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Fiscal Year 2026 Budget Amendment

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Executive Summary

LUMA respectfully submits this Fiscal Year 2026 Budget Amendment to the Puerto Rico Energy Bureau (PREB) as part of its continued commitment to regulatory compliance, fiscal responsibility, and the delivery of safe, reliable, and modern electric service within available funding levels and seeks alignment with operational priorities given extraordinary events and current operational environment.

As part of this filing, LUMA requests that the amended FY2025 budget, approved by PREB on June 10, 2025, be used as the baseline for FY2026. The amended FY2025 budget includes internal reallocations within the Operating Budget and the Non-Federal Capital Budget without increasing customer rates. Using this amended budget as the baseline for the FY2026 budget distribution ensures consistency with the provisional rate filing and better aligns with current resource needs.

In addition, LUMA proposes a revision to the Federally Funded Capital Budget, which reduced the previously approved \$1.2 billion to \$718 million. This revised amount reflects the current project pipeline based on the FASSt Consolidated Project Plan List used by FEMA. The revised amount presents a more accurate projection of capital investments based on projects that are either obligated or in the direct obligation queue.

This amendment reflects a balanced, fiscally responsible approach to utility planning –one that prioritizes system stability, leverages federal funding opportunities, and ensures LUMA can meet its operational obligations while maintaining regulatory alignment and protecting ratepayers.

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1.0 Transmission and Distribution Operating and Capital Budgets

For FY2026, LUMA seeks to ensure that existing funding allocations are properly aligned with operational priorities. Below is the basis for the proposed budget amendment and summarize the principal factors driving the requested adjustments.

Summary of Amendment – Operating Expenditure Budget (\$ in million)

Department	FY2025 Approved Amendment	July 31st Incremental Costs	FY2026			
			Proposed Amendment ¹	Approved Budget ²	Variance (\$)	Variance (%)
Customer Experience	85,400	4,500	89,900	88,840	(1,060)	(1%)
Operations	230,913	24,000	254,913	248,260	(6,653)	(3%)
Utility Transformation	37,857	-	37,857	29,999	(7,858)	(26%)
Support Services	202,107	-	202,107	217,677	15,570	7%
Subtotal	556,276	28,500	584,776	584,776	0	0%
Other						
2% Reserve for Excess Expenditures	11,126	570	11,696	11,696	-	-
Total Operating Expenditures	567,402	29,070	596,472	596,472	0	0%

Summary of Amendment – Non-Federally Funded Capital Expenditures Budget (\$ in million)

Improvement Portfolio	FY2025 Approved Amendment	July 31st Incremental Costs	FY2026			
			Proposed Amendment ^{1,3}	Approved Budget ²	Variance (\$)	Variance (%)
Customer Experience	21,436	-	21,436	24,805	3,369	14%
Distribution	28,610	-	28,610	35,437	6,827	19%
Transmission	9,365	-	9,365	5,863	(3,502)	(60%)
Substations	28,558	-	29,094	19,770	(9,324)	(47%)
Control Center & Buildings	3,536	-	3,000	3,536	536	15%
Enabling	20,838	11,700	32,538	36,258	3,720	10%
Support Services	10,461	-	10,461	8,836	(1,625)	(18%)
PSP	-	45,552	45,552	45,552	-	-
Subtotal	122,803	57,252	180,057	180,057	0	0%
Other						
2% Reserve for Excess Expenditures	2,456	1,145	3,601	3,601	-	-
Total Capital Expenditures	125,259	58,397	183,658	183,658	0	0%

¹ Proposed Amendment column reflects the sum of the FY2025 approved amendment, and the July 31st incremental cost.

² As approved on July 31, 2025, NEPR-AP-2023-0003 order.

