

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

**NEPR**

**Received:**

**Sep 8, 2025**

**4:37 PM**

**IN RE: PUERTO RICO ELECTRIC POWER  
AUTHORITY RATE REVIEW**

**CASE NO.: NEPR-AP-2023-0003**

**SUBJECT: Motion to Submit the  
Independent Consumer Protection Office's  
Answering Testimony (OIPC)**

**MOTION TO SUBMIT THE INDEPENDENT  
CONSUMER PROTECTION OFFICE'S ANSWERING TESTIMONY**

**TO THE HONORABLE PUERTO RICO ENERGY BUREAU:**

**COMES NOW** the Independent Consumer Protection Office of the Public Service Regulatory Board (hereinafter, "OIPC" for its Spanish acronym), by and through the undersigned attorneys, and respectfully STATES and PRAYS as follows:

1. On July 3, 2025, LUMA filed the present *Rate Review Petition* before the Energy Bureau of the Puerto Rico Public Service Regulatory Board (hereinafter, "Energy Bureau or PREB").

2. Pursuant to the procedural calendar established, as amended in the instant case, the deadline for Intervenor's Answering Testimony is today, September 8<sup>th</sup>, 2025.

3. In compliance with the abovementioned, the OIPC hereby submits the Answering Testimony of our financial advisor, Mr. Jaime L. Sanabria Hernández, CPA.

**WHEREFORE**, it is respectfully requested that this Honorable Bureau receive and admit into the record of this proceeding the Answering Testimony of Mr. Jaime L. Sanabria Hernández, CPA.

**RESPECTFULLY** submitted today, September 8<sup>th</sup>, 2025.

**I HEREBY CERTIFY** that on this date a copy of this motion has been electronically filed with the Clerk of the Puerto Rico Energy Bureau and that I have emailed a copy of this motion to the following email addresses: mvalle@gmlex.net; arivera@gmlex.net; jmartinez@gmlex.net; jgonzalez@gmlex.net; nzayas@gmlex.net; Gerard.Gil@ankura.com; Jorge.SanMiguel@ankura.com; Lucas.Porter@ankura.com; katuska.bolanos-lugo@us.dlapiper.com; Yahaira.delarosa@us.dlapiper.com; margarita.mercado@us.dlapiper.com; carolyn.clarkin@us.dlapiper.com; andrea.chambers@us.dlapiper.com; regulatory@genera-pr.com; legal@genera-pr.com; mvazquez@vvlawpr.com; gvilanova@vvlawpr.com; ratecase@genera-pr.com; hrivera@jrsp.pr.gov; gerardo\_cosme@solartekpr.net; contratistas@jrsp.pr.gov; victorluisgonzalez@yahoo.com; Cfl@mcvpr.com; nancy@emmanuelli.law; jrinconlopez@guidehouse.com; Josh.Llamas@fticonsulting.com; Anu.Sen@fticonsulting.com; Ellen.Smith@fticonsulting.com; Intisarul.Islam@weil.com; kara.smith@weil.com; rafael.ortiz.mendoza@gmail.com; rolando@emmanuelli.law; monica@emmanuelli.law; cristian@emmanuelli.law; lgnq2021@gmail.com; jan.albinolopez@us.dlapiper.com; Rachel.Albanese@us.dlapiper.com; varoon.sachdev@whitecase.com; javrua@sesapr.org; Brett.ingerman@us.dlapiper.com; brett.solberg@us.dlapiper.com; agraitfe@agraitlawpr.com; jpouroman@outlook.com; epo@amgprlaw.com; loliver@amgprlaw.com; acasellas@amgprlaw.com; matt.barr@weil.com; Robert.berezin@weil.com; Gabriel.morgan@weil.com; corey.brady@weil.com; lramos@ramoscruzlegal.com; tlauria@whitecase.com; gkurtz@whitecase.com; ccolumbres@whitecase.com; isaac.glassman@whitecase.com;

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

**IN RE: PUERTO RICO ELECTRIC POWER  
AUTHORITY RATE REVIEW**

**CASE NO.: NEPR-AP-2023-0003**

**SUBJECT: DIRECT TESTIMONY  
OF JAIME L. SANABRIA  
HERNÁNDEZ, CPA.**

Direct Testimony of  
**JAIME L. SANABRIA HERNÁNDEZ, CPA**  
Independent Consumer Protection Office ("OIPC")  
September 8, 2025

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**I. INTRODUCTION:**

**Q.1 Please state your name, title, and place of employment.**

A. My name is Jaime L. Sanabria Hernández. I am a Certified Public Accountant and currently serve as a Financial Advisor to the Independent Consumer Protection Office of the Puerto Rico Public Service Regulatory Board (OIPC, for its Spanish acronym).

**Q.2 For the record, could you mention some of your educational and professional qualifications, experience, and certifications?**

A. I am a Certified Public Accountant, licensed to practice in Puerto Rico for over forty-six (46) years. I hold a bachelor's degree in accounting from the University of Puerto Rico, Río Piedras Campus, and a Juris Doctor from the Interamerican University, School of Law. I have extensive professional experience, including more than nineteen (19) years of service with EcoEléctrica, L.P., an existing energy supplier to LUMA. In that capacity, I was responsible for the management of commercial matters related to fuel supply, accounting functions, the development and oversight of long-term financial models, insurance programs, internal and external audits, community outreach programs, banking relations, and all matters pertaining to the Board of Directors, including the preparation of agendas and the drafting of meeting minutes.

