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PUBLIC SERVICE REGULATORY BOARD
PUERTO RICO ENERGY BUREAU**

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

CASE NO.: NEPR-AP-2023-0003

**SUBJECT: Bondholders' Reply Post-Hearing
Brief on the Revenue Requirement**

**BONDHOLDERS' REPLY
POST-HEARING BRIEF ON THE REVENUE REQUIREMENT**

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Bondholders¹ respectfully submit this *Reply Post-Hearing Brief on the Revenue Requirement*.

PRELIMINARY STATEMENT

The operators' briefs, and PREPA's lack thereof, hammer home the fundamental absence of support for their \$10 billion-plus ratepayer request. Most of the operators' justifications for the need and cost-reasonableness of their projects—which are mandatory showings under Act 57-2014—read like something from a chatbot. They cobble together long, disjointed lists of buzzwords without explanations, let alone citations to documentary record support. The operators then parrot the statutory language, appending their large ratepayer-fund requests to “reasonable and necessary”² or “necessary to benefit ratepayers,”³ with little or nothing more.⁴ They even repeat claims that were refuted at the hearing, like executability comparisons that Shearman admitted were miscalculated.⁵

The operators' briefs also fail to grapple with testimony from witnesses that undercuts their own. Across LUMA's 140-page brief, it mentions utility experts Hurley and Hogan but a few times, and the same for OIPC's witness Sanabria and most of the PREB consultants; Genera's

¹ Terms not defined here are the same as in *Bondholders' Initial Post-Hearing Brief on the Revenue Requirement (1/23/2026)* (the “Initial Brief” or “BH Rev.Br.”). All cites to regulatory docket items are within this proceeding unless otherwise noted.

² *LUMA Initial Revenue Requirement Brief*, p.23 (1/26/2026) (“LUMA Rev.Br.”).

³ *Id.* p.10.

⁴ *See, e.g., id.* p.2 (stating, with no citations, “The record supports LUMA's proposed Optimal Budget (‘OB’), grounded on just and reasonable costs, programs, and activities, to stabilize and improve the T&D System with measurable projected reliability benefits to customers, all in alignment with energy public policy and statutory and contractual mandates.”); *id.* p.4 (stating, with no citations, “PREB should anchor its decision in LUMA's OB as PREPA's necessary cost to achieve just-and-reasonable performance.”); *id.* p.6 (similar); *id.* p.7 (similar).

⁵ *Id.* p.38.

brief mentions none beyond two passing references to PREB consultants. The few times LUMA *does* mention an adverse witness, it invariably tries to flip the statutory burden and/or mischaracterizes that witness’s testimony. For example, LUMA responds to Sanabria’s discussion of LUMA’s money-losing (mis)management of the TPA program by claiming he had to conduct various studies for his opinions to have weight.⁶ Similarly, LUMA impugns Hurley’s and Hogan’s testimonies because they did not interview witnesses from LUMA, PREPA, and COR3⁷—despite there being no opportunity for depositions/interviews in the procedural calendar, and LUMA actively *opposing* COR3’s participation. LUMA is merely deflecting from its own statutory burden, which it cannot bear; intervenors need not affirmatively *disprove* the operators’ proposed costs—though in many cases they have.

These failures of proof by the rate proponents would be troubling even in a minor regulatory matter. But here, the rate proponents seek to increase rates by an average of 14 cents/kWh relative to current levels, and LUMA warns it intends to spend “at that level, adjusted for inflation, *forever*.”⁸ The stakes could not be higher, and the rate proponents must be strictly held to their statutory burden. That means careful scrutiny of each proposed cost in terms of necessity, reasonableness, executability, eligibility for outside funding, and whether it is as low as possible to provide adequate service. Viewed through that prism, many of the proposed costs here must be denied or substantially reduced.

⁶ *Id.* p.91.

⁷ *Id.* p.135.

⁸ *Id.* p.40 (emphasis original). All emphases are added unless otherwise noted.

ARGUMENT

I. Transmission and Distribution⁹

A. *LUMA's Overreliance on Ratepayer Funding*

Despite asserting it “prioritizes federal funds whenever they are available” (LUMA Rev.Br. p.134), the record shows LUMA’s clear and improper preference for ratepayer funds. BH Rev.Br. pp.8-10. LUMA’s brief reveals this preference again, decrying outside funds as involving a process that “is challenging and highly bureaucratic,” has “rigorous requirements,” is subject to “a laundry list of issues,” and involves “complexity.” LUMA Rev.Br. pp.41, 44, 136-37. Even if these claims were credited—and they should not be, given the disparate results between LUMA and Genera, among other things (BH Rev.Br. p.16 & n.10¹⁰)—they would only be challenges to overcome, not excuses for resorting to ratepayer funds. After all, LUMA’s supposed expertise in obtaining federal funds was a key reason for its hiring.

Yet LUMA continues to request ratepayer funds even for projects where outside funds are admittedly available.¹¹ LUMA’s only attempted explanations for this anomaly are: (i) the system’s total funding needs exceed the amount of current federal funding; (ii) ratepayer funding can bridge alleged liquidity/timing gaps; and (iii) other utilities generally spend more ratepayer funds on capex. None withstands scrutiny.

⁹ This Reply is sequenced like Bondholders’ Initial Brief, tracking the hearing agenda.

¹⁰ See also “*They Are Super High Risk*”: *LUMA Energy Is Exposed to Returning over \$333 Million in Federal Advances*, El Nuevo Día (12/23/2025) (COR3 Executive Director stating LUMA has recently had to return \$141.6M in unused WCAs to COR3, and may have to return another \$333.2M).

¹¹ LUMA Rev.Br. p.19 (“Many of the most urgent replacements overlap with FEMA-eligible categories.”).

First, LUMA argues, “the availability of federal funds does not negate the need for [ratepayer funding] because the needs of the T&D System ... are greater; over \$22B is needed, which amount exceeds the funds available under the FEMA grant.” LUMA Rev.Br. p.29 (citing Meléndez); *see also id.* p.41. This is misleading because Meléndez later clarified that this supposed limit on FEMA funds will **not** be reached during the rate period, and the system needs he referred to are estimates from LUMA’s **10-year** infrastructure plan. BH Rev.Br. pp.15, 16 n.12, 101-02. Thus, greater use of federal funds during the rate period *would* offset the need for ratepayer funds now through FY2028. LUMA’s argument is also misleading because it ignores that there are other non-ratepayer funding sources beyond “the FEMA grant,” both from other federal agencies and the Commonwealth. Bondholders previously identified LUMA’s myopic focus on FEMA funds and catalogued some of these many, large sources of outside funding. BH Rev.Br. pp.9-10 & n.8, 101, 103-08; *see also* LUMA Rev.Br. p.4 (claiming FEMA “cannot cover it all,” again ignoring other outside funding sources).

