

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

NEPR

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IN RE: PUERTO RICO ELECTRIC
POWER AUTHORITY RATE REVIEW

CASE NO.: NEPR-AP-2023-0003

SUBJECT: Testimony Adoption

MOTION SUBMITTING TESTIMONY ADOPTION

**TO THE HONORABLE PUERTO RICO ENERGY BUREAU, AND ITS HEARING
EXAMINER, SCOTT HEMPLING:**

COME NOW LUMA Energy, LLC (“ManagementCo”), and **LUMA Energy ServCo, LLC** (“ServCo”) (jointly, “LUMA”), and respectfully state and request the following:

1. As is widely known, on July 3, 2025, LUMA filed its *Motion Submitting Rate Review Petition* (“Rate Review Petition”) with this Honorable Puerto Rico Energy Bureau (“Energy Bureau”), pursuant to the filing requirements outlined by the Energy Bureau, as modified by the Hearing Examiner. Amongst other things, the Rate Review Petition included LUMA’s, Genera PR, LLC’s, and the Puerto Rico Electric Power Authority’s witnesses’ supporting pre-filed testimonies.

2. Following an extensive discovery process and other procedural events not relevant here, on October 1, 2025, the Hearing Examiner, Scott Hempling, issued an *Order on Rate Case Procedures* (October 1st Order). In what is relevant, the Hearing Examiner directed that any party seeking to have a witness adopt a prior witness’ July 3rd pre-filed testimony must, by October 15, file a formal motion accompanied by the adopting witness’s affirmation and the witness’s credentials. *See* October 1st Order, p. 3.

3. Unfortunately, LUMA has become aware that Mr. Juan Rogers (Procurement and Supply Chain, Exhibit 15) will be unable to attend the evidentiary hearing due to medical reasons. Thus, LUMA has designated Ms. Mariana S. Pérez Cordero, Vice President of Procurement and

Contracts, to adopt the July 3rd pre-filed testimony of Mr. Rogers. Accordingly, LUMA is submitting the adoption of the referenced pre-filed testimony.

4. With this motion, LUMA submits the testimony of Ms. Pérez Cordero adopting the Procurement and Supply Chain testimony, which presents the Optimal Budget and Constrained Budget for FY2026, FY2027, and FY2028. Ms. Pérez Cordero's testimony, including her personal circumstances and attestation, is attached herein as **Annex A**. To facilitate review, a redline version of the testimony is also attached as **Annex B**. As shown in the markup, the substance of the testimony remains unchanged and does not alter any of the requests made by LUMA in this docket. Therefore, Ms. Pérez Cordero's adoption of the Procurement and Supply Chain testimony does not affect the parties or intervenors participating in the captioned case.

WHEREFORE, LUMA respectfully requests that the Hearing Examiner take notice of the foregoing; determine that the pre-filed testimony of Mr. Juan Rogers has been substituted with the testimony of Ms. Mariana S. Pérez Cordero; order that, for all purposes in the captioned proceeding, **Exhibit 15** shall now refer to Ms. Pérez Cordero's testimony, attached herein as **Exhibit A**.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 7th day of November, 2025.

WE HEREBY CERTIFY that this Motion was filed using the electronic filing system of this Energy Bureau and that electronic copies of this Notice will be notified to Hearing Examiner, Scott Hempling, shempling@scotthemplinglaw.com; and to the attorneys of the parties of record. To wit, to the **Puerto Rico Electric Power Authority**, through: Mirelis Valle-Cancel, mvalle@gmlex.net; Juan González, jgonzalez@gmlex.net; Alexis G. Rivera Medina, arivera@gmlex.net; Juan Martínez, jmartinez@gmlex.net; and Natalia Zayas Godoy, nzayas@gmlex.net; and to **Genera PR, LLC**, through: Jorge Fernández-Reboredo, jfr@sbgblaw.com; Giuliano Vilanova-Feliberti, gvilanova@vvlawpr.com; Maraliz Vázquez-Marrero, mvazquez@vvlawpr.com; ratecase@genera-pr.com; regulatory@genera-pr.com; and legal@genera-pr.com; **Co-counsel for Oficina Independiente de Protección al Consumidor**, hrivera@jrsp.pr.gov; contratistas@jrsp.pr.gov; pvazquez.oipc@avlawpr.com; **Co-counsel for Instituto de Competitividad y Sustentabilidad Económica**, jpouroman@outlook.com; agraitfe@agraitlawpr.com; **Co-counsel for National Public Finance Guarantee Corporation**, 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; alexis.ramsey@weil.com; **Co-counsel for**

GoldenTree Asset Management LP, lramos@ramoscruzlegal.com; tlauria@whitecase.com; gkurtz@whitecase.com; ccolumbres@whitecase.com; iglassman@whitecase.com; tmacwright@whitecase.com; jcunningham@whitecase.com; mshepherd@whitecase.com; jgreen@whitecase.com; **Co-counsel for Assured Guaranty, Inc.**, hburgos@cabprlaw.com; dperez@cabprlaw.com; mmcgill@gibsondunn.com; lshelfer@gibsondunn.com; howard.hawkins@cwt.com; mark.ellenberg@cwt.com; casey.servais@cwt.com; bill.natbony@cwt.com; thomas.curtin@cwt.com; **Co-counsel for Syncora Guarantee, Inc.**, escalera@reichardescalera.com; arizmendis@reichardescalera.com; riverac@reichardescalera.com; susheelkirpalani@quinnemanuel.com; erickay@quinnemanuel.com; **Co-Counsel for the PREPA Ad Hoc Group**, dmonserrate@msglawpr.com; fgierbolini@msglawpr.com; rschell@msglawpr.com; eric.brunstad@dechert.com; Stephen.zide@dechert.com; david.herman@dechert.com; michael.doluisio@dechert.com; stuart.steinberg@dechert.com; **Sistema de Retiro de los Empleados de la Autoridad de Energía Eléctrica**, nancy@emmanuelli.law; rafael.ortiz.mendoza@gmail.com; rolando@emmanuelli.law; monica@emmanuelli.law; cristian@emmanuelli.law; lgnq2021@gmail.com; **Official Committee of Unsecured Creditors of PREPA**, jcasillas@cstlawpr.com; jnieves@cstlawpr.com; **Solar and Energy Storage Association of Puerto Rico**, Cfl@mcvpr.com; apc@mcvpr.com; javrua@sesapr.org; mrios@arroyorioslaw.com; ccordero@arroyorioslaw.com; **Wal-Mart Puerto Rico, Inc.**, Cfl@mcvpr.com; apc@mcvpr.com; **Solar United Neighbors**, ramonluisnieves@rlnlegal.com; **Mr. Victor González**, victorluisgonzalez@yahoo.com; and **the Energy Bureau's Consultants**, Josh.Llamas@fticonsulting.com; Anu.Sen@fticonsulting.com; Ellen.Smith@fticonsulting.com; Intisarul.Islam@weil.com; jorge@maxetaenergy.com; rafael@maxetaenergy.com; RSmithLA@aol.com; msdady@gmail.com; mcranston29@gmail.com; dawn.bisdorf@gmail.com; ahopkins@synapse-energy.com; clane@synapse-energy.com; guy@maxetaenergy.com; Julia@londoneconomics.com; Brian@londoneconomics.com; luke@londoneconomics.com; kbailey@acciongroup.com; hjudd@acciongroup.com; zachary.ming@ethree.com; PREBconsultants@acciongroup.com; carl.pechman@keylogic.com; bernard.neenan@keylogic.com; tara.hamilton@ethree.com; aryeh.goldparker@ethree.com; roger@maxetaenergy.com; Shadi@acciongroup.com; Gerard.Gil@ankura.com; Jorge.SanMiguel@ankura.com; Lucas.Porter@ankura.com; gerardo.cosme@solartekpr.net; jrinconlopez@guidehouse.com; kara.smith@weil.com; varoon.sachdev@whitecase.com; zack.schrieber@cwt.com; Isaac.Stevens@dechert.com; James.Moser@dechert.com; Kayla.Yoon@dechert.com; juan@londoneconomics.com; arrivera@nuenergypr.com; ahopkins@synapse-energy.com.



DLA Piper (Puerto Rico) LLC
Calle de la Tanca #500, Suite 401
San Juan, PR 00901-1969
Tel. 787-945-9122 / 9103

/s/ Margarita Mercado Echegaray
Margarita Mercado Echegaray
RUA 16,266

Exhibit A

GOVERNMENT OF PUERTO RICO
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

Direct Testimony of

Mariana S. Pérez Cordero
Vice President, Procurement and Contracts
LUMA Energy ServCo, LLC

November 7, 2025

**Summary of Prepared Direct Testimony of
MARIANA S. PÉREZ CORDERO
ON BEHALF OF
LUMA ENERGY LLC AND LUMA ENERGY SERVCO, LLC**

Ms. Pérez Cordero is the Vice President, Procurement and Contracts at LUMA Energy ServCo, LLC. The purpose of Ms. Pérez Cordero’s prepared direct testimony in this proceeding is to provide the operations and maintenance (“O&M”) costs and Non-Federal Capital (“NFC”) costs for the Procurement and Supply Chain Department (“Department”) in the Optimal and Constrained Budgets on behalf of LUMA Energy LLC and LUMA Energy ServCo, LLC (collectively, “LUMA”).

Ms. Pérez Cordero’s testimony addresses the Procurement Department’s existing and projected costs for staffing, technical and professional services, materials and supplies, transportation, and other miscellaneous costs to support the procurement process. Based on existing and projected company needs, Ms. Pérez Cordero puts forth an Optimal Budget for the Procurement Department of \$16.87 million for Fiscal Year (“FY”) 2026, \$16.19 million for FY2027, and \$16.70 million for FY2028. Ms. Pérez Cordero’s testimony for the Procurement Department also includes a Constrained Budget, as ordered by the Energy Bureau. Ms. Pérez Cordero explains the activities and projects that would be deferred, reduced, or defunded under the Constrained Budget, and identifies the impacts of deferring or delaying those activities and projects. Ms. Pérez Cordero outlines a Constrained Budget of \$13.48 million for FY2026, \$12.49 million for FY2027, and \$12.94 million for FY2028.

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I. WITNESS AND CASE INTRODUCTION

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

A. My name is Mariana S. Pérez Cordero. My business address is LUMA Energy, PO Box 363508, San Juan, Puerto Rico 00936-3508. I am the Vice President, Procurement and Contracts for LUMA Energy ServCo, LLC.

Q.2 On whose behalf are you testifying in this proceeding?

A. My testimony is on behalf of LUMA Energy LLC and LUMA Energy ServCo, LLC (hereinafter referred to as “LUMA”) as part of the Commonwealth of Puerto Rico Energy Bureau’s proceeding NEPR-AP-2023-0003, the Puerto Rico Electric Power Authority (“PREPA”) Rate Review.

Q.3 What is your educational background?

A. I have a Bachelor of Science degree in environmental sciences from the University of Puerto Rico and a Juris Doctor from the School of Law of the University of Puerto Rico.

Q.4 What is your professional experience?

A. Over the course of my career, I have developed an extensive background in procurement, legal affairs, regulatory compliance, and public administration. Recently, I have held leadership roles overseeing, amongst other functions, procurement efforts for another utility in Puerto Rico.

Q.5 Please describe your work experience prior to joining LUMA.

A. I joined LUMA in April 2025. I spent the previous six (6) years with the Puerto Rico Aqueducts and Sewers Authority (PRASA), overseeing the Purchasing and Logistics, Human Resources, Administration, and Corporate Security functions. During two (2) years of my tenure, I provided legal oversight for the management of federal funds in accordance with 2 CFR 200, ensuring procurement compliance with federal standards.

Prior to my time at PRASA, I held various leadership and legal roles at the Puerto Rico Department of Justice, the Puerto Rico Environmental Quality Board, and other organizations.

Q.6 Have you previously testified or participated in technical conferences before the Energy Bureau?

A. No.

Q.7 Are you sponsoring any exhibits with your direct testimony?

A. Yes. Along with this testimony, I am sponsoring the cost information for the Procurement and Supply Chain Department (“Procurement Department” or “Procurement”) in LUMA Exhibit (“Ex.”) 2.03 (Optimal Budget Workpapers) and LUMA Ex. 2.04 (Constrained Budget Workpapers). In addition, I am sponsoring the following exhibits:

- LUMA Ex. 15.01: Procurement Department Organizational Chart
- LUMA Ex. 15.02: LUMA’s Procurement Manual, Version 2, published July 31, 2023
- LUMA Ex. 15.03: Program Brief for Materials Management Program (PBOP6) (FY2026)

Q.8 Which documents did you consider for your testimony?

A. In preparation for this testimony, I reviewed the following documents:

- Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement (“T&D OMA”) executed by PREPA, the Puerto Rico Public-Private Partnerships Authority (“P3A”), and LUMA, dated as of June 22, 2020.
- Order Establishing Scope and Procedures for Rate Case, Case No. NEPR-AP-2023-0003 (February 12, 2025) (“February 12th Order”).

- Program Brief for Materials Management Program (PBOP6) (FY2026), LUMA Ex. 15.03.

- LUMA's Procurement Manual of July 31, 2023, LUMA Ex. 15.02.

Q.9 Briefly describe the purpose of your Direct Testimony.

A. My testimony presents the operations and maintenance ("O&M") costs and non-federal capital ("NFC") costs for Procurement in the Optimal and Constrained Budgets for Fiscal Year ("FY") 2026 to FY2028.

Q.10 Please provide an overview of how your testimony is organized.

A. In Section II, I provide background on Procurement, LUMA's Procurement Manual, LUMA's legal obligations related to procurement, Procurement's functional units, and the Materials Management Program. In Section III, I present the proposed O&M costs for the Optimal Budget and explain adjustments for capital allocation and inventory burden. Lastly, in Section IV, I present the proposed O&M costs for the Constrained Budget and describe the costs and activities deferred, reduced, or defunded under that budget.

II. BACKGROUND

Q.11 Please describe the functions of the Procurement Department.

A. The Procurement Department consists of both a procurement function and a materials management function. The two functions were consolidated in FY2024 from two separate groups, "Procurement and Contracts" (which was previously part of Corporate Services), and "Materials Management," (which was previously part of Operations), to become *Procurement and Supply Chain*, consolidating end-to-end oversight of all supply chain functions at LUMA. The Procurement side of the group manages all procurement activities, overseeing and managing all Transmission and Distribution System ("T&D System") procurements (requests for information "RFI," requests for quotation "RFQ,"

requests for proposals “RFP,” or Formal Tender) that are issued to the vendor marketplace for goods or services by LUMA, as agent to PREPA under the T&D OMA. This involves managing all aspects of the competition and negotiation, including sourcing, procurement, contracting, and vendor prequalification and onboarding activities for day-to-day activities and federally funded and non-federally funded projects, in compliance with LUMA’s Procurement Manual, which is included as LUMA Ex. 15.02.¹ The purpose of the Procurement Manual is to document the procurement policies and procedures that LUMA will use when procuring goods and services for the T&D System as an agent of PREPA.

The Materials Management side of the Procurement Department manages materials related to federal and non-federal capital projects and O&M, including inventory levels and all aspects of warehousing and logistics (inventory storage, shipping, receiving, and delivery). Together, the two functions work to ensure that LUMA’s departments have the materials and services that they need to execute their planned (and unplanned) projects.

