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

IN RE: PUERTO RICO ELECTRIC POWER AUTHORITY RATE REVIEW	**CASE NO.:** NEPR-AP-2023-0003 **SUBJECT:** Hearing Examiner's Order Submitting Expert Reports of Energy Bureau Consultants

Hearing Examiner's Order Submitting Expert Report of Energy Bureau Consultants

Per the process established by my order of October 1, 2025, this Order marks for identification, to be admitted into evidence subject to objections, the following document:

- PREB Consultants Exhibit 65, Federal Funding Expert Report of Guímel Cortés.

I direct Secretary Seda to place these reports on the Energy Bureau's case docket.

Be notified and published.

_____
Scott Hempling
Hearing Examiner

CERTIFICATION

I certify that the Hearing Examiner, Scott Hempling, has so established on October 10, 2025. I also certify that on October 10, 2025, I have proceeded with the filing of the Order, and a copy was notified by electronic mail to: 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; mdiconza@omm.com; golivera@omm.com; pfriedman@omm.com; msyassin@omm.com; msyassin@omm.com; katiuska.bolanos-lugo@us.dlapiper.com; Yahaira.delarosa@us.dlapiper.com; margarita.mercado@us.dlapiper.com; carolyn.clarkin@us.dlapiper.com; andrea.chambers@us.dlapiper.com; regulatory@genera-pr.com; legal@genera-pr.com; mvazquez@vvlawpr.com; gvilanova@vvlawpr.com; ratecase@genera-pr.com; jfr@sbgblaw.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; alexis.ramsey@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; tmacwright@whitecase.com; jcunningham@whitecase.com; mshepherd@whitecase.com; jgreen@whitecase.com; hburgos@cabprlaw.com; dperez@cabprlaw.com; howard.hawkins@cwt.com; mark.ellenberg@cwt.com; casey.servais@cwt.com; bill.natbony@cwt.com; zack.schrieber@cwt.com; thomas.curtin@cwt.com; escalera@reichardescalera.com; riverac@reichardescalera.com; susheelkirpalani@quinnemanuel.com; erickay@quinnemanuel.com; dmonserrate@msglawpr.com; fgierbolini@msglawpr.com; rschell@msglawpr.com; eric.brunstad@dechert.com; Stephen.zide@dechert.com; David.herman@dechert.com; Isaac.Stevens@dechert.com; James.Moser@dechert.com; michael.doluisio@dechert.com; Kayla.Yoon@dechert.com; Julia@londoneconomics.com; Brian@londoneconomics.com; luke@londoneconomics.com; juan@londoneconomics.com; mmcgill@gibsondunn.com; LShelfer@gibsondunn.com; jcasillas@cstlawpr.com; jnieves@cstlawpr.com; pedrojimenez@paulhastings.com; ericstolze@paulhastings.com; arrivera@nuenergypr.com; apc@mcvpr.com; ramonluisnieves@rlnlegal.com.

I sign this in San Juan, Puerto Rico, on October 10, 2025.

NEGOCIADO DE ENERGÍA DE PUERTO RICO
NEPR
JUNTA REGLAMENTADORA DE SERVICIO PÚBLICO

Sonia Seda Gaztambide
Clerk

BEFORE THE
PUERTO RICO ENERGY BUREAU

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

EXPERT REPORT

OF

Guímel Cortés

PC Exhibit 65.0

On the Matter of Federal Funding

October 10, 2025

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Executive Summary

Puerto Rico's electric system reconstruction depends heavily on federal disaster recovery funding, yet the mechanics of that funding create a critical liquidity gap that threatens project viability. Under FEMA's reimbursement-based system, electric utilities must pay contractors and suppliers upfront, then wait months for federal validation and reimbursement. This system creates cash-flow pressures that can idle projects, delay critical reliability improvements, and jeopardize billions in already-invested federal funds. This report addresses how to bridge this liquidity gap and optimize federal fund usage through rate-based regulatory solutions that enable continuous project execution during federal reimbursement processing cycles.

Part I of this Report describes the federal funding framework, including the rules of FEMA's Public Assistance program, the structure and constraints of the FEMA Accelerated Award Strategy (FAASt) program, and the operational challenges that these programs create. This report describes a structural mismatch between (a) the timing of federally-eligible capital expenditures and (b) the uncertainty and timing associated with the arrival of federal funds. Although Puerto Rico's Central Office for Reconstruction, Recovery, and Resiliency (COR3)[1] provides a Working Capital Advance (WCA)[2] for initial cash-flow needs to get a project started, an operator must fully spend and document each tranche of project work before COR3 disburses the next WCA. The reconciliation process can take approximately 75 days, creating recurring liquidity gaps that can stall projects.

The report also finds that the operators, LUMA and Genera, have proposed in this rate case to use customer funds, paid through base rates imposed by the Energy Bureau, for projects that this report identifies as eligible for federal funding. The operators refer to these funds as "Non-Federal Capital" (NFC). For example, LUMA's proposed "Transmission Line Rebuild of Line 8700" aligns with the scope of FEMA's FEMA Accelerated Awards Strategy program (FAASt). That scope offers federal funds for rebuilding damaged infrastructure to modern standards. Similarly, Genera's proposed acquisition of turbine boiler feed pumps appears eligible under a specific FAASt project for bulk equipment

[1] COR3 is a Puerto Rico Commonwealth government agency created by Executive Order OE-2017-65 to ensure that the Government of Puerto Rico undertakes reconstruction efforts. (https://recovery.pr.gov/en/about-cor3). COR3 is Puerto Rico's designated recipient for federal disaster funds, serving as the intermediary between FEMA and local subrecipients like PREPA, LUMA, and Genera. When FEMA obligates funds for a project, those funds are first transferred to COR3, which then disburses them to the subrecipients. COR3 also administers the Working Capital Advance program and conducts reconciliation reviews before releasing subsequent funding tranches.

[2] Central Office for Recovery, Reconstruction and Resiliency (COR3), *Disaster Recovery Federal Funds Management Guide (DRFFMG), Chapter 7 – Payment and Cash Management* (Version 6.0, June 2025).

purchases. This report also finds that operators have over $400 million in available HUD CDBG-DR funds designated for the 10% non-federal cost-share, yet are proposing to have electric customer pay for that cost-share through base rates.

Part II provides specific recommendations to address the concerns described in Part I. Specifically, this report recommends that the Energy Bureau:

- **Establish a Restricted Federally Funded Capital Account (RFFCA)** to act as a temporary liquidity tool that bridges the cash-flow gaps in the federal reimbursement process. The RFFCA would serve dual purposes: (1) bridging cash-flow gaps for obligated projects, and (2) providing contingency funding for essential reliability projects that cannot await final FEMA determinations without unacceptable safety or service risks.
- **Direct the operators to conduct a comprehensive review** of all projects in the NFC pipeline and move any federally-eligible projects into the FAASt workflow.
- **Ensure that operators maximize the use of their own federally reimbursable workforce** ("force account" labor), for which federal rules allow full reimbursement of straight-time and overtime pay for permanent work projects.

Part III also addresses recent developments including the U.S. Department of Energy's $365 million funding announcement and its implications for the revenue requirements proposed in this proceeding by LUMA and Genera.

Appendix A uses the current island-wide vegetation management program and past disaster experience to illustrate how the requirements and timelines of the FEMA process shape efforts to enhance system reliability across the Island. While the LUMA vegetation management projects, as obligated by FEMA, require an estimated $1.2 billion to clear overgrown rights-of-way, FEMA has "obligated" only about $657 million across all active vegetation management Project Worksheets.[3] This amount leaves a funding gap of approximately $543 million, jeopardizing the goal of achieving a manageable baseline in vegetation management.

Appendix B contains an analysis of the WCA time gaps.