Second, LUMA’s claim that ratepayer funds should be collected to bridge liquidity/timing gaps is unfounded, given the numerous actual and proposed sources of liquidity/working capital. *See, e.g.*, BH Rev.Br. p.82 & n.64, 89-90, 105-09.¹² Seeking ratepayer funds *on top of* these sources is unnecessary and inconsistent with providing service at the lowest reasonable cost. As PREB concluded in the PRO, ratepayer money should be a last resort that is used sparingly and efficiently—not a pool of “fungib[le] cash” (LUMA Rev.Br. p.138), where ratepayer “dollars will

¹² FOMB’s latest quarterly report confirms the continued existence of multiple large sources of Commonwealth funding, including a \$750M revolving fund and a \$1.3B emergency reserve. *Commonwealth Financial Plan Q4 FY2025 Report*, https://drive.google.com/file/d/1hUXJvMD_c0irLj74NCOzc4nKKi96JhZo/view?usp=sharing (“FOMB Q4 FY2025 Report”). It also notes “potential *additional* Commonwealth contributions to fund disaster relief projects” and “[f]unding to support PREPA Title III.” *Id.* pp.4, 22.

then be freed up [by federal dollars] and immediately deployed” by LUMA on something else. *Id.* p.41.

Finally, LUMA contends that massive ratepayer costs are justified—now and “**forever**” (emphasis original)—because PREPA has historically spent less ratepayer money per customer than mainland utilities. *Id.* pp.1, 39-40. LUMA even makes the striking claim that “The system needs to be able to stand on its own two feet now and in perpetuity, *regardless of federal funding.*” *Id.* p.40. Wrong. The other utilities LUMA cites did not have the unprecedented outside funding available here.¹³ Ignoring that outside funding, as LUMA suggests, would needlessly “require sacrifice from every customer.” LUMA Rev.Br. p.1. Outside funding should be deployed first and foremost to put the system “on two feet,” and then ratepayers can cover what might be needed beyond that.

B. VM

Bondholders do not dispute the need for a VM and Capital Clearing Implementation program. BH Rev.Br. pp.11-12. However, PREB should approve the Constrained Budget due to the Optimal Budget’s non-executability. *Id.*

LUMA’s brief fails to address executability of the VM Optimal Budget. *See* LUMA Rev.Br. pp.14-17. For example, its VM section says nothing about whether or how LUMA plans to resolve its undisputed issues with securing municipal resources, its shortage of qualified personnel, or the access-based right-of-way issues discussed at the hearing. BH Rev.Br. pp.11-12. LUMA simply restates the program’s general nature and proposed costs, then recites vague lists of possible consequences from not approving the Optimal Budget. LUMA Rev.Br. p.15

¹³ FOMB Q4 FY2025 Report, p.8 (“Puerto Rico has received an *unprecedented* influx of federal funds and recovery packages totaling over *\$125 billion*. The largest share of federal funds (61%) has come in the form of Disaster Relief Funds (DRF).”).

(“perpetuate reactive tactics, prevent proactive clearances resulting in more outages, elevate public safety risk, hinder execution of the integrated VM operating model, and ... allowing regrowth”); *id.* p.17 (“prolongs a reactive approach, elevates SAIDI and SAIFI, increases restoration costs and overtime, and degrades customer experience”). LUMA fails to support these broad statements with specific explanations and evidence showing why such risks may occur if PREB selects the Constrained Budget, let alone their magnitude or how likely they are. 11/12 Tr. 88:18-89:10.

That is likely because the Constrained Budget contemplates a more gradual ramp-up in spending without a significant tradeoff in VM work. 11/12 Tr. 86:1-87:12 (The Constrained Budget “tak[es] more time to build the program up to full functionality, but not to the point of ... jeopardiz[ing] successful implementation.”); LUMA Rev.Br. p.17; Ex.561. LUMA has not shown executability and necessity for the Optimal Budget.

C. Transmission

1. Transmission Priority Pole Replacement Program (PBUT13)

The need and ratepayer-cost reasonableness of this program have not been proven. LUMA claims its proposed transmission pole replacements “are triggered by condition-based assessments supplemented by engineering analysis,” with “[i]nspection patrols identify[ing] structures with structural deficits,” which “engineering then validat[es] and scop[es] the necessary replacements.” LUMA Rev.Br. p.18. LUMA then invokes a series of budgeting buzzwords like “bottoms-up,” “RSMeans,” and “experience”—without coherently explaining why the expenses are necessary, prudent, and at the lowest cost. *Id.*

Indeed, LUMA never submitted any “bottoms-up” analysis; nor did it submit an “RSMeans” analysis; nor did it detail what “experience” was used or how that supports the proposal. LUMA could have introduced the basis for its costly proposal (if there is one), but it

chose not to, thereby circumventing regulatory scrutiny. LUMA cannot tactically withhold information and then ask PREB to accept its bald conclusions.

That is particularly true because LUMA: (a) has not completed the assessment by which it would learn what poles to replace and what costs that would entail;¹⁴ (b) could not provide a “rough percent[age] of the poles inspected to date”; (c) made ad hoc budget adjustments; (d) failed to provide project-by-project support; and (e) faces serious executability issues. BH Rev.Br. pp.13-16.

These ratepayer costs are also unreasonable because LUMA concedes many projects “overlap with FEMA-eligible categories,” and DOE funds may also be “made available for pole replacements.” LUMA Rev.Br. p.19. LUMA’s attempted justifications for double-collection are that these projects are “urgent,” could help “avoid large-scale events,” and “there is sufficient work that needs to be done.” *Id.* But as discussed *supra* I.A, these arguments fail for several reasons, including: (a) LUMA’s concession that any federal-funding limit would not be reached during the rate period; (b) the availability of multiple outside funding sources to bridge any alleged liquidity/timing gaps; and (c) LUMA’s failure to submit its purported “technical analysis” as to which projects are federal-funding-eligible or cannot wait due to criticality. *See also* BH Rev.Br. pp.10, 14-16.

Finally, to estimate the ratepayer-funded portion of its O&M budget, LUMA “used an initial factor of approximately 65% capital investment (NFC) to O&M, based on industry standards and four years of experience.” LUMA Rev.Br. p.19. But the record contains no support for this 65% method, including how LUMA determined it was “industry standard” and what specific

¹⁴ LUMA again admits it is “continu[ing] assessments.” LUMA Rev.Br. p.18.

“experience” counseled its use. And LUMA’s proposed O&M expenses failed to consider any savings from federally-funded capital improvements. BH Rev.Br. p.17.¹⁵

2. Transmission Line Rebuild Program (PBUT33)

This program likewise lacks evidence showing need and ratepayer-cost reasonableness. LUMA vaguely claims it “utilized information from work performed and evaluated the conditions of the assets” as part of PBUT33, and “[t]he decision to rebuild a line segment involved condition-based engineering assessments,” where “inspections identify candidate structures, engineering refines the scope, and budgets reflect engineering, materials, and construction.” LUMA Rev.Br. pp.27-28. LUMA again invokes “RSMeans” and prior project costs, which it claims give a “pretty good idea.” *Id.* p.28.

But LUMA never submitted its “condition-based engineering assessments,” or “inspection” reports, or RSMeans data, or an explanation of how prior costs informed the proposal here. To the contrary, LUMA: (a) admitted it does not know which anchors and guys need replacement or which lines require corrosion mitigation; (b) made ad hoc budget adjustments; (c) failed to provide project-by-project support;¹⁶ (d) failed to address executability issues; and

¹⁵ Regarding this and all other proposed NFC, LUMA repeatedly misrepresents that its reliability methodology is “uncontested” and that “no party challenges Mr. Shearman” on this score. LUMA Rev.Br. p.36. That distorts the record. On 9/8/2025, Hurley submitted initial testimony specifically contesting LUMA’s reliability analysis. Ex. 51.00, pp.9-13. On 10/27/2025, Hurley again challenged LUMA’s reliability analysis in his rebuttal testimony (which, per the schedule, responded to other intervenors and PREB consultants). Ex.66.01, pp.7-10. On 11/3/2025, days before the hearing and *after* both of Hurley’s opportunities to submit testimony, Shearman submitted *surrebuttal* testimony regarding reliability. Ex.75.00. Hurley had no opportunity to contest Shearman’s testimony at the hearing—though he was prepared to—because LUMA did not cross-examine him. Thus, LUMA’s representation that Shearman’s testimony is “uncontested” is both false and paradoxical, because Shearman only submitted surrebuttal testimony, to which Hurley was not allowed to respond.