Q.12 Please provide more details on the Department’s procurement activities.

A. The Procurement side of the Department manages a complex and time-consuming procurement process (direct negotiation, RFI, RFQ, RFP, and Formal Tender) that must comply with numerous guidelines and thus requires numerous subject matter experts to execute the process correctly.

¹ The Procurement Manual was approved by P3A and the Central Office for Recovery Reconstruction and Resiliency of Puerto Rico (“COR3”) as required by Section 4.1 of the T&D OMA. The Procurement Manual was first approved in May 2021 and updated in July 2023. The T&D OMA originally contemplated the adoption of two separate procurement manuals, one for federally funded procurements and one for non-federally funded procurements. P3A and COR3 later decided on a consolidated procurement manual covering both federally funded and non-federally funded procurements.

In addition to meeting the requirements of the Procurement Manual, the Procurement team must comply with procurement requirements under the T&D OMA and procurement-related policies of the Financial Oversight Board for Puerto Rico (“FOMB”) and the Energy Bureau. For example, the FOMB and the Puerto Rico Public-Private Partnerships Authority (“P3A”), have certain review powers based on dollar amount thresholds or procurement subject matters. Additionally, the Department must comply with requirements of the Central Office for Recovery, Reconstruction and Resiliency (“COR3”) and the Federal Emergency Management Agency (“FEMA”), whenever federal funds are involved. The Department also provides quarterly briefings to P3A and/or PREPA.

Q.13 What are the relevant T&D OMA provisions on procurement processes?

A. The T&D OMA establishes requirements on the preparation and amendment of the Procurement Manual by LUMA and its approval by P3A and COR3.² Additionally, the T&D OMA requires that all Contracts (as defined in the T&D OMA)³ be procured in accordance with the Procurement Manual. Sections 5.5 and 5.9 of the T&D OMA require that federal capital improvements comply with the Procurement Manual,⁴ and Section 11.1(b) of the T&D OMA requires LUMA to engage Contractors to perform the O&M Services in a manner consistent with the Procurement Manual.⁵ The T&D OMA also

² Sections 4.1 (e) and (f) require the preparation and updating of the Procurement Manual. *See* T&D OMA, Section 4.1(e) and (f), at 42-44.

³ The T&D OMA defines the term “Contract,” as “an agreement or purchase order between Operator, as agent for Owner, and a third party, including Contracts as defined in 2 CFR 200.22.” *See* T&D OMA, Section 1.1, at 8.

⁴ *See* T&D OMA, Sections 5.5 and 5.9, at 64-66, 69-71.

⁵ *See* T&D OMA, Section 11.1(b), at 105.

provides certain audit and oversight rights. Section 6.1(viii) allows PREPA to audit LUMA's compliance with the federal funding requirements.⁶ Section 6.3(c) allows PREPA, P3A, the Energy Bureau, COR3, or the Department of Homeland Security Office of the Inspector General to conduct an audit related to all federally funded capital improvements.⁷ Sections 11.1 (a) and (b) require LUMA to provide a list of material contractors to P3A and allow P3A discretion in approval of such material contractors.⁸ In addition, several sections of Annex I of the T&D OMA apply to procurement, including Section II(A), which provides that LUMA is responsible for "materials and services procurement and inventory management."⁹ Finally, though not strictly related to procurement, Section 9.3(b) of the T&D OMA requires LUMA (to the extent permitted by applicable law) include the provisions of Article 9 (Compliance with Applicable Law) in every Contract, Subcontract (both as defined in the T&D OMA) and supply contract in order for such provisions to be binding on each Contractor and Subcontractor (both as defined in the T&D OMA).¹⁰

Q.14 What are the relevant T&D OMA provisions regarding Materials Management?

A. Relevant provisions are found in Annex I of the T&D OMA. Specifically, Section II(A) regarding "managing and maintaining all assets of the T&D System, including machinery, equipment, structures, improvements and condition assessment of the

⁶ See T&D OMA, Section 6.1(viii), at 80.

⁷ See T&D OMA, Section 6.3(c), at 84.

⁸ See T&D OMA, Section 11.1 (a) and (b), at 105.

⁹ See T&D OMA, Annex I, Section II(A), at I-12.

¹⁰ See T&D OMA, Section 9.3(b), at 101.

electrical system components, in accordance with the Contract Standards”, including materials and services procurement and inventory management.¹¹ Also, Section II(B), which requires that LUMA “(1) maintain an inventory of equipment, spare parts, materials and supplies (appropriate for day-to-day operations and Emergencies), and shall maintain and document an inventory control program; (2) comply with the inventory policy provided in this Annex I (Scope of Services); (3) purchase, maintain and store inventory in a manner also consistent with the T&D System policies and procedures adopted from time to time by Operator in accordance with Prudent Utility Practice and provided in writing to Owner and Administrator and the Emergency Response Plan, and/or the Federal Funding Procurement Manual as applicable and agreed to between Operator and Owner and/or approved by FEMA; and (4) complete, on an agreed-upon cycle count basis, a physical inventory and a condition assessment of the equipment, spare parts, materials and supplies and reconcile the same with the inventory assets carried on the balance sheet and provide the information to Owner and Administrator,” in accordance with its reporting obligations.¹² Finally, Section VIII(A) which requires that LUMA make provisions for all “materials, supplies, equipment, spare parts, consumables and services that are necessary for the normal and ordinary maintenance of the [Transmission and Distribution System (“T&D System”)].”¹³

Q.15 How is the Procurement Department organized?

A. The Procurement Department covers two functional areas: 1) Procurement (which

¹¹ See T&D OMA, Annex I, Section II(A), at I-4.

¹² See T&D OMA, Annex I, Section II(B), at I-4.

¹³ See T&D OMA, Annex I, Section VIII(A), at I-12.

includes i) Procurement and Contracts, ii) Center of Excellence, and iii) Controls and Compliance subdepartments) and 2) Materials Management. Including Materials Management, the Procurement Department has four (4) subdepartments in total. Please refer to the organizational chart attached herewith as LUMA Ex. 15.01.

Q.16 What functions does the Procurement and Contracts subdepartment perform?

A. The Procurement and Contracts subdepartment is responsible for end-to-end management of procurement processes (for example, RFI, RFP, RFQ, Formal Tender), and is divided into three teams, *Strategic Sourcing*, *Procurement*, and *Contract Services*. Together, these teams manage the end-to-end process from developing procurement strategies and identifying potential vendors (which is a focus of the Strategic Sourcing team), to issuing and leading procurement events (which is a focus of the Procurement team), to negotiating and executing contracts (which is a focus of the Contract Services team).

Q.17 Please describe the work of the Strategic Sourcing team.

A. The Strategic Sourcing team, within the *Procurement and Contracts* subdepartment, is responsible for portfolio and category management, and for supporting end users from LUMA departments in preparing the documentation required to submit a contract requisition request. Portfolio management refers to the development and management of overall portfolio strategies, such as adjusting LUMA's procurement activities in response to changes in market conditions. Category management refers to the proactive development and management of the sourcing strategy for a specific category (or categories) of spend, which can include the negotiation of master agreements with vendors such that economies of scale can be realized and procurement activities are consolidated for efficiency. This team works directly with end users in the LUMA departments to develop documentation and requirements needed to submit a requisition

to the Procurement team, in alignment with the sourcing strategy. To minimize rework in the downstream activities performed by the Procurement team, the Strategic Sourcing team supports all aspects of pre-requisition development for procurement activities, including providing guidance and support to end users developing requirements, facilitating cost estimates, and identifying potential prospective vendors.

Q.18 Please describe the work of the Procurement team.

A. The Procurement team, within the *Procurement and Contracts* subdepartment, is responsible for leading public and private procurements for the T&D System in compliance with LUMA's Procurement Manual. *See* LUMA Ex. 15.02. The team manages procurement activities for both federally funded and non-federally funded materials and services. This includes initiating and leading bidding activities, when applicable, and once the Strategic Sourcing team has supported the pre-requisition stage. The Procurement team prepares, develops, and issues competitive bid documents (RFI, RFQ, RFP, or Formal Tender), manages all vendor inquiries, guides the evaluation panel through the evaluation of proposals and vendor selection, and is the principal point of contact for internal stakeholders and vendors throughout the bidding process. The Procurement team also manages Micro Purchases¹⁴ and Small Purchases¹⁵ under the

¹⁴ The Procurement Manual defines "Micro Purchases" as "purchases less than or equal to the "Micro Purchase Threshold". The "Micro Purchase Threshold", as defined at 2 C.F.R. § 200.1, means the dollar amount at or below which a recipient or subrecipient may purchase property, or services using micro-purchase procedures (see § 200.320). Generally, except as provided in § 200.320, the micro-purchase threshold for procurement activities administered under Federal awards is not to exceed the amount set by the FAR at 48 CFR part 2, subpart 2.1, unless a higher threshold is requested by the recipient or subrecipient and approved by the cognizant agency for indirect costs. The "Micro Purchase Threshold" was \$10,000 as of the date the Procurement Manual was issued. *See* LUMA Ex. 15.02, at 8, 10.

¹⁵ The Procurement Manual defines "Small Purchases" as "purchases of more than \$10,000, but no more than \$250,000". *See* LUMA Ex. 15.02, at 10.

Simplified Acquisition Threshold.¹⁶ The Procurement team’s scope covers day-to-day activities and federally funded and non-federally funded projects, and all activities are conducted in compliance with LUMA’s Procurement Manual, which is filed herewith as LUMA Ex . 15.02.

Q.19 Please describe the work of the Contract Services team.

A. The Contract Services team, within the *Procurement and Contracts* subdepartment, is responsible for negotiating and managing contracts and contract amendments as part of the procurement process, as well as providing oversight of contract administration at LUMA. Once the Procurement team completes their procurement processes and have identified successful proponent(s), the file is handed over to the Contract Services team, who then works to negotiate and execute a contract in compliance with LUMA’s Procurement Manual, a process that can take several weeks or months to complete. The Contract Services team is also responsible for the oversight and support of contract administration, which includes maintaining and monitoring the centralized contract repository, tracking contract status(es), supporting the Procurement team with vendor profiles, maintaining the repository of contract templates, and supporting business stakeholders with advice on contract matters (e.g., change orders, warranties, insurance,

¹⁶ When defining the “Simplified Acquisition Threshold”, the Procurement Manual references 2 C.F.R § 200.1 which defines said term as “the dollar amount below which a recipient or subrecipient may purchase property or services using small purchase methods (see § 200.320). Recipients and subrecipients adopt small purchase procedures to expedite the purchase of items at or below the simplified acquisition threshold. The simplified acquisition threshold set in the FAR at 48 CFR part 2, subpart 2.1 is used in this part as the simplified acquisition threshold for secondary procurement activities administered under Federal awards. The recipient or subrecipient is responsible for determining an appropriate simplified acquisition threshold, which is less than or equal to the dollar value established in the FAR, based on internal controls, an evaluation of risk, and its documented procurement procedures. Recipients and subrecipients should also determine if local government purchasing laws apply. This threshold must never exceed the dollar value established in the FAR.” The “Simplified Acquisition Threshold” was \$250,000 as of the date the Procurement Manual was issued. See LUMA Ex. 15.02, at 9.

disputes, etc.). Lastly, this team also acts as contract administrators for the contracts owned the Procurement Department directly.

Q.20 What functions does the Center of Excellence subdepartment perform?

A. The Center of Excellence subdepartment has four main areas of responsibility: (i) vendor registration and risk management, (ii) procurement systems support, (iii) data analytics and reporting, and (iv) market intelligence. Regarding vendor registration and risk management, the team is responsible for vetting and onboarding all new vendors and maintaining up-to-date records for existing vendors. In compliance with LUMA's Procurement Manual, included as LUMA Ex. 15.02, prospective vendors must apply to become a part of LUMA's vendor registry before they can engage in any procurement activity with LUMA. The procurement systems support team, manages and provides support to internal staff, and end-users related to the use of the two (2) procurement systems that LUMA inherited from PREPA. The team further manages the vendor onboarding process, verifying and maintaining the supplier records. The data and analytics team analyzes LUMA data to develop insights that inform procurement-related decisions for LUMA. This team is also responsible for market intelligence, which covers conducting market research and collecting information on external factors - market trends, vendors, industry innovations, and regulatory changes, and developing strategies to manage changing business environments.

Q.21 What functions does the Controls and Compliance subdepartment perform?

A. The Controls and Compliance subdepartment is in charge of designing, updating, and communicating procurement policies, the Procurement Manual, and guidelines to the other departmental units to execute their functions. In addition, it is responsible for responding to audit requests, compiling all the necessary documentation to receive

reimbursement from FEMA for federally funded projects, and complying with the T&D OMA reporting requirements regarding procurement activities.

Q.22 What functions does the Materials Management functional area perform?

Materials Management is responsible for overseeing the operations of materials management and logistics to ensure a seamless flow of materials for LUMA. This includes functions such as warehousing, inventory management, vendor quality management, logistics, and demand planning. Materials Management operates a warehousing network consisting of one central distribution center, six regional distribution centers, and sixteen district warehouses across the island. Materials Management is responsible for the planning, care, and custody of materials. It does this by managing large-scale material supply agreements, optimizing inventories, and assuring efficient tracking of materials, inventory levels, and parts. By efficiently tracking and ensuring the availability of materials and equipment, Materials Management also supports LUMA's response to planned projects, unplanned outages, and service restoration during storm events. Further, Materials Management is involved in the full lifecycle of materials management from initial replenishment to receipt, storage, delivery, and, ultimately, the disposal of materials when they are no longer used or useful. Finally, it is also in charge of the Materials Management Program, *see* LUMA Ex. 15.03.

Q.23 What is the Materials Management Program?

A. The Materials Management Program is LUMA's System Remediation Plan program that encompasses remediation activities related to materials management, asset recovery, oil containment, inventory management, system reconfiguration, demand planning, and the implementation of KPIs for materials. With sufficient funding, this program is expected

to reach its remediated state by the end of FY2028. More details on this program are provided in LUMA Ex. 15.03.

III. OPTIMAL BUDGET

Q.24 Describe the requested Optimal Budget for the Procurement Department.

A. The Procurement Department is requesting a total budget of \$16.87 million in FY2026 (\$13.69 million in O&M and \$3.18 million in NFC), which represents an increase of \$4.77 million (\$2.21 million in O&M and \$2.56 million in NFC) over the FY2025 approved budget. For FY2027, Procurement is requesting a total budget of \$16.19 million (\$14.72 million in O&M and \$1.47 million in NFC), and for FY2028, a total budget of \$16.70 million (\$15.38 million in O&M and \$1.32 million in NFC). Table 1 provides a detailed breakdown of the Department's FY2025 budget and requested budgets for FY2026 to FY2028. This cost information is also included in LUMA Ex. 2.03, in the tab titled "Support Services," and in the columns titled "Procurement".