**Q.3 On whose behalf are you testifying before the Puerto Rico Energy Bureau of the Public Service Regulatory Board ("PREB")?**

A. I am testifying as an expert witness on behalf of the OIPC.

23 **Q.4 Have you previously provided testimony before the Energy Bureau?**

24 A. No.

25 **Q.5 What is the objective of your testimony?**

26 A. The *Puerto Rico Energy Transformation and RELIEF Act*, Act No. 57-2014, as  
27 amended, grants the OIPC the authority to evaluate the impact of electric service  
28 rates on customers; to serve as advocate and spokesperson for customers' interests  
29 in all matters before the PREB related to electric service rates and charges; to  
30 participate in the process of adopting or modifying rates; to make  
31 recommendations to the PREB regarding rates; and to petition and advocate for  
32 just and reasonable rates for electric service customers in Puerto Rico.

33 In fulfillment of these statutory powers, our objective is to ensure that the  
34 permanent rate ultimately approved by the Energy Bureau is just and reasonable,  
35 consistent with sound fiscal and operational practices, that provides reliable  
36 service at the lowest reasonable cost and imposes the least possible negative  
37 impact on electricity consumers.

38 **Q.6 What documents or references were used to prepare your testimony?**

39 A. "*Puerto Rico Energy and RELIEF Act*", Act 57-2014, as amended; "*Puerto Rico Electric*  
40 *Power Authority Act*", Act No. 83 of May 12, 1941, as amended; LUMA's *Rate Review*  
41 *Petition*, filed July 3, 2025; Case CEPR-AP-2015-0001/ *Puerto Rico Electric Power*  
42 *Authority Rate Review*; Case NEPR-MI-2020-0019/ *Review of the Puerto Rico Electric*  
43 *Power Authority's System Remediation Plan*; Case NEPR-MI-2021-0004/ *Review of*



LUMA's Initial Budgets; and, Case NEPR-AP-2023-0003/*Puerto Rico Electric Power Authority Rate Review.*

**II. DIRECT TESTIMONY**

**Q.7 On what issues or subjects would you be testifying?**

A. My testimony focuses on the efficiencies that should be considered by the Energy Bureau when determining the utility's revenue requirement. Specifically, I will address:

- a. Revenue collection from past-due bills.
- b. Revenues from third-party pole attachments.
- c. The Irrigation District Subsidy.

**Q.8 What is your concern with LUMA regarding efficiencies?**

A. My concern is with LUMA's continued failure to quantify the efficiencies it was obligated to deliver. More than four years into its role as system operator, LUMA continues to argue that efficiencies cannot be quantified, while consumers are left without the savings that were supposed to offset costs. This failure undermines the Energy Bureau's ability to set just and reasonable rates and unfairly increases the financial burden on ratepayers.

This concern is reinforced by the Energy Bureau's own directives. In its Resolutions and Orders, the Bureau made clear that efficiencies were a central justification for selecting LUMA as operator and that their quantification was essential: "*One of the most persuasive components of LUMA's proposal when it was selected as the successful bidder in the competitive solicitation for an entity to operate*

66 *Puerto Rico's electric grid was the efficiencies, resulting on savings, that LUMA was*  
67 *expected to implement. In LUMA's petition for approval of its initial budget they stated*  
68 *that the savings it will bring have not been quantified and will not be known immediately.*  
69 *LUMA asserts that it expects these efficiencies to offset other expenses and therefore, enable*  
70 *LUMA to improve electric service without necessity of modifying rates."*<sup>1</sup>

71 The Energy Bureau itself has emphasized that it expects LUMA to provide further  
72 information on the status of these programs and their associated financial benefits,  
73 as it deems it essential to quantify the impact of the efficiencies that LUMA is set  
74 to impart as the T&D System Operator and, as such, the Bureau required LUMA  
75 to report on the quantification of said savings arising from implemented  
76 efficiencies. *"This will provide the Energy Bureau with the necessary historic information*  
77 *with which to effectively set rates. In addition, the efficiencies that LUMA is expected to*  
78 *provide can be more accurately quantified and their impact reflected in future rates."*<sup>2</sup>

79 Nonetheless, the Bureau has repeatedly expressed concern about LUMA's  
80 inefficiencies in addressing this matter. As the Bureau stated: *"The Energy Bureau*  
81 *has been concerned, since its review of LUMA's Initial Budgets, with regard to LUMA's*  
82 *inadequate identification, implementation, and quantification of efficiencies. In the May*  
83 *31 Resolution, the Energy Bureau set forth its expectations for certain specific efficiencies*  
84 *LUMA was to provide. This included, more efficient contracting of services, more effective*  
85 *revenue collection from past due bills, reducing transmission line losses, reducing energy*

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<sup>1</sup> See, Case NEPR-MI-2021-0004/ Review of LUMA's Initial Budgets, Resolution and Order dated May 31, 2021, at page 31.

<sup>2</sup> Id, at page 35.

