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 PATRICK HOGAN
September 8, 2025

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Summary of Answering Testimony of
PATRICK HOGAN
ON BEHALF OF
PREPA BONDHOLDERS

My testimony evaluates whether the capital expenditure ("CapEx") budgets proposed by LUMA and Genera for FY2026–FY2028 in LUMA's Rate Petition are executable within three years, the timeframe considered in the rate case. My opinions are grounded in four decades of utility leadership experience, analysis of the entities' budgets and performance, and corroborating industry evidence. I conclude that the entities' proposed non-federally funded capital ("NFC") expenditure budgets are unlikely to be executed within the required timeframe and therefore are overestimated.

First, LUMA has a documented record of significant under-execution. Since 2022, LUMA has underspent its aggregate federally funded and NFC CapEx budgets by roughly 40% on average, citing persistent supply chain delays and labor shortages, among other things. LUMA's own disclosures acknowledge constraints in equipment availability and a growing shortfall of skilled workers, reporting a 33% labor gap by FY2025. At the same time, both LUMA and Genera carry notable backlogs of capital projects, with dozens of projects already delayed beyond expected completion dates.

Second, LUMA's and Genera's proposed NFC budgets are unprecedented in scale compared to historical budgets, which, taken together with the first point above, further increases the likelihood of execution problems. LUMA requests nearly $400 million for FY2026 in its Constrained Budget (and over $600 million in its Optimal Budget), more than triple its FY2025 level, while Genera seeks over $200 million in its Constrained Budget (and nearly $300 million in its Optimal Budget), more than double the prior year. These elevated budgets continue to grow

through FY2028, with LUMA's requests reaching over $600 million in its Constrained Budget (and over $900 million in its Optimal Budget). Such sustained increases mark a sharp departure from historical spending levels, and, in my experience, utility companies have been overly optimistic about their ability to execute these types of increases.

Finally, independent research corroborates these issues. Reports by the U.S. Government Accountability Office and the Puerto Rico Chamber of Commerce document widespread labor shortages, materials scarcity, and other factors that impede infrastructure delivery on the island even at budget levels much lower than PREPA's operators now propose. Scaling those budgets higher can only exacerbate issues like materials scarcity and labor shortages, because it will result in more demand chasing a limited pool of materials and labor.

I. INTRODUCTION

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

A.1 Patrick M. Hogan

Independent Consultant

151 West 42nd Street, 23rd Floor, New York, NY 10036

Q.2 Please describe your educational background and professional experience.

A.2 I have nearly four decades of leadership experience in the electric and gas utility industry, with expertise spanning operations, asset management, budgeting, engineering, finance, strategy, and the deployment of emerging technologies. My work has focused on advancing safety, reliability, customer affordability, customer satisfaction, and regulatory compliance across major utilities in the United States and Canada.

I currently serve as the Chief Operating Officer of Utility Technology Solutions, where I am responsible for the development and distribution of emerging technologies for the electric and gas utility industries. In this capacity, I advise and lead initiatives that modernize infrastructure, enhance grid performance, and integrate innovative operational practices across the sector.

Prior to my current role, I held senior executive positions at Pacific Gas and Electric Company ("PG&E"), including Senior Vice President of Electric Operations, where I was responsible for PG&E's $35+ billion transmission and distribution system serving more than 16 million people throughout Northern and Central California. In that role, I oversaw the safety, reliability, customer affordability, customer satisfaction and regulatory strategy of PG&E's electric business. I also had corporate responsibility for PG&E's transportation services fleet of more than 14,000 vehicles and equipment. Before that, I served as PG&E's Vice President of

Electric Operations Asset Management, directing all aspects of asset investment and reliability strategies, including regulatory engagement.

My earlier leadership roles include Vice President of Transmission and Distribution Engineering & Design at BC Hydro, where I was responsible for the engineering and design of BC Hydro's Transmission and Distribution ("T&D") system, including oversight of a capital plan exceeding $1 billion annually; Vice President of Distribution Asset Management at National Grid, where I was responsible for National Grid's T&D assets in the U.S.; Vice President of Transmission and Distribution Management at KeySpan, where I managed the Long Island Power Authority's (LIPA) electric system and led the T&D due diligence and the T&D integration for the National Grid acquisition of KeySpan; and Director of Finance at KeySpan, where I was responsible for the financial evaluation of business expansion opportunities, including mergers and acquisitions. I began my career with the Long Island Lighting Company, serving in roles of increasing responsibility in system operations and engineering for more than 15 years.

Over the course of my career, I have provided testimony before state regulatory and legislative bodies, contributed to large-scale utility integrations, and presented on technical, regulatory, and operational topics. I have also instructed and guest lectured at institutions including Hofstra University, Worcester Polytechnic Institute, St. John's University, and the New York Independent System Operator, and I have served on multiple industry boards and advisory committees, including the U.S. and Canadian National Committees of CIGRE, an international association focused on "issues related to the development, operation and

management of power systems, as well as the design, construction, maintenance and disposal of equipment and plants[,]"[1] and the Energy Council of the Northeast.

I hold a Bachelor's and Master's degree in Electrical Engineering from Manhattan University, and an Executive MBA from Hofstra University.

A copy of my curriculum vitae is attached as Appendix A. I have not previously published any articles or testified as an expert.

Q.3 On whose behalf are you testifying before the Commonwealth of Puerto Rico Energy Bureau?

A.3 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.4 Have you previously testified before the Energy Bureau?

A.4 No, I have not.

Q.5 Are you sponsoring any exhibits for your testimony?

A.5 Yes. I am sponsoring **Exhibits 1-8**, which I reference throughout my testimony and which are attached to my written testimony.

Q.6 Which documents did you consider for your testimony?

A.6 The documents I considered include the following, among others:

a. PREPA's Rate Petition: LUMA's Motion Submitting Rate Review Petition,[3] Revenue

[1] "CIGRE Statutes," CIGRE, June 28, 2024, available at https://www.cigre.org/userfiles/files/About/Official_Documents/CIGRE%20Statutes%202024-06-28.pdf, p. 3.

[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.

[3] Motion Submitting Rate Review Petition, Case No. NEPR-AP-2023-0003, July 3, 2025, available at

Requirement Schedules,[4] various amendments and supplements to those submissions, and key testimony and exhibits, including from the following individuals:

i) Pedro A. Meléndez-Meléndez: LUMA Chief Capital Programs & Grid Transformation Officer.[5]

ii) José Carlos Latorre González: LUMA Design and Space Planning and Real Estate Manager.[6]

iii) Alejandro Figueroa: LUMA Chief Regulatory Officer.[7]

iv) Vladimir Scutt: Genera Vice President of Operations and Asset Management.[8]

v) Joaquin Quinoy Ortiz: Genera Vice President of Engineering, Construction and Maintenance.[9]

b. Orders Regarding Previously Approved Budgets:

i) Provisional Rate Order, July 2025.[10]

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https://energia.pr.gov/wp-content/uploads/sites/7/2025/07/20250703-AP20230003-Motion-Submitting-Rate-Review-Petition-2-1.pdf (hereafter "Provisional Rate Proposal").

[4] Motion Submitting Rate Review Petition: LUMA Revenue Requirement Schedules (7.03.25).xlsx, Case No. NEPR-AP-2023-0003, July 3, 2025, Annex I.A (LUMA) (hereafter "Revenue Requirement Schedules"). On August 29, 2025, LUMA filed a Motion submitting Revised Revenue Requirement, which includes an attachment reflecting the updates to "Schedule C-2 Optimal and Schedule C-2 Constrained [.]" *See* Motion Submitting Revised Revenue Requirement: PC-of-LUMA-FIN-2_Attachment 1.xlsx, Case No. NEPR-AP-2023-0003, August 29, 2025 (hereafter "Revised Revenue Requirement Schedules"); Responses for Information on Permanent Rates, Case No. NEPR-AP-2023-0003, August 29, 2025, PC-of-LUMA-FIN-2, p. 1.

[5] Direct Testimony of Pedro A. Meléndez-Meléndez, July 1, 2025 (hereafter "Meléndez Testimony").

[6] Direct Testimony of José Carlos Latorre González, July 1, 2025.

[7] Direct Testimony of Alejandro Figueroa, July 2, 2025 (hereafter "Figueroa Testimony").

[8] Direct Testimony of Vladimir Scutt, June 30, 2025 (hereafter "Scutt Testimony").

[9] Direct Testimony of Joaquin Quinoy Ortiz, June 30, 2025 (hereafter "Ortiz Testimony").

[10] Resolution and Order, Establishment of Fiscal Year 2026 Provisional Rates and Fiscal Year 2026 Provisional Budget, Case No. NEPR-AP-2023-0003, July 31, 2025, available at https://energia.pr.gov/wp-content/uploads/sites/7/2025/07/20250731-AP20230003-Resolution-and-Order.pdf (hereafter "Provisional Rate Order").

ii) FY2026 Temporary Default Budget, June 2025.[11]

iii) FY2025 Budget, June 2024.[12]

c. PREPA's Resource Planning Documents:

i) Integrated Resource Planning, June 2019.[13]

ii) Operation and Maintenance Agreement (LUMA), June 2020.[14]

iii) System Remediation Plan (SRP), February 2021.[15]

iv) Operation and Maintenance Agreement (Genera), January 2023.[16]

v) System Stabilization Plan (SSP), July 2024.[17]

vi) Resource Adequacy Analysis Report, March 2025.[18]

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[11] Resolution and Order, Establishment of Temporary Default Budgets for Fiscal Year 2026 ("FY26"), Case No. NEPR-MI-2021-0004, June 20, 2025, available at https://energia.pr.gov/wp-content/uploads/sites/7/2025/06/20250620-MI20210004-Resolution-and-Order.pdf (hereafter, "FY2026 Temporary Default Budget").

[12] Resolution and Order, Determination on the FY25 Annual Budgets for the Electric Utility, Case No. NEPR-MI-2021-0004, June 26, 2024, available at https://energia.pr.gov/wp-content/uploads/sites/7/2024/06/20240626-MI20210004-Resolution-and-Order.pdf.

[13] Puerto Rico Integrated Resource Plan 2018-2019, Siemens Industry, June 7, 2019, available at https://energia.pr.gov/wp-content/uploads/sites/7/2019/06/2-IRP2019-Main-Report-REV2-06072019.pdf.

[14] Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement, by and among The Puerto Rico Electric Power Authority (Owner), The Puerto Rico Public-Private Partnerships Authority (Administrator), LUMA Energy, LLC (ManagementCo), and LUMA Energy ServCo, LLC (ServCo), June 22, 2020, available at https://docs.pr.gov/files/P3-PublicaPrivadas/Projects/Projects/TD%20-%20LUMA/OM%20Agreement/executed-consolidated-om-agreement-td.pdf (hereafter "LUMA OMA").

[15] LUMA's Submittal and Request for Approval of System Remediation Plan, Case No. NEPR-MI-2020-0019, February 24, 2021, available at https://energia.pr.gov/wp-content/uploads/sites/7/2021/02/LUMAS-Submittal-and-Request-for-Approval-of-System-Remediation-Plan-NEPR-MI-2020-0019-3.pdf (hereafter "SRP 2021").

[16] Puerto Rico Thermal Generation Facilities Operation and Maintenance Agreement, by and among The Puerto Rico Electric Power Authority (Owner), The Puerto Rico Public-Private Partnerships Authority (Administrator), and Genera PR LLC (Operator), January 24, 2023, available at https://docs.pr.gov/files/P3-PublicaPrivadas/Projects/Projects/THERMAL%20GENERATION%20FACILITIES/230124-LGA-OM-Agreement.pdf.

[17] Motion Submitting Updated Preliminary Plan, 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 (hereafter "SSP").

[18] Motion to Submit Interim Update for Summer 2025 of LUMA's Fiscal Year 2025 Resource Adequacy Study,

vii) Priority Stabilization Plan (PSP), March 2025.[19]

viii) Long Term Investment Plan (LTIP), August 2025.[20]

d. Supplemental Docket Materials:

i) LUMA Q4 Quarterly Report, FY2025.[21]

ii) LUMA Annual Reports, FY2022-FY2024.[22]

iii) Genera Maintenance Completion Status Report.[23]

Case No. NEPR-MI-2022-0002, March 24, 2025, available at https://energia.pr.gov/wp-content/uploads/sites/7/2025/03/20250324-MI20220002-Motion-to-Subm-Interim-Update-for-Summer-2025.pdf.

[19] Resolution and Order, Establishment of the Electric System Priority Stabilization Two-Year Plan, Case No. NEPR-MI-2024-0005, March 28, 2025, available at https://energia.pr.gov/wp-content/uploads/sites/7/2025/04/20250328-MI20240005-Resolution-and-Order.pdf (hereafter "PSP").

[20] Motion Submitting Revised ROI-LUMA-AP-2023-0003-20250324-PREB-002 and LUMA's Long Term Investment Plans in Compliance with August 15th Order, Case No. NEPR-AP-2023-0003, August 18, 2025, available at https://energia.pr.gov/wp-content/uploads/sites/7/2025/08/20250818-AP20230003-Motion-Subm-Revised-ROI-LUMA.pdf, Exhibits 2.05, 2.06.