Author information: Guímel Cortés is a consultant with MAXeta Energy, PLLC based in Washington, D.C., and advisor to the Energy Bureau. Prior to his work at MAXeta, he was the Puerto Rico State Public Assistance Coordinator during the recovery Hurricane Georges (DR-1247-PR; 1998), and the Puerto Rico Public Assistance Officer during the recovery

[3] FEMA "obligation" means that FEMA has made a formal commitment to fund a project and has allocated funds in its budget. Actual funds start to flow through COR3 to operators only after: (1) detailed scope development by submitting organization, (2) project approval by FEMA, (3) Environmental and Historic Preservation (EHP) clearance, and (4) periodic reimbursement requests made by the operators or WCA disbursements made by COR3.

from Hurricane Maria (DR-4339-PR; 2017), also serving as a Subject Matter Expert during that disaster. His curriculum vitae is attached as **Appendix C.**

I. The FEMA framework and its operational challenges

Following Hurricanes Irma and María, a Presidential major disaster declaration made Puerto Rico's entire electric system eligible for federal aid through FEMA's Public Assistance program. The system's reconstruction now depends on two distinct funding streams: (a) revenues from customer rates, which cover ongoing operations and maintenance, plus any necessary capital expenditures not covered by FEMA funds; and (b) federal awards from FEMA, which fund the repair, restoration, and mitigation of disaster-damaged infrastructure.

FEMA's Public Assistance program provides this federal assistance through a structured, multi-phase process. The process begins with initiation and project formulation, where the operator, the recipient COR3, and FEMA collaborate to define the scope of work and ensure compliance with federal requirements. Once a proposed project is approved by FEMA, FEMA formally commits funds through a legal "obligation." The process concludes with project monitoring and closeout, where the operator reconciles project expenses against actual costs.

The Public Assistance program operates primarily on a reimbursement basis. The applicant must advance its own funds to cover the project costs, then submit requests to COR3 for reimbursement of eligible expenses. To reduce this upfront financial burden on large projects, COR3 provides the operator with a Working Capital Advance.

For most projects, FEMA imposes on the recipient a cost-share obligation: FEMA covers 90 percent of the cost, while the recipient's non-federal source covers the remaining 10 percent. A separate federal program, the HUD CDBG-DR Non-Federal Match Program, provides to Puerto Rico $500 million specifically to meet this 10 percent cost-share requirement.[4]

The remainder of this Part I describes three elements of FEMA's Public Assistance program: the FAASt Program, the Working Capital Advance (WCA) program, and the treatment of Direct Administrative Costs (DAC).

A. The FAASt Program

FEMA's Accelerated Awards Strategy (FAASt) is a procedural innovation created by FEMA to manage the recovery from Hurricane María. FEMA authorized approximately

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[4] *See Puerto Rico Department of Housing (PRDOH), CDBG-DR Subrecipient Manual: Applicable to all PRDOH CDBG-DR and CDBG-MIT Programs (2024),* https://recuperacion.pr.gov/en/download/subrecipient-manual/*; and, CDBG-DR Guías del Programa: Programa de Pareo de Partidas No Federales [CDBG-DR Program Guidelines: Non-Federal Match Program] (2024),* https://recuperacion.pr.gov/en/download/non-federal-match-program/*.*

$9.46 billion under a Fixed Cost Estimate agreement with PREPA.[5] The agreement consolidated all damaged electric system facilities into a single recovery budget without requiring from PREPA detailed, project-specific Scopes of Work (SOW) upfront. This procedure created a finite "universe of damage" based on a master list of damaged facilities. That list, known as the Damage Description and Dimensions (DDD), defines the damage boundaries of the award.

FAASt is a mechanism for managing the *process* of funding; it is not a change to the *rules* of eligibility. Under FAASt, a multi-billion-dollar award is a budget ceiling for a portfolio of projects. Each individual project within that portfolio must still independently pass the rigorous eligibility tests of the Public Assistance program before the recipient can access construction funds.

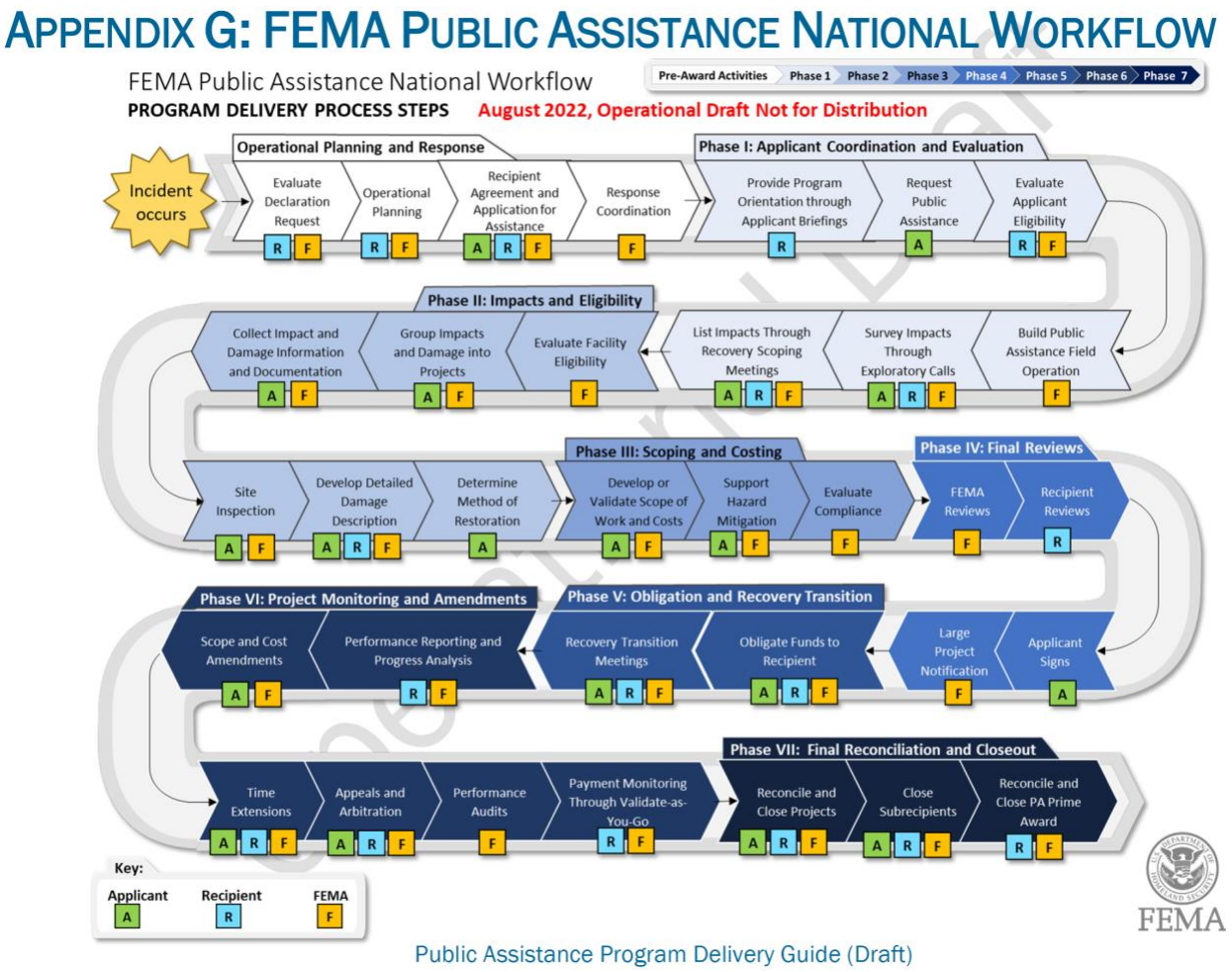
The FAASt program defines three primary pathways by which a recipient can receive funds for permanent work:

- **Restoration to pre-disaster design and function:** This baseline allows for restoring a facility to conformance with all current codes and industry standards. This reference to codes and standards means that FEMA repair funds will pay for upgrades to modern components more resilient than their predecessors.
- **Improved projects:** This pathway allows for enhancements not required by codes, such as increasing a substation's capacity. However, FEMA's funding is capped at the estimated cost of the baseline restoration; therefore, the utility must cover any additional capital expenditure.
- **Alternate projects:** If restoring a facility is not in the public's best interest, the recipient may use the funds otherwise available for restoring that facility for a different purpose, such as building a new facility elsewhere. Like the improved-project pathway just described, this pathway is subject to funding caps based on the original restoration cost.