86        *theft, addressing customer without meters or with malfunctioning meters, and making the*  
87        *electric infrastructure more efficient. (...) The Energy Bureau finds this level of attention*  
88        *to the identification, implementation and quantification of efficiencies to be unacceptable.*  
89        *Rather than the difficult and seemingly insurmountable burden as to which LUMA seems*  
90        *to treat the identification, implementation and quantification of efficiencies, this should be*  
91        *viewed as an opportunity to achieve and quantify savings for customers, as well as provide*  
92        *LUMA with identified savings with which to provide better services within budgetary*  
93        *constraints.”<sup>3</sup>*

94        Finally, in its February 12, 2025, *Resolution and Order* establishing Scope and  
95        Procedures for this Rate Case, the Bureau again required LUMA, as part of the  
96        Rate Case Filing Requirements under Schedules A-1 and A-2 regarding Budgets,  
97        to submit improved efficiencies and resulting savings “including, but not limited to,  
98        contract efficiencies, revenue collections, reduction in system technical and non-technical  
99        losses, unbilled customers, and other efficiencies.”<sup>4</sup>

100       Taken together, these directives show that the Bureau has consistently expected  
101       LUMA to quantify efficiencies and apply the resulting savings for the benefit of  
102       consumers. Yet today, in the context of this Rate Review, we find ourselves  
103       without the necessary information or quantification of efficiencies that are  
104       essential for establishing new, just and reasonable rates. LUMA’s continued failure

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<sup>3</sup> See, Case NEPR-MI-2021-0004/ *Review of LUMA’s Initial Budgets, Resolution and Order* dated June 26, 2024, at page 9.

<sup>4</sup> See, Case NEPR-AP-2023-0003/ *Puerto Rico Electric Power Authority Rate Review, Resolution and Order* dated February 12, 2025, at page 20, in the Appendix.

to provide this data demonstrates a persistent inefficiency that unfairly shifts costs onto customers.

**Q.9 Did LUMA comply with these Bureau requirements?**

A. No. In its *Rate Review Petition* filed on July 3, 2025, LUMA requested a waiver from providing the required information, alleging that “there is no credible basis to provide the requested estimate.” Furthermore, as cited in the testimony of Mr. Eduardo Balbis, former Commissioner of the Florida Public Service Commission, LUMA argues that it would be “premature” to calculate direct reductions to customer rates generated by any efficiencies it has implemented to provide electric service in a more cost-effective manner.<sup>5</sup>

**Q.10 What is the importance of being able to account for these efficiencies?**

A. The importance lies in the fact that efficiencies are intended to directly reduce the cost of providing electric service. As LUMA itself has stated, “*progress in each of these areas allows it to furnish electric service in a more cost-effective manner. These efforts ultimately lead to customers paying lower rates while receiving better quality service.*”<sup>6</sup> By quantifying efficiencies, the Bureau can ensure that rates reflect not only the costs of service but also the savings customers are entitled to receive, thereby guaranteeing just and reasonable rates.

**Q.11 What effect would accounting for these efficiencies have had in this Rate Case?**

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<sup>5</sup> See LUMA’s *Motion Submitting Rate Review Petition*, dated July 3, 2025, at pages 28-30, on Table 1.

<sup>6</sup> *Id.*, Exhibit 3.0, Eduardo Balbis’ Testimony.

A. Accounting for these efficiencies would have translated into greater revenues for the utility and, consequently, reduced collections required from customers. Efficiencies offset costs, and their proper recognition ensures that the revenue requirement reflects the true net cost of service. By failing to quantify and reflect these savings, LUMA has increased the revenue requirement borne by customers.

**Q.12 With respect to the waiver requested by LUMA to be excused from submitting data on efficiencies, what is your position?**

A. The OIPC strongly opposes LUMA's request for a waiver. Mr. Balbis has recommended that the Energy Bureau accept the positive impacts listed in LUMA's petition and the more than 594 performance metrics in LUMA's quarterly reports as satisfying this requirement.<sup>7</sup> The OIPC disagrees with this recommendation for several reasons.

First, the Bureau has repeatedly emphasized the importance of having quantified efficiency data when establishing a new rate. Second, LUMA has had more than sufficient time to quantify these efficiencies, making its waiver request unjustified. Third, LUMA's failure to quantify efficiencies has the effect of inflating the amount of revenues to be collected, thereby transferring the entire burden to consumers without offsetting reductions that should lower the revenue requirement.

#### **REVENUE COLLECTION FROM PAST-DUE BILLS**

**Q.13 What is your position regarding revenue collection from past-due bills?**

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<sup>7</sup> *Id.*

144 A. My position is that LUMA has not complied with the Energy Bureau's clear  
145 expectations in this area. The Bureau has made clear that LUMA is expected to  
146 implement best practices in collections and revenue protection. Since 2021, LUMA  
147 has been required to file annual reports on the implementation of improved  
148 efficiencies and the quantification of resulting savings. Among these measures,  
149 revenue collection from past-due bills was specifically identified by the Bureau as  
150 one of the areas expected to deliver the most meaningful results.<sup>8</sup> Despite this  
151 expectation, the record in this Rate Review demonstrates that LUMA has failed to  
152 meet this obligation.