[21] Motion to Submit Quarterly Report for the Fourth Quarter of Fiscal Year 2025, Case No. NEPR-MI-2021-0004, August 14, 2025, available at https://energia.pr.gov/wp-content/uploads/sites/7/2025/08/20250814-MI20210004-Motion-to-Subm-Quarterly-Report-FY2025.pdf (hereafter "LUMA FY2025 Q4 Report").

[22] Motion Submitting LUMA's Annual Report for Fiscal Year 2022 and Report on Efficiencies, Case No. NEPR-MI-2021-0004, October 29, 2022, available at https://energia.pr.gov/wp-content/uploads/sites/7/2022/11/Motion-Submitting-Lumas-Annual-Report-for-Fiscal-Year-2022-and-Report-on-Efficiencies-NEPR-MI-2021-0004.pdf (hereafter "LUMA FY2022 Annual Report"); Motion Submitting LUMA's Annual Report for Fiscal Year 2023 and Report on Efficiencies, Case No. NEPR-MI-2021-0004, October 30, 2023, available at https://energia.pr.gov/wp-content/uploads/sites/7/2023/11/Motion-Submitting-LUMAS-Annual-Report-for-Fiscal-Year-2023-and-Report-on-Efficiencies-NEPR-MI-2021-0004.pdf (hereafter "LUMA FY2023 Annual Report"); Motion Submitting LUMA's Annual Report for Fiscal Year 2024 and Report of Efficiencies, Case No. NEPR-MI-2021-0004, October 28, 2024, available at https://energia.pr.gov/wp-content/uploads/sites/7/2024/10/20241028-MI20210004-Motion-Submitting-FY2024-Annual-Report.pdf (hereafter "LUMA FY2024 Annual Report").

[23] Motion to Submit Reports on Grid Modernization, Emergency Work-Related Federal Funding, and Maintenance and Repair Status in Compliance with Resolutions and Orders Dated June 25, 2023, and June 26, 2024, Case No. NEPR-MI-2021-0004, June 20, 2025, available at https://energia.pr.gov/wp-content/uploads/sites/7/2025/06/20250620-MI20210004-Genera-Reports-on-Grid-Modernization.pdf (hereafter "Motion to Submit Reports on Grid Modernization and Maintenance"); Motion to Submit Reports on Grid Modernization, Emergency Work-Related Federal Funding, and Maintenance and Repair Status in Compliance with Resolutions and Orders Dated June 25, 2023, and June 26, 2024, Exhibit A – Attachment J, 20250620-MI20210004-Genera-Exhibit-A-Attachment-J-Budget-2024-May-2025.xlsx, Case No. NEPR-MI-2021-0004, June 20, 2025, available at https://energia.pr.gov/wp-content/uploads/sites/7/2025/06/20250620-MI20210004-Genera-Exhibit-A-Attachment-J-Budget-2024-May-2025.xlsx (hereafter "Genera Maintenance Completion Status Report").

iv) LUMA Maintenance Completion Status Report. [24]

Q.7 Please describe the purpose of your testimony.

A.7 The purpose of my testimony is to review the CapEx that LUMA and Genera proposed in the budgets for FY2026, FY2027, and FY2028 of LUMA's Rate Petition,[25] and to assist the Energy Bureau in determining whether these proposed expenses reflect "efficient, prudent, and sound operational and administrative practices" to provide "reliable electric service at the lowest reasonable cost."[26]

Specifically, I have been asked to provide my opinion regarding whether LUMA and Genera can realistically execute on the NFCs proposed in the rate case budgets during the three-year period covered by this rate case, or if instead the budgets will likely result in ratepayers being required to fund levels of proposed expenditures that LUMA and Genera cannot reasonably and efficiently execute within this timeframe. If the latter occurs, as I believe would be the case if LUMA and Genera's proposed budgets were approved, it would result in over-collection from ratepayers, and over-collection by definition is not reasonable or prudent because it means burdening customers with higher rates without a commensurate improvement in service. One of the risks of over-collecting from customers for projects that are unable to be completed,

[24] Motion Submitting Status Report for the Fourth Quarter of Fiscal Year 2025, Case No. NEPR-MI-2024-0001, August 14, 2025, available at https://energia.pr.gov/wp-content/uploads/sites/7/2025/08/20250814-MI20240001-Motion-Subm-Status-Report-FY-2025.pdf (hereafter "LUMA FY2025 Q4 Status Report"); Motion Submitting Status Report for the Fourth Quarter of Fiscal Year 2025, Exhibit 1, 20250814-MI20240001-Exhibit-1-Motion-Subm-Status-Report-FY-2025.xlsx, Case No. NEPR-MI-2024-0001, August 18, 2025, available at https://energia.pr.gov/wp-content/uploads/sites/7/2025/08/20250814-MI20240001-Exhibit-1-Motion-Subm-Status-Report-FY-2025.xlsx (hereafter "LUMA Maintenance Completion Status Report").

[25] Revenue Requirement Schedules.

[26] Completeness Determination of the LUMA Petition for Rate Review, Case No. NEPR-AP-2023-0003, August 19, 2025, available at https://energia.pr.gov/wp-content/uploads/sites/7/2025/08/20250819-AP20230003-Resolution-and-Order-Completeness.pdf (hereafter "Rate Review Completeness Determination"), p. 2.

is the utility reallocating such funds from their intended, approved uses, to other uses that were not intended or approved.

My opinions on this topic are informed by historical comparisons between actual and budgeted levels of aggregate CapEx, including both federally funded expenditures and NFCs. These aggregate expenditures reflect the overall scale of investment involved, and both types of expenditures often face similar execution issues and thus provide insight into LUMA's and Genera's ability to execute on the NFC budgets they propose.[27]

Q.8 Please give an overview of how your testimony is organized.

A.8 First, I provide a brief overview of the Rate Petition, with a specific focus on the proposed NFC budgets (Constrained and Optimal) therein and the stated rationale for each. I then assess whether the NFCs proposed in the Constrained and Optimal Budgets are realistic to execute within the timeframe of the rate case. I explain the framework that I used to make my assessment and then provide responses and supporting evidence underlying each aspect of my assessment.

[27] For the avoidance of doubt, the scope of my analysis and my opinions does not include an assessment of specific projects and associated costs, and instead focuses on the lack of prudence and reasonableness evident from the overall approach utilized by LUMA, Genera, and PREPA as described herein. I am also not offering any opinions about which costs in the Rate 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.

II. OVERVIEW OF THE RATE PETITION

Q.9 Please describe the forecasts contained in the Rate Petition.

A.9 As part of the rate application, LUMA and Genera each submitted two versions of their budgeted expenses for FY2026 through FY2028: an "Optimal Budget" and a "Constrained Budget."

a. Optimal Budget: LUMA describes its process for determining its Optimal Budget as starting with its assessment of "total system needs without considering constraints on the availability of the funding or resources required to undertake the needed investments," then "factor[ing] in the executability of projects in terms of resource availability and supply chain considerations" and "further adjust[ing] these projections" based on SRP objectives, achievability, and labor requirements.[28] Genera describes its Optimal Budget as "allow[ing] for full execution of preventive maintenance, reliability initiatives, and asset replacements that align directly with targets such as availability, forced outage rate, and system performance."[29]

b. Constrained Budget: According to LUMA, its Constrained Budget "scales back or eliminates" projects from its Optimal Budget that are not needed to "adhere to achieving T&D System stabilization within the targeted timeframe" or to "ensure [LUMA's] customers receive maximum benefit in the form of improved reliability."[30] Genera describes its Constrained Budget as reflecting the deferral of certain projects in the Optimal Budget that would not impair "core reliability, safety,

[28] Meléndez Testimony, pp. 29-30.

[29] Scutt Testimony, p. 12.

[30] Meléndez Testimony, p. 57.

and compliance obligations … in the near term."[31]

LUMA's Chief Capital Programs and Grid Transformation Officer, Pedro Meléndez-Meléndez, states that LUMA created its Constrained Budget to conform to two guiding principles: "first, projects needed to adhere to achieving T&D System stabilization within the targeted timeframe, and second, projects needed to ensure our customers receive maximum benefit in the form of improved reliability."[32] Mr. Meléndez further testifies that in comparison to the Optimal Budget, "[n]o one program was removed, but specific projects within the programs were scaled back or eliminated if they did not meet these principles."[33] Similarly, Genera states that the incremental items in the Optimal Budget could be delayed.[34] Based on my experience and analysis, it is my opinion that the items omitted from the Optimal Budgets to produce the Constrained Budgets are items that should not be included in the current rate, particularly given the execution concerns I express below. I accordingly focus my assessment on LUMA and Genera's Constrained Budgets. My opinions would similarly apply to LUMA and Genera's Optimal Budgets if I were to focus on them in my analysis, given that these Optimal Budgets incorporate additional and more expansive projects than the Constrained Budgets and are therefore subject to even greater executability issues.

[31] Response to Request of Information, ROI-NPFGC-of-GENERA-CAPEX-22, Case No. NEPR-AP-2023-0003, August 26, 2025 (hereafter "Genera Response 22").

[32] Meléndez Testimony, p. 57.

[33] Meléndez Testimony, p. 57.

[34] Genera Response 22, p. 2 ("Nevertheless, from an operational standpoint, these projects were identified as deferrable in the constrained budgets precisely because core reliability, safety, and compliance obligations can continue to be maintained in the near term.").

III. ASSESSMENT OF THE EXECUTABILITY OF LUMA AND GENERA'S PROPOSED NFC BUDGETS

Q.10 Why is it important to consider the executability of LUMA and Genera's proposed NFC budgets?

A.10 Every dollar allocated for NFCs is funded by ratepayers. To the extent those NFCs can be executed by the operators within a reasonable time period on projects that are necessary, reasonable, and appropriately priced, the ratepayers' money is prudently spent if they receive a commensurate increase in the quality or reliability of service. However, if the operators collect from ratepayers more funding for NFCs than is feasible to spend effectively in the given time period, ratepayers would be paying higher rates without a commensurate improvement in service, rendering the rates unreasonable and imprudent.

Specifically, when a utility company collects revenue for a larger amount of capital spending than it can actually execute, as I believe would be the case here if the entities' proposed NFC levels were approved by PREB, the company thereby imposes an unnecessary burden on ratepayers. That is because in such a scenario, the utility collects moneys from customers that it is not positioned to use on the approved projects. Without a reconciliation mechanism in place to refund such excess moneys to customers, utilities that over-collect from customers face incentives to repurpose such excess moneys to other uses that were not intended or approved, and that may therefore yield relatively less benefit to ratepayers.[35] LUMA's witness, Alejandro Figueroa, acknowledged at a recent rate case hearing that if LUMA over-collected moneys from

[35] The Energy Bureau has recognized the potential conflicts of interests that result from PREPA's use of private, for-profit utility operators. Hearing Examiner's Order on Agenda for September 4 Conference, Covering Revenue Requirement Questions, Hearing Procedures, and Related Matters, Case No. NEPR-AP-2023-0003, September 3, 2025, available at https://energia.pr.gov/wp-content/uploads/sites/7/2025/09/20250903-AP20230003-HE-Order-on-rate-case-procedures.pdf, pp. 7-8.

ratepayers under the new rate, it would not refund those amounts to consumers, but rather LUMA would attempt to find other uses for such over-collections.[36]

Therefore, even for NFCs that would be prudent in theory without any real-world constraints, it is important for the Energy Bureau to carefully consider the executability of those projects, so as to avoid burdening ratepayers with an increase in rates that does not produce a commensurate improvement in service.

Q.11 What framework did you use to evaluate the entities' proposed NFC budgets?

A.11 First, I analyzed historical trends regarding LUMA's planned and actual capital spending and data related to the status of LUMA and Genera's capital projects.[37] Second, I reviewed testimony, ROI responses, and other publicly available documents regarding recent capital projects.[38] Third, I compared budgeted CapEx from the Rate Petition to historical CapEx.[39] Lastly, I conducted research to contextualize the CapEx and resources at issue in this rate case.

Q.12 Regarding the first part of your framework, i.e., analyzing historical trends regarding LUMA's actual vs. planned spending and the status of these entities' capital projects, what data did you analyze?

A.12 I analyzed LUMA data from its quarterly reports on actual capital project spending from FY2022 through FY2025 and compared that data to LUMA's planned spending on capital projects.[40] I was unable to identify data that would support a similar analysis of Genera's proposed expenditures.

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[36] Negociado de Energía en vivo, "NEPR-AP-2023-0003 Virtual Conference," September 4, 2025, available at https://www.youtube.com/watch?v=Tujq4QtJS6c, 46:22-49:07.

[37] *See e.g.,* LUMA FY2025 Q4 Status Report.

[38] *See* Answer to Q6 for the list of documents reviewed.

[39] *See e.g.,* Revenue Requirement Schedules.

[40] *See e.g.,* Motion to Submit Quarterly Report of the Third Quarter of Fiscal Year 2025, Case No. NEPR-MI-2021-0004, May 15, 2025, available at https://energia.pr.gov/wp-content/uploads/sites/7/2025/05/20250515-MI20210004-Public-Motion-to-Subm-Quarterly-Report.pdf (hereafter "LUMA FY2025 Q3 Report"); LUMA FY2025 Q4 Report;

I also analyzed data from LUMA and Genera on the completion status of recent capital projects to determine the extent to which projects had exceeded their expected completion dates.[41]

Q.13 What are your findings regarding LUMA's actual vs. planned spending, and how do those findings inform your assessment of LUMA's proposed NFC budgets in this case?