To access funds for construction, operators must follow a formal, sequential workflow, described in Figure 1 below. The process begins with the operator's submission of a detailed Recovery Statement of Work (SOW) and cost estimate to COR3 and FEMA. This package then undergoes review by the Puerto Rico Energy Bureau, COR3, and FEMA. The operator then creates a new, individual project, and FEMA transfers to COR3 the funds from the master Island-Wide FAASt project. The program has no provision for FEMA's retroactive approval and reimbursement of funds for construction that begins before this process is complete.

[5] Federal Emergency Management Agency, *FEMA Approved Nearly $9.5 Billion to PREPA Under Accelerated Awards Strategy*, Press Release (Apr. 8, 2022), https://www.fema.gov/press-release/20220408/fema-authorized-statements-prepa-projects.

Figure 1 – FEMA PA National Workflow[6]



Environmental and Historic Preservation compliance: The most challenging step in this workflow is the mandatory Environmental and Historic Preservation (EHP) compliance review, which the applicant must complete before any construction begins. As a federal agency, FEMA has a non-delegable legal duty to assess the potential impacts of a project on environmental and historic resources before FEMA can continue the workflow evaluation process illustrated in Figure 1. If an operator begins construction before FEMA completes its review, there is increased risk that FEMA rejects the project. The FAASt procedure thus contains this warning: "Initiation of construction prior to FEMA EHP completion of reviews jeopardizes part of or all the Federal funding for the project" due to the increased uncertainty of project approval. This "jeopardy clause" is not a mere recommendation but a formal warning of the severe financial consequences of non-compliance.

[6] FEMA Public Assistance Program Delivery Guide September 2022 (Operational Draft) Version 1.1.

The mandatory EHP pre-approval makes the strategy of using customer funds to pre-fund construction financially untenable. While the operator could theoretically return funds to customers if federal reimbursement is successful, that action is contingent on first navigating the high-risk approval process and then executing separate local regulatory and accounting procedures. A failure to comply with the EHP sequence could lead to a catastrophic outcome: projects completed with non-recoverable customer funds, resulting in a permanent financial loss.

Architecture & Engineering (A&E) funds: The FAASt program provides its own formal, low-risk mechanism for accelerating projects: dedicated Architecture & Engineering (A&E) funds. The program explicitly allows operators to use these obligated federal funds for all critical preliminary work, including design, planning, and technical studies, as these activities are not considered "construction." This method allows projects to become fully "shovel-ready" while the administrative Statement of Work (SOW) and EHP reviews proceed in parallel. This pathway accelerates the project timeline in a federally compliant manner without placing financial risk on customers.

Tables 1A and 1B contrast (a) pre-construction activities funded by the FAASt Architecture & Engineering, with (b) pre-construction activities that can receive FEMA funding only after the applicant receives approval of a SOW and goes through EHP review.

Table 1A Pre-Construction Activities Funded by FAASt A&E[7]

Authorized under FAASt A&E Funds (Pre-Construction Activities)
Architectural & Engineering (A&E) design services.
Development of detailed construction plans and specifications.
Preparation of Recovery SOWs and cost estimates for FEMA submission.
Topographical and boundary site surveying.
Non-destructive geotechnical studies (e.g., soil borings, analysis).
Environmental site assessments and cultural resource surveys.
Planning for project logistics, scheduling, and procurement.
Non-destructive diligence studies.

Table 1B: Construction Activities Requiring Approved Recovery SOW & EHP Review

Requires Approved Recovery SOW & EHP Review (Construction)
Site clearing, grubbing, and large-scale earthwork.
Demolition of existing structures or foundations.
Excavation for foundations, trenches, or conduits.
Installation of foundations, footings, or equipment pads.
Erection of structures (e.g., poles, towers, control buildings).
Installation of permanent equipment (e.g., transformers, switchgear).
Stringing of conductors and installation of permanent cabling.
Paving of access roads and final site restoration.

An analysis of the FEMA Accelerated Award Strategy (FAASt) program reveals that LUMA and Genera are planning to use non-federal, customer-funded capital for projects that appear eligible for federal reimbursement. For example, LUMA's proposed "Transmission Line Rebuild of Line 8700" aligns with the FAASt award's purpose, which covers all facilities listed in its master Damage Description and Dimensions (DDD) and allows for rebuilding to modern, more resilient standards. Similarly, Genera's "Aguirre Plant Turbine Driven Boiler Feed Pumps Two Bundle Acquisition" appears eligible under a specific FAASt project (PW #10710), created for the bulk purchase of critical components, explicitly including generation equipment like turbines and heat exchangers.

Pursuing these projects with non-federal funds places an avoidable financial burden on customers when a dedicated federal mechanism already exists. Therefore, a systematic review of all projects currently in the non-federal pipeline is necessary. The Energy Bureau should require operators to cross-reference each project with the FAASt master DDD to confirm its eligibility. The Energy Bureau should then require operators to remove any project that LUMA and Genera identify as eligible from the non-federal capital plan and require LUMA and Genera to transfer those projects into the FAASt workflow. This strategic realignment would maximize the use of available federal recovery funds, accelerate the electric system modernization in a federally compliant manner, and reserve customer funds

[7] FEMA-4339-DR-PR Public Assistance Post-Fixed Cost Estimate Obligation for PREPA, PRASA, and PRDE Standard Operating Procedure (SOP).

for initiatives that fall outside the scope of federal programs. I discuss a process for carrying out these tasks in Part II.

B. Working Capital Advance program: Structure and timing challenges

For large projects, FEMA provides a Working Capital Advance (WCA) to supply the recipient with partial upfront funding. However, this program creates operational challenges. The WCA is disbursed by COR3, using funds awarded by FEMA, in tranches. A utility must fully spend and document each tranche before COR3 releases the next one. The reconciliation process, which consists of the utility reconciling project expenses with actual costs for COR3's approval, can take around 75 days. That reality transforms a program meant to provide liquidity into a "stop-and-go" funding cycle marked by lengthy time gaps—gaps during which projects can stall for lack of available cash.

Appendix B presents a more detailed look at the timing challenges associated with the WCA program.

These time gaps are compounded by the general timeline realities of the FEMA process, where the time from a damage assessment to a formal funding obligation can range from months to years. Given these timeline realities, there are three distinct scenarios that require regulatory consideration:

- *Declined funding:* Projects FEMA deems ineligible, which then must be funded by other means or canceled.

- *Uncertain funding:* Projects in the pre-obligation stage that may be needed for reliability before federal funding is certain.[8]

- *Delayed funding:* Projects that are federally obligated but face cash-flow gaps due to the WCA reconciliation cycle.

C. Direct Administrative Costs

The costs associated with managing federal grants (Direct Administrative Costs, or DAC), and the labor of a utility's own workforce ("force account" labor) are usually eligible for federal reimbursement. The rules for reimbursing force account labor are critical for optimizing federal funds. For Permanent Work, which includes the restoration of facilities under programs like FAASt, FEMA reimburses the full cost of both straight-time and overtime pay for all employees, plus their fringe benefits.

This treatment contrasts with the more restrictive rules for Emergency Work, where the straight-time pay for budgeted employees is typically not eligible. A utility has the

[8] Currently, about 100 projects representing $8.6 billion are at this stage, awaiting FEMA obligation decisions. Federal Share Cost, PC Ex. 65.02 (09.28.2025). All PW active inactive. Note that adding the totality of projects awaiting FEMA FAASt obligation, and those already obligated, $9.7 billion (Federal Share Cost), appears to exceed the totality of available FEMA FAASt funds.

strategic option to claim power restoration activities as either Emergency Work or Permanent Work, a choice with implications for federal cost recovery.

Table 2 summarizes the eligibility for Emergency Work labor costs.