Table 1. Summary of Procurement & Supply Chain Business Plan for FY 2026 to FY2028								
Program/Activity	FY2025 Approved Amount (SMM)		FY2026 Amount Required (SMM)		FY2027 Amount Required (SMM)		FY2028 Amount Required (SMM)	
	O&M	NFC	O&M	NFC	O&M	NFC	O&M	NFC
Staffing	\$5.55	-	\$6.69	-	\$7.36	-	\$7.66	-
Transportation, Per Diem, & Mileage	\$0.10	-	\$0.38	-	\$0.40	-	\$0.42	-
Technical and Professional Services	\$5.35	-	\$6.11	-	\$6.42	-	\$6.74	-
Miscellaneous Expense	\$0.44	-	\$0.48	-	\$0.50	-	\$0.53	-
PBOP6 – Materials Management	\$0.04	\$0.62	0.04	\$3.18	0.04	\$1.47	0.04	\$1.32
PROCUREMENT & SUPPLY CHAIN SUBTOTAL	\$11.48	\$0.62	\$13.69	\$3.18	\$14.72	\$1.47	\$15.39	\$1.32
PROCUREMENT & SUPPLY CHAIN TOTAL	\$12.10		\$16.87		\$16.19		\$16.70	
Note 1: Miscellaneous costs include rent, postage costs, training and certifications for the team, and office supplies.								

Q.25 How did the Procurement Department develop its Optimal Budget?

A. Like all LUMA departments, the Procurement Department prepared the Optimal Budget using a bottom-up approach. The Department first identified its existing costs, including

its existing staff base as well as the consultants, who currently provide mostly workforce augmentation services. Then, the Department evaluated the existing and projected procurement needs of LUMA, including the resources needed to fulfill LUMA's compliance obligations related to procurement and federal reimbursements, and the resources needed to support the reduction of procurement cycle times. After conducting this bottom-up review, the Procurement Department adjusted staffing costs to remove costs of staff that support federally funded capital projects and the portion of costs that are redistributed to other departments and projects through the inventory burden. It is important to note that many of the costs for the Materials Management sub-department are distributed to other departments and projects by way of a surcharge referred to as the inventory burden.

Q.26 Describe the inventory burden surcharge.

A. The inventory burden is a surcharge applied to all inventory material issue/dispatch transactions to projects and/or accounts. This surcharge is used to offset the costs related to inventory material management, including planning, care and custody, dispatch, and transportation of materials. Essentially, many of the costs of the Materials Management team, including material transportation, warehouse maintenance and supplies, labor costs related to warehousing/demand planning/inventory management, are prorated over the cost of materials issued to projects and LUMA departments. The cost of the materials issued, therefore, includes a portion of all costs directly related to materials management activities. Costs that are excluded from the inventory burden include training, meals, travel, and any other costs that do not directly support inventory management or regular operational business for the team. The inventory burden for a given year is calculated by dividing forecast materials overhead costs by forecasted materials issued costs to projects

and accounts over that period. The result is a percentage charge that is applied to any materials issued from inventory. This percentage was 13.5% for FY2025. To illustrate using a simple example, if a project requires an inventory item that costs \$100, using the current inventory burden, the total cost that will be charged to the project will be \$113.50 (which is \$100, plus the percentage inventory burden of 13.5% or \$13.50). The \$13.50 represents a portion of the costs to operate the Materials Management sub-department. This is a common way of ensuring that the full cost of bringing a material into use is reflected in the cost of materials that are issued to LUMA departments or projects. This also means that many of the costs to operate the Materials Management subdepartment are reflected in the materials costs of other LUMA departments and projects. There is no double counting. It just means that the Procurement Department's budget would be higher (and other department's budgets would be slightly lower) if there were no inventory burden, and that the true cost of materials issued to departments and projects would be understated.

Q.27 Why did the Procurement Department remove the costs of staff supporting federally funded capital projects from the O&M and NFC budgets?

A. The Department's staff who perform work directly related to federally funded projects charge their time to those federally funded projects. Time spent **directly** supporting federally funded projects is eligible for federal reimbursement, and those costs are not reflected in LUMA's operating budget. Much of the supporting work that the *Controls & Compliance* and *Center of Excellence* teams do is in **indirect** support of federal reimbursement and thus, is included in the Department's O&M Budget. Audit work that the Controls & Compliance staff support, and vendor onboarding efforts that the Center

of Excellence staff support, are examples of activities done by the team in support of both federally and non-federally funded work (some vendors support both federally and non-federally funded work) and is therefore encompassed within the O&M budget for the Department.

Q.28 How does the Procurement Department determine the percentage of work to allocate to federally funded projects in the Optimal Budget?

A. For budgetary purposes, this portion is determined by looking at the most recent year's actual expenses. Only time spent by employees working directly on federally funded projects is coded to federally funded projects. LUMA employees use their timesheets to record the time spent working directly on each procurement activity, and their time is coded to the associated federally funded project. In the first six (6) months of FY2025, Procurement team members spent 36% of their time working directly on procurements for federally funded projects, while the other 64% of their time was charged to O&M. The Procurement team has placed increased focus and leadership oversight on ensuring that time spent on federally funded projects is recorded. The amount allocated to capital is expected to rise slightly. In terms of how the budget for FY2026 to FY2028 was developed, the portion of labor allocated to federally funded capital projects was based on the FY2025 actuals through Q2 and adjusted upward by an estimate of 2% due to the expectation of increased coding accuracy to capital projects as a result of this training initiative.

A. Operations and Maintenance Expense

Q.29 What are the primary components of the Procurement Department's requested O&M?

A. The primary components of Procurement's Optimal Budget are Staffing and Technical and Professional Services.

Q.30 What costs are included in Staffing?

A. Staffing costs include the compensation of the Department's two hundred and fifty-four (254) employees and the incremental twenty-three (23) Full Time Equivalent ("FTEs") that the Department plans to hire in FY2026. Table 2 below shows the number of current employees and planned hires in each subdepartment. Because these hires are planned to occur throughout FY2026, staffing costs are adjusted for the number of months a position is planned to be filled. While no new hires are planned for FY2027, labor costs increase over FY2026 because the FY2026 hires are budgeted for the full 12 months of FY2027. Staffing costs include base salaries, fringe benefits, and bonuses, as well as overtime compensation. The Procurement team used standardized salary guidelines for salaries, benefits, and bonuses as provided by the Human Resources team. There are no seconded employees in the Procurement Department.

Department Function	FY2025 Headcount	FY2026 Proposed New Hires	FY2026 Proposed Headcount
Leadership	3	0	3
Procurement & Contracts	40	23	63
<i>Strategic Sourcing</i>	2	4	6
<i>Procurement</i>	21	14	35
<i>Contract Services</i>	17	5	22
Controls & Compliance	10	0	10
Center of Excellence	8	0	8
Materials Management	193	0	193
Total	254	23	277

Q.31 Please describe the roles of the Procurement & Contracts staff.

354 A. As I described earlier in my testimony, this subdepartment is comprised of three teams,
355 Strategic Sourcing, Procurement, and Contract Services. The teams are largely comprised
356 of Specialists, led by Managers, and Directors as appropriate. The Strategic Sourcing
357 team is relatively new and still filling out its organization. Once established, this team
358 will manage sourcing and category management activities, as described above, and will
359 also support end users from LUMA departments in preparing the required documentation
360 to initiate a procurement with the Procurement team. The Procurement team responds to
361 purchase requisitions received from across the business and manages all aspects of the
362 procurement process to address these requisitions, including leading the gathering of
363 requirements, managing all aspects of the procurement event, and guiding the evaluation
364 committee through the review of bids received and ultimate vendor selection. The
365 contract specialists on the Contract Services team manage all aspects of negotiating,
366 finalizing, and executing contracts that result from the procurement activities of the
367 Strategic Sourcing and Procurement teams. This includes liaising with the Risk and
368 Insurance team, the Legal team, and other stakeholders as required. The Contract
369 Services team also provides oversight and support to contract administrators throughout
370 LUMA, so that the management of vendors is dispersed to those directly managing the
371 work. While the administration of the contracts themselves lies within the LUMA
372 departments, the Contract Services team provides guidance to these administrators
373 regarding topics such as change orders, warranties, insurance, disputes, etc. This team
374 also acts as contract administrators for the Procurement team's contracts. While the
375 Procurement and Supply Chain Department launched more than 850 procurement events
376 in 2024, the Department remains understaffed to meet the demand of other LUMA

377 departments.

378 This subdepartment is understaffed compared to the needs for its services. The
379 current median procurement cycle time is in excess of 145 days, meaning that from the
380 time an end user submits a requisition for a material or service to the time a successful
381 proponent is identified and contract negotiation can begin, it takes an average of nearly
382 five months just to arrive at the contract negotiation stage. At the time of this filing, there
383 is a backlog of more than 100 procurement events. It should be noted that there is a steep
384 learning curve to the work that this team does, as the multiple compliance requirements
385 summarized in the Procurement Manual add complexity to the procurement process. For
386 a new procurement specialist who is hired into the Procurement & Contracts
387 subdepartment and joins the team as a seasoned professional already having had work
388 experience in the procurement area, it is likely that they will spend approximately 3-4
389 months training, job shadowing, and assisting another specialist before they can be
390 assigned procurements to lead independently. When they are able to work independently,
391 their assignments are limited to non-federally funded projects for several months before
392 their portfolio may be expanded to include federally funded work. This timeline extends
393 significantly for resources who join the team with less directly relevant experience.

394 **Q.32 Please describe the roles of the Controls & Compliance staff.**

395 A. The Controls & Compliance staff oversee compliance with applicable regulations,
396 guidelines, and requirements governing procurement activities. A primary area of
397 responsibility is to provide support to the Procurement & Contracts subdepartment by
398 providing training on existing and updated regulations and guidelines (both federal and
399 otherwise) and then monitoring and supporting procurement activities to ensure
400 compliance. The Controls & Compliance team members are LUMA's experts on the

multiple compliance requirements impacting the procurement and contracting process, which I described earlier in my testimony. This team is the interface with state and federal agencies (FOMB, P3A, COR3, etc.) on procurement matters, as well as the points of contact supporting all audit initiatives related to Procurement's activities. The compliance and audit requirements applicable to procurement at LUMA are extensive. They also perform cost estimations to support procurement activities. Lastly, the team is responsible for the development, implementation, and maintenance of policies and procedures, including the Procurement Manual.

Q.33 Please describe the roles of the Center of Excellence staff.

A. The Center of Excellence staff oversee all systems used to conduct procurement activities, as well as data analytics related to procurement activities, staying on top of market intelligence that could impact the team, and LUMA's vendor registry. A primary area of responsibility is vendor onboarding and maintenance, as the Center of Excellence subdepartment communicates requirements to vendors, reviews vendor documentation to ensure they meet all requirements, and manages vendor documentation for all approved vendors, as all documentation (certificates of insurance, etc.) that must be kept current for approved vendors to remain active in the vendor registry. The Center of Excellence staff is responsible for managing the technology systems and tools utilized by the entire Procurement & Supply Chain Department, including providing technical support to internal staff and end-users from the LUMA departments (for example, supporting users who are encountering errors when trying to submit a purchase requisition). This includes supporting the maintenance of and training other departments on the use of the two procurement systems that LUMA inherited from PREPA, as well as the sourcing platform on which competitive procurement activity (RFP, Formal Tender, etc.) is

conducted. When it comes to data analytics and reporting, this team manages various reports, tracker tools, and dashboards to enable analysis to identify trends, measure performance, and forecast demand to drive informed decision-making, optimize processes, and maximize efficiency, effectiveness, and value for LUMA. Lastly, the team is also responsible for market intelligence, which includes conducting market research and collecting information on market trends, vendors, industry innovations, and regulatory changes for the Procurement & Supply Chain Department.

Q.34 Please describe the roles of the Materials Management staff.

A. The Materials Management staff are primarily warehouse and logistics staff. These team members manage all demand planning, warehousing, and logistics activities. This includes demand planning, which refers to forecasting future need for materials, and is critical to having materials available for operations, repairs, and projects, especially when the lead time on certain items can be several months to years. This also includes warehouse and inventory management, which refers to the management and optimization of warehouse operations and stock levels across LUMA's central distribution center, six regional distribution centers, and 16 district offices, and is critical to ensuring that LUMA has the proper materials needed for day-to-day operations and project work available in the proper areas. The team also manages logistics and plays a critical role in getting materials from vendor sites to LUMA's warehouses and project sites as needed. The costs for this team are largely included in the inventory burden.

Q.35 Why is the Department adding twenty-three (23) employees in FY2026?

A. The Department is proposing to add eighteen (18) procurement specialists and five (5) managers in FY2026. All of these new hires will be in the Procurement & Contracts subdepartment, which is chronically understaffed. In FY2024, the Procurement

Department experienced a workforce shortage that forced the team to focus primarily on urgent procurement needs, leaving little capacity for hiring, training, or refining processes. For a utility engaged in managing the deployment of federal funds, it is critical that LUMA has a Procurement Department with sufficient staffing to support large-scale procurement activities and projects in compliance with a complex contractual, regulatory, and legal framework, and to be able to execute in a timely manner. Each project will require the procurement of specific materials and services. Procurement must grow to support LUMA's deployment of federal and non-federal capital, improve processes and address the backlog of work.

Q.36 Explain the need for eighteen (18) procurement specialists.

A. The eighteen (18) specialists will be distributed across the different teams, with five (5) of these specialists planned for the Strategic Sourcing team, nine (9) of these specialists planned for the Procurement team, and four (4) of these hires planned for the Contract Services team. The Strategic Sourcing team requires specialists in order to ensure that sufficient resources are available for category management activities related to areas of spend across LUMA. As LUMA matures, the opportunities for strategic procurement increase, and specialists are required to perform the analysis, identify, and pursue opportunities for strategic procurement activities, such as the creation of master service agreements to consolidate organizational requirements and leverage economies of scale, where possible. The Procurement team requires nine additional specialists, in part to reduce the backlog of procurements described above, and in part to reduce the number of procurements assigned to each specialist, such that the team can reduce its median cycle time for a procurement from its current position of over 200 days. The Contract Services team requires four (4) additional specialists to support the negotiation and execution of

the resultant contracts to be created out of the procurements that are led by the Strategic Sourcing and Procurement teams. These specialists are required to support the increased work volume generated by the new hires on the other teams, such that contracting does not become a bottleneck to the procurement process.

Q.37 Explain the need for five (5) managers.

A. Five additional managers are required within the Procurement & Contracts subdepartment, specifically pertaining to the Procurement team. At present, the team has only two managers to support more than forty (40) employees. Managers play a critical role in enabling the procurement process, both because their job responsibilities include training and development to become more efficient and effective, but also because there are many activities within the procurement process that require management review and approval before the process can proceed. Adding five managers to this team will bring the manager-to-employee ratio down, from more than 20:1, to a more reasonable 7:1, which is expected to positively impact procurement cycle times.

Q.38 What are the risks if the Department cannot hire those new employees?

A. Risks of deferring new hires include the inability to manage the procurement and material management processes effectively, inefficient monitoring of vendors, missed opportunities to identify and act on savings such as economies of scale through strategic procurement, and inability to deliver on federally funded capital projects that are necessary to enable LUMA to operate the T&D System according to prudent utility practices and the T&D OMA. When I say that the median procurement cycle time is currently in excess of 200 days, it means that critical projects and other initiatives requiring materials or third-party services are sometimes delayed because they are waiting on procurement activities to conclude. Therefore, there are risks of delays in

projects that could slow LUMA's progress in repairing and restoring Puerto Rico's T&D System. To the extent that materials and third-party services are not available as needed to properly maintain the system because there were insufficient procurement resources to timely arrange contracts for same, it could increase the frequency and duration of outages. Not increasing Procurement headcount also prolongs the reliance on third-party consultants who currently provide workforce augmentation support in this area.