A.13 LUMA's historical spending patterns suggest it will have challenges executing its proposed list of federally funded and NFC CapEx projects within the three-year rate case time period. LUMA's actual spending on federally funded and NFC CapEx projects in FY2025 was approximately 38% less than budgeted.[42]

As seen in **Exhibit 1a**, LUMA has been consistently underspending its budget for combined federally funded and NFC CapEx since FY2022, the first year of reporting by LUMA after it began operating the grid.[43] On average, LUMA underspent its prior combined federally funded and NFC CapEx budgets by approximately 38% over the four-year reporting period.[44]

LUMA reports its planned and actual expenditures for each of the federally funded and NFC CapEx programs outlined in its budget in the quarterly and annual reports.[45] In its FY2025

LUMA FY2024 Annual Report; LUMA FY2023 Annual Report; LUMA FY2022 Annual Report.

[41] *See e.g.,* T&D: LUMA Maintenance Completion Status Report; Generation: Genera Maintenance Completion Status Report.

[42] (1,306 - 810) / 1,306 = 38%. *See* LUMA FY2025 Q4 Report, p. 24. *See also* **Exhibit 1a, 1b.**

[43] LUMA OMA. I consider combined federally funded and NFC CapEx spending because it is reflective of LUMA's past overall capital execution capability. While LUMA has spent relatively higher levels of its past NFC budgets, as mentioned above and as discussed in **Questions 14-15** below, LUMA's current proposed NFC budgets for FY2026-FY2028 are between 5 times and 8 times higher on average than its past average NFC budgets. As such, LUMA's ability to spend relatively higher levels of its past NFC budgets does not reflect an ability to execute on the much higher NFC budgets it now proposes.

[44] LUMA's budgeted CapEx for FY2022-2025 totaled $3,577 million. LUMA's actual CapEx for FY2022-2025 totaled $2,220 million. The difference between LUMA's budgeted and actual CapEx for FY2022-2025 was $1,357 million (3,577 - 2,220) or approximately 38% (1,357 / 3,577). *See* **Exhibit 1a, 1b**.

[45] *See e.g.,* LUMA FY2025 Q4 Report; LUMA FY2024 Annual Report; LUMA FY2023 Annual Report.

Q4 report, LUMA reported underspending its combined federally funded and NFC CapEx budget for 16 out of the 23 listed CapEx programs; in other words, LUMA was unable to execute planned activities for almost three-quarters of its capital programs.[46]

Q.14 What are your findings regarding the status of LUMA and Genera's recent CapEx projects, and how do those findings inform your assessment of their proposed NFC budgets?

A.14 Data covering the status of LUMA's and Genera's federally funded and NFC CapEx projects are consistent with the trends in LUMA's planned vs. actual spending discussed above. For example, **Exhibit 2** summarizes the recent status of LUMA's federally funded and NFC CapEx projects.[47] As of July 2025, LUMA had 314 pending CapEx projects awaiting federal funding obligations and 188 ongoing federally funded and NFC CapEx projects budgeted for a total of approximately $2,711 million. Of these, 95 projects constituting $216 million in budgeted expense were past their expected completion date by an average of 114 days.[48] LUMA's existing backlog of capital projects will impede its ability to ramp-up spending on additional projects during the three-year rate case period.

Similarly, **Exhibit 2** summarizes the status of Genera capital projects.[49] As of June 2025, Genera had 63 ongoing federally funded and NFC CapEx projects budgeted for a total of

[46] LUMA FY2025 Q4 Report, pp 25-32.

[47] *See also* LUMA FY2025 Q4 Status Report, p. 3 ("In compliance with the May 7th Order, LUMA hereby submits its sixth report on all projects approved by the Energy Bureau and financed with state, federal, or ratepayer funds as Exhibit 1 to this Motion. The information included therein encompasses up to June 30, 2025 (end of LUMA's Fourth Quarter of Fiscal Year 2025).").

[48] Of the 314 pending LUMA CapEx projects and 188 ongoing LUMA CapEx projects, 337 are reported by LUMA as being 0% completed. *See* **Exhibit 2** and LUMA Maintenance Completion Status Report.

[49] *See also* Motion to Submit Reports on Grid Modernization and Maintenance, pp. 3-4 ("In compliance with the June 25th Order and the June 26th Resolution, Genera hereby submits, as *Exhibit A* to this Motion, the Generation Maintenance Report in alignment with Attachment J of the June 25th Order. This report contains comprehensive information and updates for the period from July 1, 2023, to May 31, 2025, and meets the reporting requirements of the June 25th Order related to (a) Generation Maintenance and (b) the Permanent and Emergency Work-Related Federal Funding Infrastructure Report.").

approximately $1,153 million. Of these, 37 projects constituting $106 million in budgeted expense are already past their expected completion date by an average of 243 days.[50] Genera's existing backlog of capital projects will impede its ability to ramp-up spending on additional projects during the three-year rate case period.

Q.15 Regarding the second part of your framework, did you identify any commentary or qualitative evidence by LUMA or Genera regarding their ability to execute their proposed capital projects? If so, how does that evidence inform your assessment of the proposed NFC budgets?

A.15 Yes. Relevant commentary from LUMA's FY2025 quarterly report suggests it faces constraints in executing its existing, much-lower level of capital projects. I observe instances of (1) supply chain constraints, (2) labor shortages, and (3) external constraints in LUMA's recent reports.[51]

For example, as shown in **Exhibit 3**, LUMA reports a total aggregate federally funded and NFC CapEx budget of $115 million for the Distribution Line Rebuild program, out of which LUMA was able to spend only $43 million in FY2025.[52] LUMA attributes this underspending of over $71 million (or a more than 60% variance) to "delays in starting engineering work for new feeder groups," "optimizing the scope of existing in-flight projects," and "delays in FEMA project review."[53] As shown in **Exhibit 3**, LUMA budgets $37 million for the NFC component of the program in the FY2026 Constrained Budget, as compared to $5.7 million budgeted in FY2025 and $5.5 million actually spent in that time period.[54] While LUMA spent most of its

[50] Of the 63 ongoing Genera CapEx projects, Genera reports 28 projects without a completion percentage. *See* **Exhibit 2** and Genera Maintenance Completion Status Report.

[51] *See e.g.,* LUMA FY2025 Q4 Report; Meléndez Testimony, p. 21.

[52] LUMA FY2025 Q4 Report, p. 26.

[53] LUMA FY2025 Q4 Report, p. 26.

[54] LUMA FY2025 Q4 Report, p. 26.

FY2025 NFC budget for this item, as discussed in footnote 43 above, this does not reflect an ability to execute on the much higher (approximately 7 times higher) NFC budget that LUMA now proposes for this item.

Similarly, for the Transmission Line Rebuild program, LUMA budgets $55 million of federally funded and NFC CapEx in FY2026.[55] Out of the $55 million total forecasted spend in FY2026, $35 million is allocated to NFCs.[56] In contrast, LUMA budgeted $68 million in aggregate federally funded and NFC CapEx for the Transmission Line Rebuild program in FY2025, out of which it was able to spend $47 million in total.[57] LUMA explains the "lower than expected" actual spending on this program in FY2025, citing "delays in engineering related to the scope of optimization for existing in-flight projects" and "prioritizing resources to work on System Stabilization Plan projects."[58] LUMA budgeted only $0.9 million in FY2025 for the NFC portion of this item, out of which it spent $0.2 million.[59] As discussed above and in footnote 43, this does not reflect LUMA's ability to execute on an NFC budget that is 176 times higher than what it has been able to spend in the past.[60]

LUMA also acknowledges the difficulty of obtaining skilled workers to implement even the much-lower level of past projects and to otherwise meet the needs of the T&D system. As seen in **Exhibit 4**, LUMA's own reporting demonstrates an increasing gap in the number of full-time electrical utility field workers required to complete its projects, and the number of workers employed by LUMA at the end of the fiscal year. While in FY2023, the first year of such

[55] Revenue Requirement Schedules, tabs "D-1-Constrained." *See also* **Exhibit 3.**
[56] Revenue Requirement Schedules, tabs "D-1-Constrained." *See also* **Exhibit 3.**
[57] LUMA FY2025 Q4 Report, p. 27.
[58] LUMA FY2025 Q4 Report, p. 27.
[59] *See* **Exhibit 3.**
[60] *See* **Exhibit 3.**

reporting, LUMA reported availability of additional labor to repair damage due to Hurricane Fiona, the gap between planned and actual number of workers has increased from 8% in FY2024 to 33% in FY2025.[61] If LUMA were to significantly increase its capital spending as proposed in the Rate Petition, all else being equal the demand for a limited pool of workers would only increase, exacerbating this acknowledged problem.

In an attachment to one of LUMA's ROI responses, LUMA describes its execution challenges from FY2024 as follows:

> In FY2024, LUMA spent fewer federal funds than had originally been budgeted due to a series of challenges, including unforeseen complexities experienced in the procurement process, delays in the design phases, and a new federal funding obligation process for first-of-its-kind projects.[62]
>
> […]
>
> The procurement process challenges also play a significant role. Delays in acquiring critical materials or equipment due to lengthy procurement cycles hinder timely repairs and upgrades, further exacerbating SAIDI. Moreover, material availability issues stemming from supply chain disruptions or shortages lead to extended delivery times for essential components, complicating efforts to restore service quickly.[63]
>
> […]
>
> LUMA has a strong need to continue building qualified resources into the future to continue expanding and executing the repair and maintenance programs needed to improve system reliability. LUMA estimates that an approximate additional 200 internal craft workers plus contracted resources are required.[64]

While the documents provided by Genera do not contain a similar level of detail regarding the reasons for its execution challenges, in my experience, the reasons given by

[61] *See* **Exhibit 4.** *See also* LUMA FY2025 Q4 Report, p. 20.

[62] Responses for Information on Permanent Rates, Case No. NEPR-AP-2023-0003, September 4, 2025, NPFCG-of-LUMA-OTH_OPEX-52_Attachment 1, p. 5.

[63] Responses for Information on Permanent Rates, Case No. NEPR-AP-2023-0003, September 4, 2025, NPFCG-of-LUMA-OTH_OPEX-52_Attachment 1, p. 8.

[64] Responses for Information on Permanent Rates, Case No. NEPR-AP-2023-0003, September 4, 2025, NPFCG-of-LUMA-OTH_OPEX-52_Attachment 1, p. 12.

LUMA and discussed above would also apply to Genera. The record corroborates my experience. For example, a recent grid modernization report discusses the failure of the Aguirre 1 Plant and states that "[d]ue to the long lead time for delivery of replacement parts, the unit is expected to remain out of service for approximately one additional year."[65] A recent budget reallocation petition from Genera also describes its inability to execute on certain planned expenditures, noting that, regarding the Cambalache plant, the "procurement process for [key Turbo Compressor] materials is still in progress … and only a portion of the required expenses will be incurred this fiscal year" and "based on the current procurement and execution timeline, only partial expenditures [for inspections] will occur in FY2025."[66]

Q.16 Regarding the third part of your framework, how do LUMA and Genera's proposed CapEx budgets compare to historical CapEx budgets?

A.16 As shown in **Exhibits 5-8**, even the "scaled back" Constrained Budgets proposed by LUMA and Genera for FY2026 through FY2028 include considerably higher levels of proposed CapEx spending—including NFC spending—than in previously approved budgets and actual spend in FY2025, even though the record shows that at least LUMA has experienced problems executing much-lower historical CapEx budgets. This suggests the operators will experience execution challenges in terms of the proposed level of CapEx spending—including NFC spending—leading to over-collection from ratepayers. As discussed above, over-collection is by definition not prudent or reasonable, because it results in imposing greater burdens on ratepayers without a commensurate improvement in service.

[65] Motion to Submit Reports on Grid Modernization and Maintenance, p. 8.

[66] Motion to Submit Response to Resolution and Order dated February 26, 2025, Case No. NEPR-MI-2021-0004, March 12, 2025, available at https://energia.pr.gov/wp-content/uploads/sites/7/2025/03/20250312-MI20210004-Motion-to-Subm-Response-to-Resolution-Feb-26-2025.pdf, pp. 7-8.