Table 2: Direct Administrative Costs

Labor Classification	Type of Employee Hours	Eligible Overtime?	Eligible Straight-Time?
Budgeted Employee Hours (Emergency Work)	Permanent employee	Yes	No
Unbudgeted Employee Hours (Emergency Work)	Reassigned employee	Yes	Yes
Unbudgeted Employee Hours (Emergency Work)	Temporary employee hired for eligible work	Yes	Yes
Unbudgeted Employee Hours (Emergency Work)	Essential employee called back from furlough	Yes	Yes

II. Parties' positions

A. LUMA

Pedro Meléndez describes types of federal funding for Puerto Rico's T&D reconstruction. FEMA allocated $10.7 billion for Hurricanes María and Irma damage under Section 428 (capped funding for repairs), $7.6 billion for Section 406 hazard mitigation (supplemental resilience funding), and uncapped Section 404 Public Assistance for later disasters like Hurricane Fiona. LUMA has used these funds to deploy hurricane-resistant poles, T&D automation, advanced metering, and vegetation clearing. However, FEMA reimburses costs only after LUMA pays them, creating liquidity problems. FEMA provides

25% Working Capital Advances, but LUMA must reconcile expenses before requesting the next advance—a process adding weeks or months to project timelines.[9]

Federal and non-federal capital reinforce each other but serve different purposes. FEMA cannot fund ongoing maintenance like vegetation management after initial clearing, nor can it fund capital expenditures unrelated to federally declared disasters. Without sufficient non-federal capital to maintain FEMA-funded improvements, the electric system will deteriorate and Puerto Rico risks losing access to future federal funding, since damage from deferred maintenance is ineligible for FEMA reimbursement. Over FY2026-2028, LUMA projects FEMA will constitute 72-74% of total capital funding. Speed matters: sufficient non-federal capital allows projects to advance during FEMA reconciliation periods, secures supply chain positions for long-lead equipment, and avoids costly mobilization delays.

Kevin Burgemeister describes the need for increased O&M funding for vegetation management, explaining that current funding levels are merely reactive. He warns that failing to implement a proactive, cyclic trimming program compromises public safety and, critically, jeopardizes future federal disaster aid, as FEMA does not cover damage resulting from deferred maintenance.[10]

B. Genera

María Sánchez Brás, CFO, testifies that Genera's proposed budgets, while developed to be as cost-conscious as possible to limit customer impact, represent the necessary costs required to improve generation reliability, reduce unplanned outages, and comply with the Integrated Resource Plan (IRP) and other legal and contractual obligations.[11]

Joaquin Quinoy Ortiz, Vice-President of Engineering, Construction and Maintenance at Genera PR, describes substantial federal funding supporting Puerto Rico's generation fleet stabilization. FEMA allocated $10.7 billion under the FAASt program covering equipment and installation for generation fleet repairs. Genera proposes adding combustion turbine generators at four sites (Costa Sur, Yabucoa, Daguao, Jobos) totaling 244 MW by Q2-Q3 2027, with FEMA having already obligated equipment funds. Battery energy storage systems totaling 430 MW capacity will cost $767 million including design, equipment, installation, commissioning, and testing—all federally funded. Critical component replacement costs $1.32 billion, with FEMA having obligated equipment funds

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[9] Direct Testimony of Pedro A. Meléndez-Meléndez, LUMA Ex. 1.0, Case No. NEPR-AP-2023-0003 (P.R. Energy Bureau July 1, 2025).

[10] Direct Testimony of Kevin Burgemeister for Operations, LUMA Ex. 6.0, Case No. NEPR-AP-2023-0003 (P.R. Energy Bureau July 2, 2025).

[11] Pre-filed testimony of María Sánchez Brás on behalf of Genera PR LLC, Genera Ex. 22, Case No. NEPR-AP-2023-0003 (P.R. Energy Bureau June 30, 2025).

and installation budgets approved in FEMA's workflow. Manufacturing lead times of 12-24 months mean full installation likely extends into FY2027 despite earlier projections.[12]

Federal funding restrictions create execution challenges. FEMA procurement follows competitive solicitation requirements under federal programs. Projects require LUMA's interconnection studies, electric system integration analyses, and retirement approvals at multiple sites before proceeding. PREB decommissioning-plan approval is also needed. Genera coordinates weekly with LUMA on interconnection requirements and minimum technical requirements to ensure BESS projects align with T&D system operations, though this coordination has delayed some timelines. The federal funding covers capital investment but not ongoing operations and maintenance, which must come from rate-funded budgets. Genera's optimal and constrained budgets includes $291 million and 209.3 million, respectively, for FY2026 maintenance to support both legacy equipment and federally funded new assets until the transition to cleaner generation completes.

C. Bondholders

Anthony Hurley asserts that the rate proposals inappropriately seek customer funds for projects that are eligible for federal funding. He identifies at least $304.6 million in LUMA's budget that could be reallocated to federal funding sources. He further criticizes the request to have customers cover the 10% FEMA local cost-share, pointing out that over $400 million in HUD CDBG-DR funds are available for this exact purpose but remain unused. He concludes that the operators have failed to maximize federal funding opportunities before turning to customers.[13]

III. Recommendations

Without a mechanism to bridge the liquidity gaps in the federal reimbursement process, the electric system's operators face untenable choices with severe operational consequences. Delaying critical projects allows the fragile electric system to deteriorate, harms reliability, and leads to near-certain cost escalation from inflation and contractor remobilization fees. Other alternatives are equally poor. Eliminating projects sacrifices necessary reliability improvements and may violate legal obligations. Bypassing available federal funds in favor of customer revenues raises rates unnecessarily.

Currently, close to 100 FEMA-eligible projects in Puerto Rico, representing a combined federal share of $8.6 billion, are eligible for FEMA funds but have not yet received a FEMA commitment. These projects are navigating the complex, multi-stage approval process described in this report--a process that involves unavoidable uncertainties, as well

[12] Pre-filed testimony of Joaquín Quinoy on behalf of Genera PR LLC, Genera Ex. 24, Case No. NEPR-AP-2023-0003 (P.R. Energy Bureau June 30, 2025).

[13] Answering Testimony of Anthony Hurley, Case No. NEPR-AP-2023-0003 (P.R. Energy Bureau September 8, 2025).

as time gaps between project need and project funding. There is a need, therefore, to address three distinct scenarios: (a) projects where FEMA ultimately declines funding, (b) projects where funding is uncertain during the lengthy pre-obligation phase, and (c) projects where FEMA has obligated funding but the cash has not yet arrived.

Given these factors, the Energy Bureau must decide:

- whether to include in base rates costs for projects where FEMA has obligated funds but reimbursement is delayed;
- whether to include in base rates amounts for projects for which FEMA funding is uncertain or has been declined; and
- how to ensure that customers are not permanently charged for federally reimbursable costs.

To address these challenges, this Part III proposes a four-part strategy:

- Maximize use of federal funds
- To accelerate FAASt projects, use Non-Federal Capital bridging cautiously
- Maximize use of Forced Account Labor
- Create a Restricted Federally Funded Capital Account

A. Maximize use of federal funds

I recommend that the Energy Bureau direct LUMA and Genera to conduct a comprehensive review of all projects currently designated for non-federal capital (NFC) funding. For instance:

- LUMA's proposed **Transmission Line Rebuild of Line 8700** appears eligible for funding under the FAASt program, which covers all Hurricane María-related damages listed in its master Damage Description and Dimensions (DDD) and allows for rebuilding to modern standards. [14]
- Genera's **"Turbine Driven Boiler Feed Pumps Two Bundle Acquisition"** project appears to align directly with the scope of the FAASt "Equipment and Materials" project (PW #10710), which was created for the bulk purchase of critical generation components. [15]

By mandating a systematic cross-referencing of the NFC project pipeline against the FAASt DDD and other FEMA programs, the Energy Bureau can ensure that all eligible

[14] LUMA Ex 2.05, Non-Federal Capital tab.

[15] Genera Ex. 22.3, D-2-Optimal tab.

projects are moved into the federal funding workflow. This strategic realignment will maximize the use of available recovery funds, reserve customer capital for truly non-federal needs, and accelerate the modernization of Puerto Rico's energy infrastructure in a fiscally responsible manner.

U.S. DOE funds: The need to maximize federal funding applies not only to FEMA funds but also to funds available from the U.S. Department of Energy. On October 1, 2025, the DOE announced approximately $365 million in new funding for Puerto Rico's electric system, creating a third stream of federal capital distinct from existing FEMA and HUD programs.[16] While the specific scope and timing are pending, these funds might be available for projects currently included in the operators' Non-Federal Capital (NFC) budgets, which are funded by customers.

This development reinforces the principle of federal funds optimization. The Energy Bureau should view this new funding as a potential offset to current NFC requests. Any NFC amounts the Bureau approves should be considered provisional, acting only as a temporary bridge to cover timing risks. Crucially, any DOE funds ultimately received for work that was provisionally funded by customers must be credited back to customers through reconciliation to prevent duplicative charges.