Q.39 What types of costs are included in Technical and Professional Services?

A. Technical and Professional Services include costs for third-party resources. The primary purpose of the third-party consultants is staff augmentation, which means that these contract staff are used to supplement the existing workforce, in both the *Procurement & Contracts* and *Controls & Compliance* subdepartments. This is a strategic approach taken by the team because we have been unable to source the number of qualified resources in the hiring market, so we must develop them, and this takes time. In the Procurement & Contracts subdepartment, consultants currently support the Procurement team and augment the department's capacity to manage the procurement process for both materials and services. These resources manage both non federally and federally funded procurement activities (which, as I described earlier in my testimony, are appropriately charged to federally funded projects), under the supervision of LUMA's staff and in compliance with the Procurement Manual. The contract resources in the Controls & Compliance subdepartment also augment the existing workforce. Some of these contract resources also participate in process improvement initiatives, and LUMA staff development by way of providing guidance and expertise and leading internal training sessions. These costs were developed using pricing from existing contracts.

Q.40 Why are Technical and Professional Services costs increasing from FY2025 to

521 **FY2026?**

522 A. Technical and Professional Services costs are increasing from FY2025 to FY2026 due to
 523 inflation and the addition of additional resources to support the growing needs of the
 524 LUMA departments. As I described earlier in my testimony, even when a seasoned
 525 resource with relevant industry experience joins the team, the complexities created by the
 526 extensive compliance framework that the team must operate within create a very steep
 527 and long learning curve. Unfortunately, the pool of resources in Puerto Rico who have
 528 relevant experience is small, and the Procurement Department has experienced
 529 challenges in hiring seasoned resources. This means that the Department will need to rely
 530 on the support of third-party consultants to ensure sufficient bandwidth to support the
 531 procurement needs of LUMA, while it continues to develop the necessary competencies
 532 within its internal workforce. An organizational structure review of the Procurement and
 533 Materials Management team. This incremental consultant spend for FY2026 will be
 534 focused on ensuring that the proper structure is in place for the Procurement and
 535 Materials Management Department, ensuring that the teams are designed to work
 536 together in a manner that improves the efficiency of operations. Such a review of the
 537 Department's structure has not been conducted since Front End Transition, when
 538 Procurement was a subdepartment under the Finance team, and had not been consolidated
 539 with Materials Management to become its own separate department.

540 **Q.41 Why are Technical and Professional Services costs increasing from FY2026 to**
 541 **FY2027 and also from FY2027 to FY2028?**

542 A. Technical and Professional Services costs are increasing from FY2026 to FY2027, and
 543 again to FY2028, due to inflation.

544 **Q.42 What are the risks of not securing incremental funding for Technical and**

Professional Services?

- A. The risks of not funding incremental professional advisory services are the same as the risks of not hiring additional staff. Procurement activities will be delayed, and the backlog of procurement activities is unlikely to be reduced from its current level. The Department has experienced significant challenges in sourcing resources who have relevant expertise to join the team. By leveraging the use of consultants to support, Procurement can leverage the relevant expertise of a larger group of resources.

Q.43 What types of costs are included in Materials and Supplies?

- A. The O&M cost for Materials and Supplies relates to *PBOP6 – Materials Management*, and includes materials for the warehousing staff, including safety equipment.

Q.44 What costs are included in Transportation, Per Diem, and Mileage?

- A. The costs included in Transportation, Per Diem, and Mileage relate to travel costs around the island. Transportation and related expenses are incurred when Materials Management team members travel between warehouse sites across the island, as described above. These costs are not included in the inventory burden and, as such, they remain with the Department. This budget was based on actual levels from FY2024, and all mileage and per diem reimbursements are calculated and issued in accordance with LUMA's Business Expenses Reimbursement Policy 6001.

Q.45 What costs are included in Miscellaneous Expense?

- A. Miscellaneous Expense includes costs related to rent, postage, training, and certifications for the team. Rent costs are for the chief executive in the group, while postage costs are required for various materials handling activities. The budget for Miscellaneous Expenses also includes training and certifications for the team. Procurement and Materials Management are both practices for which professional certifications apply. It is typical

for an organization that employs professionals to pay for the cost of staff to acquire and maintain relevant professional certifications for the duration of their employment. Some certifications relevant to the Procurement and Materials Management Department include the *Supply Chain Management Professional (SCMP)* and the *Professional Logistician* certifications. Some related to Materials Management include forklift certifications, and safety certifications (OSHA and Hazmat). The figure was calculated based on the number of employees in the overall Department. Lastly, office supplies are also included in Miscellaneous Expense. These supplies are ordered on an as-needed basis using a LUMA-wide contract.

B. Non-Federal Capital Costs

Q.46 Please describe the requested NFC costs.

A. The requested NFC budget relates entirely to the Materials Management Program. Planned activities for the rate period include the implementation of a mobile portal/access to Asset Suite for warehousing activities, which is critical for tracking material for federally funded programs. The funding is also required for the team to continue to deploy spill containment, mobile and site-specific, which is required to mitigate spills and environmental risk at key facilities and enable the transport of salvaged oil-filled equipment. This is separate and distinct from, but complementary to, the Waste Management Program within LUMA's Health, Safety, and Environment (HSE) team, as this program relates specifically to the materials transportation, storage, and handling function. Funding is also required to begin the logistics equipment replacement initiative, which includes the replacement of aged racking and materials handling equipment, required for safety purposes at various warehouses. Aged equipment is more likely to fail

under stress or from repetitive use, increasing the likelihood of safety incidents and injuries at LUMA warehouses.

Q.47 What are the risks of not obtaining funding for the requested NFC costs?

A. Risks of not obtaining funding for the Materials Management program include environmental risks associated with potential spills during the materials transportation, storage, and handling processes. Additionally, insufficient funding to replace aged warehousing equipment presents safety risks to the LUMA employees who work in warehouses and manage materials.

Q.48 Are Procurement's O&M and NFC costs and activities in the Optimal Budget consistent with just and reasonable performance and that of a prudently performing operator? Please explain.

A. Yes. The O&M and NFC costs and activities are designed to fully align with statutory obligations, contractual requirements under the T&D OMA, and recognized industry best practices. They are required to support Procurement and Supply Chain management to execute and consistently operate with the rising needs of the LUMA departments. Materials and services are critical to the repair, rebuild, and operation of the T&D System.

Q.49 Has LUMA identified potential risks if the requested funding for the Procurement and Supply Chain Department is not approved?

A. Yes. LUMA recognizes that vendors are essential because they provide specialized equipment and/or services supporting the transformation of the electric system that LUMA generally does not have internally. Having the necessary budget for the Procurement and Supply Chain Department is essential to avoid financial and operational risks. Examples of potential risks include the inability to manage the procurement and

materials management processes effectively, inefficient monitoring of vendors, missed opportunities to identify and act on savings such as economies of scale through strategic procurement, and the inability to deliver on federally funded capital projects that are necessary to enable LUMA to operate the T&D System according to prudent utility practices and the T&D OMA.

Q.50 Has LUMA contemplated the impact on customers if the budget of the Procurement and Supply Chain Department is not approved?

A. Yes. The impact on customers of not sufficiently funding the Procurement and Supply Chain Department is generally slower progress in LUMA's ability to execute projects, maintenance, and restoration work. If Procurement is understaffed, the procurement cycle times will be longer, and the backlog of work will be greater. Long lead time materials will take even longer to arrive, and customers may experience increased outages or extended outage times due to a lack of available materials and service providers. Procurement is a key function in the organization, and sufficiently funding the department is critical to the successful operation of the grid.

Q.51 Are the Department's O&M and NFC costs avoidable?

A. The February 12th Order defines avoidable costs as costs that are "to be incurred."¹⁷ The Procurement Department has not incurred costs for its planned new hires and the costs to support those planned hires (such as the cost of training these new hires and maintaining any certifications they have, the cost of mileage that they may incur while traveling for work, etc.). The Department has not incurred incremental technical and professional services costs. While these costs may not have been committed yet, reducing investment

¹⁷ Order Establishing Scope and Procedures for Rate Case, Case No. NEPR-AP-2023-0003, at 10 (February 12, 2025).

in the Procurement and Supply Chain team will create delays in procurement activities needed by other departments for their operations and projects

IV. CONSTRAINED BUDGET

Q.52 Please describe Compliance's Constrained Budget for FY2026-FY2028.

A. The Constrained Budget reduces the Department's total budget by \$3.40 million in FY2026, \$3.70 million in FY2027, and \$3.80 million in FY2028. Table 3 below shows a summary of the Constrained Budget based on cost category and fiscal year. This cost information is also included in LUMA Ex. 2.03, in the tab titled "5.2.1 Support Services Detailed" and in the columns titled "Procurement."

Table 3 - Summary of Procurement & Supply Chain Constrained Business Plan for FY 2026 to FY2028								
	FY2025 Amount Approved (SMM)		FY2026 Required Amount (SMM)		FY2027 Required Amount (SMM)		FY2028 Required Amount (SMM)	
Program/Activity	O&M	NFC	O&M	NFC	O&M	NFC	O&M	NFC
Staffing	\$5.55	-	\$6.51	-	\$6.83	-	\$7.17	-
Transportation, Per Diem, and Mileage	\$0.10	-	\$0.38	-	\$0.40	-	\$0.42	-
Technical and Professional Services	\$5.35	-	\$3.74	-	\$3.93	-	\$4.12	-
Miscellaneous Expense	\$0.44	-	\$0.48	-	\$0.50	-	\$0.53	-
PBOP6 -Materials Management	\$0.04	\$0.62	\$0.04	\$2.33	\$0.04	\$0.79	\$0.04	\$0.66
PROCUREMENT & SUPPLY CHAIN SUBTOTAL	\$11.48	\$0.62	\$11.15	\$2.33	\$11.70	\$0.79	\$12.28	\$0.66
PROCUREMENT & SUPPLY CHAIN TOTAL	\$12.10		\$13.48		\$12.49		\$12.94	
Note 1: Miscellaneous costs include rent, postage costs, training and certifications for the team, and office supplies.								

Q.53 How did Procurement prepare the Constrained Budget?

A. As described previously in my testimony, the Department's spending is unavoidable, and the team is already understaffed. Reductions made to arrive at the Constrained Budget were made to professional services and NFC for the Materials Management program. For the projection years, Procurement applied a percentage increase that was standard for all LUMA departments.

653 **Q.54 What costs or activities are eliminated under the Constrained Budget?**

654 A. Under the Constrained Budget, Technical and Professional Services for workforce
655 augmentation are reduced. In addition, the NFC funding for *PBOP6 – Materials*
656 *Management Program* has been removed. Specific activities that will be deferred under
657 this program include the mobile training application for personnel managing oil-filled
658 equipment, and the assessment of reconfiguring the Asset Suite to enhance operational
659 efficiency and the usefulness of the tool for managing and supporting federally and non
660 federally funded procurement activities.

661 **Q.55 What are the risks of not funding or reducing the budget for these activities?**

662 A. Reducing Technical and Professional Services costs for Procurement will further
663 contribute to the backlog in procurements for materials and services, resulting in project
664 delays, as many of these costs relate to workforce augmentation. Deferring the budget for
665 the Materials Management Program could result in a diminished ability to support
666 materials claims eligible for federal funding due to the deferral of optimization to the
667 Asset Suite application, which may reduce the deployment of federal funds.

668 **Q.56 If the Constrained Budget is approved, will the Department meet its contractual and**
669 **legal duties?**

670 A. Yes.

671 **Q.57 Please explain.**

672 A. The Department will continue to follow the Procurement Manual and will complete the
673 procurement activities that it is able to complete at the level of approved staffing, in
674 compliance with laws and regulations. The challenge that reduced funding creates is
675 fewer procurement activities being conducted, which may cause delays to projects and
676 may have an impact on the ability of other LUMA departments to meet their objectives.

677 **Q.58** Does this complete your testimony?

678 A. Yes.

ATTESTATION

Affiant, Mariana S. Pérez Cordero, being first duly sworn, states the following:

The prepared Direct Testimony, the attached exhibits, and the cost information for the Procurement and Supply Chain Department in LUMA Ex. 2.03 and LUMA Ex. 2.04 constitute my Direct Testimony in the above-styled case before the Puerto Rico Energy Bureau. I would give the answers set forth in the Direct Testimony if asked the questions that are included in the Direct Testimony. I further state that the facts and statements provided herein are my Direct Testimony and, to the best of my knowledge, are true and correct.

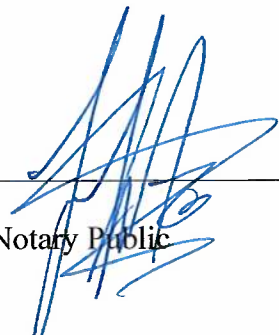

Mariana S. Pérez Cordero

Affidavit No. 974

Acknowledged and subscribed before me by Ms. Mariana S. Pérez Cordero, in her capacity as Vice President, Procurement and Contracts of LUMA, of legal age, married, and resident of Bayamon, Puerto Rico, who has been identified by means of her driver's license with registration number 4211120.

In San Juan, Puerto Rico, this 7th day of November 2025.




Notary Public

LUMA Exhibit 15.01

Procurement & Supply Chain Organization



LUMA Ex. 15.02
LUMA's Procurement Manual, Version 2, published July 31, 2023

LUMA Ex. 15.02



PROCUREMENT MANUAL

Version 2
July 31, 2023

LUMA Ex. 15.02

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I. Introduction

A. Purpose and Applicability

The purpose of this Procurement Manual is to document the procurement policies and procedures that LUMA Energy Servco, LLC (“LUMA”) will use when procuring goods and services as agent for the Puerto Rico Electric Power Authority (“PREPA”). This Procurement Policy is established under the authority of the Operations and Maintenance Agreement (“O&M Agreement” or “OMA”) dated as of June 22, 2020, among PREPA, as owner of the Transmission and Distribution System (“T&D System”), the Puerto Rico Public Private Partnerships Authority (“P3A”), as Administrator, and LUMA Energy ServCo, LLC and LUMA Energy, LLC as Operator of the T&D System. Any language regarding LUMA’s responsibilities or involvement in procurement activities is intended to provide clarity on the way that LUMA employees will conduct their responsibilities in fulfillment of LUMA’s role as agent of PREPA.

This Procurement Manual was prepared, approved and adopted in accordance with the substantive and procedural requirements of (i) the Public-Private Partnership Authority Act, Act No. 29-2009 of the Legislative Assembly of Puerto Rico, as amended (“Act 29”) which provides the legal framework for the creation and development of public-private partnerships agreements, (ii) the Puerto Rico Electric System Transformation Act, Act No. 120-2018, of the Legislative Assembly of Puerto Rico, as amended (“Act 120”) which authorizes PREPA to conduct any PREPA Transaction (as defined thereunder) and to enter into Partnerships or Sales Contracts (as defined thereunder) in relation thereto and also designates P3A as the sole government entity authorized to and responsible for implementing the public policy on PREPA Transactions (as defined thereunder) conducted in accordance with Act 120; determining the Functions, Services, or Facilities for which such Partnerships shall be established, subject to the priorities, objectives and principles established in the energy policy and the regulatory framework to be developed pursuant to Section 9 thereunder; and determining which PREPA Assets (as defined thereunder) related to electric power transmission and distribution shall be sold or transferred through Sales Contracts and also provides that contracts executed in connection with any PREPA Transaction may include exceptions or alternative procedures to statutory provisions, including those in the Puerto Rico Electric Power Authority Act, Act 83 of May 2, 1941, as amended (“Act 83”), deemed reasonable by P3A’s Partnership Committee under the circumstances, to ensure the feasibility of the PREPA Transaction; and (iii) Sections 4.1(e)(ii) and 4.1(f)(ii) of the O&M Agreement.