¹⁶ Although LUMA says that project-by-project support for its FY2027-FY2028 funding requests is too uncertain and would “result in false precision” (*id.*), it is *LUMA’s* burden to provide specific

(e) wants to upgrade infrastructure that still works.¹⁷ BH Rev.Br. pp.14, 17-18; *see also* LUMA Rev.Br. p.18 (admitting Capital Programs does not address situations where “something breaks and fails”).

Ratepayer-cost reasonableness is also undermined by LUMA’s admission that these projects *could* be federally funded, though it claims that certain projects are too urgent and that needs exceed federal funds. LUMA Rev.Br. pp.28-29. Those arguments fail for the reasons discussed *supra* I.A, I.C.1. LUMA even attempts to revive its ratepayer-fund request for Line 8700—despite the admitted likelihood of federal funding and that project’s removal from ratepayer-funding in the PRO—because “LUMA cannot speculate about what FEMA would decide.” *Id.* p.29. This amounts to an absurd position that ratepayer funding is always proper until federal funds are awarded. Obviously, the likelihood of outside funding must be considered, which is why PREB ordered production of the “Hopefulness” rankings. And LUMA’s supposed concerns about funding for this line are speculative and contrary to the record. BH Rev.Br. p.18.¹⁸

D. Substations

1. Substation Reliability Program (PBUT7)

As for alleged need, LUMA’s Initial Brief confirms it seeks over \$363M from ratepayers to “reinforce and upgrade” functional equipment, including bringing it up “to the latest codes [and]

evidence supporting its funding requests. BH Rev.Br. pp.4-5. LUMA’s excuse for “aggregat[ing] at the program/category level” (LUMA Rev.Br. p.28) should be rejected.

¹⁷ LUMA reiterates that this program involves “strengthen[ing], harden[ing], and upgrad[ing] the transmission system,” and “increas[ing] capacity for loads and renewable generation projects”—all improvements rather than imminently necessary repairs. LUMA Rev.Br. p.27.

¹⁸ Tellingly, LUMA’s brief does not defend its large federal-funding requests for the Vieques and Culebra microgrids or the Dos Bocas to America Apparel, 1900 Caguas to Lares, and 1900 Lares to San Sebastian lines, even though these projects were extensively challenged at the hearing. 11/12 Tr. 261:7-262:7, 263:6-18, 265:20-267:8, 270:24-271:22, 277:24-279:22.

industry standards.” LUMA Rev.Br. pp.19-20. But the record shows that is not a prudent use of ratepayer funds, including because LUMA’s witnesses admitted the equipment still works, there is no cutoff in functionality based on estimated “useful life,” and equipment can be useful without meeting all the latest codes, which change constantly. BH Rev.Br. pp.20-23, 26. LUMA even says this program is needed to replace components that “are in the process of failing” (LUMA Rev.Br. p.21)—but *every* piece of machinery is in the process of failing over time.

LUMA also argues part of this program is needed to “repair and rebuild damaged substations” (*id.* p.20), but it fails to identify how much of the budget relates to damaged equipment, or why LUMA requires additional funding beyond the PSP. BH Rev.Br. p.21. Both points were LUMA’s burden to establish.

While LUMA cites off-the-cuff examples from Meléndez at the hearing to justify need (LUMA Rev.Br. pp.20-21), an anecdote of a relatively small \$6M project cannot support LUMA’s \$363M ratepayer-fund request. BH Rev.Br. pp.21-22; 11/12 Tr. 385:8-10 (HEMPLING: “Without intending any criticism of what you have been saying, sir, it is anecdotal and it is examples”), 376:8-379:17.

LUMA’s claims about ratepayer-cost reasonableness are likewise lacking. As with most projects, LUMA rehashes budgeting buzzwords like “projections of future work,” “RSMMeans,” and “applied engineering analyses.” LUMA Rev.Br. p.20 (citing hearing testimony but no exhibits). Yet these purported analyses and/or data are not in the record—which was LUMA’s choice—and LUMA does not even attempt to explain how they support its request, other than to claim they do. *See id.* Again, the result of LUMA’s choice not to introduce these supposed analyses is that PREB could not consider them (or even confirm they exist). LUMA cannot now ask PREB to accept its bare conclusions.

This ratepayer-fund request fails for additional reasons: (a) LUMA admits all but five of the project’s programs are eligible for federal funding, yet could not substantiate its contentions that federal funds are insufficient, too slow, or do not cover certain components; (b) LUMA fails to provide project-level cost breakdowns in FY2027-FY2028; and (c) the program raises executability issues. BH Rev.Br. pp.21-22; *see also* LUMA Rev.Br. pp.20-21 (“Some of these projects are federally funded...”).

2. *Substation Rebuilds Program (PBUT8)*

LUMA admits the \$25M in ratepayer funding would cover “upgrades to the latest codes [and] industry standards” (*id.* pp.21-22), which is insufficient to demonstrate need for the reasons discussed above.¹⁹ Further, LUMA claims the program would improve “*long-term* reliability” but does not cite any near-term benefits or risks, during this rate period, that justify turning to ratepayers now versus pursuing outside funding. *Id.*

Next, LUMA’s entire argument for ratepayer-cost reasonableness is as follows: “Cost estimates reflect industry perspectives, adjusted to reflect the realities of performing work in Puerto Rico.” *Id.* p.22. That is insufficient. It does not explain what “industry perspectives” even means—including whose perspectives are being relied on, or how they led to a reasonable cost estimate for PREPA—nor how LUMA “adjusted” the perspectives for Puerto Rico. It distills to, “Take my word for it.” That is not a sound evidentiary basis for charging ratepayers \$25M.

E. Distribution

PREB should scrutinize LUMA’s billion-dollar ratepayer-fund request for distribution through the lenses of executability and alternative funding sources. BH Rev.Br. pp.23-28. Alleged

¹⁹ LUMA also mentions “damaged substations” but again fails to identify how much would cover actually damaged equipment versus upgrades. *Id.* p.21.

“criticality” is not enough,²⁰ because LUMA must prove it can actually execute its proposals and is not turning to ratepayers as a first resort, which it has not done.

1. *Distribution Pole and Conductor Repair (PBUT30)*

While LUMA parrots the standard by asserting it “is putting forth a reasonable and necessary budget” for this program (LUMA Rev.Br. p.23), it has not fulfilled either requirement as to this \$650M ratepayer-fund request. BH Rev.Br. pp.23-25. First, as Bondholders explained, LUMA failed to substantiate the need for this level of work and has not even completed the requisite assessments. *Id.* p.24. LUMA’s brief likewise just generally claims, “The current state of the population of poles demands that over 14,000 poles need to be replaced.” LUMA Rev.Br. p.22.