Recommendation: The Energy Bureau should adopt a monitoring requirement that obligates the Applicants to provide regular updates on the DOE program's implementation. This reporting should include:

- Project scopes under consideration for DOE eligibility.
- The status of DOE applications, obligations, and disbursements.
- Any overlap with projects included in the NFC budgets.

B. To accelerate FAASt projects, use Non-Federal Capital bridging cautiously

I recommend a cautious but pragmatic approach for using Non-Federal Capital (NFC) to accelerate critical FAASt projects:

Strict Conditional Approval Framework: The Energy Bureau should consider allowing the use of NFC to accelerate critical FAASt projects, but only under strict conditions. This approach acknowledges that even the "accelerated" FAASt program may not be fast enough to meet urgent reliability needs, while protecting customers from inappropriate cost shifts.

Implementation: Through RFFCA "Permanent Funding" Provision. This conditional use can be managed through a "permanent funding" provision in the RFFCA, which could require a heightened evidentiary showing before approval as follows:

- A criticality demonstration, providing clear evidence that the project addresses an urgent reliability, safety, or cost concern.

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[16] U.S. Department of Energy. (October 2, 2025). *Energy Department announces $365 million to strengthen Puerto Rico's electric grid*.

- A least-cost analysis, demonstrating that accelerating with NFC is less costly than delaying the project (accounting for inflation and reliability impacts).

- A clear reimbursement path, documenting the project's FEMA eligibility and a realistic timeline for obligation and reimbursement.

This framework allows the Energy Bureau to unlock the benefits of acceleration on a case-by-case basis while maintaining regulatory oversight and minimizing customer risk. Each request would require Energy Bureau approval rather than providing blanket authorization to advance FAASt projects with customer funds.

C. Maximize Use of Forced Account Labor

This report recommends that the Energy Bureau ensure that the operators maximize the use of their own permanent workforce—known as "force account" labor (as opposed to contracted labor)—for recovery projects funded by the FAASt program. FEMA's Public Assistance Program is designed to reimburse the full cost of these employees, including hourly pay and fringe benefits, for eligible disaster-related work. Critically, for permanent work projects like those in the FAASt program (Category F), federal reimbursement covers both straight-time and overtime pay for all employees.

Therefore, when evaluating proposed labor costs, the Bureau should verify that utilities are prioritizing their own federally reimbursable workforce over more expensive contracted options where feasible.

D. Create a Restricted Federally Funded Capital Account

1. The need for a restricted account

To resolve the structural cash-flow impediment in the federal funding process, this report recommends that the Energy Bureau require PREPA to create a **Restricted Federally Funded Capital Account (RFFCA)**. Given PREPA's bankruptcy and lack of access to normal credit, the RFFCA would act as a regulated, customer-funded liquidity tool to ensure critical work proceeds without costly delays. This mechanism would serve three primary functions:

- Bridge cash-flow gaps between FEMA Working Capital Advance (WCA) tranches.

- Front the 10% non-federal cost share when other federal funds are not available upfront, and;

- Permit rate funding for essential projects that cannot wait for federal obligation without causing unacceptable impacts to safety or reliability.

The RFFCA would be a targeted tool with strict safeguards to protect customers. It would operate with regulatory guardrails, public transparency, and automatic credit mechanisms that ensure the principal is returned to customers once federal funds are received.

Treatment of the cost-share: The HUD CDBG-DR Non-Federal Match Program was established with $500 million specifically to fund the 10% non-federal cost-share of FEMA projects, and over $400 million is reportedly still available. The Energy Bureau should require operators to pursue these dedicated HUD funds diligently. However, the Energy Bureau should include the 10% cost-share obligation within the RFFCA mechanism described above. When operators must advance the 10% cost-share before HUD funds arrive, the RFFCA would temporarily front these costs, with an automatic reconciliation mechanism to credit customers when the operators subsequently receive HUD CDBG-DR reimbursement. This approach ensures that essential projects proceed without delay while maintaining the principle that dedicated federal funds, not customers, should ultimately bear this cost.

Overall the structured approach offered by the RFFCA is more effective and fiscally responsible than alternative approaches. Relying on the status quo means accepting project delays, which imposes high indirect costs on customers through poor reliability and project cost inflation. The other option, using ad-hoc emergency rate adjustments, is a reactive approach that creates unpredictable rate changes—up when money is needed, down when federal reimbursement arrives—and a high administrative burden on the operators and on the Energy Bureau. In contrast, the RFFCA provides project timeline certainty and transparency with a controlled and temporary impact on customer rates. Table 3 compares the options.

Table 3: Comparison of Liquidity Gap Mitigation Options

Criterion	Option 1: Project Delay (Status Quo)	Option 2: Ad-Hoc Emergency Rate Adjustments	Option 3: Restricted Federally Funded Capital Account (RFFCA)
Customer Adverse Impact	High (Indirect). Prolonged poor reliability; higher final project costs due to inflation and remobilization.	High (Direct & Unpredictable). Sudden, reactive rate spikes with complex and delayed true-up mechanisms.	Low & Controlled. Temporary, capped rate provision with automatic suspension. All principal is returned to customers via mandatory sweeps.
Project Timeline Certainty	Low. Timelines are dictated by the unpredictable federal reimbursement cycle.	Medium. Provides funds but only after a delay to secure the emergency rate order.	High. Provides a predictable source of liquidity to ensure continuous work on obligated projects.
Transparency & Accountability	Low. The costs of delay are diffuse and difficult to track and assign responsibility.	Medium. Each rate case is public but lacks a holistic, ongoing tracking mechanism for all projects.	High. Requires a publicly reported, project-level ledger and is subject to independent annual audits.
Administrative Burden	Low (Initially). Requires no upfront action but leads to complex change orders and claims later.	High. Requires repeated, contested, and time-consuming emergency rate proceedings for a recurring problem.	Medium (Initially). Requires upfront effort to establish rules and oversight but streamlines the process thereafter.

2. The specific solution

The solution to timing gaps and uncertainties arising from the FEMA program is a dynamic, regulated account that prevents deterioration of the electric system while minimizing overcharges to customers.

I recommend that the Energy Bureau begin using this methodology in FY27. In April, May, and June of 2026, the Energy Bureau can gather the data necessary to calculate RFFCA's size based on three distinct risk components:

$$RFFCA_{Total} = (LGP + FUP + CSP)$$

Where:

- **$RFFCA_{Total}$** = The total target funding level for the account.
- **LGP** = The **Liquidity Gap Provision** of the WCA reconciliation, which covers the temporary cash-flow shortages during the federal reimbursement cycle.
- **FUP** = The **Funding Uncertainty Provision** , which covers the risk of FEMA declining to fund a critical project.
- **CSP** = The **Cost-Share Provision**, which acts as a short-term bridge for the 10% non-federal cost-share.

Customers would may for this amount via a new rate rider.

To initiate the RFFCA process, and annually, thereafter, I recommend the following two major steps, each of which includes several substeps:

Step A: Define the Universe of Projects

1. *Compile a master list:* The Energy Bureau would require the operators (LUMA, Genera, and PREPA) to compile a single list of all planned capital projects from all relevant sources, including their capital improvement plans, the Integrated Resource Plan (IRP), the PSP, and Generation and Maintenance Repair.
2. *Screen the master list for prioritization:* This master list is then reviewed by the Energy Bureau to identify priority projects that could plausibly be funded by FEMA (i.e. PSP).
3. *Create the "RFFCA-Relevant Portfolio":* The output of this screening is the definitive "RFFCA-Relevant Portfolio." This portfolio includes projects already in the FEMA pipeline (both obligated and pending a FEMA decision on obligation) as well as new projects that an operator should submit for federal funding.

Step B: Setting the Planning Horizon & Timeline

1. *Filter for the upcoming period:* The "RFFCA-Relevant Portfolio" is filtered down to include only those projects that are a priority and are scheduled to incur costs within the next 12-month fiscal period. This creates the final, time-bound list of projects that will be used in the RFFCA calculation.
2. *Establish an annual timeline:* The Energy Bureau should establish the following annual schedule for rider reconciliation.