This Procurement Manual is not limited to procurements funded in whole or in part with grants but is compliant with applicable Commonwealth of Puerto Rico and federal statutory and regulatory requirements for procurements funded by grants.

This document is to be applied in concert with any other applicable policy established by LUMA for its operations as agent for PREPA. In the event of a conflict between the terms of this document and LUMA’s other policies applicable to its role as agent for PREPA, the more restrictive requirement applies. For the avoidance of doubt, consistent with the O&M Agreement, to the extent that this document differs from the PREPA Procurement Manual or

the procurement manual issued by any other PREPA agent in the fulfillment of the other agent's responsibilities, the other procurement manual(s) do not apply to LUMA, as agent to PREPA. Similarly, this Procurement Manual does not apply to PREPA's own procurements or the procurements by any other PREPA agents.

B. Exclusions and Exceptions to this Procurement Manual

Pursuant to Act 29-2009, as amended, Act 120-2018, as amended, and the OMA, this Procurement Manual governs all matters regarding procurement under the OMA to the extent not in contravention of federal procurement requirements. Notwithstanding the foregoing, and for the avoidance of doubt, this Procurement Manual does not apply to (i) contracts not payable with federal funds where LUMA is acting as principal, not agent to PREPA (ii) donations, (iii) intergovernmental agreements, (iv) agreements or understandings whereby PREPA is not required to make payments and/or reimbursements.

1. State Procurement and/or Contracting Requirements Not Applicable to this Procurement Manual

Puerto Rico government procurement and/or contracting requirements that directly contradict this Procurement Manual do not apply to procurements under the OMA.

As matter of example, the below is a non-exhaustive list of local requirements that do not apply to procurements under this Procurement Manual:

- a. Compliance with Act 73-2019, including but not limited to vendors' requirements to register with the General Services Administration's bidders' registry or professional service providers' registry (RUL and RUP, respectively). Vendors (with the exception of vendors for purchases below the Micro-Purchase Threshold) are required to be registered with LUMA's Vendor Registry.
- b. Compliance with Circular Letter 001-2021, of the Office of the Governor of Puerto Rico and the Office of Management and Budget.
- c. Compliance with Act No. 3-2017, as amended, known as the Act to Address the Economic, Fiscal and Budget Crisis and Guarantee the Functioning of the Government.
- d. Compliance with Act 230-1974, as amended, known as the Government Accounting Act, and any other law, order, circular letter or regulation prohibiting or limiting the use of credit cards for public procurement.
- e. Compliance with OE-2021-003, or other applicable law, order or circular letter, granting the Chief of Staff the authority to terminate a contract.
- f. Compliance with Act 69-1991, known as the Law to Regulate the Deposit of Public Funds and to Provide for its Security.
- g. Compliance with any laws, rules, orders, circular letters or regulations related to the Puerto Rico Innovation and Technology Service, including but not limited to Act 75-2019.
- h. Compliance with Act 265-2003.
- i. Compliance with Article 3(f) of Act 237-2004, or any law, rule or regulation establishing a maximum term amount for PREPA contracts.

- j. Compliance with OE-2021-029.

2. Contracts Not Subject to Certain Provisions of this Procurement Manual

a. Contracts of Adhesion

Certain industry contracts or agreements may be subject to market research to determine cost reasonableness, but the provisions of the contract itself are not subject to negotiation. Contracts of adhesion include pre-populated contracts for (i) insurance, (ii) shipping, (iii) hotels, (iv) car rentals, (vi) off-the-shelf software or information systems or (vii) similar goods or services where vendors in the marketplace typically do not allow substantive modification to standard terms and conditions. LUMA may enter into contracts of adhesion when not using federal funds without the representations set forth in Sections IV.A.8 and IV.B; provided, however, LUMA shall aim to include such representations when feasible.

C. Contracting Principles

1. Acquisition of Unnecessary or Duplicative Items

LUMA will avoid the acquisition of unnecessary or duplicative items. In furtherance of that goal, acquisition actions should:

- a. Expend funds for current and reasonably expected needs and avoid acquisition of unnecessary or duplicative items.
- b. Include written justification for the purchase of goods or services in the Procurement File before the initiation of any procurement process.
- c. Consider consolidating or breaking out procurements to obtain a more economical purchase. However, “project splitting”—breaking up a larger procurement merely to bring it under the micro purchase (\$10,000) or Simplified Acquisition Threshold (\$250,000) —is not permitted.
- d. Consider, where appropriate, lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach.

2. Economy of Scale

To encourage favorable pricing, LUMA should seek to purchase the full quantity of goods or services necessary to fulfill the approved scope of the allocation or subgrant at the time of the procurement. Where the acquisition of goods or services is divided into multiple procurements from the same vendor, the total anticipated cost must be used to determine the method for each procurement.

D. LUMA CPM Toolkit

Throughout this Procurement Manual, references are made to various template documents and forms, and other LUMA plans and policies applicable to LUMA procurements governed

by this Manual. These references are italicized herein and may be found in the compilation document known as the *LUMA CPM Toolkit*, which may be revised from time to time.

II. Definitions

- A. *"Best Value"* Best Value shall be understood as the most advantageous combination of the total cost and quality needed to meet LUMA's requirements. Best Value may not necessarily mean the lowest cost but provides the greatest overall benefit in response to the requirements.
- B. *"Cardinal Change"* is a significant change to an existing contract that is beyond the scope of the original contract work, costs or time; causes a major deviation from the original purpose of the work or the intended method of achievement; or causes a revision of contract work so extensive, significant, or cumulative that, in effect, the contractor is required to perform very different work from that described in the original contract.
- C. *"Competitive Proposals"* is a method of vendor selection that provides Full and Open Competition and includes the issuance of a Request for Proposals ("RFP") and the negotiation of contract terms.
- D. *"Competitive Sealed Bidding"* is a method of vendor selection that provides Full and Open Competition where the award is made to the lowest acceptable bid and is initiated by the issuance of a written Invitation for Bids ("IFB").
- E. *"Conflict of Interest"* means a real or apparent personal or organizational conflict of interest. A personal conflict of interest may arise when an employee, officer, or agent, any member of his or her immediate family, his or her partner, or an organization which employs or is about to employ any of these persons (other than a public agency/organization in which he or she is serving as an officer, director, trustee, partner, or employee), has a financial or other interest in or a tangible personal benefit from an entity considered for a contract. An organizational conflict of interest may arise where, because of its relationship with a related entity such as a parent, affiliate, or subsidiary, an entity submitting a bid or proposal is or appears to be unable to be impartial with regard to decisions that might affect the related organization. (See Section X for more information on Conflict of Interest.).
- F. *"Construction Work"* is the construction, rehabilitation, alteration, conversion, extension, demolition or repair of buildings, highways, or other changes or improvements to real property, including facilities providing utility services. The term also includes the supervision, inspection, and other onsite functions incidental to the actual construction.
- G. *"Emergency"* means a threat to life, public health, or safety, or improved property or some other form of dangerous situation that requires immediate action to alleviate the threat and the use of competitive procurement proposals would prevent the timely acquisition of goods or services needed to respond to or lessen the harm from the threat or dangerous situation. Emergencies do not require a declaration of emergency by the Governor or President, and conversely, such a declaration by the Governor or President does not automatically create an emergency for the purposes of triggering Emergency procurement procedures in this Procurement Manual.
- H. *"Exigency"* means a situation that demands immediate aid or action, where there is a need to avoid, prevent, or alleviate serious harm or injury, financial or otherwise, and use of competitive procurement proposals would prevent the urgent action required to address the situation.
- I. *"Full and Open Competition"* means allowing bidders and offerors to compete for contracts on an equal footing, ensuring that no restrictions are placed on procurements of goods or services that may unduly limit competition. Examples of prohibited or undue restrictions that prevent Full and Open Competition include but are not limited to:

1. Allowing prohibited conflicts of interest, including allowing companies that develop or draft specifications, requirements, statements of work, or invitations for bids or requests for proposals to compete for such procurements. These companies must be excluded from bidding.
 2. Imposing prohibited geographical preferences. LUMA will not impose state, local, or tribal geographical preferences in the evaluation of bids or proposals, except in those cases where applicable federal statutes expressly mandate or encourage geographic preference. Nothing in this Section preempts Puerto Rico licensing laws. When contracting for architectural and engineering (“A/E”) services, LUMA may use geographic location as a selection criterion provided the limitation leaves an appropriate number of qualified firms, given the nature and size of the project, to compete for the contract.
 3. Placing unreasonable requirements that either favor or disqualify certain prospective offerors.
 4. Requiring unnecessary experience.
 5. Requiring excessive bonding.
 6. Supporting non-competitive pricing practices between firms or between affiliated companies.
 7. Issuing non-competitive solicitations or contracts to persons or firms on retainer contracts (or currently under another contract) that were not procured in compliance with this document or where the award is not for property or services specified for delivery under the scope of the retainer contract.
 8. Specifying only a “brand name” product instead of allowing for “an equal” product to be proposed and describing the performance of relevant requirements of the procurement. Similarly, specifying a preferred item is a form of a brand name only specification. It is not permissible unless there is an appropriate justification as to the need of the specific item.
 9. Any arbitrary action in the procurement process, e.g., unfairly restrictive time limits for a potential vendor to respond to a request.
- J. “*Infrastructure*”: Solely for the purposes of determining applicability of the Build America, Buy America Act (Public Law 117-58 §§ 70901-27) (“BABAA”), the term “*Infrastructure*” includes, at a minimum, the structures, facilities, and equipment for utilities; broadband infrastructure; and buildings and real property, in the United States.
- K. “*Micro Purchase Threshold*” is as defined at 2 C.F.R. § 200.1 and was \$10,000 as of the date this version of the Procurement Manual was issued.
- L. “*Minor Discrepancies*” are defects or errors which do not materially affect the deadlines or process for submitting bids or proposals, or the price, quality, quantity or delivery schedule of the goods or services being procured.
- M. “*Procurement File*” means all procurement documents, such as solicitations, proposals, evaluations, approvals, executed agreements, and contract deliverables. (See Section VI for documentation maintained in the Procurement File.)
- N. “*Purchase Requisition*” means the form used to document micro purchase procurements and the required approvals and vendor information. The Purchase Requisition shall be attached

to the invoice and made a part of the Procurement File. (See LUMA *Purchase Requisition Form*).

- O. “*Responsible*” bidder, offeror, or vendor means a person or entity that has the capability, in all material respects, to perform fully the contract requirements, and the moral and business integrity and reliability that will assure good faith performance. A documented determination of responsibility with basis for that determination will be saved in the Procurement File. (See LUMA *Contractor Responsibility Worksheet*.)
- P. “*Simplified Acquisition Threshold*” is as defined at 2 C.F.R § 200.1 and was \$250,000 as of the date this version of the Procurement Manual was issued.

III. Methods of Procurement

A. General Rule

Transactions for goods or services in excess of the Simplified Acquisition Threshold shall be conducted through Competitive Sealed Bidding or Competitive Proposals unless otherwise provided by this policy. Goods and services should be procured by Competitive Sealed Bidding where price is the sole determinative factor and should be procured through Competitive Proposals where it is desirable to evaluate other factors in the decision to award a contract.

B. Informal Procurement Methods: Micro and Small Purchases

Though competition is encouraged in all purchases, the cost of a formal procurement for small purchases can outweigh its benefits. Accordingly, for purchases of goods and services costing less than the Simplified Acquisition Threshold, informal procurement procedures are permitted.

1. Micro Purchases: purchases less than or equal to the Micro Purchase Threshold

- a. Purchases of goods and services not exceeding the Micro Purchase Threshold in the aggregate may be made without Competitive Sealed Bidding or Competitive Proposals if LUMA considers the price to be fair and reasonable based on research, experience, purchase history or other information and documents the decision. Purchases that remain at or below the Micro-Purchase Threshold are not required to be documented with a written contract or purchase order, but costs must be documented by the vendor's invoice, proof of payment, and a LUMA *Purchase Requisition Form*. In addition, LUMA will document the determination regarding price, the determination that the contractor is a Responsible vendor and reason for selection if more than one vendor was considered. If applicable, LUMA will also document any determination that the otherwise lowest priced vendor is not Responsible. For a complete list of the documentation requirements, see Section VI.
- b. To the maximum extent practicable, micro purchases should be distributed equitably among qualified suppliers.
- c. LUMA may, but is not required to, use the Small Purchase or Formal Procurement Methods for Micro Purchases.

2. Small Purchases: Purchases of more than \$10,000, but no more than \$250,000

- a. Securing services, supplies, or other property which cost more than the Micro Purchase Threshold, but do not cost more than the Simplified Acquisition Threshold in the aggregate, may be conducted without Competitive Sealed Bidding or Competitive Proposals. However, LUMA must obtain written price or rate quotations from at least three qualified sources. LUMA will determine whether the number of price or rate quotations received is adequate under the circumstances. The contracts should be fixed price or not to exceed T&M contracts with assurances that the scope of work can be completed for less than the Simplified Acquisition Threshold. The Procurement File must include an independent cost estimate that the procurement is within the threshold to qualify for this type of procurement. Any future changes, particularly any that cause the procurement to rise above the Simplified Acquisition Threshold, should also be documented in the Procurement File. LUMA must also document its determination that the contractor is Responsible and, if applicable, their determination that the otherwise

lowest priced vendor is not Responsible. For a complete list of the documentation requirements, see Section VI.

- b. Purchases exceeding the Micro Purchase Threshold require a written contract.
- c. LUMA may, but is not required to, use Formal Procurement Methods for Small Purchases.

C. Formal Procurement Methods: Purchases above the Simplified Acquisition Threshold (currently \$250,000)

1. The purchase of services, supplies, or other property in an amount expected to exceed the Simplified Acquisition Threshold must be documented in a written contract. Such contracts must be made through Competitive Sealed Bidding or Competitive Proposals, unless otherwise exempted under Sections III.E or III.F. LUMA must obtain bids or proposals from at least three qualified vendors. See Section III.E below in the event at least three bids or proposals are not received.
 - a. **Competitive Sealed Bidding** begins with the issuance of an IFB containing the solicitation requirements set out in Section IV below. When it is impractical to initially prepare a purchase description to support an award based on price, the IFB may request the submission of unpriced offers to be followed by an IFB that contains a complete, adequate, and realistic specification or purchase description.

Public notice of the IFB is given at least ten business days before the date set for receipt of bids by posting on LUMA's website, and optionally by publication in other media. In addition, bids and offers may be solicited directly from potential vendors, and LUMA must take the affirmative steps in Section VIII.A to ensure that small and minority businesses, women's business enterprises, and labor surplus area firms are provided every opportunity to compete for the contract.

LUMA may permit a shorter posting period where appropriate.