³ The \$536,000 difference between the FY2025 approved amendment and the FY2026 proposed amendment for the Substation and Control Centers and Buildings portfolios is attributable to a program consolidation that occurred in FY2026. The Regional and Technical Facilities Security and the Warehouse Security programs were merged due to their similar scopes. Both programs focused on physical security infrastructure, access control, and monitoring systems for critical operational facilities. Consolidating them into a single program streamlines oversight, reduces administrative redundancy, and enables more efficient allocation of resources. This structural change is not reflected in the FY2025 approved amendment but is incorporated into the FY2026 proposal.

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1.1 FY2025 Budget Amendment Inclusion for FY2026 Baseline Budget

On May 15, 2025, LUMA submitted a FY2025 budget amendment to the PREB requesting approval to reallocate \$15.6 million within the Operating Budget and \$13.9 million within the Non-Federal Capital Budget. These reallocations remained within their respective budget categories and were intended to better align resources with operational priorities. PREB approved the amendment on June 10, 2025. On July 3, 2025, LUMA submitted its rate review filing, which included a provisional rate request. In this filing, LUMA used the FY2025 amended budget as the baseline and incorporated several incremental funding requests into the provisional rate. On July 31, 2025, PREB issued a resolution approving provisional rates and several of LUMA's incremental requests. As part of this action, LUMA was allocated \$780 million. However, the distribution of these funds across departments and portfolios was based on the original FY2025 budget approved on June 26, 2024, rather than the amended budget subsequently approved.

LUMA respectfully requests that the PREB recognize the amended FY2025 budget, as approved, as the appropriate baseline for FY2026, consistent with the intent expressed in our provisional rate request. This amendment does not introduce new reallocations or respond to recent events; it ensures alignment between what LUMA submitted and what the PREB has already approved. Using the original FY2025 budget as the baseline for FY2026 does not consider the updated priorities and resource alignment reflected in the approved amendment. This submission maintains those reallocations without altering any previously approved actions. As FY2026 progresses, LUMA will continue to assess whether further adjustments are needed to align with evolving system priorities.

2.0 Reallocation of Funds on the Federally Funded Budget

The establishment of the FEMA Accelerated Award Strategy (FAASt) Consolidated Project Plan List has materially affected LUMA's capital planning for the upcoming fiscal years. With 224 projects removed from near-term plans, the associated budgets need to be adjusted to reflect the updated investment plan. The proposed amendment realigns funding with the limited scope of T&D projects FEMA currently allows for consideration.

Summary of Amendment – Federally Funded Capital Expenditures Budget (\$ in million)

	FY2026 Federally Funded Budget			
	Proposed Reallocation	Approved Budget	Variance (\$)	Variance (%)
Improvement Portfolio				
Customer Experience	205,871	351,551	145,679	41%
Distribution	122,823	273,922	151,099	55%
Transmission	40,636	113,792	73,156	64%
Substations	130,065	118,960	(11,105)	(9%)
Control Center & Buildings	23,870	28,923	5,052,963	17%
Enabling	180,596	278,590	97,994	35%
Support Services	-	17,750	17,750	100%
PSP	-	-	-	-
Subtotal	703,862	1,183,487	479,626	
Other				
2% Reserve for Excess Expenditures	14,077	23,670		
Total Capital Expenditures	717,939	1,207,157		

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2.1 Impact on the FY2026 Federally Funded Budget of the FAASt Consolidated Project Plan List

The FAASt Consolidated Project Plan List, submitted by PREPA to FEMA and COR3 on July 31, 2025, in response to FEMA's June 3, 2025, request, centralizes project submissions for the remaining FAASt funding, which FEMA identified as having an unallocated balance of \$3.62 billion. The list serves as the mechanism FEMA will use to evaluate and obligate the remaining funds under the FAASt program. Of the 323 LUMA projects still being formulated, only 99 made the list—those PREPA deemed immediately relevant to system stabilization. However, the list excludes many projects previously approved by PREB, as well as work completed projects. This new process, being enforced by FEMA and COR3, requires all projects to be routed through PREPA.