LUMA also has not demonstrated ratepayer-cost reasonableness. LUMA again gestures at broad estimating concepts like “historical data,” “information obtained from assessments” (which are incomplete), “RS Means,” and “a necessary ramp-up” (*id.* pp.22-23), but these nonspecific phrases do not gain force through repetition. Ultimately, they are not supported by record evidence—the few exhibits LUMA cites (*e.g.*, Ex.157, p.2) do not explain LUMA’s purported analyses or provide the data (if any). *See* LUMA Rev.Br. p.23.

Moreover, LUMA concedes there is eligibility for outside funding (*id.* pp.22-23)—precisely as Bondholders and their utility experts predicted. BH Rev.Br. pp.24-25. LUMA attempts to excuse its preference for ratepayer funds by claiming, “it is not possible to estimate what FEMA would decide in terms of obligating these projects,” and it “cannot wait to perform the work.” LUMA Rev.Br. pp.22-23. Both excuses should be rejected. *Supra* I.A, I.C.1. Nor

²⁰ Nor has LUMA demonstrated its alleged “criticality” assessment through evidence. *Id.* p.10 (noting purported criticality rating system was never specifically explained and is not in evidence).

does LUMA justify its delay in requesting outside funding. *See* LUMA Rev.Br. p.23 (noting the “possibility that LUMA *could later submit* the costs to FEMA”). LUMA should have *already* been advancing outside funding for these projects, rather than speculating about what it may *later* do. That is not “expert judgment” (*id.*), it is inaction that harms ratepayers.

2. Distribution Lines Rebuild (PBUT6)

LUMA has not proven necessity or ratepayer-cost reasonableness. LUMA admits this program includes “harden[ing],” “complet[ing] construction on *currently abandoned* circuits, perform[ing] circuit voltage conversions to improve capacity,” and other “upgrade costs.” LUMA Rev.Br. p.25. As discussed during the hearing, upgrades and projects to finish or repair utility assets that are *not serving customers* are facially unnecessary to the current functioning of the system (*see, e.g.*, 11/13 Tr. 227:1-21), and thus should not be prioritized—particularly with ratepayer funds.

LUMA’s cursory discussion of how it arrived at nearly \$200M in ratepayer costs is, again, painfully vague. It cites “forecasted failures and find rates” and “historical costs plus inflation and projected emergent work based on industry standards, factoring in the comparative condition of the assets.” LUMA Rev.Br. p.25 (citing hearing testimony but no exhibits). LUMA provides no explanation and cites no specific evidentiary support for these buzzwords, including what the find rates were and how derived, the nature and use of historical costs, what industry standards were applied, or what “factoring in the comparative condition of the assets” even means. *Id.* As discussed in Bondholders’ Initial Brief (pp.25-26), LUMA has not provided the details necessary to justify its requests.²¹

²¹ LUMA also attempts to justify its proposal to make *all* ratepayers pay for upgrades necessitated by *solar* customers, claiming everyone connected to such a circuit would benefit from it “com[ing] back into configuration.” LUMA Rev.Br. p.26. That is circular. The only reason such a circuit is out of configuration in the first place is “due to the interconnection of solar systems.” *Id.* Thus,

3. New Business Connections (PBUT38)

LUMA has not shown ratepayer-cost reasonableness for two reasons. *First*, LUMA’s description of cost estimation is, again, conclusory and unsupported: “[U]sed historical data to project volume and knowledge of large projects.” LUMA Rev.Br. p.27. The supposed “historical data” and “knowledge” are not in the record. BH Rev.Br. p.27.

Second, like the solar-upgrade issue discussed above (at n.21), costs attributable to a distinct subset of customers—here, the new businesses—should not be foisted onto other customers. *Id.* pp.27-28. That would be a regressive cross-subsidy of large businesses by residential customers. LUMA ignores this issue, not even mentioning the service fee it said it would implement—but has not—to address this unfairness. *Id.* PREB should deny LUMA’s request and order it to implement a service fee ensuring these costs are borne by appropriate customers.

4. Distribution Grid Reliability

This program includes projects for *abandoned* infrastructure and “operational flexibility”—neither of which is imminently necessary. BH Rev.Br. p.26. LUMA effectively admits as much, describing the proposed work as “strengthen[ing] grid resilience and improv[ing] service,” but not claiming the equipment is nonfunctional. LUMA Rev.Br. p.30 (“*optimizing fuse coordination, circuit enhancements, and installing fuse cutouts for better segmentation...*”; “*balance performance improvements*”; “[r]eliability improvements”). Ratepayers need not be charged now for these “improvements,” which, as discussed below, could be funded by other means.

LUMA’s proposed ratepayer charges for solar-necessitated distribution upgrades constitutes a regressive cross-subsidy of solar customers—who are already benefitting from full-retail net-metering—by non-solar customers.

LUMA has not proven cost-reasonableness either. LUMA again makes highly general claims: “Based on historical information, an average cost of \$210,000 per feeder was chosen as a starting point, scaling up to an average cost of \$500,000.” *Id.* Yet, whatever “historical information” LUMA alludes to is not explained, including why it is relevant and accurate. LUMA Rev.Br. pp.30-31; Exs.5, 143; BH Rev.Br. pp.26-27. Nor does LUMA attempt to justify the wide 138% range above its “starting point” estimate.

The ratepayer-cost proposal is also unreasonable because it could be funded by outside sources. BH Rev.Br. p.27. LUMA does not contend otherwise, simply stating it “determine[s] the work to be funded through NFC versus FEMA funding, also applying criticality criteria.” LUMA Rev.Br.31. As discussed (*supra* I.C1 & n.20), this “criticality” argument lacks merit, and it is not LUMA’s role to unilaterally decide, behind-the-scenes, what costs should be funded by ratepayers when outside funding is available.

5. *Distribution Streetlights*

LUMA seeks \$40M from ratepayers for streetlights without demonstrating cost-reasonableness. For instance, LUMA does not address the possibility of municipalities helping to repair and replace their streetlights, which could avoid ratepayer costs.²² Nor does LUMA address the likelihood of federal funding. BH Rev.Br. p.28. Instead, LUMA incorrectly contends that “[p]ublic safety risks, asset conditions, and imminence of failure drive the need *and reasonableness* of these costs.” LUMA Rev.Br. p.31. Even if one were to accept those conclusory justifications for need, they are not proof of *cost-reasonableness*.

²² PREB reportedly concluded municipalities can contribute to streetlight repairs, which the legislature is planning to pursue in the near future. *See Legislation Is Underway to Authorize Municipal Intervention in the Repair of Public Lighting*, El Nuevo Día (2/12/2026).

LUMA's brief offers no other evidence of cost-reasonableness, except its repetitive claim that LUMA relied on historical information "informed by the judgment of LUMA's subject matter experts and adjusted for the realities of performing work in Puerto Rico." *Id.* As discussed (*supra* I.D, I.E), this claim is not supported by competent evidence of the supposed historical information, expert judgment, or ad hoc adjustments for "realities." And while LUMA indicates the number of streetlights it has replaced (Exs.750-752), it does not cite historical information on actual cost.²³

F. Energy Control Center Construction & Refurbishment (PBUT24)

LUMA's brief does not address its proposal for Energy Control Center consolidation (PBUT24), which would consume \$83M of federal funding. Updated RR, Annex.1.Tab.D-1-Optimal. LUMA failed to substantiate the current need or purported savings from this project. BH Rev.Br. pp.28-29. These funds should be used more prudently elsewhere to reduce ratepayer-funded costs.