Evaluation of bids will be based on the requirements set forth in the IFB, which may include life-cycle costing, value analysis, and any other criteria such as inspection, testing, quality, workmanship, delivery, and suitability for a particular purpose which may be helpful in determining acceptability.

After evaluating all bids, LUMA may award to the lowest responsive and responsible bidder who is fully qualified and best suited among those submitting proposals, based on the evaluation factors included in the IFB.

If procuring goods or services that will be funded in whole or in part by a HUD Community Disaster Block Grant, see the latest *Procurement Manual for the CDBG-DR Program* issued by the Puerto Rico Department of Housing for further instructions regarding the bid process.

- b. **Competitive Proposals** begins with the issuance of an RFP containing the solicitation requirements set out in Section IV below. An RFP is typically designed to solicit a proposal to solve a stated problem or meet a stated need, versus purchasing a specific item. The proposal received is the product of the offeror's creative thoughts and provides the detailed approach and description of what is to be accomplished or produced, as well as a price for the services or goods to be provided.

Public notice of the RFP is given at least ten (10) business days before the date set for receipt of proposals by posting on LUMA's website, and optionally by publication in other media. In addition, proposals may be solicited directly from potential vendors and LUMA must take the affirmative steps in Section VIII.A to ensure that small and minority businesses, women's business enterprises, and labor surplus area firms are provided every opportunity to compete for the contract.

LUMA may permit a shorter posting period where appropriate (with documented justification).

LUMA will consider all evaluation factors specified in the solicitation documents and evaluate offers only on those factors. Evaluation factors must include price and may include whether the offeror has complied with specifications; the ability of the offeror to carry out the work required; the relative quality and adaptability of the materials, goods, equipment, or services offered; the financial responsibility of the offeror; the offeror's expertise, experience, and reputation of business integrity; and the deadline for the delivery or performance offered.

If a contract will include options, LUMA will evaluate proposals for any optional quantities or periods contained in the solicitation if LUMA intends to exercise those options after the contract is awarded.

If LUMA finds that changes to the evaluation factors are necessary, and such changes would impact the field of competition, LUMA may only change the evaluation factors if the revised solicitation is reopened to all potential offerors.

The evaluation process may but is not required to include interviews with offerors. After evaluating all evaluation factors in the RFP (including price) LUMA may, but is not required to, establish a competitive range of offerors whose proposals have a reasonable chance of being selected for award and invite the offerors within the competitive range to submit "best and final" cost proposals.

LUMA shall select the offeror which, in its opinion and using the evaluation factors specified in the RFP, is Responsible, and has made the best proposal and/or offers the Best Value, documenting the basis for selecting that offeror.

Negotiation of contract terms may be conducted with the selected offeror(s). However, if LUMA and the most qualified offeror fail to agree on contract terms, LUMA may conduct negotiations with the next most qualified offeror. If necessary, LUMA will conduct negotiations with successive offerors in descending order until a contract award can be made or LUMA decides to cancel or reissue the solicitation.

2. When the parties have agreed upon contract terms, LUMA will send a notice of award to all offerors. (Use the *Notice of Award Template*).
3. Awards may be made to more than one offeror only if the solicitation notified all potential offerors that LUMA may make multiple awards.
4. Formal procurements may result in one or more contract awards ("Multiple Award Contracts") and could include contracts for fixed quantities, or indefinite delivery, indefinite quantity ("IDIQ"). These contracts may be awarded as Master Service Agreements ("MSA") or other similar framework agreements. In cases where competitive solicitations, conducted in accordance with the procedures described above, result in Multiple Award Contracts, the issuance of orders under such contracts does not require additional competitive processes.
5. The requirement for full and open competition is satisfied when purchasing through a United States General Services Administration ("GSA") Schedule.

D. Pre-qualification

In addition to the Formal Procurement Methods, LUMA may allow vendors to prequalify before submitting bids or proposals in individual procurements or categories of procurements. Pre-qualified lists are not contracts, but simply aid in the procurement of future contracts by documenting the qualification of prospective contractors in advance of procurements and contract awards.

Prequalification shall be based on criteria related to that which is to be procured and are designed to solicit vendors fully capable of performing the anticipated contract. LUMA will ensure that all prequalified lists of persons, firms, or products which are used in acquiring goods and services are current and include enough qualified sources to ensure Full and Open Competition. LUMA will not preclude potential bidders from qualifying during the solicitation period.

E. Non-competitive Procurements

1. When a contract will be funded in whole or in part with Federal funds, non-competitive procurement may only be used when one or more of the following circumstances apply:
 - a. The aggregate dollar amount of the property or services does not exceed the Micro Purchase Threshold.
 - b. The product or service is only available from a single source. Examples of situations where goods and/or services may only be available from a single source include:
 - i. The offeror demonstrates a unique or innovative concept or capability not available from another source.
 - ii. No other product provides equivalent or similar benefits.
 - iii. There is no possibility of competition from other dealers or distributors (e.g., there are patent or data rights restrictions that would preclude competition).

- iv. The contractor is already performing work for LUMA and transitioning to a new vendor would create a substantial duplication of costs that is unlikely to be recovered through competition.
 - v. Equipment compatibility.
- c. An exigency or emergency need for the requirement does not permit sufficient time for a formal competitive procurement.
 - i. A Presidential emergency or major disaster declaration under the Stafford Act is not alone sufficient to justify the use of this exception to Full and Open Competition.
 - ii. Use of this exception is only permissible for goods or services specifically related to the Emergency or Exigency.
 - iii. Use of this exception is only permissible during the actual Emergency or Exigency. Upon awarding a non-competitive contract, LUMA will begin the process of competitively procuring similar goods and services to transition to the competitively procured contracts as soon as the actual Emergency or Exigency ceases to exist. Typically, Exigency or Emergency conditions exist when there is a widespread lack of power, transportation, and/or communications. Such conditions usually last up to 30 days, but may extend longer after catastrophic events. For example, once power and communications are restored such that normal business operations resume, LUMA will transition from sole source to competitive procurement, and compete any needs that persist including those that were initially awarded under sole source conditions. For the avoidance of doubt, once LUMA can perform competitive procurement it will initiate competitive procurement.
 - iv. To limit the need for non-competitive procurements during a public Exigency or Emergency, LUMA may identify the types of work that will be needed in the most common events anticipated for PREPA's Transmission & Distribution system in such circumstances. These pre-disaster procurements and the resulting prepositioned contract will meet the applicable requirements in this Procurement Manual for competitive procurement including those governing organizational conflicts of interest.
 - v. In the event of a public Exigency or Emergency requiring resources not available through prepositioned contracts, the OCI process identified in Section X, and LUMA's *OCI Avoidance and Mitigation Plan* ("OCIAMP"), does not apply during the time that Emergency or Exigency conditions prohibit competitive procurement. The exemption from the OCI process shall not exceed 30 days absent a written request with justification to P3A and COR3 and express written authorization from P3A and COR3.
 - vi. Contracts awarded during the public Exigency or Emergency period will have a contract term of 30 days or less, unless a longer period is approved by P3A and COR3, following receipt of a written justification from LUMA explaining: (i) why the good or service will be required for a longer term; (ii) why the Exigency or Emergency is prohibiting competitive procurement; and (iii) an estimate of time as to when LUMA will be capable of resuming the competitive procurement process and replacing the contract awarded using this exception with a competitive award. Considering the expected urgency

of such projects, P3A and COR3 shall provide such approval as promptly as possible in all cases.

- d. The federal awarding agency approved the non-competitive procurement in writing.
 - e. When LUMA solicits responses from an adequate number of qualified offerors (which may be satisfied by posting on LUMA's website or Sourcing Platform and complying with the affirmative steps in Section VIII.A) and fewer than three qualified and responsible offerors respond, LUMA may proceed with a noncompetitive award if competition is determined to be inadequate. Before using this exception:
 - i. LUMA's solicitation efforts must be well-documented in the Procurement File.
 - ii. LUMA should review the solicitation and its publication to ensure that it did not unduly restrict or eliminate competition. In undertaking this review, LUMA may ask those firms solicited why they did not submit offers or bids. If the reason is an overly restrictive specification or delivery requirement, then LUMA should evaluate whether to cancel the solicitation, change that specification to allow for more bids or offers, and re-solicit bids or offers.
 - iii. If using this exception, LUMA must also perform a cost or price analysis to demonstrate the reasonable cost of the goods or services.
2. Use of Noncompetitive Procurement procedures for federally funded procurements does NOT relieve LUMA's responsibility to perform other required procurement activities as set forth in this Procurement Manual, which may include, but are not limited to the following examples:
- a. Include the applicable required federal clauses discussed in Section VIII.D of this Procurement Manual and available in the *Federal Contracting Clauses* section of the *LUMA CPM Toolkit*.
 - b. Include the Federal bonding requirements at 2 C.F.R. § 200.326 if the contract is for construction or facility improvement.
 - c. Award only to a responsive and Responsible contractor.
 - d. For any contract or contract modification above the Simplified Acquisition Threshold, complete a written cost or price analysis and determine if the cost or price is fair and reasonable.¹
 - e. Never award cost plus percentage of cost contracts.
 - f. Use a T&M contract (see Section VII.B.3 below) only if no other contract method is suitable, and if so, document that determination, include a ceiling price in the contract that the contractor may not exceed, and assert a high degree of oversight to ensure that the contractor is using efficient and effective methods of cost control. (Use *Template Determination Regarding Suitability for Time and Materials Contracts*).
 - g. If less than three vendors respond to a Formal Procurement, ensure that the Procurement File contains information on the solicitation efforts undertaken and either

¹ If the determination relies on comparison to a prior procurement, that procurement must have been a competitive one. The determination must also identify similarities in the goods, services, and costs in the prior procurement.

cancel the solicitation and resolicit bids or proposals or document the reason for proceeding with a non-competitive award instead of cancelling the solicitation and resoliciting bids or proposals.

F. Exceptions to Formal Procurement for Procurements that are Not Eligible for Federal Funding

1. When in the best interest of good administration, goods or services that are not eligible for Federal Funding may be procured through a non-competitive procurement when:
 - a. The Total Contract Value does not exceed \$2.5M in the aggregate, or, with documented P3A approval, does not exceed \$5M in the aggregate; and
 - b. Written justification is provided as to why it is in the best interest of good administration to use non-competitive procurement.
2. When in the best interest of good administration, LUMA may procure goods or services that are not eligible for Federal Funding through an informal procurement process to more than one vendor when:
 - a. The Total Contract Value does not exceed \$5M in the aggregate; and
 - b. Written justification is provided as to why it is in the best interest of good administration to use an informal procurement process.
3. When spare parts, accessories, or supplemental equipment or services are required to support, maintain, repair, or effectively operate previously supplied goods or contracted services - to the extent authorized by Act 83-1941.
4. Real estate lease and/or purchase agreements.
5. Operational fuel purchases, to the extent authorized by Act 83-1941.
6. Professional, expert, highly technical, or specialized services ("Professional Services") are required, and LUMA deems it in the best interests of good administration for such works or services to be contracted without a competitive procurement.
7. After solicitation of a number of sources, competition is determined inadequate.
8. The acquisition of goods or services, the aggregate dollar amount of which does not exceed the Micro-Purchase Threshold.
9. The item is only available from a single source.
10. The immediate delivery of equipment, materials, effects, performance of services, or construction works are required due to an Emergency or public Exigency but are not available through pre-existing or pre-positioned contracts and the circumstances will not permit a delay resulting from publicizing and completing a competitive solicitation as required under this Procurement Manual.

IV. Solicitation Requirements

A. Solicitation Requirements

All solicitations used in formal procurements (Competitive Sealed Bidding or Competitive Proposals) must meet the following requirements:

1. A clear and accurate description of the technical requirements for the good or service to be procured, including any unique capabilities or qualifications that will be required of the vendor. This description must not contain features which unduly restrict competition.
2. The description may include a statement of the qualitative nature of the material, product or service to be procured and, when necessary, must set forth those minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use. Detailed product specifications should be avoided if practical.
 - a. Performance or functional specifications are preferred over detailed technical specifications except where appropriate to ensure functionality, such as for electronic equipment and systems that must meet certain performance criteria, including interoperability with other equipment or systems. A performance specification describes the outcome, an objective, or standard to be achieved, and leaves the determination of how to reach the result to the contractor. When using performance specifications, the solicitation should describe what the product should be able to do or the services to accomplish without imposing unnecessarily detailed requirements on how to accomplish the tasks.
 - b. Although a brand name may not be requested or required, when it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a "brand name or equivalent" description may be used as a means to define the performance or other salient requirements of the procurement. The specific features of the named brand which are required must be clearly stated.
3. All solicitations must identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals. If using an RFP to procure by Competitive Proposals, the solicitation should state if LUMA is reserving its right to award the contract to other than the lowest priced offeror and whether LUMA intends to award one or more than one contract.
4. If applicable, solicitations must acknowledge LUMA's use of federal grant funding for the contract in compliance with the terms of its financial assistance award and notify prospective bidders/offerors that the applicable Federal grant contracting clauses discussed in Section VIII.D of this Procurement Manual will be required in the resulting contract. The solicitation may include the applicable required clauses.
5. Solicitations must also set forth the requirements related to contracting with small and minority businesses, women's business enterprises, and labor surplus area firms set forth in Section VIII.A, below.
6. Solicitations should state the type of contract that will be awarded. Cost plus percentage of cost contracts are prohibited. Fixed Price and Cost Reimbursement contracts are

preferred. T&M contracts may only be used if justified through completion of a *Template Determination of Suitability for Time and Materials Contracts*.

7. To the extent the Buy American Act applies to the purchase and no exception applies, include the applicable solicitation provision. Also, include in the solicitation the following brief questionnaire:
 1. Is the material American-made? ____ Yes ____ No
 2. If not, did you attempt to source American-made material? ____ Yes ____ No
 3. If no, please explain why not: _____
 4. If yes, what was the reason American-made material was not included in your proposal? ____ Price ____ Availability ____ Other
 5. If price, note the difference in price: _____
 6. If other, please explain: _____
8. When procuring services onshore or offshore (including the “service” of delivery of Goods), the solicitation will require a vendor to make the following representations and warranties and deliver the following documents, as required by applicable law (terms capitalized, but not otherwise defined, shall have the meaning set forth in the O&M Agreement):
 - a. Vendor represents and warrants that it does not have any outstanding debts for unemployment insurance, temporary disability or chauffeur’s social security with the Department of Labor and Human Resources of the Commonwealth, workman’s compensation with the State Insurance Fund, income taxes or sales and use taxes with the Department of Treasury of the Commonwealth or real or personal property taxes with the Municipal Revenues Collection Center (“CRIM”).
 - b. Vendor shall deliver the certifications and sworn statement listed in Section IV.B below.
 - c. Vendor shall not violate, conspire to violate or aid and abet the violation of any Anti-Corruption Laws. No funds transferred by PREPA to Vendor shall be transferred by Vendor, directly or indirectly, in violation of any Anti-Corruption Laws.
 - d. Vendor is neither a Sanctioned Person nor located, organized, or a resident in a Sanctioned Country.
 - e. Vendor shall maintain and implement policies, procedures and controls reasonably designed to ensure compliance with the Anti-Corruption Laws and Sanctions, promptly notify PREPA, via LUMA, in writing if Vendor becomes subject to any investigation by law enforcement or regulatory authorities in connection with the Anti-Corruption Laws or Sanctions, at all times comply with all Applicable Law regarding non-discrimination.