As shown in **Exhibit 1a**, LUMA's FY2026 Constrained Budget requests aggregate federally funded and NFC CapEx of $1,300 million—$490 million *more* than the $810 million of aggregate federally funded and NFC CapEx LUMA was able to spend in FY2025.[67] LUMA's request also reflects a marked shift in the composition of capital spending away from federally funded and towards NFC CapEx. As shown in **Exhibit 5a**, LUMA's FY2026 Constrained Budget request of $398 million in NFCs is more than triple the $126 million of NFCs that LUMA spent in FY2025 and more than double the $180 million of NFCs in the FY2026 budget approved by PREB on July 31, 2025 in the Provisional Rate Order ("FY2026 Provisional Budget").[68]

LUMA's anticipated spend on aggregate federally funded and NFC CapEx in its Constrained Budget increases by an *additional* $863 million in FY2027 and by an *additional* $328 million in FY2028,[69] at which point the NFC component increases to $604 million.[70] As seen in **Exhibit 1b**, LUMA's proposed NFC component of its FY2026 $1,504 million aggregate federally funded and NFC CapEx budget in the Optimal Budget is over $600 million, an almost five-fold increase from that spent in FY2025 ($126 million), and it is projected to ramp up to $928 million in FY2028 (of an aggregate federally funded and NFC CapEx budget of $2,815 million). Given that LUMA could not execute on past federally funded and NFC CapEx budgets

[67] 1,300 – 810 = 490. *See* **Exhibit 1a.**

[68] On July 3, 2025, LUMA submitted proposed provisional FY2026 budgets for LUMA and Genera to PREB. These budgets included requests for provisional rate increases to cover additional expenses for "high-priority, noncontroversial items." Provisional Rate Proposal, pp. 3-4. After making adjustments to these submitted budgets to exclude increases of approximately $956 million associated with items that PREB rejected, PREB approved the FY2026 Provisional Budget on July 31, 2025. ($1,184M of proposed increase - $227.598 of approved increase = $956M). Provisional Rate Order, pp. 1-2.

[69] 2,163 – 1,300 = 863; 2,491 – 2,163 = 328. *See* **Exhibit 1a.**

[70] *See* **Exhibit 1a.**

at significantly lower levels, it is unlikely that LUMA will be able to execute on the NFC budgets it now proposes.

While I do not have access to Genera's historical actual federally funded CapEx spend, **Exhibit 6a** shows that Genera's requested $209 million for NFCs in FY2026 of its Constrained Budget is more than 2.5 times the $78 million in NFCs Genera was actually able to spend in FY2025 and 61% higher than the approved NFCs of $130 million in Genera's FY2026 Provisional Budget.

Exhibits 5-8 show that the Constrained Budgets for both LUMA and Genera maintain NFC spending at historically elevated levels through FY2028 and, in the case of LUMA, exhibit substantial further increases between FY2026 and FY2028.

a. LUMA's FY2026 – FY2028 NFC: As shown in **Exhibit 5a and Exhibit 7a**, LUMA's FY2028 Constrained Budget for NFC spending is $604 million, over 50% higher than the FY2026 Constrained Budget and nearly five times higher than the actual spend in FY2025.[71] Over the three-year period from FY2026 through FY2028, the Constrained Budget for NFC spending is $1,507 million, or approximately $500 million per year, four times the amount spent in FY2025.[72]

b. Genera's FY2026 – FY2028 NFC: As shown in **Exhibit 6a and Exhibit 8a**, Genera's Constrained Budget for NFC spending is approximately $180 million in both FY2027 and FY2028, more than double the actual spend in FY2025 and approximately 40% higher than the FY2026 Provisional Budget level.

[71] *See also* LUMA FY2025 Q4 Report, p. 24.

[72] *See also* LUMA FY2025 Q4 Report, p. 24.

Q.17 Based on your experience, would you expect LUMA and Genera to face any challenges in executing their proposed NFC budgets?

A.17 Yes. Based on my experience, utility companies and their operators are frequently overly optimistic about how much work can be accomplished when budgeting for a significant ramp-up in capital projects from one year to the next. This experience rings true specifically with respect to the entities here, given at least LUMA's failure to execute the much less significant past levels of capital spending, as discussed above.

LUMA attempts to address this issue in the Figueroa testimony, which states that LUMA assessed whether the spending in the Optimal Budget "can realistically be carried out" based on an analysis of "both internal and external factors that dictate the pace at which programs and activities can be implemented, including access to labor and craft workers, availability of materials and equipment, and contractor capacity, amongst others."[73] However, Mr. Figueroa provides no further supporting details regarding this analysis.

In my experience, utility companies that attempt to significantly ramp up their capital spend frequently face challenges in executing their proposed budgets. When utilities attempt to significantly increase their spending year over year, they face substantial challenges in executing their proposed spend effectively. Many fail to deliver projects on time, with significant schedule overruns.[74] This execution difficulty is driven by factors such as lack of institutional expertise in

[73] Figueroa Testimony, p. 41. *See also* Response to Request of Information, NPFCG-of-LUMA-CAPEX-26, Case No. NEPR-AP-2023-0003, September 5, 2025, discussing how "challenges which constrained [LUMA's] ability to mobilize resources and execute projects as originally budgeted are now fully understood and have been factored into both our long-term investment and annual capital and O&M planning process" and LUMA's expectation that "global supply chain issues…[are] now easing."

[74] Bain & Company, "Beyond the Stage Gate: Capital Projects in the Energy Transition," June 2024, available at https://www.bain.com/insights/beyond-the-stage-gate-capital-projects-in-the-energy-transition/ (hereafter "Beyond the Stage Gate") ("Nascent energy transition technologies are encountering scaling challenges as early estimates meet the realities of capital deployment and construction. This leaves ENR [(energy and natural resource)] companies exposed. With large projects often running 15% to 20% over budget, about $1.5 billion of capital will be at risk each year for the average power, oil and gas, or mining company through 2030, according to Bain & Company"); McKinsey & Company, "How capital expenditure management can drive performance," June 29, 2022,

project delivery, supply chain delays for equipment/material, permitting delays, labor constraints, and shifting public sentiment.[75]

The testimony I reviewed confirms that LUMA and Genera have faced these challenges in the past. According to the Meléndez testimony, LUMA has been facing supply chain issues, exacerbated by global supply chain constraints. Indeed, Mr. Meléndez admits that while new equipment is being delivered "over the next several years," LUMA expects that it will "take time and associated work to maximize the benefits."[76] Mr. Meléndez further admits that LUMA is facing "a limited supply of trained workers" and that it is "strugg[ling] to find qualified individuals to do critical work on the T&D System."[77] The acute supply chain constraints and labor shortages imply a "scale of work envisioned … far beyond existing capabilities to execute."[78] Similarly, according to the Ortiz testimony, "critical components carry manufacturing lead times of 12-24 months and require additional government approvals."[79] Mr. Ortiz also admits that the end of the FY2026 timeline included in Genera's PSP for completion of projects related to replacement of such critical components is "optimistic" and "full installation of those items is not expected before FY 2027."[80]

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available at https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/how-capital-expenditure-management-can-drive-performance ("Across industries, we see companies struggle to deliver projects on time and on schedule … In fact, cost and schedule overruns compared with original estimates frequently exceed 50 percent. Notably, these occur in both the public and private sectors.").

[75] Beyond the Stage Gate ("[R]oadblocks are stacking up. High interest rates and inflation are driving up project costs. Lead times and costs are being stretched by limited supplies of equipment, materials, and talent. Public sentiment and the regulatory environment are growing more complex, with a patchwork of policies around the world, sometimes with competing agendas").

[76] Meléndez Testimony, p. 21.

[77] Meléndez Testimony, p. 21.

[78] Meléndez Testimony, p. 21.

[79] Ortiz Testimony, p. 28.

[80] Ortiz Testimony, pp. 27-28.

Compounding these challenges, LUMA and Genera will be competing for resources (e.g., skilled labor, engineering/design, and project delivery) and equipment/materials in an environment in which projected capital spending for U.S. utilities is rapidly increasing. According to Fitch, the utilities sector is the "largest and fastest-growing sector" in terms of capital spending.[81] Capital spending among top U.S.-based energy utilities rose nearly 30% from 2022 to 2024,[82] and is expected to rise an additional 15% to 20% in 2025 to meet electricity demand needs associated with the surge in data centers.[83] Competition for resources will be further amplified by other U.S. utilities, which also face supply chain constraints, aging infrastructure, and the need for grid strengthening.[84]

A failure by LUMA and/or Genera to execute the proposed NFC budgets will undermine the expected results with a concurrent increase in customer rates. That is, given the execution challenges, the proposed budgets are likely to result in customers paying higher rates without a commensurate improvement in service.

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[81] Fitch Ratings, "U.S. Corporate Capex Cycle Aided by AI, Energy Demand, Policy Incentives," July 29, 2025, available at https://www.fitchratings.com/research/corporate-finance/us-corporate-capex-cycle-aided-by-ai-energy-demand-policy-incentives-29-07-2025 (hereafter "U.S. Corporate Capex Cycle").

[82] S&P Global, "Energy utility capex projected to eclipse $790B from 2025 through 2028," January 9, 2025, available at https://www.spglobal.com/market-intelligence/en/news-insights/research/energy-utility-capex-projected-to-eclipse-790b-from-2025-through-202b.

[83] U.S. Corporate Capex Cycle.

[84] Edison Electric Institute, "Investor-Owned Utilities Lead Nation in Infrastructure Spending Amid Soaring Electricity Demand," July 24, 2025, available at https://www.tdworld.com/utility-business/news/55305439/investor-owned-utilities-lead-nation-in-infrastructure-spending-amid-soaring-electricity-demand ("'Our industry's capital expenditures are higher than any other sector in the U.S. economy,' said EEI President and CEO Drew Maloney. 'These investments create good-paying jobs, support local economies, and make innovation possible.' As utilities contend with supply chain constraints, aging infrastructure, and a growing need for grid flexibility, Maloney emphasized that continued investment is essential to maintaining reliable, affordable electricity while strengthening national energy security."). *See also* Meléndez Testimony, p. 21 ("LUMA also faces the challenge of having a limited supply of trained workers. LUMA has struggled to find qualified individuals to do critical work on the T&D System, a situation compounded by other energy transformations across the United States creating competition for resources. The scale of the work envisioned is far beyond existing capabilities to execute and has required the outsourcing of tasks that would otherwise be performed in-house.").

Q.18 Regarding the last part of your framework, did you identify any public research relevant to LUMA's and Genera's ability to execute on their proposed spending? If so, how does that evidence inform your assessment of the proposed budgets?

A.18 Yes, I identified several public articles that corroborate my response to **Question 17**. A U.S. Government Accountability Office ("GAO") report, released on February 13, 2024, disclosed that PREPA and Puerto Rico Recovery Office ("PRRO") officials stated that disruptions in the global supply chain and a lack of specialized labor was causing delays in completing capital projects.[85] The report states that delivery times for some construction materials have increased "from 6 to 10 months to 24 to 36 months" and Puerto Rico lacked "architects to design projects," as well as "construction contractors to build projects."[86] A document from the Puerto Rico Association of General Contractors to a Committee on Natural Resources Hearing in late 2022, stated that Puerto Rico "need[ed] to significantly expand construction workforce (by 50K+) during the next ten years to execute the infrastructure reconstruction and modernization program financed with federal funds[,]" detailing that Puerto Rico did not have the resources to execute on the planned federal funding.[87]

In addition, a 2022 Puerto Rico Chamber of Commerce report on construction industry trends identified construction project delays as a result of "labor shortages, lack of materials, supply chain disruptions,"[88] and other factors. The report further states that Puerto Rico suffers from vulnerabilities in global supply chains with issues impacting the "supply of vital

[85] United States Government Accountability Office, "Puerto Rico Disasters: Progress Made, but the Recovery Continues to Face Challenges," February 13, 2024, available at https://www.gao.gov/assets/gao-24-105557.pdf (hereafter "GAO Puerto Rico Disasters"), p. 19.

[86] GAO Puerto Rico Disasters, p. 19.

[87] La Asociación de Contratistas Generales de América, Capítulo de Puerto Rico, "Parole for Significant Public Benefit: Proposal Summary," November 21, 2022, available at https://docs.house.gov/meetings/II/II00/20221117/115197/HHRG-117-II00-20221117-SD005.pdf, p. 1.

[88] Puerto Rico Chamber of Commerce, "2022 Construction Industry Trends," March 25, 2022, available at https://camarapr.org/wp-content/uploads/PP-Jose-Torrens.pdf (hereafter "2022 Construction Industry Trends"), p. 9.

construction materials such as lumber, paint and coatings, aluminum, steel, and cement" causing project delays.[89] Similar issues exist in the mainland U.S., with a 2023 Congressional hearing before the House Subcommittee on Highways and Transit also highlighting that "[m]ore than 70 percent of [U.S.'s] freight tonnage is moved by the trucking industry every year, and […] [c]urrently, the industry is short 78,000 drivers," which has the potential to further contribute to the labor shortage in Puerto Rico due to competition for labor and supply chain delays.[90]

Moreover, news articles report that Puerto Rico faces persistent barriers to expedient shipping as a result of the Jones Act, which "limits domestic U.S. maritime shipments to U.S.-flagged vessels."[91] While waivers have been granted to Puerto Rico in the past after natural disasters, *The Wall Street Journal* notes that the law "creates a barrier to speedy services following natural disasters and other times of need," thus highlighting that there are additional barriers in place that may exacerbate shipping delays or cause scarcity issues for construction materials.[92]

Q.19 What do you conclude about the NFCs in the Constrained and Optimal Budgets, and what should be done?

A.19 In summary, the record shows that LUMA has historically underspent its budgets, in some cases both its federally funded and NFC budgets, due to factors such as materials and labor shortages. Yet, LUMA's and Genera's proposed federally funded and NFC CapEx budgets in this proceeding forecast significantly increased amounts of both federally funded and NFC

[89] 2022 Construction Industry Trends, p. 11.