G. Enabling

1. Asset Data Integrity (PBUT27)

LUMA's justification for PBUT27 is ambiguous, given contradictory testimony from its witnesses. BH Rev.Br. pp.29-30. What's clear is that the alleged data issues are *not* causing operational problems, and LUMA has not quantified any non-operational problems they may cause. *Id.* LUMA's brief likewise does not justify the need for this ~\$15M ratepayer expense. It merely claims, at a 40,000-foot-level, that the program would "help[] with planning, improve[] outage prediction and response, and provide[] a better foundation for better coordination, improved

²³ Nor is there evidence of executability. BH Rev.Br. p.28. In fact, LUMA's most recent report shows a low and steadily *declining* number of streetlights repaired in 2025. *Motion Submitting Quarterly Report on Streetlights Repairs*, NEPR-MI-2020-0001, Exhibit 1 (2/9/2026).

data accuracy, and more informed decision-making.” LUMA Rev.Br. p.33. LUMA fails to identify and explain *specific needs or benefits* that justify this cost, so it should be denied.

2. Materials Management (PBOP6)

LUMA has not demonstrated need. Indeed, rather than offer project-level (or even program-level) justifications for PBOP6, LUMA has seemingly lumped it and other program briefs into one ~\$50M ratepayer-fund request for “Procurement and Materials.” *Id.* pp.49-52. This precludes evaluation of LUMA’s final position on PBOP6 (and other lumped programs/projects), and the request should be denied for that reason alone.

Either way, LUMA’s justifications fail. **First**, LUMA contends the costs are justified because “The functions of Procurement and Supply Chain are mandated by the OMA.” *Id.* p.49; *see also id.* p.51 (claiming proposal is “aligned with the OMA”). That is beside the point—PREB has repeatedly rejected LUMA’s arguments that its contract with other entities somehow binds or restricts PREB’s regulatory authority.²⁴ LUMA’s ratepayer-fund proposals cannot be propped up by reference to purported OMA requirements; they stand or fall according to the statutory standard.²⁵

²⁴ *See, e.g.*, PRO p.22 (rejecting LUMA’s reliance on “the contractual language of the T&D OMA,” and stating, “[t]he Energy Bureau has already clarified that, while it acknowledges such contracts, it is not bound by them when setting rates”); *Order re: Request to Align the Filing of the Quarterly Report*, NEPR-MI-2021-0002, p.2 (8/31/2022) (“The Energy Bureau **REMINDS** LUMA that the Energy Bureau’s authority to establish requirements to ensure compliance with public policy is neither determined nor restricted by the OMA.” (emphasis original)); *Order re: LUMA’s Objection to December 22, 2021 Order*, NEPR-AP-2020-0025, pp.3-5 (8/1/2022); *Order re: Request for Certificate of Energy Compliance*, NEPR-AP-2020-0002, pp.9-10 (6/17/2020).

²⁵ The same goes for LUMA’s reference to P3A and COR3’s approval of its Procurement Manual—PREB is not bound by those entities’ determination, nor were they considering the statutory standard applicable here.

Second, LUMA points to support of federally funded work to justify this ratepayer cost. LUMA Rev.Br. pp.50-51. But Pérez already conceded that the Materials Management program does *not* impact federally-funded projects. BH Rev.Br. pp.30-31. This contradicted testimony cannot support LUMA’s request.

Finally, LUMA recites high-level purported impacts of this program, including “mitigate safety and environmental risks and enhance outage response and the defensibility of federal funding.” LUMA Rev.Br. pp.50-51. These are generic goals that could be said of practically any proposed spending. LUMA fails to demonstrate how these impacts could occur, in what measure, when, and, critically, whether the purported benefits outweigh the \$50M ratepayer charge.

The flimsiness of these purported benefits is illustrated by the word salad LUMA ultimately falls back on:

[The] proposal is grounded in an integrated procurement and materials management framework ... calibrated to mitigate operational, environmental, and customer risks arising from staffing constraints, compliance complexity, and inventory and/or logistics deficiencies. The record ties each cost category to concrete, enforceable obligations and operational necessities. Staffing and managerial increases address cycle-time reductions, backlog relief, and compliance throughput within a documented, training-intensive environment.

LUMA Rev.Br. p.51. This says nothing. If LUMA had concrete, quantified benefits that justified charging ratepayers this \$50M, it would have said so, not spent its words on filler.

3. *Safety and Quality Control Initiatives*

LUMA says it seeks “only” ~\$34M from ratepayers for its “HSEQ” budget, most of it for staffing. LUMA Rev.Br. p.42. But LUMA’s justification for increased spending is contradicted by the record: While Granata initially claimed money was needed for new hires for training, he later conceded existing gaps are *not* in training. BH Rev.Br. pp.31-32. LUMA nevertheless persists in relying on a claimed need for further training. *See* LUMA Rev.Br. p.42 (“facilitate employee and public training”); *id.* pp.42-43 (claiming more safety trainers are needed to lower

the ratio of trainers to employees); *id.* p.43-44 (same). Granata’s admission belies these claims and shows that increasing funding for trainers is not prudent.

4. Compliance and Studies (PBUT1)

LUMA gives short shrift to its \$43M ratepayer request for Compliance and Studies, essentially restating the request’s general nature and then concluding, “These are reasonable costs that LUMA incurs as a prudent operator.” LUMA Rev.Br. p.32. This is insufficient. As Bondholders explained, the cost-reasonableness of this program has not been demonstrated, including because LUMA’s witnesses could not quantify, or even specifically state, the studies’ benefit (if any), and because it is unclear when or if the studies would be completed and yield any purported benefits. BH Rev.Br. pp.32-33.

LUMA’s cost-estimation process also remains opaque: “Estimates are based on industry experience, adjusted to account for the need to hire outside consultants.” LUMA Rev.Br. p.32. The brief does not say what “industry experience” LUMA consulted, why it applies, or how it led to the \$43M estimate, nor what “adjust[ments]” were made. Likewise, LUMA alludes to unspecified historical costs (*id.*) but does not explain how those costs apply or how they yielded a purportedly reasonable estimate. On this record, the proposal must be denied.

5. T&D Fleet (PBOP1)

Initially, LUMA understates its ratepayer-funding request for PBOP1 as \$138M (LUMA Rev.Br. p.74), when the proposed total is \$183M. Updated RR, Annex.1.Tabs.D.1.

LUMA’s claimed need for this program is eviscerated by its admission that, with current funding, “Fleet has maintained availability at approximately 94%–96%.” LUMA Rev.Br. p.74. That shows a very high level of existing fleet availability at odds with LUMA’s plan to replace vehicles. While LUMA attempts to walk back this admission by speculating that “availability will

likely decline” in the future (*id.*), it has not proven—or even attempted to quantify—this supposed decline. BH Rev.Br. pp.33-34.²⁶

As for ratepayer-cost reasonableness, LUMA admits it “budgets using manufacturer’s suggested retail price (‘MSRP’)” even though it “procures through competitive processes, obtaining market pricing and potential discounts, and does not pay MSRP as a rule.” LUMA Rev.Br. p.75. LUMA therefore should have based its ratepayer-funding proposal on the lower price it would *actually* pay, not admittedly inflated MSRP. BH Rev.Br. pp.33-34. That alone demonstrates the proposed costs are unreasonable.