153 **Q.14 What does the evidence show about LUMA's accounts receivable?**

154 A. The data provided by LUMA reveals multiple discrepancies in the reported  
155 balances for the same customer classes during the same periods. For example, in  
156 its response to ROI-LUMA-AP-2023-0003-20250324-PREB-039, as of May 31, 2025,  
157 the balance owed by residential customers was reported as \$364.7 million. Yet in  
158 its response to ROI-LUMA-AP-2023-0003-20250324-PREB-072, the balance for  
159 residential customers for that same period was reported as \$728.8 million. These  
160 discrepancies are repeated across all customer classes. Moreover, while LUMA  
161 reported an overall balance of \$862,116,231, the actual sum of the line items  
162 provided equals \$1,317,827,333, a substantial difference of \$455,711,102. These

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<sup>8</sup> See, Case NEPR-MI-2021-0004/*Review of LUMA's Initial Budgets, Resolution and Order* dated May 31, 2021.

inconsistencies highlight a serious lack of transparency and reliability in LUMA's reporting of accounts receivable.

**Q.15 And what does the corrected data ultimately show about the level of arrears?**

A. Using the data submitted by LUMA in ROI-LUMA-AP-2023-0003-20250324-PREB-072, as referenced in its response to ROI-OIPC-of-LUMA-NONPHYS\_OPS-56, the corrected total outstanding accounts receivable as of May 31, 2025, are \$1.317 billion across all customer classes. This figure is extraordinarily high and demonstrates persistent inefficiencies in the collection of overdue balances, which directly inflate the utility's revenue requirement and shift costs onto paying customers.

**Q.16 What are the highest accounts receivable by customer class?**

A. The customer class with the highest level of accounts receivable is the residential class, with a balance of \$728,849,673. The commercial class follows, with \$210,676,648. In third place is the class identified as "Other", which totals \$170,371,213, however, LUMA has not clearly identified what type of customers make up this category.

**Q.17 What is the situation with government arrears?**

A. Government entities represent the fourth largest source of arrears. LUMA reported that, as of August 15, 2025, the outstanding balance owed by government entities was \$125,425,107.61.<sup>9</sup>

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<sup>9</sup> See, LUMA's Response to ROI# OIPC-of-LUMA-NONPHYS\_OPS-43.



**Q.18 How do accounts receivable inefficiencies affect consumers in this rate review?**

A. The effect on consumers is direct and unfair. Responsible paying customers are effectively subsidizing delinquent customers and entities, including government agencies and municipalities. When LUMA fails to collect revenues efficiently, the shortfall is incorporated into the revenue requirement and ultimately recovered through higher base rates. In addition, arrears create liquidity constraints for the utility. LUMA itself has acknowledged that uncollectible accounts negatively affect its cash flow. Rather than addressing these inefficiencies through improved collection, LUMA seeks to pass the financial consequences onto customers through rate increases. This shifts the cost of LUMA's inefficiency entirely onto consumers, undermining the principle of just and reasonable rates.

**Q.19 Has LUMA taken steps to improve collections?**

A. LUMA claims that it has created a dedicated collection team, implemented a 30/60/90-day dunning process, and introduced automated tracking through its Customer Care and Billing (CC&B) system. However, the evidence shows that these measures have not produced meaningful results. Large outstanding balances remain, particularly among government entities and municipalities, demonstrating that LUMA's efforts have not translated into effective outcomes for consumers.<sup>10</sup>

**Q.20 What other consequences can revenue collection inefficiencies cause?**

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<sup>10</sup> See, LUMA's Response to ROI# OIPC-of-LUMA-NONPHYS\_OPS-57.



A. When a utility is inefficient in collecting revenues, there is a higher probability that more customers will become accustomed to not paying. If some customers do not pay, those receivables eventually become *bad debt*, thereby increasing the utility's operating expenses. This additional expense negatively impacts the utility's finances because projected revenues are not realized, which in turn prevents the utility from fully recovering its operating costs. Ultimately, these inefficiencies place upward pressure on the revenue requirement, shifting the financial burden to paying customers.

**Q.21 What impact does this expense have on consumers?**

A. This expense translates into higher rates for consumers, particularly for those customers who pay their bills on time. Ultimately, responsible customers are forced to subsidize delinquent customers, including, but not limited to, government entities and municipalities. This cross-subsidization is unfair and undermines the principle of just and reasonable rates.

**Q.22 What is your opinion regarding the "Bad Debt" factor proposed by LUMA?**

A. As part of its revenue requirement, LUMA proposes applying a 2.97% bad debt factor, relying on a January 10, 2017, *Rate Order*. However, LUMA has admitted that there are no benchmarking studies or useful industry comparisons to support this proposed amount. LUMA further stated that it will only be able to produce a credible, accurate factor at some point in the future.<sup>11</sup>

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<sup>11</sup> See, LUMA's Response to ROI# OIPC-of-LUMA-NONPHYS\_OPS-57.

223 This approach is inconsistent with recent regulatory practice. In previous years,  
224 specifically in the FY2024 and FY2025 budgets, the Energy Bureau approved bad  
225 debt expenses based on a 1.5% factor, which LUMA itself applied in its filings.<sup>12</sup>  
226 The sudden proposal to nearly double that factor, without providing updated,  
227 data-driven justification, raises serious concerns about its appropriateness and  
228 fairness to consumers.

229 **Q.23 What does the data provided by LUMA reflect?**

230 A. The data submitted by LUMA in response to ROI-OIPC-of-LUMA-  
231 NONPHYS\_OPS-56 shows uncollectible amounts of \$137,288 for  
232 FY2024 and \$398,979 for FY2025, which correspond to bad debt percentages of 3%  
233 and 9%, respectively.