- f. Vendor attests, subject to the penalties for perjury, that no Representative of Vendor, directly or indirectly, to the best of Vendor's knowledge, entered into or offered to enter into any combination, conspiracy, collusion or agreement to receive or pay any sum of money or other consideration for the execution of the Agreement.
- g. Vendor shall inform PREPA, via LUMA, at any time during the Term, of any material tax disputes with any Governmental Body of the Commonwealth (other than Commonwealth Tax liabilities for which Vendor is not responsible under this Agreement, if any).
- h. Vendor shall inform PREPA, via LUMA, at any time during the Term, if it or its Representatives become aware that they are subject to investigation in connection with criminal charges related to acts of corruption, the public treasury, the public trust, a public function or charges involving public funds or property.

B. Required Certificates

The solicitation will require a vendor to provide the following certifications and any other as may be required under law from time to time.

Vendors that are otherwise subject to Puerto Rico General Services Administration (ASG, by its Spanish acronym) requirements for membership in the Professional Services Providers Sole Registry ("RUP", by its Spanish acronym) or the Bidders Sole Registry ("RUL", by its Spanish acronym) may provide evidence of current RUL or RUP registration in lieu of providing the documents listed below.

1. Vendor Engaged in Business in Puerto Rico

- a. Certificate of Incorporation, Certificate of Organization or Certificate of Authorization to do Business in Puerto Rico issued by the Puerto Rico Department of State.
- b. Merchant Registration Certificate.
- c. Certificate of Good Standing issued by the Puerto Rico Department of State.
- d. Sales and Use Tax Debt Certificate.
- e. Income Tax Debt Certificate.
- f. Income Tax Return Filing Certificate
- g. Property Tax Debt Certificate from CRIM
- h. Child Support (ASUME) Debt Certificate
- i. Act 2-2018 Sworn Statement

2. Vendor Not Engaged in Business in Puerto Rico

- a. Certificate of Existence, issued by the relevant jurisdiction.
- b. Sworn Statement certifying no tax debts with Puerto Rico agencies.
- c. Sworn Statement certifying no ownership of property in Puerto Rico.
- d. Act 2-2018 Sworn Statement

C. Addenda

LUMA may either remain silent or issue an amendment to address any Minor Discrepancies in the solicitation documents. The solicitation documents should provide that LUMA may waive Minor Discrepancies in bids and proposals.

D. Cardinal Changes

Drafting a new contract to include a Cardinal Change or revising an existing contract to include a Cardinal Change is equivalent to a non-competitive award. When determining whether a change is a Cardinal Change, LUMA should evaluate whether the change is within the general scope of the contract work, costs and time, and within the scope of competition; if not, the contract should be canceled and re-solicited or the additional requirements should be met through a new procurement.

V. Evaluation of Submissions

E. Evaluation Panel

1. LUMA will convene an evaluation panel for all competitive procurements, except for emergency or exigency procurements. The purpose of the evaluation panel is to verify that vendors and their offers satisfy the requirements of the solicitation documents and to evaluate offers according to the evaluation criteria predefined in the solicitation documents.
2. The evaluation panel should be a cross-functional team of subject matter experts that will consist of at least three individuals, preferably LUMA employees. Evaluation panel members must evaluate all responsive proposals and if vendor interviews occur, must participate in all vendor interviews or review recorded interviews if they cannot attend. They may revise their initial scores as a result of the vendor interviews.
3. The evaluation panel will evaluate all offers consistent with the terms of the solicitation documents and prepare a written evaluation that addresses the technical aspects of each proposal. Authorized procurement personnel will conduct and document a cost or price analysis. The cost or price analysis will evaluate each offeror's cost or price proposal against the others, as well as against the independent cost or price estimate that was developed before opening bids or proposals.

VI. Documentation

- A. All purchases must be documented in writing.
- B. For all procurements, LUMA shall document the procurement process that was followed and the basis for recommendations of particular vendors in the Procurement File.
- C. For every procurement (including noncompetitive procurements that don't exceed the Micro Purchase Threshold), LUMA must maintain the following documents in the Procurement File in sufficient detail to show the history of the procurement and the resulting contract (as applicable):

1. Initiating the Procurement:

- a. Written justification for the purchase of the good or service.
- b. Rationale for the method of procurement selected, i.e. micro purchases (not to exceed \$10,000); small purchase procedures (not to exceed the Simplified Acquisition Threshold); formal procurement (above the Simplified Acquisition Threshold) using Competitive Sealed Bidding or Competitive Proposals; or non-competitive proposals.
- c. For Micro Purchases, a *Purchase Requisition Form*.
- d. For non-competitive purchases (including micro, small, and formal procurement methods), a *Non-competitive Procurement Justification Worksheet*. The form must be completed with sufficient detail that a reasonable person unfamiliar with the circumstances can identify and understand the reasons for the non-competitive procurement.
- e. Rationale for selection of contract type, i.e., fixed fee, cost reimbursement, time and materials. If a time and materials contract is used, include a completed *Template Determination of Suitability for Time and Materials Contract*.
- f. For formal procurements and noncompetitive awards (above the Simplified Acquisition Threshold), conduct an independent cost estimate before receiving bids or proposals using a *Contract Cost or Price Analysis Worksheet*. For procurements expected to fall below the Simplified Acquisition Threshold, but above the Micro Purchase Threshold, LUMA will document its cost estimate, but is not required to use the *Contract Cost or Price Analysis Worksheet* to do so.
- g. To the extent the procurement is subject to the Buy American Act, documentation to memorialize the consideration and application of any exceptions thereto.
- h. LUMA procurement team approval or approval of the appropriate LUMA officer to release the procurement.

2. Publicizing the Solicitation:

- a. List of sources solicited.
- b. Copies of published notices of proposed contract action.
- c. Copy of the solicitation documents (IFB, RFP or other evidence of solicitation) including all addenda, amendments, requests for clarifications and all other documents issued in relation to the procurement.

- d. Documentation describing the affirmative steps taken to ensure that small and minority businesses, women's business enterprises, and labor surplus area firms are used when possible. (See Section VIII.A for the required affirmative steps.)
- e. All bids/proposals received in response to the solicitation, including pricing.

3. Evaluating Bids/Proposals:

- a. Documentation evidencing appointment of evaluation panel or description of how the contractor was selected.
- b. The grading sheets and panel evaluations that apply the evaluation criteria in the solicitation documents, and reasons for rejection of any bid.
- c. The cost or price analysis comparing the offerors' prices against the Independent Cost Estimate and any independent research on cost or price (Use a *Contract Cost or Price Analysis Worksheet*).
- d. Determination that the contractor is Responsible (Use a *Contractor Responsibility Worksheet*).
- e. Documentation confirming good standing of the selected contractor (copy of search via www.sam.gov and applicable Commonwealth lists).
- f. Completed Suspension & Debarment Certification (Use a *Certification Regarding Suspension and Debarment*).
- g. If the contract will exceed \$100,000, a completed Byrd Anti-lobbying Certification (See *Byrd Anti-Lobbying Certification and Disclosure Form*).
- h. If the contract is for Infrastructure (as defined above), funded by a Federal Grant that is not a disaster grant, and not otherwise exempt from compliance with the Build America, Buy America Act under Section 70912(4)(B), a Completed Build America Buy America Self Certification (See *Build America Buy America Self Certification*). For more information on the Build America Buy America Act requirements, see FEMA's BABAA Guidance online at <https://www.fema.gov/grants/policy-guidance/buy-america>. This requirement does not apply to contracts funded by FEMA's Public Assistance Program, FEMA's Hazard Mitigation Grant Program, or HUD's Community Disaster Block Grant – Disaster program.
- i. To the extent applicable, documentation of compliance with the Buy American Act.
- j. Documentation regarding any Conflict of Interest issues that arise and a description of how they were handled.

4. Award:

- a. Notice of Award. (Use a *Notice of Award*).
 - b. Bid, performance, payment, and other bond documents (if applicable).
 - c. Copy of contract.
 - d. Task order(s), if applicable (Use a *Task Order Form*).
- D. The level of detail of the documentation included in the Procurement File should be commensurate with the size and complexity of the procurement.
- E. Contract documents must be retained:
- a. For a period of three years from the date of contract termination for contracts that are not funded with federal grant funds; or
 - b. For federally funded contracts other than CDBG-DR, three years from the date that PREPA or the pass through entity awarding the subgrant to PREPA submits its final expenditure report to the federal agency awarding the grant (see 2 C.F.R. § 200.334); or
 - c. For contracts funded by CDBG-DR grants, five years after grant close-out with HUD.

VII. Contracts

A. Cost or Price Analysis

1. The contract cost and price must be reasonable. LUMA must prepare an independent cost estimate for all federally funded procurements above the Micro Purchase Threshold. The independent cost estimate must be completed before receiving bids or proposals. In addition, after receiving bids or proposals, LUMA will perform a cost or price analysis for every procurement action that is expected to exceed the Simplified Acquisition Threshold. A cost or price analysis is also required for contract modifications that exceed \$250,000. The method and degree of the analysis depends on the facts surrounding the particular procurement. A *Contract Cost or Price Analysis Worksheet* is available in the *LUMA CPM Toolkit*.
2. Because a cost estimate is required before pricing is negotiated for a contract amendment or change order, LUMA should instruct contractors not to include pricing with change order proposals. Where a change order proposal includes pricing, LUMA will obtain a cost estimate from someone without knowledge of the contractor's price proposal.

B. Contract Types

1. Fixed Price

Provides a firm price that remains irrespective of the contractor's actual cost of performing the work, putting the risk on the contractor. It may include an economic price adjustment, incentives, or both.

2. Cost Reimbursement

Provides for payment of certain incurred costs and for the reimbursement of the contractor's reasonable, allocable, actual, and allowable costs, with an agreed-upon fee. This type of contract must include a limit to the costs that a contractor may incur which cannot be exceeded without LUMA's approval, except at the contractor's own risk. Examples include cost-plus-fixed-fee, cost-plus-incentive-fee, and cost-plus-award-fee contracts.

3. Time and Materials ("T&M") Contracts

Generally, use of T&M contracts will be limited to projects for which LUMA cannot under the circumstances establish a clearly defined scope of work to be completed within a reasonable period of time.

- a. Under T&M contracts (which term includes time and equipment contracts), the cost to PREPA is the sum of the actual cost of materials and direct labor hours charged at fixed hourly rates that reflect wages, general and administrative expenses, and profit. No fee or profit is allowed except as part of the fixed billing rate for direct labor hours, such that materials are billed at cost.
- b. T&M contracts are generally discouraged but may be unavoidable. Thus, LUMA will award and use such contracts only after a determination that no other contract is suitable and only if the contract includes a ceiling price to the purchaser that the

contractor may not exceed. The ceiling price must be reasonable and not so high as to render it meaningless as a cost control measure (Use a *Template Determination of Suitability for Time and Materials Contract*).

- c. LUMA will exercise a high degree of oversight of T&M contracts in order to obtain reasonable assurance that the contractor is using efficient and effective cost control methods.
- d. LUMA will comply with the *T&M Policy*.

4. Cost Plus a Percentage of Cost

The use of cost plus a percentage of cost and cost plus a percentage of construction cost contracts are **prohibited**. Cost plus a percentage of cost contracts permit the payment of labor costs on the basis of fixed hourly billing rates and allow the contractor to bill for actual costs other than labor (such as materials or travel) plus profit in the form of a percentage rate of actual costs.

5. Differentiating T&M and Cost Plus Percentage of Cost Contracts

T&M contracts require payment of labor costs at fixed hourly billing rates specified in the contract. These hourly rates include wages, indirect costs, general and administrative expense, and profit. Materials must be billed at actual cost, and no additional fee for profit is allowed apart from what may be included in the fixed billing rate for hours of labor. In contrast, a cost plus percentage of cost contract applies a profit percentage to the total hourly labor and material charges.

C. Period of Performance

LUMA will use sound business judgment in establishing and extending a contract's period of performance which should not exceed the time necessary to accomplish the purpose of the contract.

D. Special Considerations for Architectural/Engineering ("A&E") Professional Services

1. LUMA may use Competitive Proposal procedures for qualifications-based procurement of A&E professional services whereby offerors' qualifications are evaluated, and the most qualified offeror is selected, subject to negotiation of fair and reasonable compensation. This method, where price is not used as a selection factor, can only be used in procurement of A&E professional services. *This method cannot be used to purchase other types of services even though A&E firms may be potential sources to perform the proposed effort.*
2. If LUMA and the most qualified offeror fail to agree on a fair and reasonable price, LUMA may conduct negotiations with the next most qualified offeror. If necessary, LUMA will conduct negotiations with successive offerors in descending order until a contract award can be made to the offeror whose price LUMA believes is fair and reasonable.
3. For contracts funded in whole or in part with funds from a subgrant from COR3, COR3 considers the following to fall within the scope of A&E services:

- a. Architectural or engineering services associated with design or construction of real property.
- b. Architectural or engineering services, as defined by Act 173 of August 12, 1988, and which requires such services to be performed or approved by a registered architect or engineer.
- c. Other architectural or engineering services incidental thereto (including studies, investigations, surveying and mapping, tests, evaluations, consultations, comprehensive planning, program management, conceptual designs, plans and specifications, value engineering, construction phase services, soils engineering, drawing reviews, preparation of operating and maintenance manuals and other related services) that logically or justifiably require performance by registered architects or engineers or their employees.

E. Contract Execution

1. No contract may be executed and no commitments to vendors may be made, formal or informal, until appropriate approvals are obtained, consistent with subrecipient's internal delegations of authority or other internal control mechanisms.
2. The Financial Oversight and Management Board for Puerto Rico ("FOMB") approval is required for contracts of more than \$10,000,000.00 or as established in FOMB's contract review policy with regard to LUMA.
3. P3A approval is required for contracts of more than \$10,000,000.00 in any Contract Year or \$30,000,000.00 in the aggregate.
4. PREB approval is required:
 - a. Where Regulation 8815 (or other successor or similar regulation) applies; or
 - b. Where procurement relates to "generation and modernization" (including power purchase agreements and procurements that impact rate base).

F. Post-Procurement Modification of Contracts

The amount payable to a vendor shall be as permitted by its contract and may not be increased without an amendment to the contract that justifies the increased payment. LUMA will be careful to avoid Cardinal Changes. Contract modifications above the Simplified Acquisition Threshold require an independent cost estimate and cost or price reasonableness determination.

VIII. Other Topics

A. Contracting with Small and Minority Businesses, Women's Business Enterprises, and Labor Surplus Area Firms

LUMA will ensure that small and minority businesses, women's business enterprises, and labor surplus area firms are provided every opportunity to compete for contracts.