LUMA touts its use of a “Rental Purchase Option” to “bridge near-term capital constraints” (LUMA Rev.Br. p.75), but rent-to-own programs are universally more expensive than buying outright. Thus, pricing in this practice going forward is further evidence of *unreasonableness*.

Finally, while LUMA rejects repair of existing vehicles as “neither cost-effective nor feasible at scale” based on speculation that repairs might be extensive (*id.*), the record includes no analysis comparing (i) the cost of such repairs and the resulting additional vehicle service life, with (ii) the cost of replacing the vehicle and the expected service life of its replacement (before it would likewise need major repairs). 12/4 Tr. 248:12-20.

H. TPA Program

LUMA’s proposal to *spend* over \$24M of ratepayer money on the TPA program—rather than net *reducing* ratepayer costs based on attacher revenues—is fundamentally flawed. PREPA effectively has a monopoly on the island-wide network of poles, meaning LUMA can command rates from attaching companies that, at minimum, cover program costs. As it concedes, “LUMA

²⁶ LUMA also cites its purported OMA obligations (LUMA Rev.Br. p.74), but OMA obligations are not controlling. *Supra* I.G.2.

can renegotiate to cover costs and, where appropriate, achieve rates above cost” (LUMA Rev.Br. p.90)—but it has not. The notion that the TPA program will continue to run \$24M into the red over the next few years could only happen through mismanagement by LUMA.

Apparently recognizing the incongruity of its ratepayer-fund request for what should be a profit center, LUMA vaguely suggests it will, at some future time, “reconcile[]” its proposed costs against attacher payments, and thereby “reduce the net amount recovered from customers.” *Id.* pp.89-90, 92. PREB cannot approve LUMA’s collection of \$24M from ratepayers on the hope that LUMA: (i) will finally conclude attacher negotiations that have been ongoing for years;²⁷ (ii) will finally collect amounts owed by attachers despite its record of not doing so;²⁸ and (iii) will then make good on its allusion to reconciling revenues back to customers, despite its continued refusal to do so with other revenues like double-collected federal funds²⁹ and savings from layoffs.³⁰

Instead of providing a coherent plan to turn the TPA program around, LUMA offers excuses. LUMA continues to blame PREPA, even though LUMA has had years to correct course. LUMA Rev.Br. pp.90 (“LUMA inherited fragmented contracts and inconsistent rate structures”),

²⁷ BH Rev.Br. p.35. While LUMA says “negotiations with other major carriers are ‘very advanced’” (LUMA Rev.Br. p.90), this generic claim cannot be credited. LUMA does not identify which attachers, how many, what “very advanced” means in the context of yearslong negotiations, or the expected result.

²⁸ BH Rev.Br. p.35. LUMA now walks away from its original projection of \$0.4M in revenue, asserting that was “conservative” and upping it to \$3.5M per year. LUMA Rev.Br. p.90. Either amount is far below LUMA’s projected TPA costs.

²⁹ *See e.g.*, BH Rev.Br. pp.9-10, 22; *see also* LUMA Rev.Br. p.41 (“[T]o the extent that the recategorization to federal funding does occur, these [ratepayer] dollars will then be *freed up and immediately deployed* to address [other items].”).

³⁰ Ex.889, pp.2-3 (LUMA stating it will make “no updates to the proposed budgets” despite \$16.3M in savings from layoffs, because LUMA intends to “allocate[] [the funds] toward activities”).

92 (“historic gaps and the newness of TPA billing”); *see also* 11/17 Tr. 52:10-53:12; 68:1-69:14; BH Rev.Br. p.35 n.21. And LUMA suggests, without support, that “[t]here are public-interest constraints around telecommunications ... which necessitate a measured approach to removals [of unauthorized attachers].” LUMA Rev.Br. p.91. LUMA fails to identify these purported constraints, however, for the obvious reason that there are no laws authorizing telecommunications companies to breach contracts and take what they want for free. Similarly, though LUMA claims the record demonstrates it is “pursuing enforcement” to address the acknowledged 1,200 unauthorized attachments (*id.*), LUMA’s witnesses could not identify a *single occasion* where LUMA actually removed an unauthorized attacher. 11/17 Tr. 573:17-575:3; BH Rev.Br. p.35.

Finally, in response to Sanabria’s cogent criticism of the TPA program’s administration, LUMA improperly flips the burden onto OIPC, urging that Sanabria had to “perform an attachment count,” conduct “a variance analysis among attachers,” make “a reconciliation of rates,” assess “rates charged by PREPA historically,” and “produce a calculation showing under-collection or missed revenues.” LUMA Rev.Br.91. That would be a tall order even assuming LUMA had provided the information to do those things—which it did not—and waxes pointless because the TPA program indisputably should be self-funding. More fundamentally, LUMA misconstrues the applicable legal framework. Act 57-2014 establishes that *LUMA* is the rate petitioner and bears the burden of proving its proposed costs are just, reasonable, and the lowest possible to provide adequate service. BH Rev.Br. pp.4-5. Act 57-2014 does *not* provide that non-movants must disprove proposed costs that the petitioner failed to substantiate.

I. T&D General Operating Costs

1. Operations Budget

LUMA's huge operations budget request suffers from several issues, including non-executability, faulty budgeting methodology, and a failure to demonstrate cost-justified benefits. BH Rev.Br. pp.36-42. LUMA's brief does not alleviate these concerns.

First, LUMA again fails to explain how it could realistically execute its proposed ramp-up; it merely assures it "has a plan" to have necessary resources in place. LUMA Rev.Br. pp.11-12. For example, LUMA does not address executability in terms of increasing staffing—one of the largest contributors to the operations budget—despite LUMA's awareness of struggles with labor procurement and retention. *See* BH Rev.Br. pp.41-42; Ex.51, p.21; Ex.588.1. Indeed, while LUMA incorrectly claims "documented company growth" (LUMA Rev.Br. p.81), the record shows LUMA has been shedding its workforce, with over 450 employees lost just between the rate filing and the hearing. BH Rev.Br. pp.41, 49. Against this real-world backdrop, LUMA's assurance of "having a plan" means little.

Second, LUMA's cost-estimation methodology is unsupported and inconsistent. BH Rev.Br. p.37. LUMA's brief again falls back on a series of budgeting buzzwords. *See* LUMA Rev.Br. pp.13-14 ("applied a bottom-up budgeting approach, first defining total System needs, and then adjusting needs to reflect work required to achieve system stability"; "adjusted projections"; "industry known average of FM's that are typically experienced in the utility industry"; "applied an additional 'Puerto Rico factor'"; "engineering judgment"). This does not meet LUMA's burden. Nor does LUMA's parroting of the standard: "Operation's OB will allow LUMA to meet maintenance prudent utility practice." *Id.* p.14.

Finally, LUMA does not prove the benefits justify the costs. Rather, it cites benefits that are so broad and untethered from the proposed projects that they are truisms. LUMA Rev.Br.

pp.12-13 (“[R]eductions in service restoration times and ... fewer unplanned customer interruptions attributed to failed equipment, reduced costs, overall improvement in work management, fair and accurate billing, improved communication during restoration, and timely new business connections.”). None of these benefits are detailed, quantitatively compared against costs, or causally connected to the hundreds of millions LUMA proposes to spend. Similarly, LUMA offers nothing but vagaries on the difference between the Optimal and Constrained Budgets—they are “net positive” or “net negative,” and the Optimal Budget will assertedly put the system “in a much better position.” *Id.* at 14. Such nonspecific descriptions have no place in a proceeding adjudicating multibillion-dollar charges to the Puerto Rican people, which the applicants must justify.