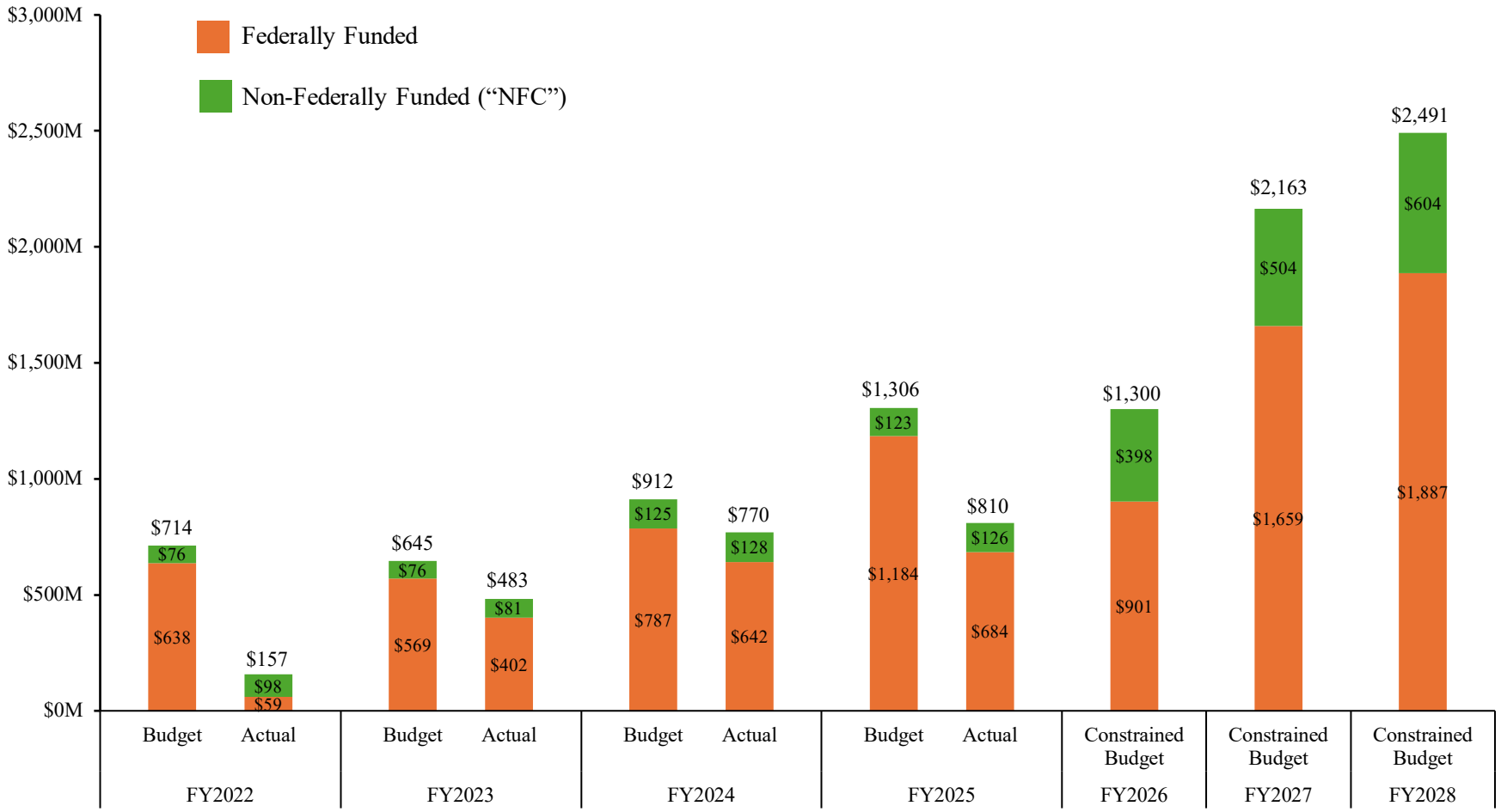
[90] United States House Committee on Transportation and Infrastructure, "Freight Forward: Overcoming Supply Chain Challenges to Deliver for America," May 10, 2023, available at https://www.congress.gov/118/chrg/CHRG-118hhrg55550/CHRG-118hhrg55550.pdf, pp. 1-2.

[91] Page, Paul and Andrew Restuccia, "Biden Administration Grants Waiver Allowing Diesel Shipment Into Puerto Rico," The Wall Street Journal, September 28, 2022, available at https://www.wsj.com/articles/biden-administration-grants-waiver-allowing-diesel-shipment-into-puerto-rico-11664410586 (hereafter "WSJ 2022").

[92] WSJ 2022.

spend, and a relative shift away from federally funded toward NFC spend. Considering LUMA's historical trend of underspending and its causes—which I would expect to apply to Genera as well—it is my opinion that LUMA and Genera's NFC CapEx projections in their Constrained and Optimal Budgets are overestimated and are likely not executable within the applicable three-year timeframe. The NFCs proposed in LUMA and Genera's Constrained Budgets should accordingly be scaled back, and LUMA and Genera should focus on executing the federally funded CapEx projects. Nothing I have reviewed in the operators' written testimony or the rate petition exhibits suggests that there will be any change in the historical pattern of under-execution against the plan.

Exhibit 1a: Planned vs Actual Total Spend on LUMA CapEx Projects and Constrained Budget
FY2022 - FY2028

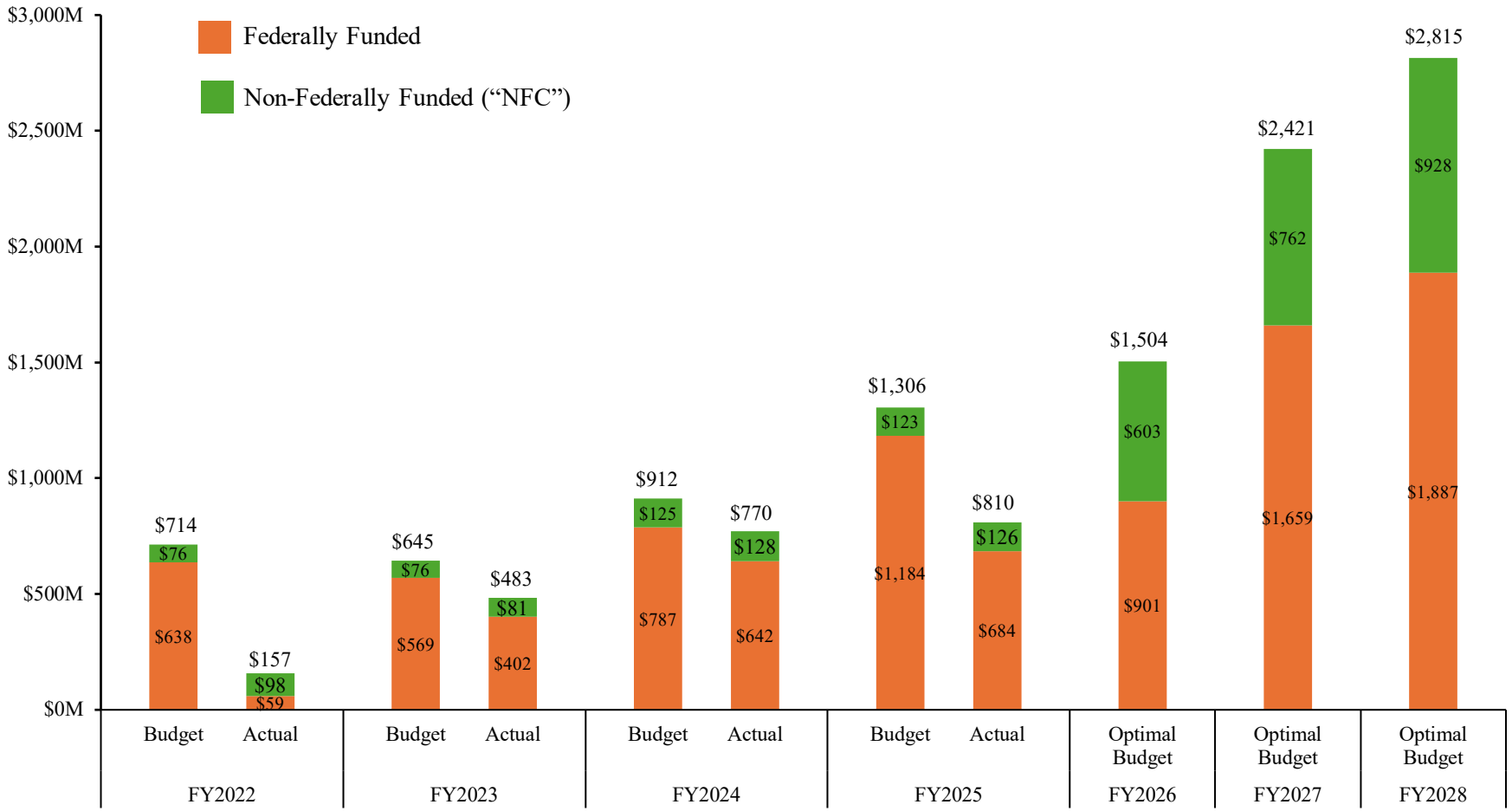


Note: CapEx Budgets reported do not include the "2% Reserve for Excess Expenditure." On average, LUMA is underspending its budget by 38%.

Sources:
[A] LUMA FY2025 Q4 Report, p. 24.
[B] LUMA FY2024 Annual Report, p. 36.
[C] LUMA FY2023 Annual Report, p. 37.
[D] LUMA FY2022 Annual Report, p. 15.
[E] Revenue Requirement Schedules, tab "D-1-Constrained."

Exhibit 1b: Planned vs Actual Total Spend on LUMA CapEx Projects and Optimal Budget

FY2022 - FY2028



Note: CapEx Budgets reported do not include the "2% Reserve for Excess Expenditure." On average, LUMA is underspending its budget by 38%.

Sources:
[A] LUMA FY2025 Q4 Report, p. 24.
[B] LUMA FY2024 Annual Report, p. 36.
[C] LUMA FY2023 Annual Report, p. 37.
[D] LUMA FY2022 Annual Report, p. 15.
[E] Revenue Requirement Schedules, tab "D-1-Optimal."

Exhibit 2: Summary of Project Count, by Entity and Completion Status

	Pending Obligation	In-Progress, Completion Date in Future		In-Progress, Late			Completed	
	Project Count	Project Count	Estimated Cost ($M)	Project Count	Estimated Cost ($M)	Average Days Late	Project Count	Estimated Cost ($M)
LUMA (T&D)								
Federally Funded (FF)	314	71	$2,166	93	$205	117	15	$5
Non-Federal Capital (NFC)	-	22	$330	2	$11	1	7	$1
Total	**314**	**93**	**$2,495**	**95**	**$216**	**114**	**22**	**$7**
Genera (Generation)								
Federally Funded (FF)	-	23	$1,031	24	$84	194	63	$160
Non-Federal Capital (NFC)	-	3	$16	13	$22	334	5	$16
Total	**-**	**26**	**$1,047**	**37**	**$106**	**243**	**68**	**$176**

Notes:

[1] In this table, LUMA Project Status is updated through June 2025 and Genera Project Status is updated through May 2025.

[2] LUMA projects represent PREB Approved Investments as of June 30, 2025. Start dates for these projects range from December 2020 to January 2025.

[3] Genera projects represent PREB Approved Investments as of June 20, 2025. Start dates for these projects range from September 2017 to April 2025.

[4] LUMA projects marked as "Pending Obligation" are categorized as such and project status is assessed as of July 1, 2025, with projects "Under Assessment" categorized as "In-Progress, Completion Date in Future".

[5] Genera projects marked blank or as "Operational" are excluded from this analysis, while projects marked as "Federal (50%)/NME (50%)" or "Federal/NME" are categorized as "Federally Funded (FF)" and project status is assessed as of June 1, 2025, with blank values in either the "Completion Date" or "Completion %" fields categorized as "In-Progress, Completion Date in Future". Projects marked as "Completed" regardless of their "Completion %" status are categorized as "Completed".

Sources:

[A] LUMA FY2025 Q4 Status Report.

[B] LUMA Maintenance Completion Status Report.

[C] Motion to Submit Reports on Grid Modernization and Maintenance.

[D] Genera Maintenance Completion Status Report.

