaging utility assets that had recently been repaired. By establishing a restoration plan, and managing those expectations, VIWAPA achieved 90% power restoration of eligible customers by Christmas Day, 2017, which has been recognized as their most expeditious restoration ever (compared to past hurricanes Hugo and Marilyn, and unnamed storms).

- Named by USVI Governor Mapp to the U.S. Virgin Islands Hurricane Recovery and Resilience Task Force while deployed in the U.S. Virgin Islands for hurricanes Irma and Maria. Tasked with developing long-term mitigation and hardening directives, and the Task Force eventually finalized a 273- page report that is being used to build resilience for the U.S. Virgin Islands.
- Continued work in USVI, working closely with VIWAPA Board Chair and Vice-Chair, and numerous USVI agencies in the development and project managing of utility mitigation solutions with an emphasis on industry best practices. Project assignments include validation of funding sources (FEMA, HUD and EPA), compliance audits, and compliance with public assistance (PA) programs.
- Given a special assignment to work with the Chair and the USVI Waste Management Authority.

FIRST ENERGY **1980 - 2017**

Vice President of Operations, Jersey Central Power & Light (2013-2017)

- Managed more than 1,250 employees across 13 departments, including: emergency management; construction and maintenance (transmission and distribution lines and substations); engineering; dispatch; forestry; fleet; meter operations; facilities; and physical security.
- Managed a budget of over $250 million in capital ($145M) and maintenance ($105M) portfolio. This is independent of a corporate portfolio for transmission projects. JCP&L met financial and capitalization goals, working closely with the Corporate Business Services group that resided in the region. Accomplished this by creating an internal training team that worked with internal organizations to validate capital vs. maintenance expenditures.
- Labor Relations & Contract Negotiations: represented FirstEnergy Utilities in three (3) contract negotiations. Two were IBEW Locals, and one with a professional group represented by the AFL-CIO. For the AFL-CIO contract, was able to negotiate the first five (5) year contract FirstEnergy ever had.
- Invited to speak at the 2014 and 2015 IBEW District Three annual meetings. Presentations focused on the working relationship and progress made with JCP&L's IBEW partners, particularly in the areas of safety, productivity and efficiencies.
- JCP&L was selected by the IBEW to implement the IBEW 'Code of Excellence' program. In 2013 there was a backlog of over 2,000 grievances that spanned back thirteen years. Worked with the leadership of the IBEW Local to schedule regular meetings over a one-year period, reducing this backlog to less than 250 grievances, with none older than two years.
- Lead for the JCP&L Operational and Financial Review initiated by the Board of Public Utilities. This project required the selection of a consulting firm, and the development of an internal working group. Reporting to an Executive Steering Committee and completed in 2016 Q3. There were zero discrepancies identified during the review. JCP&L received their first ever rate increase settlement not requiring full hearings and being approved for a higher return than anticipated.

Director, Operations Services, Toledo Edison (2011-2013)

- Tasked with the implementation of the recommendation of the Board of Public Utilities (BPU) study on utility best practices and lessons learned from hurricanes Irene (2011) and Sandy (2012). There were 92 recommendations that JCP&L was required to incorporate related to the Incident Command System (ICS), and all associated processes, principles, and protocols.
- This required the development of an ICS structure including new positions and organizations and identifying training for the various roles. In addition, BPU recommendations related to staging sites, damage assessment, substation mitigation plans, and preparedness exercises were also required. In all cases, the 92 recommendations were completed by the deadline, with most mandated to be in place by December 31st, 2013.

Manager, Engineering, Project and Asset Management, Ohio Edison/Penn Power (2009-2011)

- Special Assignment during 2010: was appointed as Team Lead of the 'Emergency Response' merger team for the merger between Allegheny Energy (AYE) and FirstEnergy (FE). Over 4 months the team identified processes and synergy opportunities between the two organizations. The team's efforts

resulted in $22.4 million in savings being identified over a three-year period. These results were tracked and verified as being met.

Director, Asset Management, FirstEnergy Corporation (2007-2009)

- Named as the Corporate Director of Asset Management when FirstEnergy Utilities (FEU) wanted to create an Asset Management organization and develop robust asset management processes focused on a more robust qualification of capital projects, the prioritization of capital projects across organizations, and indexing asset health to maximize corporate investments.
- Asset management processes included the development of storm damage assessment tools, the implementation of root cause analysis to investigate safety and outage incidents, and the reporting of metrics. Many of the processes developed are in place today.

Director, Operations Support, Toledo Edison (2005-2009)
FirstEnergy Companies, Regional and Corporate positions (1980-2017)

- Team Lead of the 'Regional Engineering' merger team for the merger between General Public Utilities (GPU) and FirstEnergy. Over 8 months the team identified processes and synergy opportunities between the two organizations. The team benchmarked staffing levels, engineering processes, applicable tariffs, and the operational performance of the engineering organizations that resulted in significant savings.

EDUCATION & CERTIFICATIONS

Civil Engineering Internship, Fisher & Associates, 1978-1980
Engineering and Surveying Apprenticeship, The Illuminating Company, 1980-1984
Master Exercise Practitioner (MEP), Federal Emergency Management Agency (FEMA)
Certified Protection Professional (CPP®), ASIS International
Professional Certified Investigator (PCI®), ASIS International
Crime Prevention through Environmental Design Professional Designation (CPD)
Elevated Security Clearance (Secret), USDHS Private Sector Program
Secret Clearance, USDHS Private Sector Program
Incident Response to Terrorist Bombings, USDHS
Prevention and Response to Suicide Bombing Incidents, USDHS
Physical Security Professional (PSP®), ASIS International

MEMBERSHIPS

- Member/Past Chair, Utilities Security Council, ASIS International
- Member, Global Terrorism, Political Instability, and International Crime Council, ASIS International
- Co-Chair, All Hazards Consortium, Fleet Movement Working Group
- Member, National Hurricane Conference Planning Committee, and Chair of Utilities Topics, and Homeland Security Topics Committees
- Member, National Emergency Management Association (NEMA) Information Sharing
- Task Force
- Member, InfraGard (an FBI Alliance), Austin, Texas Chapter

ACADEMICS

- Adjunct Instructor, Emergency Management Institute, FEMA
- Adjunct Instructor, NYU, School of Professional Studies