On July 3, 2025, LUMA submitted a FY2026 Federally Funded Capital Budget of \$901 million, as part of the rate review process. However, on July 31, 2025, PREB issued an order approving a Federally Funded Capital Budget of \$1.2 billion, equal to the FY2025 level, rather than the proposed FY2026 amount. Since then, due to the newly imposed restrictions that impair execution by limiting project considerations and obligations outlined in the FAASt Consolidated Project Plan List, LUMA is now proposing a budget of \$718 million for the Federally Funded Capital Budget. This revised amount reflects the best projection of capital investment based on obligated projects and projects included in the FAASt Consolidated Project Plan List. This approach enables more accurate forecasting and enhances transparency in our reporting.

We respectfully request that the Energy Bureau amend the approved FY2026 Federally Funded budget and adopt the revised amount of \$718 million.

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3.0 Schedules

3.1 Summary⁴

(In \$000's)

	FY2026			
	FY2026 Amendment	FY2026 Approved Budget	Variance (\$)	Variance (%)
Transmission & Distribution				
GridCo Operating Expenditures	596,472	596,472	0	0%
GridCo Non-Federally Funded Capital Expenditures	183,658	183,658	-	(0%)
Total T&D Operating and Non-Federally Funded Capital Budget	\$ 780,130	\$ 780,130	\$ 0	0%
Federally Funded Capital Expenditures	\$ 717,939	\$ 1,207,157	-	-
Generation				
GenCo Operating and Capital Expenditures	345,322	345,322	-	-
HydroCo Operating and Capital Expenditures	13,639	13,639	-	-
Total Generation Budget	\$ 358,961	\$ 358,961	\$ -	-
HoldCo Operating and Capital Expenditures	\$ 34,220	\$ 34,220		
Other				
LUMA Fee	139,368	139,368	-	-
Genera PR Fee	25,161	25,161	-	-
Bad Debts	62,893	62,893	-	-
Bankruptcy and Advisor Costs	56,418	56,418	-	-
Emergency Reserve Account	15,000	15,000		
Pension	307,475	307,475		
Total Other	\$ 606,315	\$ 606,315	\$ -	-

⁴ T&D expenditures include 2% reserve for excess expenditures, but T&D operating expenditures do not include shared services for HydroCo, or HoldCo.

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3.2 Transmission & Distribution Operating Budget⁵

(In \$000's)

	FY2026 Proposed Amendment					FY2026 Approved Budget				
	Customer Experience	Operations	Utility Transformation	Support Services	FY2026	Customer Experience	Operations	Utility Transformation	Support Services	FY2026
Labor										
Salaries, Wages and Benefits	45,632	141,886	22,779	70,108	280,406	47,202	129,932	21,513	70,108	268,755
Total Labor	45,632	141,886	22,779	70,108	280,406	47,202	129,932	21,513	70,108	268,755
Non-Labor										
Materials & Supplies	8	12,931	2,107	10,986	26,032	290	16,454	1,516	11,766	30,026
Transportation, Per Diem, and Mileage	436	6,825	3,762	782	11,804	1,080	6,825	1,785	6,109	15,799
Property & Casualty Insurance	-	7	2	18,540	18,549	-	7	2	22,663	22,672
Security	-	-	-	7,275	7,275	-	-	-	7,982	7,982
IT Service Agreements	-	37	-	27,197	27,234	268	660	59	28,523	29,510
Utilities & Rents	160	1,174	782	6,624	8,740	288	1,338	1,353	6,624	9,603
Legal Services	7	30	1,013	7,193	8,243	87	30	2	9,458	9,577
Communications Expenses	-	93	-	61	153	124	208	-	1,103	1,435
Professional & Technical Outsourced Services	43,657	17,538	7,293	45,735	114,223	39,321	17,537	2,038	45,735	104,631
Vegetation Management	-	74,000	-	-	74,000	-	74,000	-	-	74,000
Other Miscellaneous Expenses	-	393	119	7,606	8,118	180	1,269	1,731	7,606	10,786
Total Non-Labor / Other Operating Expense	44,268	113,027	15,077	131,999	304,371	41,638	118,328	8,486	147,569	316,021
Subtotal Labor and Non-Labor/Other Operating Expenses	89,900	254,913	37,857	202,107	584,776	88,840	248,260	29,999	217,677	584,776
2% Reserve for Excess Expenditures					11,696					11,696
Total Operating Budget	89,900	254,913	37,857	202,107	596,472	88,840	248,260	29,999	217,677	596,472