2. Seconded Employees

LUMA’s use of seconded employees is unjustified, legally dubious, and creates significant potential conflicts. BH Rev.Br. pp.37-40. LUMA’s brief raises more questions than answers. **First**, LUMA attempts to support its rampant use of seconded employees by saying its parent companies do not include a “markup for profit for secondees-costs.” LUMA Rev.Br. p.9. But it would be outrageous if they did, given LUMA is already paid an annual fee as profit. That LUMA’s corporate parents did not go this far—which likely would not be allowed—does not absolve the seconded-employee program of all sins. LUMA’s parent companies have clear financial motivations in connection with this program. BH Rev.Br. pp.37-40, 84.

Second, LUMA again attempts to invoke the OMA as cover. LUMA Rev.Br. p.9. It provides none. As explained *supra* I.G.2, PREB has rejected LUMA’s repeated attempts to use its OMA to dictate PREB’s decisions.

Third, LUMA tries to downplay its heavy reliance on secondees by misstating the numbers as lower than what it has actually proposed, and by speculating that some unspecified number of

secondees “*may* work part-time and *may* be physically located outside Puerto Rico.” LUMA Rev.Br. pp.9-10. Despite LUMA’s erroneous claim of “between 600 800 [*sic*]” seconded employees during the rate period (*id.* p.9), the source they reference shows LUMA proposed **800** by FY2026, **920** by FY2027, and **975** by FY2028—all at or above the high end of LUMA’s fallacious range. Ex.5, pp.37-38 (Meléndez prefiled testimony). Next, regarding LUMA’s suggestion that some secondees “*may*” work outside Puerto Rico, the record shows most existing and contemplated secondees are in Capital Programs (11/17 Tr. 150:3-151:8, 161:3-163:4), and given the nature of that department’s work, such secondees would likely be on-island.

Fourth, LUMA focuses on Meléndez’s testimony about a single letter from COR3 “recommend[ing] that FEMA reconsider its determination” regarding the reasonableness of rates charged by secondees (LUMA Rev.Br. p.10)—glossing over P3A’s stated opposition to LUMA’s use of secondees. BH Rev.Br. p.39. Whereas COR3 is tasked with obtaining federal funds—explaining its follow-up with FEMA—P3A is LUMA’s OMA counterparty and therefore better-situated to police LUMA’s performance.³¹

Fifth, LUMA again assures it “has a strategy and plan to reduce this [seconded] workforce.” LUMA Rev.Br. p.11. But as discussed above and in Bondholders’ Initial Brief, the numbers show dramatically *increasing* numbers of secondees throughout the rate period. BH Rev.Br. pp.37-38.³²

³¹ Also, while LUMA casts the COR3 letter as an endorsement of secondees, the letter does not opine on whether secondees are cost-effective and implies they are not. *See* Ex.547.3, p.80.

³² LUMA’s claims that secondees are needed to do “science-based work,” and contractors are needed to do “work requiring knowledge and skills” (LUMA Rev.Br. p.11), seem to suggest, without sufficient evidence, that there is not a pool of candidates in Puerto Rico with scientific expertise or other relevant knowledge and skills.

Finally, LUMA makes the unsupported assertion that “Argumentative questions and hypotheticals posed by opposing counsel during the November 17th hearing are not evidence.” LUMA Rev.Br. p.10. The time to object to cross questions was during the hearing, and any objections not lodged then were not preserved (nor is any coherent objection presented in LUMA’s brief). Cross-examination proceeded under the eye of the Hearing Examiner—the witnesses’ answers to those questions are, of course, evidence. That LUMA does not *like* its witnesses’ answers changes nothing about their evidentiary value.

J. Executability

The record is crystal-clear that LUMA’s proposed spending spree is not executable over the timeline here—it would involve spending many billions in just two years. This is proven by: (i) Hogan’s analysis (who LUMA barely crossed) as well as Hurley’s (who LUMA did not cross); (ii) the admissions of LUMA’s witnesses in prefiled testimony and throughout the hearing; (iii) LUMA’s 4.5-year history of limited project spending; (iv) the cross-examination of LUMA’s witnesses who tried and failed to show executability (Shearman and Meléndez), as well as Allen’s eleventh-hour admission that tens of millions in proposed programs are not executable; and (v) the well-documented, undisputed challenges to large-scale project execution (including supply-chain issues, material shortages, and labor constraints). BH Rev.Br. pp.42-50. LUMA does not, and cannot, controvert this record. Each point raised by LUMA is refuted below.

1. Money Is Not the Obstacle to Executability

LUMA asserts that the obstacle to executability is money. LUMA Rev.Br. pp.37, 41. But if money were the limiting factor, then LUMA obviously would not have missed its federally funded capex budgets, drastically, year after year. Ex.51.00 p.44 (FY2023 – 30.8% underspend;

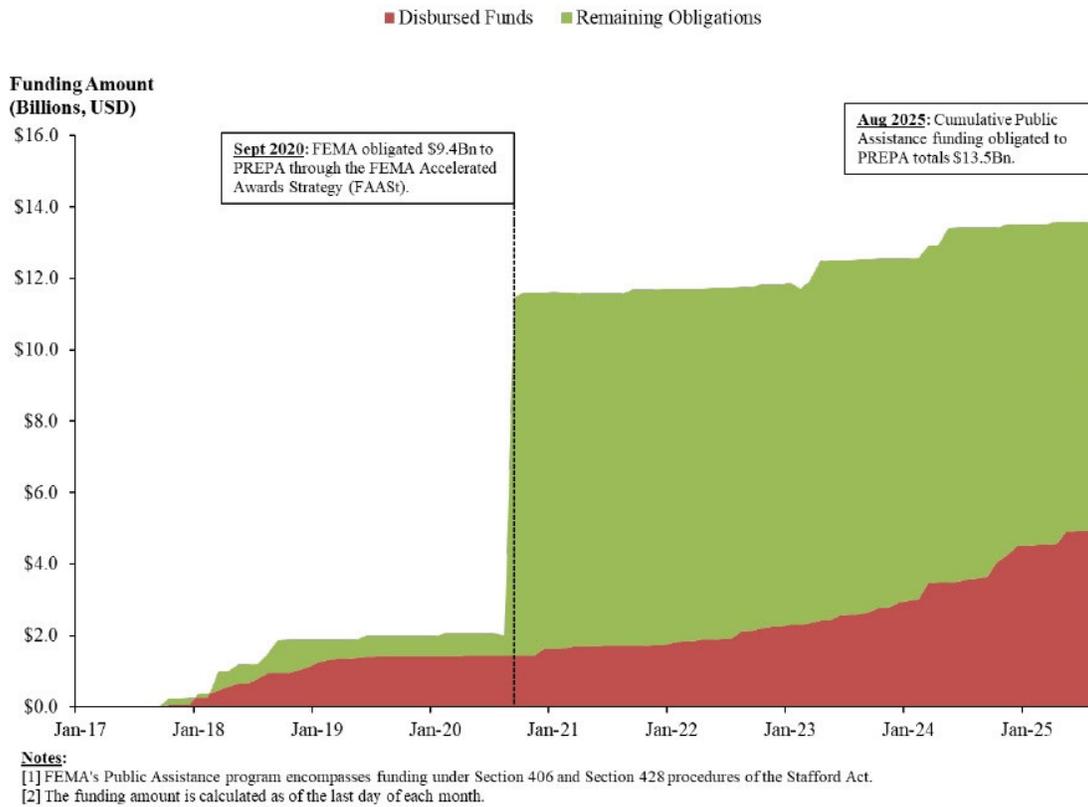
FY2024 – 20% underspend; FY2025 – 43.3% underspend).³³ The federal funds were there, LUMA budgeted a level of spend (modest compared to what it now proposes), and yet LUMA consistently failed to execute—by a wide margin. This trend is illustrated by a striking chart showing that, during LUMA’s tenure, the lion’s share of federal funds have remained unused, with only slight incremental progress. *See* Ex.51.00, p.37 Chart 5 (reproduced below). The numbers do not lie—the main obstacle is *not* money.³⁴