Exhibit 3: LUMA Planned vs Actual Spend on CapEx (FY2025)

Programs with Actual Spend Less Than Budget in FY2025

in $ millions

Portfolio	Program	Budget			Actual			FY26 Constrained Budget		
		Federally Funded	Non-Federally Funded	Total	Federally Funded	Non-Federally Funded	Total	Federally Funded	Non-Federally Funded	Total
Customer Experience	**Distribution Streetlighting**	$203.6		**$203.6**	$142.1		**$142.1**	**$141.2**	**$0.2**	**$141.3**
Enabling	**Vegetation Management and Capital Clearing Implementation**	$158.2		**$158.2**	$27.2		**$27.2**	**$133.4**	**$0.0**	**$133.4**
Substation	**Substation Reliability**	$25.8	$24.5	**$50.3**	$21.1	$27.4	**$48.5**	**$45.3**	**$77.9**	**$123.2**
Customer Experience	**Advanced Metering Infrastructure (AMI) Implementation Program**	$148.0		**$148.0**	$107.7		**$107.7**	**$120.2**	**$0.0**	**$120.2**
Distribution	**Distribution Automation**	$1.0	$6.0	**$96.0**	$34.6	$6.6	**$41.2**	**$89.8**	**$2.7**	**$92.5**
Distribution	**Distribution Line Rebuild**	$109.6	$5.7	**$115.3**	$37.9	$5.5	**$43.4**	**$23.3**	**$37.3**	**$60.6**
Transmission	**Transmission Line Rebuild**	$66.7	$0.9	**$67.6**	$46.9	$0.2	**$47.1**	**$19.8**	**$35.1**	**$54.9**
Control Center and Buildings	**Facilities Development & Implementation**	$11.0	$3.0	**$14.0**	$0.1	$2.9	**$3.0**	**$11.1**	**$34.1**	**$45.1**
Enabling	**Microgrid, Phasor Measurement Units (PMU), and Battery Energy Storage Installations and Integrations**	$70.0		**$70.0**	$6.0		**$6.0**	**$35.1**	**$0.0**	**$35.1**

Exhibit 3: LUMA Planned vs Actual Spend on CapEx (FY2025)

Programs with Actual Spend Less Than Budget in FY2025

in $ millions

Portfolio	Program	Budget			Actual			FY26 Constrained Budget		
		Federally Funded	Non-Federally Funded	Total	Federally Funded	Non-Federally Funded	Total	Federally Funded	Non-Federally Funded	Total
Transmission	**IT OT Telecom Systems & Network**	$22.9	$1.4	**$24.3**	$13.0	$1.4	**$14.4**	**$23.6**	**$3.5**	**$27.1**
Enabling	**Compliance & Studies**	$28.3	$4.7	**$33.0**	-$12.8	$4.0	**-$8.8**	**$11.1**	**$8.4**	**$19.4**
Control Center and Buildings	**Critical Energy Management System Upgrades**	$12.2		**$12.2**	$9.5		**$9.5**	**$14.9**	**$3.0**	**$17.9**
Support Services	**IT OT Asset Management**	$17.4	$6.1	**$23.5**	$0.6	$5.8	**$6.4**	**$5.8**	**$11.5**	**$17.4**
Control Center and Buildings	**Control Center Construction & Refurbishment**	$5.7		**$5.7**	$2.7		**$2.7**	**$8.9**	**$0.0**	**$8.9**
Support Services	**Critical Financial Systems**		$1.6	**$1.6**		$1.2	**$1.2**	**$0.0**	**$3.7**	**$3.7**
Enabling	**Asset Data Integrity**	$21.8	$3.4	**$25.2**	$0.0	$3.3	**$3.3**	**$0.0**	**$3.4**	**$3.4**

Source: LUMA FY2025 Q4 Report.

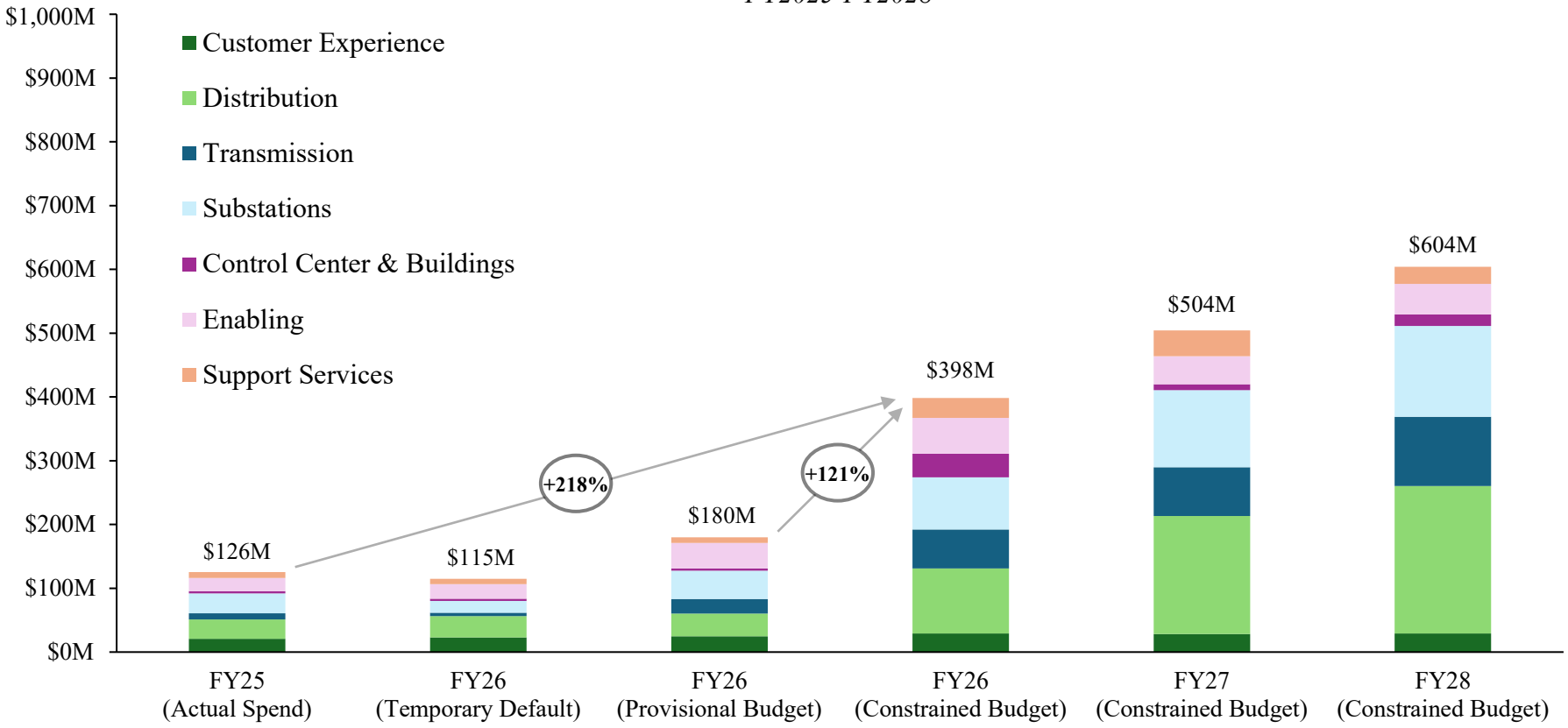
Exhibit 4: Planned vs Actual LUMA Field Workers

	[A] Electrical Utility Field Workers Budgeted	[B] Electrical Utility Field Workers As of Fiscal Year End	[C] = ([B]-[A])/[A] % Change between Budget and Actual
FY2023	842	1,043	*24%*
FY2024	1,217	1,116	*-8%*
FY2025	1,651	1,108	*-33%*

Note: LUMA started reporting Electrical Utility Field Workers count in FY2023.

Source: LUMA Q4 Quarterly Reports, FY2023-FY2025.

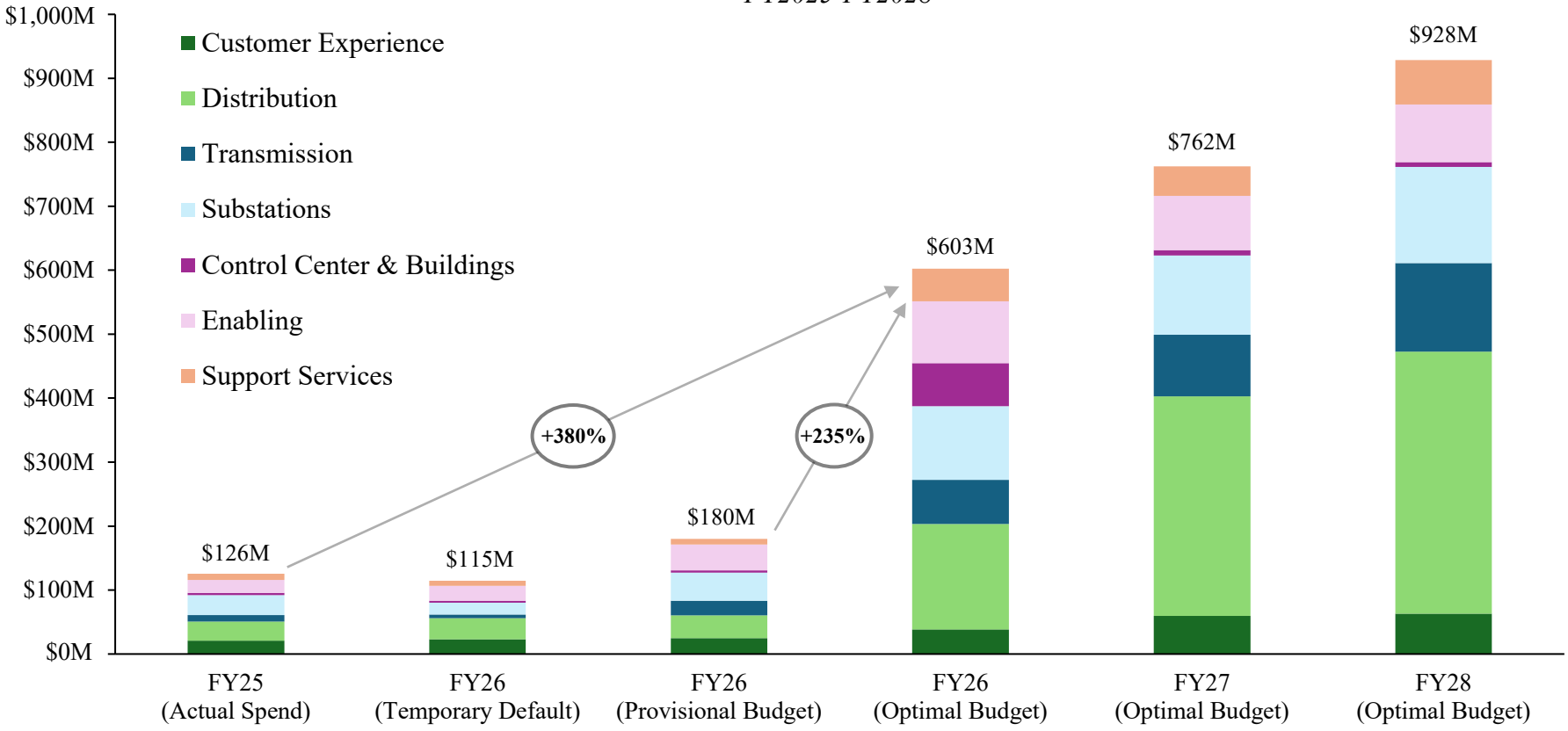
Exhibit 5a: LUMA Non-Federally Funded Capital (NFC) Actual and Budget by Portfolio
Constrained Budget
FY2025-FY2028



Note: Approved budgets reported do not include the "2% Reserve for Excess Expenditure."

Sources:
[A] LUMA FY2025 Q4 Report, p. 24.
[B] Motion Submitting Rate Review Petition: 2025.07.22 - LUMA Ex. 1.06 (7.22.25) Working Papers Provisional Rate Revenue Requirement.xlsx, Case No. NEPR-AP-2023-0003, July 22, 2025, Exhibit 1.06, tab "1.3 LUMA NFC Summary by Dpt PB."
[C] Revenue Requirement Schedules, tab "D-1-Constrained."
[D] LUMA FY2026 Temporary Default Budget.
[E] Provisional Rate Order.
[F] LUMA's Motion in Compliance with Hearing Examiner's Order Posing Provisional Rate Questions, ROI-LUMA-AP-2023-0003-20250712-PREB-PROV-0G2_Attachment-1-1.xlsx, Case No. NEPR-IN-2023-0003, July 15, 2025.