234 In addition, LUMA's own accounting records show that it recorded extraordinary  
235 write-offs of approximately \$77 million in FY2024 and \$339 million in FY2025 as  
236 part of a "cleanup" of historical receivables. These extraordinary write-offs are  
237 substantially higher than the amounts approved by the Bureau as "bad debt" and  
238 further highlight the inconsistencies in LUMA's reporting. This discrepancy raises  
239 a fundamental concern. Bad debt should only reflect actual uncollectible sales. It  
240 should not be inflated by old unpurged receivables, poor customer data, or  
241 accounts that could still be collected with proper effort. By including legacy write-

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<sup>12</sup> See, Case NEPR-MI-2021-0004/*Review of LUMA's Initial Budget, LUMA's Request for Approval of T&D Budgets and Submissions of GenCo Budgets for FY2025 and Budget Allocations for the Electric Power System*, dated May 25, 2024, Exhibit 1, at page 28, footnote #5.

offs as uncollectible debt, LUMA artificially increased the bad debt factor to 9%, unfairly inflating the revenue requirement and shifting costs onto customers.

**Q.24 What action do you recommend the Energy Bureau take regarding “bad debt”?**

A. The higher the percentage authorized by the regulator as “bad debt,” the less incentive the utility will have to be efficient in its collection practices. For this reason, the Energy Bureau should either cap the bad debt factor at a reasonable level, such as the 1.5% historically applied, or disallow recovery of any inflated amounts tied to legacy write-offs and inefficiencies. This approach ensures that customers are not forced to subsidize poor collections’ performance and that the utility remains under pressure to improve its revenue protection practices.

#### **REVENUES FROM THIRD-PARTY POLE ATTACHMENTS**

**Q.25 Why are third-party pole attachment revenues important in this rate review?**

A. Third-party pole attachments represent a significant and stable source of revenue that directly offsets the amounts to be collected from customers. The Energy Bureau itself has recognized this in prior proceedings. As the Bureau stated: *“The Energy Bureau recognized the importance of effectively managing and monetizing third-party attachments (“TPA”) to PREPA’s infrastructure, particularly distribution poles. During the June 21 Technical Conference, it became clear that there are significant opportunities to improve the collection from rents from TPA’s, both from past use and moving forward. LUMA reported that since 2017, there had been limited or no collection of fees from third-party attachers. This is a substantial loss of revenue for the utility and, by extension, a burden on ratepayers. The Energy Bureau finds this situation unacceptable*

and directs LUMA to take immediate and comprehensive action to address this issue. The Energy Bureau emphasize the critical importance of capturing this revenue stream. As discussed in the June 21 Technical Conference, LUMA estimated about 450,000 attachments from the telecommunication companies alone. The potential revenue from these attachments is substantial and should be realized to benefit ratepayers.”<sup>13</sup>

This precedent makes clear that TPA revenues must not only be recognized but aggressively pursued and quantified in this rate review, because failing to do so unfairly increases the revenue requirement borne by consumers.

**Q.26 What amounts has LUMA reported as TPA’s Rental Fees?**

A. In Case NEPR-MI-2020-0019, *Review of the Puerto Rico Electric Power Authority’s System Remediation Plan (SRP)*, LUMA filed its *Quarterly Report for the Period Between April 1 and June 30, 2025*. In that report, LUMA informed the Energy Bureau that it had billed \$4,697,061 for FY2025, \$4,653,827 for FY2023, and \$4,424,013 for FY2022 as TPA’s Rental Fees. These figures demonstrate that TPA revenues are material and recurring and therefore must be fully reflected in this rate review to offset the revenue requirement borne by customers.

**Q.27 What amounts has LUMA collected from TPA’s Rental Fees since June 2021 to the present?**

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<sup>13</sup> See, Case NEPR-MI-2021-0004/ *Review of LUMA’s Initial Budgets, Resolution and Order* dated June 26, 2024, at page 8.

282 A. As stated in its response to ROI OIPC-of-LUMA-NONPHYS\_OPS-50, as of August  
283 15, 2025, LUMA has collected only \$444,903.

284 **Q.28 What amounts are owed to LUMA by TPA's?**

285 A. In the same response, LUMA reported that it is currently owed \$11,277,933 in  
286 outstanding TPA fees.

287 **Q.29 What amounts has LUMA included as operating revenues for TPA's in its rate**  
288 **review filing?**

289 A. In Schedule B-7, *Revenues Excluding Sales of Electricity*, under item 3 for TPA's,  
290 LUMA included only \$392,748 for FY2026, the same amount for FY2027, and  
291 \$418,931 for FY2028. This means that LUMA is projecting revenues only about 8%  
292 of what it has billed historically.

293 **Q.30 Do you find these amounts reasonable?**

294 A. No. These amounts are clearly understated. They do not reflect the true potential  
295 of this revenue stream, nor do they account for the efficiencies that LUMA is  
296 expected to achieve in billing and collecting from TPA's.

297 **Q.31 What recovery rate should the Bureau expect from LUMA?**

298 A. Given the nature of the service provided to telecommunications companies, and  
299 the remedies available to LUMA, including the removal of attachments for non-  
300 payment, the Bureau should reasonably expect a recovery rate of 95%-100%. Yet,  
301 the evidence provided by LUMA shows a recovery rate of only 3%, which is a  
302 explicit indicator of persistent inefficiencies in this area.