- April 1: The operators must file their proposed RFFCA project list for the upcoming fiscal year, including all the data required for the FUP, LGP, and CSP calculations.
- April 1 – June 30: A 90-day review period for the Energy Bureau's staff and any intervenors to conduct discovery and analyze the filing.
- July 1: The new rider rate goes into effect, and the RFFCA is funded for the new fiscal year.

The Energy Bureau should calculate the RFFCA total funding requirement through a six-step process.

1st Step

Sort the prioritized projects into three categories:

Bucket A (FEMA Obligated): All projects that FEMA has already approved and committed funds to. These projects go into the LGP calculation.

Bucket B (Critical & At-Risk): All projects that are essential for reliability but are not yet obligated by FEMA. These projects form the basis of the FUP calculation.

Bucket C (Needs Cost-Share): All projects from Bucket A and B that will require their 10% non-federal match during the period. This item informs the CSP calculation.

2nd Step

Calculate the Liquidity Gap Provision by taking all Bucket A projects, obtaining their combined monthly spending rate, and multiplying that rate by 2.67 months, representing the average federal reimbursement period of 80 days[17] (80/30 = 2.67).

[17] This figure represents the observed duration in practice, as documented in the DRS system and analyzed in Part II of this report. I do not intend this figure as an endorsement of this timeframe as appropriate or compliant with COR3's established target processing times. *See* Central Office for Recovery, Reconstruction and Resiliency (COR3), *Disaster Recovery Federal Funds Management Guide (DRFFMG), Chapter 7 – Payment and Cash Management* (Version 6.0, June 2025), at 16-17.

Formula:[18] LGP = Σ (Avg. Monthly Burn Rate[19] for each project × 2.67 months) x (0.5)

Example: If 50 of the 200 projects are in Bucket A, with a combined burn rate of $30 million per month, the LGP would be: ($30,000,000 × 2.67) x (0.5) = $40,000,000

3rd Step

Calculate the Funding Uncertainty Provision by taking all Bucket B projects and multiplying each project's cost by its probability of FEMA denial.

Formula:[20] FUP = Σ (Project Yr Cost × P_decline)

Example: If 120 of the 200 projects are in Bucket B, with a total yearly cost of $500 million, and the project probability of denial or delay beyond the fiscal year is assessed at 20%, the FUP would be: $500,000,000 × 0.20 = $100,000,000

4th Step

Calculate the Cost-Share Provision as ten percent of total costs for all Bucket C projects where evidence shows a timing gap between (a) when the match must be paid and (b) when the HUD CDBG-DR Non-Federal Match Program funds that normally cover the match will arrive.

Formula: CSP = Σ (0.10 × Project Cost) x (0.5) for projects with a documented matching-share time gap.[21]

Example: If projects totaling $200 million will require their 10% match to be fronted, the CSP would be: (0.10 × $200,000,000) x (0.5) = $10,000,000

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[18] 0.5 factor is inserted for illustrative purposes, where the factor represents a function of funding needs and the replenishment time dispersion of projects, as they make use of the RFFCA funds in different time periods throughout the fiscal year.

[19] Estimate Burn Rate: For each project, determine the projected average monthly expenditure ("burn rate").

[20] For each project in this portfolio, an evidence-based probability of funding denial (P_decline) must be determined. This assessment should be based on a project's alignment with FEMA eligibility rules, precedent, and any specific complexities (e.g., EHP review challenges).

[21] 0.5 factor is inserted for illustrative purposes, where the factor represents a function of funding needs and the replenishment time dispersion of projects, as they make use of the RFFCA funds in different time periods throughout the fiscal year.

5th Step

Sum the three provisions to determine the RFFCA's total initial size. Using the examples above, the total would equal $150 million for the year, subject to reconciliation on the next annual examination.

> **Formula:** RFFCA_Total = FUP + LGP + CSP
>
> **Example**: $40,000,000 (LGP) + $100,000,000 (FUP) + $10,000,000 (CSP) = $150,000,000

6th Step

Establish a rate rider by dividing the total requirement by forecasted kilowatt-hour sales for the period. For example, $200 million divided by 10 billion kilowatt-hours would produce a rider of two cents per kilowatt-hour.

> **Formula:** Rider Rate ($/kWh) = (Total RFFCA Size) / (Forecasted kWh Sales for the Period)
>
> **Example:** If the total revenue requirement for the RFFCA is **$150 million** and forecasted electricity sales for the year are **10 billion kWh**: $150,000,000 / 10,000,000,000 kWh = $0.015 per kWh.[22]

[22] This example merely illustrates how to apply the methodology. It is not meant to suggest the actual bill impact.

Appendices

Appendix A: Island-Wide Vegetation Clearance: An Example of the Present Challenges in Federal Grant Programs

Appendix B: Analysis of the WCA Time Gap

Appendix C: Curriculum Vitae of Guímel Cortés [PC Ex. 65.01 Cortés CV]

Appendix D: Federal Funding Project Status [PC Ex. 65.02 (09.28.2025) All PW active - inactive]

Appendix E: Island-Wide Vegetation Clearance Status Federal Funding Project Status [PC Ex. 65.03 (10.01.2025) PW Vegetation.xlsx]

Appendix F: RFR Status and History [PC Ex. 65.04 (10.03.2025) RFR0028500_Status and History.xlsx.]

Appendix A

Island-Wide Vegetation Clearance: An Example of the Present Challenges in Federal Grant Programs

Vegetation management is a perquisite for a safe and reliable supply of electricity. Puerto Rico needs a strategic shift from the historical, reactive "hot spotting" of tree-caused outages to a proactive, cyclic trimming program. The current initiative has two distinct components. The first component is a billion-dollar, one-time, federally funded "Vegetation Management Reset" to clear thousands of miles of overgrown rights-of-way and establish a manageable vegetation baseline (vegetation trimmed to specifications allowing a 4-year maintenance cycle). The second component is the ongoing, recurring maintenance to manage regrowth—a permanent, rate-funded operational expense.

The current funding crisis stems from a critical shortfall in the first component—the federally funded reset. Not fully funding the initial clearing has cascading implications for the viability of the subsequent rate-funded maintenance program.

A. The Wide Vegetation Clearance Funding Gap

A review of the federal funding allocated for the Vegetation Management Reset reveals a discrepancy between the program's intended scope and the financial resources that FEMA has obligated to date. Our analysis of COR3 and FEMA project documentation could verify FEMA's obligation of only about $86 million.

All active Project Worksheets (PWs—FEMA's administrative documents for tracking individual projects) for the Island-Wide Vegetation Clearance amount to $657 million. LUMA allocated these funds across 34 active Project Worksheets (PWs) designated for vegetation clearing.

These facts leave a gap of approximately $543 million for the initial, one-time capital clearing initiative. This is not a minor numerical variance that can be absorbed through project efficiencies. It represents a shortfall in securing the necessary federal commitment for nearly half of the required ROW reclamation work. Without a clear and immediate path to secure these missing funds, vast segments of Puerto Rico's T&D system will remain in their current hazardous state, dangerously exposed to vegetation-related failures and undermining the very foundation of the island's electric system transformation effort.

Table 4[23] – Island-Wide Vegetation Clearance Obligated Work

PW	Title	Federal Share Cost
11714	FAASt [Region 2 -Arecibo Group A] High Density (Vegetation)	$16,374,877.93
11715	FAASt [Region 6 -Ponce Group A] High Density (Vegetation)	$23,322,540.70
11718	FAASt [Region 5 -Mayaguez Group A] High Density (Vegetation)	$12,834,622.71
11724	FAASt [Region 4 -Caguas Group A] High Density (Vegetation)	$25,246,881.34
108153	FAASt [Arecibo Region 2 Line 36400 (115Kv) – Ponce TC to Dos Bocas HP] (Vegetation)	$3,683,923.55
108157	FAASt [San Juan Region 1 Line 36800 (115kV) – Canovanas TC to Palmer TC] (Vegetation)	$1,227,974.51
108158	FAASt [Arecibo Region 2 Line 36100 (115kV) – Dos Bocas HP to Barrio Pina] (Vegetation)	$3,380,458.58
108159	FAASt [Ponce Region 6 Line 39000 (115kV) – Aguas Buenas Substation to Hacienda San Jose] (Vegetation)	$292,878.99
	TOTAL	$86,364,158.31

Pre-obligation Vegetation Management projects amount to $571 million follow below.