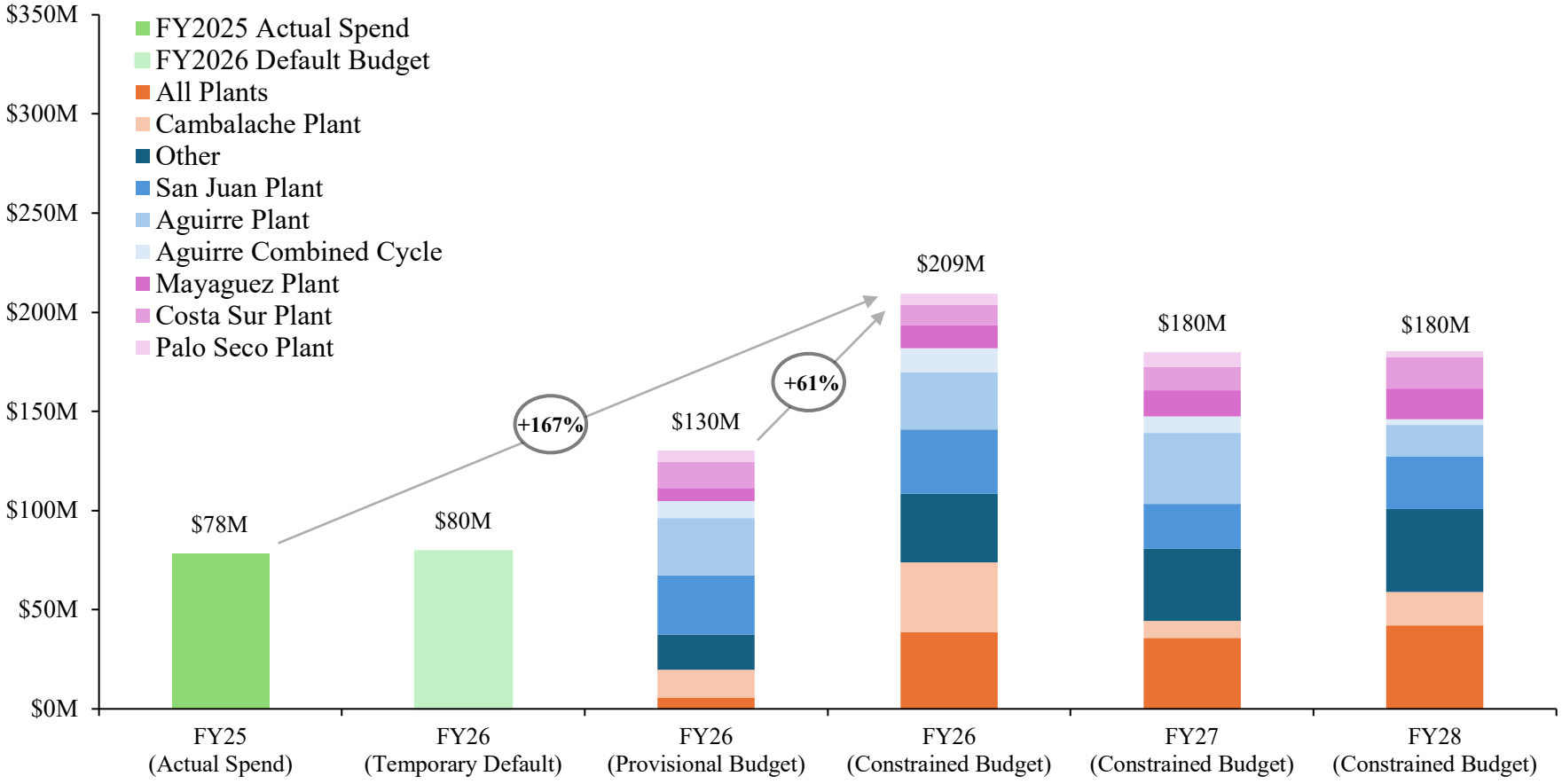
Exhibit 5b: LUMA Non-Federally Funded Capital (NFC) Actual and Budget by Portfolio
Optimal Budget
FY2025-FY2028



Note: Approved budgets reported do not include the "2% Reserve for Excess Expenditure."

Sources:
[A] LUMA FY2025 Q4 Report, p. 24.
[B] Motion Submitting Rate Review Petition: 2025.07.22 - LUMA Ex. 1.06 (7.22.25) Working Papers Provisional Rate Revenue Requirement.xlsx, Case No. NEPR-AP-2023-0003, July 22, 2025, Exhibit 1.06, tab "1.3 LUMA NFC Summary by Dpt PB."
[C] Revenue Requirement Schedules, tab "D-1-Optimal."
[D] LUMA FY2026 Temporary Default Budget.
[E] Provisional Rate Order.
[F] LUMA's Motion in Compliance with Hearing Examiner's Order Posing Provisional Rate Questions, ROI-LUMA-AP-2023-0003-20250712-PREB-PROV-0G2_Attachment-1-1.xlsx, Case No. NEPR-IN-2023-0003, July 15, 2025.

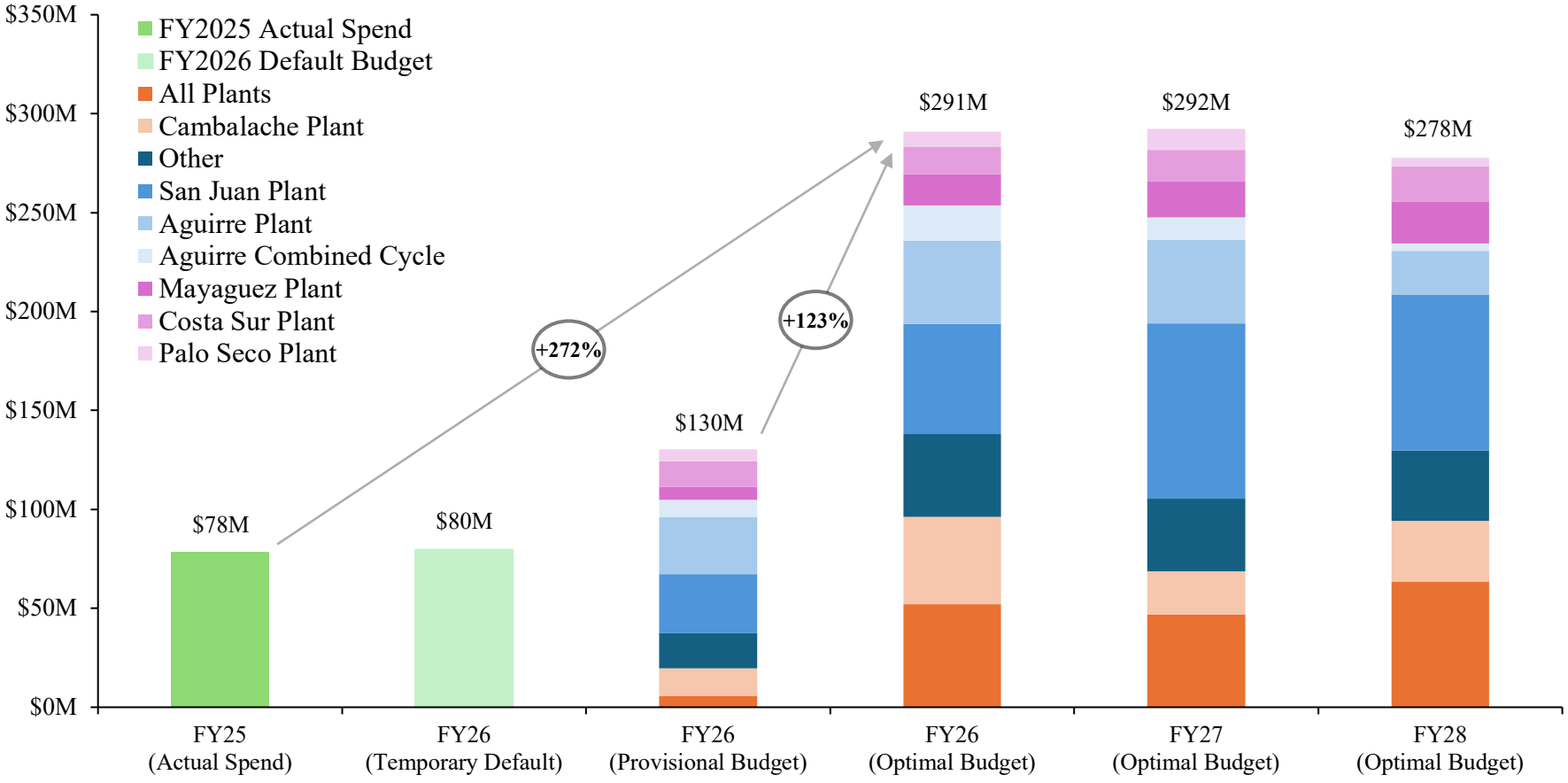
Exhibit 6a: Genera Non-Federally Capital (NFC) Actual and Budget by Power Plant / Portfolio
Constrained Budget
FY2025-FY2028



Note: Breakdown of FY2025 Actual Spend and FY2026 Temporary Default Budget into power plants / portfolios is not available. "Other" includes budgeted expenses assigned to the following portfolios: BESS, Peakers, New PK, Temp Pwr, and those with no (blank) labels.

Sources:
[A] Motion to Submit Budget to Actuals Report for Fourth Quarter of Fiscal Year 2025: 20250808-MI20210004-Exhibit-A-Motion-to-Subm-Budget-to-Actuals-Report-FY2025.xlsx, Case No. NEPR-MI-2021-0004, June 30, 2025, tab "Monthly Expenses."
[B] Revenue Requirement Schedules, tab "D2-Constrained."
[C] Genera FY2026 Temporary Default Budget.
[D] Genera FY2026 Provisional Budget.

Exhibit 6b: Genera Non-Federally Capital (NFC) Actual and Budget by Power Plant / Portfolio
Optimal Budget
FY2025-FY2028



Note: Breakdown of FY2025 Actual Spend and FY2026 Temporary Default Budget into power plants / portfolios is not available. "Other" includes budgeted expenses assigned to the following portfolios: BESS, Peakers, New PK, Temp Pwr, and those with no (blank) labels.

Sources:
[A] Motion to Submit Budget to Actuals Report for Fourth Quarter of Fiscal Year 2025: 20250808-MI20210004-Exhibit-A-Motion-to-Subm-Budget-to-Actuals-Report-FY2025.xlsx, Case No. NEPR-MI-2021-0004, June 30, 2025, tab "Monthly Expenses."
[B] Revenue Requirement Schedules, tab "D2-Optimal."
[C] Genera FY2026 Temporary Default Budget.
[D] Genera FY2026 Provisional Budget.

Exhibit 7a: LUMA NFC Actual and Budget by Portfolio (Constrained Budget)

in $ millions

Portfolio	FY2025 Actual Spend	FY2026 Provisional Budget	FY2026 Requested Provisional Budget	FY2026 Constrained Budget	FY2027 Constrained Budget	FY2028 Constrained Budget
Distribution	$30.2	$35.4	$83.9	$101.8	$185.0	$231.1
Substations	$31.1	$44.1	$74.7	$81.7	$121.1	$142.7
Transmission	$10.0	$23.1	$54.2	$61.2	$76.3	$108.4
Enabling	$20.6	$40.3	$32.4	$55.9	$43.8	$48.1
Control Center & Buildings	$3.3	$3.5	$23.8	$37.1	$9.2	$17.8
Support Services	$9.5	$8.8	$17.7	$31.6	$40.6	$26.6
Customer Experience	$20.8	$24.8	$23.0	$29.3	$28.2	$29.2
Total NFC Budget	**$125.5**	**$180.1**	**$309.7**	**$398.5**	**$504.2**	**$603.9**

Notes:

[1] Portfolios are presented from largest to smallest as reported in the Constrained Budget in FY2026.

[2] Of the FY2026 Requested Provisional Budget, PREB approved only incremental programs over the FY2025 budget which include Priority Stabilization Plan as part of the Substations, Transmission, and Distribution portfolios. These projects include $7.5 million of Transmission Priority Pole Replacements, $9.8 million of Transmission Line Rebuild, $24.3 million of Substation Reliability, $11.7 million of wildfire mitigation infrastructure hardening and $4.0 million of land purchases classified as Enabling.

Sources:

[A] Motion Submitting Rate Review Petition: 2025.07.22 - LUMA Ex. 1.06 (7.22.25) Working Papers Provisional Rate Revenue Requirement.xlsx, Case No. NEPR-AP-2023-0003, July 22, 2025, Exhibit 1.06, tab "1.3 LUMA NFC Summary by Dpt PB."

[B] Revenue Requirement Schedules, tab "D-1-Constrained."

[C] Provisional Rate Order.

Exhibit 7b: LUMA NFC Actual and Budget by Portfolio (Optimal Budget)

in $ millions

Portfolio	FY2025 Actual Spend	FY2026 Provisional Budget	FY2026 Requested Provisional Budget	FY2026 Optimal Budget	FY2027 Optimal Budget	FY2028 Optimal Budget
Distribution	$30.2	$35.4	$83.9	$164.8	$343.4	$409.5
Substations	$31.1	$44.1	$74.7	$115.2	$124.0	$150.5
Transmission	$10.0	$23.1	$54.2	$68.9	$96.3	$138.4
Enabling	$20.6	$40.3	$32.4	$96.4	$84.8	$90.1
Control Center & Buildings	$3.3	$3.5	$23.8	$67.5	$8.4	$7.6
Support Services	$9.5	$8.8	$17.7	$51.3	$46.0	$69.0
Customer Experience	$20.8	$24.8	$23.0	$38.6	$59.5	$63.1
Total NFC Budget	**$125.5**	**$180.1**	**$309.7**	**$602.6**	**$762.4**	**$928.3**

Notes:

[1] Portfolios are presented from largest to smallest as reported in the Constrained Budget in FY2026.

[2] Of the FY2026 Requested Provisional Budget, PREB approved only incremental programs over the FY2025 budget which include Priority Stabilization Plan as part of the Substations, Transmission, and Distribution portfolios. These projects include $7.5 million of Transmission Priority Pole Replacements, $9.8 million of Transmission Line Rebuild, $24.3 million of Substation Reliability, $11.7 million of wildfire mitigation infrastructure hardening and $4.0 million of land purchases classified as Enabling.

Sources:

[A] Motion Submitting Rate Review Petition: 2025.07.22 - LUMA Ex. 1.06 (7.22.25) Working Papers Provisional Rate Revenue Requirement.xlsx, Case No. NEPR-AP-2023-0003, July 22, 2025, Exhibit 1.06, tab "1.3 LUMA NFC Summary by Dpt PB."

[B] Revenue Requirement Schedules, tab "D-1-Optimal."

[C] Provisional Rate Order.