303 **Q.32 What is your overall conclusion about this topic?**

A. LUMA's failure to properly quantify third-party pole attachment revenues results in an overstated revenue requirement and unjustifiably higher rates for customers. The Bureau should not accept LUMA's understated projections. Instead, it should increase the projected TPA's revenues based on, none less than the amounts historically billed in FY2022, FY2023, and FY2025, incorporate the outstanding balance of \$11,277,933 owed, and establish clear efficiency benchmarks for billing and collection. Only by enforcing these requirements can the Bureau ensure that TPA's revenues are fully credited to the benefit of ratepayers and that customers are not unfairly burdened by LUMA's inefficiencies.

#### IRRIGATION DISTRICT SUBSIDY

**Q.33 Under Puerto Rico law, who is responsible for the costs of irrigation services?**

A. The "*Puerto Rico Electric Power Authority Act*", Act No. 83 of May 12, 1941, as amended, establishes in Section 24:

*"Section 24. – [Coordination and Integration of Irrigation and Hydroelectric Projects]*  
*(22 L.P.R.A. § 214)*

*(a)...*

*(b) In carrying out its duties under the next preceding subsection, the Authority shall pay directly all costs and expenses incurred by it. The Authority shall be reimbursed for all such costs and expenses, including a fair share of the Authority's own overhead and operating expenses attributable to the Puerto Rico Irrigation Service, South Coast, as determined pursuant to subsection (a) above, from the funds available in the Commonwealth Treasury for the operation and maintenance, repair, reconstruction,*

326 *construction of extensions, improvements and enlargements of the works or systems,*  
 327 *constructed and operated and maintained pursuant to the Public Irrigation Law of 1908,*  
 328 *approved September 18, 1908 [22 L.P.R.A. §§ 251--259] and laws amendatory thereof or*  
 329 *supplementary thereto. There shall be advanced to the Authority, from time to time, from*  
 330 *said Irrigation funds in the Treasury, amounts sufficient to provide a working fund*  
 331 *adequate at all times to meet all of said costs and expenses promptly. Said funds shall be*  
 332 *held and administered by the Authority in the same manner as its own funds but shall be*  
 333 *used by it only for the payment of said costs and expenses*

334 **Q.34 Has the Energy Bureau previously addressed how irrigation costs should be**  
 335 **recovered?**

336 A. Yes. In Case CEPR-AP-2015-0001/ *Puerto Rico Electric Power Authority Rate Review*,  
 337 the Bureau determined that “(...) non-agricultural water rates should cover their  
 338 costs, unless a reduction from cost is necessary to ensure that the customer will  
 339 remain “on the system” to contribute something to fixed costs-a concept we will  
 340 discuss in the context of the load retention discount at Part Three-II(C)(4).”<sup>14</sup>

341 **Q.35 According to the Energy Bureau’s determination, who should pay for this**  
 342 **subsidy?**

343 A. The costs of irrigation service should be covered, in the first instance, through the  
 344 tariff established for non-agricultural customers. If those costs cannot be fully  
 345 recovered, they should then be reimbursed by the Central Government. Finally, if

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<sup>14</sup> See, CEPR-AP-2015-0001/ *Puerto Rico Electric Power Authority Rate Review, Final Resolution and Order*, dated January 10, 2017, at pages 89-91.



after these two sources there are still unrecovered costs, only as a last resort should they be borne by consumers through the NHH Subsidy.

**Q.36 Why does the OIPC oppose the \$4.15 million subsidy requested by LUMA?**

A. We oppose it because PREPA have treated this subsidy as fixed, recurring, and the primary funding source. This interpretation is contrary to both statute and regulatory precedent. Consumer-funded subsidies are a last resort, not the first, and electricity customers should not be forced to shoulder this burden ahead of the parties responsible.

**Q.37 Has PREPA been diligent in seeking reimbursement from the Government of Puerto Rico?**

A. No. PREPA has failed for at least twenty years to collect reimbursements from the Treasury.<sup>15</sup> This long-standing inaction directly contributes to the continued reliance on consumer subsidies.

**Q.38 Was the OIPC included in irrigation tariff negotiations, as required?**

A. No. PREPA failed to notify or include the OIPC in tariff negotiations with irrigation customers, in direct violation of Bureau orders requiring OIPC participation. This exclusion undermines transparency and deprives consumers of proper representation in matters that directly affect their rates.

**Q.39 How would granting this subsidy affect electric consumers?**

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<sup>15</sup> See, Case NEPR-MI-2021-0004/*Review of LUMA's Initial Budgets, Motion in Compliance with January 23<sup>rd</sup>, 2024, Resolution and Order* dated April 22, 2024.



365 A. It would unfairly increase costs for electricity customers, who already face high  
366 rates and service reliability challenges. Granting this subsidy would also  
367 perpetuate inefficiency by rewarding PREPA's failure to recover funds through  
368 lawful and proper channels.

369 **Q.40 What is your conclusion?**

370 A. The OIPC respectfully recommends that the Bureau deny LUMA's request for  
371 \$4.15 million in subsidies, as it is inconsistent with law, regulatory precedent, and  
372 sound public policy. The Bureau should reject it and require PREPA to meet their  
373 statutory obligations without imposing additional burdens on Puerto Rico's  
374 electric consumers.