⁵ Figures may not add due to rounding.

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3.3 Improvement Portfolio Budget⁵

(In \$000's)

	FY2026 Proposed Amendment				FY2026 Approved Budget			
	Federal Funded CapEx	Non-Federal Funded CapEx	OpEx	Total	Federal Funded CapEx	Non-Federal Funded CapEx	OpEx	Total
Improvement Portfolio								
Customer Experience	205,871	21,436	6,817	234,124	351,551	24,805	6,817	383,172
Distribution	122,823	28,612	-	151,435	273,922	35,438	-	309,360
Transmission	40,636	9,365	-	50,001	113,792	5,863	-	119,655
Substations	130,065	29,094	400	159,559	118,960	19,770	400	139,130
Control Center & Buildings	23,870	3,000	1,460	28,329	28,923	3,536	1,460	33,918
Enabling	180,596	32,538	100,466	313,601	278,590	36,258	99,266	414,114
Support Services	-	10,461	3,140	13,601	17,750	8,836	4,340	30,925
PSP	-	45,552	-	45,552	-	45,552	-	45,552
Subtotal	703,862	180,057	112,283	996,202	1,183,487	180,057	112,283	1,475,827
Other								
2% Reserve for Excess Expenditures	14,077	3,601	2,246	19,924	23,670	3,601	2,246	29,517
Total Capital Expenditures	717,939	183,658	114,528	1,016,126	1,207,157	183,658	114,528	1,505,344

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3.4 Improvement Portfolios - Total Capital Expenditures⁵

(In \$000's)

	FY2026 Total Capital Expenditures				=	FY2026 Federally Funded Contributions				+	FY2026 Non Federally Funded			
	Proposed Amendment	Approved Budget	Variance (\$)	Variance (%)		Proposed Amendment	Approved Budget	Variance (\$)	Variance (%)		Proposed Amendment	Approved Budget	Variance (\$)	Variance (%)
Improvement Portfolio														
Customer Experience	227,307	376,355	149,049	40%		205,871	351,551	145,679	41%		21,436	24,805	3,369	14%
Distribution	151,435	309,360	157,925	51%		122,823	273,922	151,099	55%		28,612	35,438	6,826	19%
Transmission	50,001	119,655	69,654	58%		40,636	113,792	73,156	64%		9,365	5,863	(3,502)	(60%)
Substations	159,159	138,730	(20,428)	(15%)		130,065	118,960	(11,105)	(9%)		29,094	19,770	(9,324)	(47%)
Control Center & Buildings	26,870	32,459	5,588,955	17%		23,870	28,923	5,052,963	17%		3,000	3,536	536	15%
Enabling	213,134	314,848	101,713	32%		180,596	278,590	97,994	35%		32,538	36,258	3,720	10%
Support Services	10,461	26,586	16,124	61%		-	17,750	17,750	100%		10,461	8,836	(1,625)	(18%)
PSP	45,552	45,552	-	-		-	-	-	-		45,552	45,552	-	-
Subtotal	838,367	1,317,992	479,626	36%		703,962	1,183,487	479,626			180,057	180,057	-	-
Other														
2% Reserve for Excess Expenditures	17,678	27,271	-	-		14,077	23,670				3,601	3,601		
Total Capital Expenditures	856,045	1,345,263	479,626	36%		717,939	1,207,157				183,658	183,658		