Table 5– Island-Wide Vegetation Clearance Formulated Work[24]

PW	Title	Process Step	Federal Share Cost
11696	FAASt [Region 1 -San Juan Group A] (Vegetation)	Pending Large Project Review	$22,490,472.86

[23] PC Ex. 65.03 (10.01.2025) PW Vegetation.xlsx.
[24] PC Ex. 65.03 (10.01.2025) PW Vegetation.xlsx.

11720	FAASt [Region 3 -Bayamon Group A] High Density (Vegetation)	Pending Applicant Project Review	$44,077,372.00
107892	FAASt [Region 3 Bayamon TL - 115kV] (Vegetation)	Pending Large Project Review	$3,603,745.54
107893	FAASt [Region 6 Ponce TL - 115kV] (Vegetation)	Pending Large Project Review	$8,695,851.19
107898	FAASt [Region 4 Caguas TL - 115kV] (Vegetation)	Pending Large Project Review	$4,168,068.33
107899	FAASt [Region 1 San Juan TL - 115kV] (Vegetation)	Pending Large Project Review	$4,663,088.33
107900	FAASt [Region 5 Mayaguez TL - 115kV] (Vegetation)	Pending Large Project Review	$2,673,107.96
107901	FAASt [Region 2 Arecibo TL - 115kV] (Vegetation)	Pending Large Project Review	$4,412,278.19
107946	FAASt [All Regions TL - 230kV] (Vegetation)	Pending Scope & Cost Completion by Applicant	$24,311,291.07
107965	FAASt [Region 6 -Ponce Group A] Low Density (Vegetation)	Pending Applicant Project Review	$62,146,587.00
107966	FAASt [Region 3 -Bayamon Group A] Low Density (Vegetation)	Pending Applicant Project Review	$72,630,116.41
107967	FAASt [Region 4 -Caguas Group A] Low Density (Vegetation)	Pending Applicant Project Review	$111,328,923.37
107968	FAASt [Region 2 -Arecibo Group A] Low Density (Vegetation)	Pending Applicant Project Review	$58,785,446.50
107969	FAASt [Region 5 -Mayaguez Group A] Low Density (Vegetation)	Pending Applicant Project Review	$54,132,729.56
108145	FAASt [Caguas Region 4 - Feeder 3007-03] (Vegetation)	Pending Scope & Cost Completion by Applicant	$7,187,274.14

108146	FAASt [Mayaguez Region 5 Feeder 6014-02] (Vegetation)	Pending Scope & Cost Completion by Applicant	$7,219,397.12
108147	FAASt [San Juan Region 1 - Feeder 2401-01] (Vegetation)	Pending Scope & Cost Completion by Applicant	$9,965,898.70
108148	FAASt [San Juan Region 1 - Feeder 2301-02] (Vegetation)	Pending Scope & Cost Completion by Applicant	$6,753,341.79
108149	FAASt [Mayaguez Region 5 Feeder 6012-02] (Vegetation)	Pending Scope & Cost Completion by Applicant	$6,573,577.31
108150	FAASt [Caguas Region 4 - Feeder 3301-01] (Vegetation)	Pending Scope & Cost Completion by Applicant	$10,803,900.56
108151	FAASt [Ponce Region 6 Feeder 5602-02] (Vegetation)	Pending Scope & Cost Completion by Applicant	$5,930,905.39
108152	FAASt [Ponce Region 6 Feeder 5803-02] (Vegetation)	Pending Scope & Cost Completion by Applicant	$87,904.97
108154	FAASt [Ponce Region 6 Line 4800 (38kV) – Toro Negro to Aibonito, Santa Isabel] (Vegetation)	Pending Scope & Cost Completion by Applicant	$19,243,218.21
108155	FAASt [Arecibo Region 2 Line 2400 (38kV) – Dos Bocas HP to Coronillas 2] (Vegetation)	Pending Scope & Cost Completion by Applicant	$6,592,186.97
108156	FAASt [Bayamon Region 3 Line 10000 (38kV) – Bayamon Pueblo to Magnolia TO] (Vegetation)	Pending Scope & Cost Completion by Applicant	$1,074,388.27
108160	FAASt [Mayaguez Region 5 Line 1900 (38kV) – Dos Bocas HP to San Sebastian TC] (Vegetation)	Pending Scope & Cost Completion by Applicant	$11,435,083.55
		TOTAL	$570,986,155.29

Table 6: Analysis of Federal Funding for Vegetation Management Reset

Initiative	Anticipated Program Scope/Cost	Active PWs to Date	Number of Active Project Worksheets	Identified Funding Gap
Island-Wide Vegetation Clearance	LUMA projected approx. $1.2 Billion	Approx. $657 Million	34	Approx. $543 million

B. Erosion of Existing Federal Investment and the Urgency of Parallel Maintenance

The approximately $657 million that FEMA has obligated for vegetation clearing represents a material investment in Puerto Rico's future. However, the benefits of the work done with this investment has a short duration. Due to the island's tropical climate, the benefits of clearing are temporary—perishable—if not immediately followed by sustained maintenance. LUMA's testimony confirms that "Vegetation cleared from ROW is expected to grow back within approximately four years.[25] This biological reality means that by the time the multi-year, federally funded clearing project is completed, the ROWs cleared at the beginning of the project will have already experienced significant regrowth, and the initial reliability benefits will be substantially degraded or lost entirely.

This four-year regrowth cycle reveals a critical strategic imperative: the rate-funded cyclic maintenance program cannot wait for the federal capital clearing to be completed. To preserve the value of the federal investment, the maintenance program must operate *in parallel* with the clearing program, following the clearing crews to manage regrowth and establish a sustainable maintenance cycle from day one. Any delay in this parallel effort leads to what LUMA's testimony describes as the "progressive decay of the cleared ROWs."[26] The testimony further warns that the "effects of any delay in starting a cyclic trimming process system-wide only compound over time, resulting in higher costs than will be experienced should LUMA start the process sooner."[27] This imperative transforms the request for rate-funded maintenance from a future need into an immediate and urgent requirement. It is the only way to prevent the $657 million federal investment from deteriorating before the program is complete.

[25] Direct Testimony of Kevin Burgemeister for Operations, LUMA Ex. 6.0, Case No. NEPR-AP-2023-0003, at Q.95 (P.R. Energy Bureau July 2, 2025).
[26] Id., at Q.50.
[27] Id., at Q.89.

Appendix B: Analysis of the WCA Time Gap

An analysis of data from the FEMA Grants Portal and COR3's Disaster Recovery Solution ("DRS") provides a snapshot of the role the Working Capital Advance (WCA) program plays in funding Puerto Rico's energy infrastructure projects. To date, COR3 has disbursed a total of $1.98 billion in WCA funds among the island's key energy sector entities. LUMA has been the largest recipient, receiving $1.1 billion, followed by Genera with $718 million and PREPA with $156 million. While these figures underscore the program's importance, a granular look at a specific project reveals the timing issues inherent in the WCA reconciliation process.

Consider PW 10679, a FAASt transmission project. For this transmission work, LUMA has a federal cost-share obligation of $1,095,686.10. LUMA successfully secured an initial WCA of $273,921.53, representing 25% of the project cost. According to program rules, to secure an additional WCA LUMA must first present invoices and payment evidence demonstrating that it has spent the entirety of this first advance on eligible costs. LUMA created a Request for Reimbursement (RFR) on April 1, 2024. This RFR remained in the preparation stage until April 23, 2024. COR3 assigned a Grant Analyst on April 29. COR3 then did not fully complete the process until June 20, 2024.[28]

This single RFR, in which LUMA requested $178,999.63 (and of which COR3 ultimately validated only $66,865.81 in that cycle), serves as an example of the time gaps the invoice and payment verification could create. The total duration from LUMA's RFR request to COR3's completion of the reconciliation was 80 days.[29] Using this duration as an illustrative model, we can estimate that a full 25% WCA reconciliation takes at least 75 days. During this period, there is a real risk of work idling as the utility waits for COR3 to validate past expenses before it releases the next round of funding. This administrative lag is precisely what creates the liquidity issue for organizations that want to avoid project delays. The figure below illustrates this exact liquidity challenge, modeling the financial gap that subrecipients must bridge while navigating the lengthy WCA reconciliation cycle.