375 **Q. 41 Does this complete your testimony?**

376 A: Yes.


### III. SWORN STATEMENT

I, **Jaime L. Sanabria Hernández**, of legal age, married and resident of Guaynabo, PR, affirm that the information here-transcribed represents my direct testimony as deponent in the subject case. I affirm that I will provide the responses described in my direct testimony if the questions are posed at the time of submission, and, that to my best knowledge and belief, these expressions are true and correct.

  
Jaime L. Sanabria Hernández, CPA

Affidavit Number: 1062

**SWORN AND SUBSCRIBED** before me by Jaime L. Sanabria Hernández, of the aforementioned personal circumstances, identified by his current driver's license, number 865613 which contains photo and signature.  
In San Juan, Puerto Rico, this 8<sup>th</sup> of September 2025.

  
Notary Public

## **PERSONAL DATA SHEET**

**CPA Jaime L. Sanabria JD**  
**1 Palma Real Ave, Apt. 9A6**  
**Murano Luxury Apartments,**  
**Guaynabo, PR 00969**  
**(787-586-2356)**  
**jaimesanabria042@GMail.com**

### **Professional Goal:**

Provide key leadership and customer relations skills to the team in the quest to achieve operational excellence while serving as coach for its development to enhance business success.

### **Executive Summary:**

Experience managing relations with Puerto Rico public corporations such as PREPA and PRASA, and other government entities; negotiation of settlement agreements, contract compliance, credit and collections. Proven consistency in delivering planned business results. Strengths in formulating strategies and action plans in support of business objectives. Developed teams to support business growth, increase productivity and improve business results.

### **Most recent experience:**

09/22 – present	Sabbatical
01/20 - 02/2023	Executive director at the Puerto Rico CPA Society
07/99 - 12/2018	EcoEléctrica, L. P. Co-President, Treasurer, Corporate Secretary and General Manager – Finance & Administration

### **Achievements:**

#### **1. Governance:**

- a. Lead role in commercial and financial discussions with PREPA and PRASA.
- b. Organized and led discussions at quarterly BoD's meetings.
- c. Designed and implemented business and financial processes.
- d. Managed cash flows, including the preparation of monthly cash flow projections.
- e. Structured monthly and quarterly management reports for the shareholders.
- f. Responsible for preparation of BoD's documentation.
- g. Managed \$700MM+ debt agreement until paid in full.

**2. Organizational Development:**

- a. Recruited personnel and developed highly effective and productive teams.
- b. Developed a governance and compliance culture.

**3. Management of Business:**

- a. Negotiated settlements on commercial disputes with PREPA and PRASA.
- b. Negotiated settlement agreements on commercial disputes with LNG supplier.
- c. Negotiated \$18 million loan with Lenders to complete construction.
- d. Negotiated \$58 million in letters of credit and working capital facilities.
- e. Collected insurance recoveries of \$30+ million.
- f. Delivered consistent annual growth in profits and dividends.

**Key responsibilities at EcoElectrica:** shared the lead of the company with the General Manager of Operations; managed finance, administration, legal, environmental projects and community outreach programs for the first private independent power producer on the island; served as the spokesperson for the company; managed a \$700 million long-term debt agreement; negotiated additional financing; dividend planning; and investments.

**Responsibilities common at all jobs:** accounting; reporting results of operations, cash flow management; business plans, financial modelling; annual budgets, monthly forecasts and long-term projections; presentations to board of directors; bank relations; letters of credit; external and internal audits; accounting policies and procedures; internal controls policies and procedures; tax compliance; government relations; insurance; information systems.

**Prior employers and positions:**

10/95 - 06/99	Aventis	Dir.of Bus. Development / Controller
01/94 – 03/95	Syntex, Inc.	Director of Finance
03/93 – 01/94	A.G. Bayer P. R., Inc.	Financial Manager
08/86 – 03/93	Procter & Gamble	Financial Manager
11/81 – 07/86	The Coca-Cola Co.	Cost & Budget Manager
01/79 – 11/81	Hemisphere Oil Co.	Financial Administrator
01/75 – 12/78	Coopers & Lybrand	Senior Auditor

**Commercial and Professional Associations and positions held:**

CPA Society Foundation director  
Chamber of Commerce of Puerto Rico, Director (elected twice)  
Chamber of Commerce of the South of Puerto Rico, President, Director  
Chamber of Commerce of Spain in Puerto Rico, Member  
Puerto Rico Energy Cluster director.

**Education:**

BBA - Accounting Major - University of Puerto Rico, Graduated in December, 1974  
JD - Interamerican University Law School, Graduated in June, 1998

PC literate and work in an MS Office environment, including Excel, Word and PowerPoint.  
I have full command of the english and spanish languages.