Exhibit 8a: Genera NFC Actual and Budget by Power Plant / Portfolio (Constrained Budget)

in $ millions

Plant / Portfolio	FY2025 Actual Spend	FY2026 Provisional Budget	FY2026 Constrained Budget	FY2027 Constrained Budget	FY2028 Constrained Budget
All Plants		$5.7	$38.8	$35.8	$42.0
Cambalache Plant		$14.1	$35.2	$8.7	$16.9
Other		$17.6	$34.4	$36.4	$41.9
San Juan Plant		$29.9	$32.6	$22.4	$26.3
Aguirre Plant		$28.9	$28.8	$36.0	$16.1
Aguirre Combined Cycle		$8.5	$12.1	$8.1	$2.7
Mayaguez Plant		$6.6	$11.7	$13.3	$15.5
Costa Sur Plant		$13.1	$10.0	$11.7	$15.8
Palo Seco Plant		$5.9	$5.7	$7.6	$3.1
Total NFC Budget	**$78.3**	**$130.3**	**$209.3**	**$180.0**	**$180.4**

Notes:

[1] Portfolios are presented from largest to smallest as reported in the Constrained Budget in FY2026.

[2] Breakdown of FY2025 Actual Spend into power plants / portfolios is not available.

[3] "Other" includes budgeted expenses assigned to the following portfolios: BESS, Peakers, New PK, Temp Pwr, and those with no (blank) labels.

[4] The Energy Bureau approved all provisional funding requested by Genera for Necessary Maintence and Expense (NME).

Sources:

[A] Motion to Submit Budget to Actuals Report for Fourth Quarter of Fiscal Year 2025: 20250808-MI20210004-Exhibit-A-Motion-to-Subm-Budget-to-Actuals-Report-FY2025.xlsx, Case No. NEPR-MI-2021-0004, June 30, 2025, tab "Monthly Expenses."

[B] Genera FY2026 Provisional Budget.

[C] Revenue Requirement Schedules, tab "D2-Constrained."

Exhibit 8b: Genera NFC Actual and Budget by Power Plant / Portfolio (Optimal Budget)

in $ millions

Plant / Portfolio	FY2025 Actual Spend	FY2026 Provisional Budget	FY2026 Optimal Budget	FY2027 Optimal Budget	FY2028 Optimal Budget
All Plants		$5.7	$52.0	$47.0	$63.4
Cambalache Plant		$14.1	$44.2	$21.7	$30.9
Other		$17.6	$41.8	$36.7	$35.4
San Juan Plant		$29.9	$55.7	$88.5	$78.8
Aguirre Plant		$28.9	$42.0	$42.1	$22.1
Aguirre Combined Cycle		$8.5	$17.9	$11.4	$3.7
Mayaguez Plant		$6.6	$15.8	$18.1	$21.1
Costa Sur Plant		$13.1	$13.7	$16.1	$17.9
Palo Seco Plant		$5.9	$7.9	$10.4	$4.3
Total NFC Budget	**$78.3**	**$130.3**	**$291.0**	**$292.2**	**$277.7**

Notes:

[1] Portfolios are presented from largest to smallest as reported in the Constrained Budget in FY2026.

[2] Breakdown of FY2025 Actual Spend into power plants / portfolios is not available.

[3] "Other" includes budgeted expenses assigned to the following portfolios: BESS, Peakers, New PK, Temp Pwr, and those with no (blank) labels.

[4] The Energy Bureau approved all provisional funding requested by Genera for Necessary Maintence and Expense (NME).

Sources:

[A] Motion to Submit Budget to Actuals Report for Fourth Quarter of Fiscal Year 2025: 20250808-MI20210004-Exhibit-A-Motion-to-Subm-Budget-to-Actuals-Report-FY2025.xlsx, Case No. NEPR-MI-2021-0004, June 30, 2025, tab "Monthly Expenses."

[B] Genera FY2026 Provisional Budget.

[C] Revenue Requirement Schedules, tab "D2-Optimal."

ATTESTATION

Affiant, Patrick Hogan, 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.

Patrick M. Hogan

The foregoing instrument was acknowledged and subscribed before me by Patrick Hogan, in his capacity as an independent consultant, of legal age, and resident of Bronx, New York, who has been identified by means of his driver's license with registration 959 658 325

In New York State, this 8th day of September 2025.

Subscribed and Sworn
to before me today 9/8/2025
Dr. Chris Castillo
01CA5012537 Exp June 15, 2027
Notary Public, State of NY
Qualified in NY County
Cert. filed in Bronx County

Notary Public

Appendix A: Patrick Hogan CV

Curriculum Vitae of Patrick M. Hogan

Senior Energy Executive:

Energetic and enthusiastic business leader with the drive, ambition, and resilience to deliver outstanding performance. Excellent track record of driving performance in safety, reliability, efficiency, and customer satisfaction. Identifies critical needs, then develops and implements practical solutions to address those needs. A successful record in providing strategic leadership with strong planning and executing ability. Ability to bring creative and innovative operational approaches to the business. A demonstrated leader in change. Translates broad corporate initiatives into concrete tactics. Ability to establish a high level of confidence with personnel at all levels. Demonstrated ability to build and achieve consensus. Exhibits high personal standards of commitment and integrity. Deals with all levels in a direct, honest, and tactful manner.

Experience:

Chief Operating Officer – Utility Technology Solutions June 2019 – Present

Reporting to the CEO, responsible for the development and distribution of emerging technologies to the electric and gas utility industry.

Senior Vice President, Electric Operations – PG&E March 2016 – January 2019

Reporting to the President, responsible for PG&E's $35+ billion Transmission & Distribution system, delivering safe and reliable energy to more than 16 million people throughout Northern and Central California. Enterprise-wide responsibility for PG&E's Transportation Services, managing over 14,000 vehicles and pieces of equipment.

Vice President, Electric Operations Asset Management – PG&E November 2013 - February 2016

Reporting to the Executive Vice President Electric Operations, responsible for the $35+ billion assets of PG&E Transmission & Distribution system. Responsible for all aspects of PG&E's asset investment and reliability strategies, including the implementation of industry best practices in controls, systems and standards including the planning and implementation of electrical system asset management policy and programs, the investment planning, system performance, system planning, standards, compliance and risk management, and business oversight for Electric Operations; leading asset strategy initiatives such as reliability and system safety in both urban and rural environments; the development and deployment of the technology and Smart Grid strategy for Electric Operations; working effectively with State and Federal regulators, legislators, community and union leaders and leading the regulatory strategy for Electric Operations.

Vice President, T&D Engineering & Design – BC Hydro October 2011 – November 2013

Reporting to the Executive VP T&D, responsible for the engineering and design of BC Hydro's T&D system, including overseeing the delivery of high-quality, timely and cost-effective transmission and distribution engineering services. Accountable for technical engineering leadership and excellence. Perform technical studies, design, cost estimating, construction management and project management for capital projects. Own the engineering and design component of a $1bn+ per year capital plan. Responsible for the Quality Management of BC Hydro's Generation, Transmission and Distribution programs.

Vice President, Distribution Asset Management – National Grid August 2007 – March 2011

Reporting to the Executive VP Distribution, responsible for the multibillion-dollar assets of National Grid's Electricity Distribution system in the US. The scope of responsibilities included asset management, electrical engineering for the T&D system, system performance, including process safety, system reliability, engineering standards, engineering/maintenance policies, network design, system planning and research development and deployment. Created a safety culture within the AM organization to drive significant improvements. Drove reliability ownership and achieved first-quartile reliability performance. Transformed the organization through the creation of a new asset management and engineering organization, reducing headcount and spend by over 30%. Significant contribution to the post-acquisition integration savings of $200m/year.

Vice President, T&D Management - KeySpan December 2006 – July 2007

Reporting to the Executive VP Electric Business Unit, responsible for the engineering, design, construction, maintenance and operation of the Long Island electric transmission and distribution system. Responsible for the Management Services Agreement with the Long Island Power Authority. Oversaw the multibillion-dollar assets of LIPA by optimizing the balance between cost, performance and risk of assets, achieving first quartile results in safety and reliability. Managed the delivery of maintenance, repair, and replacement programs and first call emergency response. Drove a performance-focused delivery organization that exceeded safety, reliability, customer, financial and workload obligations. Led the T&D due diligence team for the National Grid acquisition of KeySpan and led the subsequent T&D integration team bringing the two organizations together.

Director – Electric System Operations July 2004 – November 2006

Responsible for the operation of the bulk power transmission system including substations and interconnections with the Northeast Power Grid. Management of the installation and maintenance of all protection devices, oversight of transmission and substation maintenance and construction activities, dispatch of generation assets on Long Island, and operation and maintenance of the NYC and LI wireless radio networks. Responsible for the operation and maintenance of the electric SCADA/Energy Management System, Computer Aided Design System, Meter Data Collection System, and LI's Electric and Gas Mapping System.

Director – Finance November 2002 – June 2004

Responsible for conducting the financial evaluation of business expansion opportunities, including mergers and acquisitions. Provided financial analysis on major capital investments and cost/benefit studies covering both the regulated and unregulated gas and electric businesses of the company, including the company's common assets. Measured current and prospective investment opportunities against the company's financial objectives. Finance lead on labor contract negotiation team.

Various Engineering and Operations roles 1986 – 2002

Joined the Long Island Lighting Company in 1986 and progressed through various engineering and operations roles including Manager of Protection and Communications, Chief System Operator, Senior System Operator, Senior Engineer, Relay Engineer, Operations Engineer and Metering Engineer.

Board:

Charge, Inc	2023 - present Leading provider of design, procurement, and construction services for the West Coast Utility industry.

Education:

Hofstra University	Executive MBA 2002 GPA: 3.92 Beta Gamma Sigma Medal as Hofstra's Outstanding MBA Student Graduated #1 in EMBA program
Manhattan University	Masters & Bachelor's Degree in Electrical Engineering 1992 GPA: 3.95

Special Projects and Assignments

Industry:	Executive Committee – CIGRE US National Committee Executive Committee – CIGRE Canada National Committee Energy Council of the Northeast – Board Member GE Customer Advisory Board NYISO Operating Committee NYISO System Operations Committee – Chair Instructor – Concepts of Electric System Operations Course - NYISO Instructor - Dispatcher Training Program - NYISO
Community:	San Francisco Ballet – Board member Worcester Polytechnic Institute - Engineering Advisory Board Hofstra University – Strategic Partnership Board Hofstra University – MBA guest lecturer Saint John's University Executive in Residence MBA program instructor Junior Achievement

RESUMEN DE: DECLARACIÓN DE PATRICK HOGAN

Mi testimonio evalúa si los presupuestos de gastos de capital («CapEx») propuestos por LUMA y Genera para AF2026–AF2028 en la solicitud de tarifas de LUMA son ejecutables en un plazo de tres años. Mis opiniones se basan en cuatro décadas de experiencia en liderazgo en el sector de los servicios públicos, el análisis de los presupuestos y el rendimiento de las entidades, y pruebas corroborativas del sector. Es poco probable que los presupuestos de gastos de capital no financiados con fondos federales («NFC») propuestos por las entidades se ejecuten en el plazo requerido y están sobreestimados.

LUMA tiene un historial documentado de ejecución insuficiente. Desde 2022, LUMA ha gastado menos de lo previsto en sus presupuestos agregados financiados por el gobierno federal y NFC CapEx en aproximadamente un 40% de media, alegando retrasos persistentes en la cadena de suministro y escasez de mano de obra, entre otras cosas. Las propias declaraciones de LUMA reconocen las limitaciones en la disponibilidad de equipos y la creciente escasez de trabajadores cualificados, y señalan un déficit de mano de obra del 33% para el año fiscal 2025. Al mismo tiempo, tanto LUMA como Genera acumulan un notable retraso en los proyectos de inversión, con docenas de proyectos que ya se han retrasado más allá de las fechas de finalización previstas.

Los presupuestos propuestos por la NFC no tienen precedentes en cuanto a su magnitud en comparación con los presupuestos históricos, lo que, junto con el primer punto mencionado anteriormente, aumenta aún más la probabilidad de que se produzcan problemas de ejecución. LUMA solicita casi 400 millones de dólares para el año fiscal 2026 en su presupuesto restringido (y más de 600 millones de dólares en su presupuesto óptimo), más del triple de su nivel del año fiscal 2025, mientras que Genera solicita más de 200 millones de dólares en su presupuesto restringido (y casi 300 millones de dólares en su presupuesto óptimo), más del doble que el año

anterior. Estos elevados presupuestos siguen creciendo hasta el año fiscal 2028, con solicitudes de LUMA que alcanzan más de 600 millones de dólares en su presupuesto restringido (y más de 900 millones de dólares en su presupuesto óptimo). Estos aumentos sostenidos suponen un cambio radical con respecto a los niveles de gasto históricos y, según mi experiencia, las empresas de servicios públicos han sido demasiado optimistas sobre su capacidad para ejecutar este tipo de aumentos.

Investigaciones independientes corroboran estos problemas. Los informes de la Oficina de Responsabilidad Gubernamental de los Estados Unidos y la Cámara de Comercio de Puerto Rico documentan la escasez generalizada de mano de obra, la escasez de materiales y otros factores que impiden la ejecución de infraestructuras en la isla, incluso con niveles presupuestarios muy inferiores a los que proponen ahora las entidades. Aumentar esos presupuestos solo puede agravar problemas como la escasez de materiales y mano de obra, ya que provocará una mayor demanda que competirá por una oferta limitada de materiales y mano de obra.