1. LUMA will perform and document compliance with the following affirmative steps:
 - a. Place qualified small and minority businesses, women's business enterprises, and labor surplus area firms on solicitation lists and solicit these businesses whenever they are potential sources. LUMA shall research state and local lists of qualified small and minority businesses and women's business enterprises to update its solicitation list.
 - i. A "small business" is independently owned and operated, not dominant in the field of operation in which it is bidding and qualified as a small business under the Small Business Administration criteria and size standards at 13 C.F.R. Chapter 21.
 - ii. A "women's business enterprise" is (a) at least 51 percent owned by one or more women or, in the case of a publicly owned business, at least 51 percent of the stock is owned by one or more women; and (b) whose management and daily operations are controlled by one or more women.
 - iii. A "minority business" is (a) at least 51 percent owned by one or more minority group members or, in the case of a publicly owned business, at least 51 percent of the stock is owned by one or more minority group members; and (b) whose management and daily operations are controlled by one or more minority group members.
 - iv. A "labor surplus area firm" is one that, together with its first-tier subcontractors, will perform substantially in labor surplus areas, as defined by the Department of Labor's Employment and Training Administration. The Department of Labor's list of labor surplus areas is available at <https://www.doleta.gov/programs/lsa.cfm>.
 - b. When economically feasible, divide project requirements into smaller tasks or quantities to maximize participation opportunities for small and minority businesses and women's business enterprises.
 - c. Establish delivery schedules, where practical, that encourage participation by small and minority businesses, and women's business enterprises.
 - d. Use the services and assistance, as appropriate, of organizations such as the Small Business Administration and the Minority Business Development Agency of the Department of Commerce. This can be accomplished by searching the SBA's dynamic small business search site (https://web.sba.gov/pro-net/search/dsp_dsbs.cfm) and contacting the local Minority Business Development Agency Business Center (See <https://www.mbda.gov/mbda-programs/business-centers> for location and contact information).
2. LUMA will require that its contractors and subcontractors comply with the affirmative steps in paragraphs (a) through (d) above. To accomplish this, LUMA will include the "Contracting with Small and Minority Businesses, Women's Business Enterprises, and

Labor Surplus Area Firms” clause in all prime contracts. Language is available as part of the *Federal Contract Clauses* section of the *LUMA CPM Toolkit*

B. HUD Section 3

When using HUD CDBG funds, LUMA will also comply with the HUD “Section 3” requirements. See 24 CFR Part 135 and the HUD Section 3 clause in the *Federal Contract Clauses* section of the *LUMA CPM Toolkit* for more information.

C. Construction and Facility Improvement Bonding

All procurements, contracts, and subcontracts for construction work or facility improvements that exceed the Simplified Acquisition Threshold require, at a minimum, the following bonds:

1. A bid guarantee from each bidder equivalent to five percent of the bid price. The bid guarantee shall consist of a firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder will, upon acceptance of their bid, execute such contractual documents as may be required within the time specified.
2. A performance bond on the part of the contractor for 100 percent of the contract price. A performance bond is one executed in connection with a contract to secure fulfillment of all the contractor’s requirements under such contract.
3. A payment bond on the part of the contractor for 100 percent of the contract price. A payment bond is one executed in connection with a contract to assure payment as required by law of all persons supplying labor and material for execution of the work provided for in the contract.

D. Contract Clauses for Contracts Funded in Whole or in Part with Federal Funds

Federally funded contracts must contain the applicable provisions described in Appendix II to Title 2 of the Code of Federal Regulations (C.F.R.), Part 200—Contract Provisions for Non-Federal Entity Contracts Under Federal Awards. Federally funded contracts may also contain those provisions recommended by the Federal Emergency Management Agency and the U.S. Department of Housing and Urban Development. Language for these required and suggested clauses, with instructions for use, are contained in the *Federal Contracting Clauses* section of the *LUMA CPM Toolkit*.

IX. Proprietary and Confidential Information

- A. Proposals submitted to LUMA may contain proprietary information, and employees must maintain the confidentiality of such information, sharing it only on a need-to-know basis.
- B. Employees with information about the weighting of evaluation criteria, the evaluation of vendor proposals and selection of vendors may not share such information with anyone outside of LUMA, or with other employees who do not have a bona fide need to know. Nothing in this Procurement Manual is intended to restrict cooperation with audits or internal reviews by the Puerto Rico Comptroller's Office, P3A, or in the case of federal grants, the federal awarding agency, the Puerto Rico entity serving as pass-through entity, or the Comptroller General of the United States.

X. Conflicts of Interest

- A. No employee, officer, or agent of LUMA may participate in the selection, award, or administration of a contract if he or she has a real or apparent Conflict of Interest.
- B. LUMA must exclude potential contractors that developed, drafted, advised, or supported LUMA in developing or drafting specifications, requirements, statements of work, or invitations for bids or requests for proposals from competing for such procurements.
- C. LUMA employees will act in accordance with any applicable rules regarding ethics or business conduct. LUMA will conduct procurements free of conflicts of interest and in a manner designed to identify actual or potential personal and organizational conflicts of interest as early in the procurement process as possible. As soon as an actual or potential Conflict of Interest is discovered, LUMA will consider action to avoid, neutralize, or mitigate such Conflict of Interest in compliance with LUMA's OCIAMP.
- D. The LUMA procurement team is responsible for identifying and reporting any apparent or actual Conflicts of Interest. For formal procurements, LUMA is encouraged to address Conflicts of Interest by including the following provision in the solicitation documents:

The proposal [or bid] must notify LUMA if the vendor, or any of its principals, or any of its subcontractors or their principals, have an actual or potential personal or organizational conflict of interest. If an actual or potential conflict of interest exists, the proposal [or bid] must explain how it will be avoided or eliminated.
- E. If a vendor notifies LUMA of, or if LUMA personnel independently identify, a mitigatable Conflict of Interest, LUMA will consider action to avoid, neutralize, or mitigate such Conflict of Interest in compliance with LUMA's OCIAMP.
- F. An unmitigated Conflict of Interest is prohibited

XI. Dispute Resolution

- A. Any vendor adversely affected by a contract award may submit a written request for reconsideration to LUMA within five (5) business days from the Notice of Award Date.
- B. The mere submission of a request for reconsideration will not paralyze the adjudication of the contested contract award.
- C. LUMA shall consider the request for reconsideration within thirty (30) business days from filing, unless LUMA notifies the disputing party that additional time is needed to prepare a final decision.
- D. All requests for reconsideration shall be made in writing, in a searchable Adobe Acrobat PDF document and shall include:
 - 1. The title and number of the solicitation under which the request reconsideration is made;
 - 2. Full name, electronic address and phone number of the alleged aggrieved party;
 - 3. A detailed description of the specific grounds for the request and all supporting documentation; and,
 - 4. The specific ruling or relief requested.

All requests for reconsideration shall be submitted electronically to an electronic mail address specified in the solicitation documents.

XII. Recipient and Subrecipient Oversight

COR3 as the eligible FEMA-PA recipient, P3A as Administrator of the O&M Agreement, and PREPA as the eligible subrecipient have a responsibility to monitor LUMA's performance as PREPA's agent. To ensure appropriate monitoring and oversight, LUMA will provide quarterly briefings to P3A and/or PREPA on the following:

- A. The number and nature of the entities in LUMA's vendor registry;
- B. New Federally Funded contract requirements that were identified since the last briefing;
- C. The status of pre-award Federally Funded contracts;
- D. The status of post-award Federally Funded contracts;
- E. Any contracts awarded under Emergency/Exigent contracting procedures since the last briefing;
- F. Problems or concerns with the implementation of this Policy.

LUMA Ex. 15.03
Program Brief for Materials Management Program (PBOP6)

Type of Program	☒ SRP ☐ Non-SRP
Remediation Date ¹	H2 FY2028
FY2026-2028 Budget	Refer to Rate Review Filing Schedule D-1

Brief Program Description

This program encompasses comprehensive materials management, addressing asset recovery, oil containment, inventory management, asset suite reconfiguration, demand training, and the implementation of KPIs for materials. It also includes capital planning for material handling and warehousing improvements, logistics functions and equipment, as well as material evaluation and disposition.

Fiscal Year 2026-2028 Focus¹

The focus for the upcoming fiscal years includes implementation for mobile portal/access to Asset Suite for warehousing activities, which is critical for tracking material for federally funded programs. LUMA will continue to deploy spill containment, mobile and site-specific, required to mitigate spills and environmental risk at key facilities and enable transport of salvaged oil-filled equipment (focus on mobile containment solutions). Begin the logistics equipment replacement initiative, to continue to replace aged racking and materials handling equipment, and continue with Asset Suite reconfiguration initiatives.

Program Status

Note: Recurring activities are ongoing tasks for program completion or remediation, while in-progress activities began post-planning.

Activity	Status
Develop and implement processes and facilities for a fully functioning Asset Recovery department – Salvage/scrap/return of materials, training for warehousing and field construction personnel	Recurring
Procure spill cleanup/containment equipment and oil containment structures where required	In progress
Develop and implement a training program for all personnel handling or transporting oil-filled equipment, responsible for cleanup of spills and spill reporting	In progress
Examine potential retendering of existing agreements to obtain the best service and value	In progress
Engagement of ATCO / Quanta knowledge and expertise as required to determine the best path forward for the construction/implementation of mitigation measures	Recurring
Procure services to assess existing utilization of Asset Suite inventory and recommend configuration changes to align with upcoming strategic plans for materials management and LUMA overall	In progress
Add bar code scanners for warehouses coordinating with Asset Suite Inventory	In progress
Reconfigure Asset Suite to utilize all relevant features and maximize operational efficiency, including bar code scanner technology	In progress
Ensure segregation of duties issues are removed, and minimum checks/balances are in place to maintain efficiency and protect LUMA	In progress
Develop and implement processes for requisition and request of materials using Asset Suite	In progress
Implement a program and associated processes, for regular measurement and reporting of KPIs and auditing of key processes	Recurring
Procure materials to store equipment to resolve deficiencies within the warehousing network	Recurring
Procure services to perform repairs/improvements to existing warehouse facilities and to erect covered storage and numerous locations that have deficient/damaged covered storage	In progress
Install covered storage to provide protection for material from the elements	Recurring
Add WI-FI to all warehouse locations and amplifiers to ensure full coverage of warehouse and yards	Achieved
Assess and replace logistics equipment to align with LUMA logistics strategy	In progress
Procure and implement a logistics management tool to receive requests, track and dispatch the fleet of logistics equipment	In progress

¹ The information under this section was developed based on the optimal budget petition as part of the Rate Case proceeding under docket NEPR-AP-2023-0003.

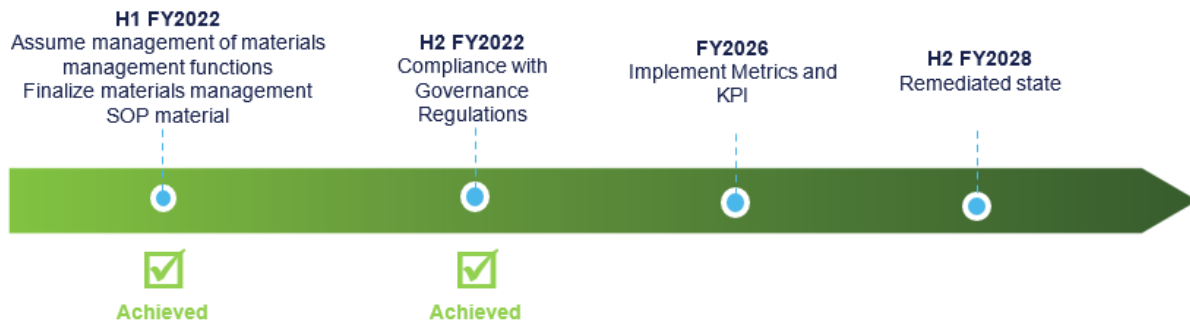
ENABLING PORTFOLIO

Materials Management

Activity	Status
Procure and install GPS tracking units on all existing equipment to align with the implementation of the tool	Recurring
Evaluate USACE's material across the warehousing network for alignment for existing and future LUMA standards	In progress

Active Gaps Note: Green color below represents closed gaps

Gap	Timeframe Identified
Warehousing storage equipment was not properly installed, labeled, or supporting safe operating conditions	Front-end Transition
Sub-optimal inventory management practices including lack of forecast, inventory control and discrepancy balance, inventory strategies, non-existent long-term supply agreements, purchases of materials with hidden costs, and there were no KPIs	Front-end Transition
Surplus materials was not returned to inventory, leading to non-standard usage and poor inventory control, while the management of scrap and waste was fragmented, non-compliant with regulations, and poses safety and environmental hazards, compounded by a lack of necessary equipment and training for effective waste management	Front-end Transition
The existing transportation equipment was outdated and non-compliant with DOT regulations, posing safety risks, while there was a lack of dispatch management, standardized training programs, and formal documentation procedures, leading to inefficient resource utilization	Front-end Transition

Timeline and Milestones¹**Alignment to LUMA's Key Goals**

Note: The gray color icon represents an indirect impact on the goal, and the colored icon represents an impact of the LUMA key goals.



PRIORITIZE SAFETY



IMPROVE CUSTOMER SATISFACTION



SYSTEM REBUILD & RESILIENCY



OPERATIONAL EXCELLENCE



SUSTAINABLE ENERGY TRANSFORMATION

ENABLING PORTFOLIO

Materials Management**Impact on Constrained Budget**

PREB ordered LUMA to develop a constrained budget, which will impact on its improvement programs. This section outlines the activities that have been deferred and the associated risks and delays resulting from a constrained budget for this program. To align with this budget, LUMA will defer the inventory mobile app training program for personnel managing oil-filled equipment, efforts to ensure optimal material conditions with barcoding in the warehouse to mitigate safety and environmental risks, and the assessment of reconfiguring the Asset Suite to enhance operational efficiency. Deferring these activities introduces risks such as not complying with safety and environmental laws due to the right containment of spills and enhancements on warehouse efficiency, which will impact program execution and will delay milestones by two years, affecting the program's timeline and objectives.

Spanish Summary

**Resumen de Testimonio Directo de
MARIANA S. PÉREZ CORDERO
EN APOYO A
LUMA ENERGY LLC Y LUMA ENERGY SERVCO, LLC**

La señora Pérez Cordero es Vice Presidenta, Adquisición y Contratos de LUMA Energy ServCo, LLC. El propósito del testimonio directo de la Sra. Pérez en este procedimiento es proporcionar los costos de operaciones y mantenimiento (“O&M”) y los costos al capital no federal (“NFC”) para el departamento de Adquisiciones y Cadena de Suministro (“Departamento”) en el Presupuesto Óptimo y Restringido en nombre de LUMA Energy LLC y LUMA Energy ServCo, LLC (colectivamente, “LUMA”).

El testimonio de la Sra. Pérez aborda los costos existentes y proyectados del Departamento para personal, servicios técnicos y profesionales, materiales y suministros, transporte y otros costos para respaldar el proceso de adquisiciones. Con base en las necesidades existentes y proyectadas de la compañía, la Sra. Pérez presenta un Presupuesto Óptimo para el Departamento de \$ 16.87 millones para el año fiscal (“AF”) 2026, \$ 16.19 millones para el AF2027 y \$ 16.70 millones para el AF2028. El testimonio de la Sra. Pérez para el departamento de Compras también incluye un Presupuesto Restringido, según lo ordenado por el Negociado de Energía. La Sra. Pérez explica las actividades y proyectos que serían postergados, reducidos o desfinanciados bajo el Presupuesto Restringido, e identifica los impactos de postergar o retrasar esas actividades y proyectos. La Sra. Pérez describe un Presupuesto Restringido de \$ 13.48 millones para el AF2026, \$ 12.49 millones para el AF2027 y \$ 12.94 millones para el AF2028.