**GOBIERNO DE PUERTO RICO  
JUNTA REGLAMENTADORA DE SERVICIO PÚBLICO  
NEGOCIADO DE ENERGÍA DE PUERTO RICO**

**IN RE:** REVISIÓN TARIFARIA DE LA  
AUTORIDAD DE ENERGÍA ELÉCTRICA

**CASO NÚM.:** NEPR-AP-2023-0003

**ASUNTO:** RESUMEN DEL  
TESTIMONIO DE LA OFICINA  
INDEPENDIENTE DE  
PROTECCIÓN AL  
CONSUMIDOR (OIPC) EN EL  
IDIOMA ESPAÑOL

**RESUMEN DEL TESTIMONIO DE LA OFICINA  
INDEPENDIENTE DE PROTECCIÓN AL CONSUMIDOR (OIPC)**

Comparece la Oficina Independiente de Protección al Consumidor de la Junta Reglamentadora de Servicio Público (en adelante, OIPC), testificando por conducto del CPA, Jaime L. Sanabria Hernández.

**I. Objetivo del testimonio**

La *Ley de Transformación y ALIVIO Energético*, Ley Núm. 57-2014, según enmendada, faculta a la OIPC a evaluar el impacto de las tarifas en los clientes del servicio eléctrico, participar en la adopción de tarifas y abogar por tarifas justas y razonables. El propósito principal de nuestro testimonio es asegurar que la tarifa permanente finalmente aprobada por el Negociado de Energía de la Junta Reglamentadora de Servicio Público (en adelante, NEPR) sea una justa y razonable, consistente con prácticas fiscales y operacionales sanas por parte de la utilidad, y que provoquen el menor impacto negativo posible en los consumidores.

## **II. Aspectos centrales del testimonio**

### **a. Eficiencias operacionales:**

- LUMA no ha cuantificado las eficiencias que se comprometió a implementar en beneficio de los consumidores desde que asumió la operación del sistema eléctrico.
- La ausencia de datos sobre eficiencias impide reflejar los ahorros en la tarifa, inflando injustamente el ingreso requerido por parte de los consumidores.
- La OIPC rechaza la solicitud de LUMA para eximirse de proveer esta información.

### **b. Cobro de facturas en atrasos:**

- Al 31 de mayo de 2025, los balances por cobrar ascienden a \$1,317 millones, con graves discrepancias en la información provista por LUMA.
- La clase residencial representa el mayor nivel de morosidad, seguida por la comercial. La morosidad de entidades gubernamentales asciende a \$125 millones.
- Estas ineficiencias en las cuentas por cobrar transfieren el costo a los consumidores cumplidores, quienes terminan subsidiando a los morosos.
- LUMA propone aplicar un factor de “bad debt” de 2.97%, casi el doble del factor del 1.5% aprobado históricamente por el Negociado de Energía, sin evidencia alguna que lo justifique.



**c. Ingresos por “Third-Party Pole Attachments” (TPA):**

- LUMA ha facturado a las compañías de telecomunicaciones sobre \$4.4 millones anuales por el arrendamiento de la infraestructura de la utilidad. No obstante la cifra antes mencionada, LUMA proyecta como ingresos anuales para esta partida únicamente la cuantía de \$392,000 dólares, lo que apenas representa un 8% del total facturado.
- Desde el 2021 hasta la fecha, LUMA ha cobrado la ínfima suma de \$444,903 dólares, mientras reporta cuentas por cobrar ascendentes a \$11.2 millones.
- La OIPC entiende que el Negociado debe exigirle a LUMA una efectividad en el cobro de entre un 95% a un 100% del total facturado a los TPA's.
- Por consiguiente, los ingresos proyectados por LUMA deben reflejar el potencial real que debe ser recuperado.

**d. Subsidio sobre el Distrito de Riego:**

- Conforme a la *Ley de la Autoridad de Energía Eléctrica*, Ley Núm. 83 de 1941, según enmendada, los costos del servicio de riego deben ser cubiertos en primer orden por los clientes de agua no agrícolas y en su defecto, reembolsados por el Gobierno Central de Puerto Rico. Por consiguiente, los consumidores del servicio eléctrico deben ser el último recurso para recuperar dichos costos.
- La Autoridad de Energía Eléctrica (en adelante, Autoridad) ha reconocido que lleva sobre veinte (20) años sin cobrar reembolsos por parte del



Gobierno Central y ha tratado este subsidio como una fuente de ingresos recurrente.

- La OIPC se opone al subsidio solicitado de \$4.15 millones por ser contrario a la ley, a la jurisprudencia administrativa y a la política pública.

### III. Conclusión

La falta de cuantificación de eficiencias, las deficiencias en el cobro de cuentas por cobrar, la subestimación de ingresos por arrendamientos de la infraestructura a terceros por parte de LUMA y el recobro indebido del Subsidio del Distrito de Riego por parte de la Autoridad, resultan en un incremento sustancial sobre los ingresos que alega la utilidad resultan necesarios, lo que se traduce en tarifas más altas para los consumidores.

La OIPC recomienda al Negociado:

1. Rechazar la solicitud de dispensa solicitada por LUMA a los fines de no proveer la información relacionada a la cuantificación de eficiencias.
2. Aprobar un factor no mayor del 1.5% como “bad debt”.
3. Ajustar los ingresos por concepto del arrendamiento de la infraestructura de la utilidad (TPA’s) cónsono con la facturación histórica.
4. Denegar el subsidio de \$4.15 millones solicitado para el Distrito de Riego.

En resumen, la OIPC solicita al Negociado de Energía que garantice una tarifa justa y razonable, que refleje eficiencias reales y no transfiera a los consumidores los costos de la ineficiencia de LUMA.