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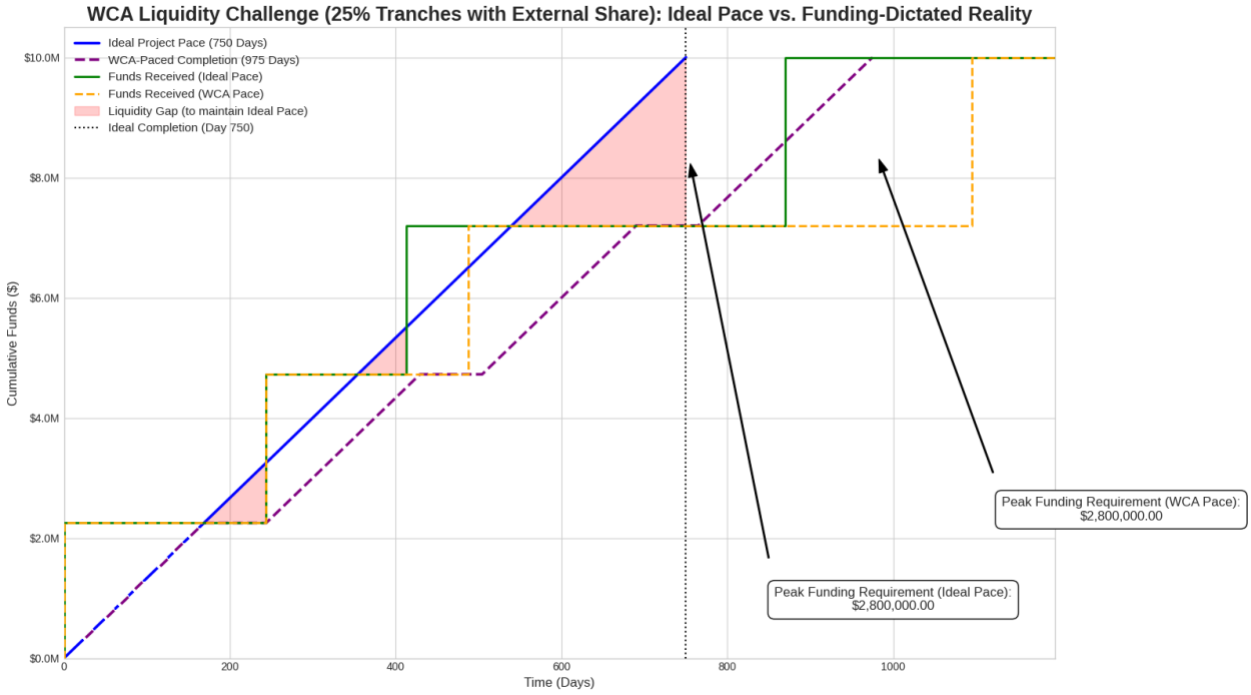
[28] PC Ex. 65.04 (10.03.2025) RFR0028500_Status and History.xlsx

[29] Central Office for Recovery, Reconstruction and Resiliency (COR3), *Disaster Recovery Federal Funds Management Guide (DRFFMG), Chapter 7 – Payment and Cash Management* (Version 6.0, June 2025), at 16. The aging goals for each stage are averages. The actual age of individual RFRs will vary based on type (e.g. FAL/FAE vs. Contract expenses), complexity, magnitude, accuracy of RFI responses, and cost analysis requirements. The guide establishes the following target timelines for RFR processing: Initial Assessment (≤3 days), Document Review (≤35 days), RFI Hold (≤7 days), Document Review Quality Control (≤15 days), and Cash Management (≤7 days), which total approximately 60+ days when all stages are required. *Id.* at 16-17.



This graph displays the financial challenge of a $10 million project under two distinct timelines, both funded by three large 25% Working Capital Advances (WCA). The solid blue line represents the ideal, steady expenditure required to complete the project in 750 days, while the stepped purple line illustrates the "WCA-paced" reality, where progress is dictated by funding availability. The flat segments show work idling during lengthy reconciliation periods—modeled here using a representative assumption of 75 days based on my observations—pushing the final completion date out by 225 days. The solid green and stepped orange lines depict the actual cash inflows for each scenario, showing the large, infrequent WCA tranches and a final reimbursement that is delayed by a similarly representative 120 days after each respective completion date. The pink shaded area highlights the core issue: the "liquidity gap," representing the substantial amount of capital the applicant must self-fund, and the period of time during which this self-funding must be in place, to bridge the difference between the ideal spending pace and the delayed arrival of federal funds.

Crucially, the annotated "Peak Funding Requirement" for each scenario represents the maximum out-of-pocket cash that the applicant must provide at any given time, an amount that includes both this liquidity gap and the mandatory 10% state cost share. The graph's depiction of "Funds Received" includes the 10% non-federal cost share, which is assumed to be sourced from the HUD/PRDOH CDBG-DR Non-Federal Match Program for a FAASt award. According to the program's structure, this 10% share is not available with the initial Working Capital Advance (WCA). Instead, the subrecipient can receive these funds at the time of subsequent WCA reconciliations and at project completion. To accurately model the total cash-flow available to the project, the graph incorporates this 10% share by

adding it to the second and third cash injections and including the remaining balance in the final reimbursement payment.

Guímel Cortés Rosario, *MEM*

QUALIFICATIONS

Dedicated Engineer Manager with over two decades of public service experience who can promote and champion world-class engineering principles to establish public policy. Special attention to planning and prioritizing engineering management activities and resources to get tasks completed on time. Extensive experience of developing teams into effective and pro-active units.

PROFESSIONAL SUMMARY

April 2024 to present

Consultant
MAXeta Energy, PLLC

Assist, guide and help state agencies, public corporations and non-profit organizations with every phase of the FEMA Public Assistant Program.

July 2020 to March 2024

Subject Expert Matter
PR Central Office for Recovery, Reconstruction and Resiliency

Designated in the Federal Emergency Management Agency (FEMA) state agreement after the US President declares a major disaster under the Stafford Act. Responsible to provide executive oversight and direction of the disaster or emergency response and recovery on behalf of the PR Governor. Provided Public Assistant (PA) guidelines for applicants seeking federal fundings for the recovery of disasters in compliance with federal and local codes, policy and standards.

September 2017 to July 2020

Public Assistance Officer; Public Assistance Officer Deputy
PR Central Office for Recovery, Reconstruction and Resiliency

Responsible for the approval of grantees reviews, sub-agreements awards, requests for advance or reimbursement, payment letters, appeals, time extensions, quarterly reports and closings. Approval of applicant's requests during several incident periods of a declared emergency as resource request forms and system logins for emergency management.

January 2017 to September 2017

Project Manager

PR State Department
Reengineering public agencies for the government of Puerto Rico. Responsible for the design, establishment and opening of the first two Center for Integrated Services located in Vieques and Minillas seeking a more efficient use of public resources.

Guímel Cortés Rosario, *MEM*

March 1998 to December 2016	***State Public Assistant Coordinator (SPAC)*** Office of the Governor´s Authorized Representative Puerto Rico Emergency Management Agency, *before*, PR Governor's Office of Management and Budget. Execute all the necessary documents on behalf of the state, including analysis of projects and database system for insurance coverage. Conducting field inspections to determine eligibility of repair work. Preparing costs estimation. Developing work projects. Participating in presentations and orientation seminars addressed to the Majors of all PR Municipalities. Vast experience in personnel supervision.
September 1996 to December 1997	***Infrastructure Inspector*** PR Governor's Authorized Representative; PR Governor's Office of Management and Budget Responsible of all the inspections, cost's analysis and report for the State and Federal Government in engineering related fields, with special attention to infrastructure damages related to natural disasters.
ACADEMIC QUALIFICATIONS	*Polytechnic University of Puerto Rico, San Juan Campus* Master of Engineering Management - February 2002 Bachelor of Science in Industrial Engineering - June 1996
PROFESSIONAL MEMBERSHIPS	Member of Board Institute of Industrial Engineers Tropical Chapter 188