³³ LUMA claims that Hurley and/or Hogan (it is unclear who) “concedes LUMA has consistently executed its NFC project goals.” LUMA Rev.Br. p.37. This deliberately misreads their testimony. First, Hurley and Hogan considered *all* available funding sources, not just NFC—as LUMA should be doing. Second, LUMA ignores that Hogan compared LUMA’s *past* NFC expenditures with its *proposed future* NFC expenditures, and the latter are orders of magnitude greater. Hogan anticipated and dispelled LUMA’s current argument in his September written testimony, which LUMA ignores. *See* Ex.50.00, p.17 n.43.

³⁴ LUMA’s executability argument that it does not lack personnel or equipment also contradicts its numerous requests here for surges of hiring and equipment purchasing. Further, LUMA’s claim that it has “worked diligently to increase” workers (LUMA Rev.Br. p.38), ignores the evidence that LUMA’s workforce has precipitously declined in recent months. *Supra* I.I.1; *see also, e.g.*, Ex.5.0, p.24; 11/17 Tr. 267-68, 271.

Exhibit 5: FEMA’s Cumulative Public Assistance Funding Obligated to PREPA¹¹⁶

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2. LUMA Understates Its Proposed Ramp-Up Rate

LUMA persists in understating the ramp-up rate of its proposed spending, even after its numbers were debunked at the hearing. LUMA Rev.Br. p.38 (stating, with no citations or calculations, “The NFC requests in both the Optimal and CBs for the rate period represent increases of between 2.7x (Constrained) and 4.4x (Optimal).”). As the controlling Revenue Requirement shows, however, the real NFC ramp-up rate for LUMA’s Optimal Budget is as follows:

- Actual NFC spend FY2025: \$126M³⁵
- FY2026 proposed NFC: \$602.57M (**4.8x**; not 4.4x as LUMA claims)
- FY2027 proposed NFC: \$762.36M (**6.1x** vs. FY2025 actual)
- FY2028 proposed NFC: \$928.33M (**7.4x** vs. FY2025 actual)³⁶

LUMA also ignores that these enormous ramp-up rates would need to occur over just *two years* given when the final rate order will issue—not the three years LUMA had been assuming until its witnesses were confronted with, and admitted to, this fact at the hearing. BH Rev.Br. p.44. Thus, the real ramp-up rate is not the FY2026 4.8x number, but higher still.³⁷

3. LUMA's Proposed Ramp-Up Rate Is Unprecedented

As explained in Bondholders' Initial Brief (pp.43-44), LUMA's representation that ramp-ups "of similar magnitude are common and well-precedented" is false. LUMA Rev.Br. p.38. Indeed, elsewhere in its brief, LUMA incongruously admits it is proposing an "***unprecedented*** ramp-up of capital work." *Id.* p.8. Likewise, Meléndez and Shearman both admitted at the hearing that ramp-ups of this magnitude are *unusual* (not "common"). BH Rev.Br. p.45.

LUMA also continues to cite supposedly similar ramp-ups identified by Meléndez (LUMA Rev.Br. p.38), even after they were debunked on cross: Melendez conceded that LUMA's proposed ramp-up rate here is *four times more aggressive* than Jacksonville Electric's (not "of similar magnitude"). 11/17 Tr. 341:245-342:10; *see also* 346:4-348:7 (admitting he did not know

³⁵ Ex.50.00, at Exhibit 1b.

³⁶ Updated RR, Annex.1.Tab.C-2-Optimal, line 61 (GridCo Maintenance Projects (Non-Federally Funded Capital Expenditures)).

³⁷ LUMA also ignores that for key departments, like Capital Programs, the ramp-up rate would be even higher than for aggregated NFC numbers. *See, e.g.*, 11/17 Tr. 329:4-331:5 (Meléndez admitting Capital Programs would need to achieve a **10x** ramp-up rate from FY2025 actual to FY2028 proposed).

the time period for ITC’s supposed “10x ramp-up,” precluding comparison). And LUMA continues to cite Shearman’s “numerous additional examples ... of similar ramp-ups” (LUMA Rev.Br. p.38), despite those too being proven erroneous—not to mention Shearman’s admissions of cherry-picking and manipulating comparator data. BH Rev.Br. pp.43-44.³⁸

4. *A Higher Ramp-Up Rate Is Not Easier to Achieve*

LUMA touts its “several years of experience” and asserts that “the ramp-up challenge LUMA faces here is actually less formidable in light of the historically low NFC expenditure.” LUMA Rev.Br. p.39. LUMA’s “years of experience” involved materially *underspending* its capex targets, as discussed above, so that cuts against executability. The other assertion is illogical: LUMA fails to explain how a proportionally *larger* ramp-up, from low NFC spend to very high NFC spend, is somehow *easier* than a smaller ramp-up. In fact, Shearman agreed that when a facility has not expended substantial resources on capital projects for an extended time, a substantial ramp-up is *more* difficult—which he conceded was the case for LUMA until recently. 11/17 Tr. 409:21-412:1-8. That belies LUMA’s assertion, as does common sense.

5. *LUMA’s Assurances Are Undercut by the Record*

LUMA’s generic assurance that it “has a plan,” a “list of shovel-ready projects,” and a “network” of contracts carries little weight. LUMA Rev.Br. p.38. It is not supported by any specific evidence—LUMA’s supposed executability plan, list of shovel-ready projects, and contracts are not in the record—and is controverted by LUMA’s multiyear trend of dramatically underspending its much-more-modest prior capital budgets. BH Rev.Br. pp.42-50. Likewise,

³⁸ Among other things, Shearman omitted huge quantities of LUMA’s proposed NFC, including for Operations and various other departments and program briefs. *Compare* Ex.75.15, with Ex.5.00, Table 11 and Updated RR. These omissions artificially depressed the ramp-up rate he calculated for LUMA.

LUMA's vague claim to have "factored in the executability of projects," is just another unsupported assurance. LUMA Rev.Br. p.6.

6. *The Burden Is Not on Bondholders to Disprove Executability (Though They Have)*

LUMA attempts to flip the burden onto other parties, suggesting *they* had to prove "insurmountable hurdle[s] to execution." LUMA Rev.Br. p.39. As discussed *supra* I.H, LUMA's repeated attempts to flip the burden are contrary to law and would be reversible error if adopted. LUMA must show the executability of its multibillion-dollar proposal.³⁹

7. *Need and Executability Are Different Questions*

LUMA contends there is "no choice but to ramp up and do it now." LUMA Rev.Br. p.39. This argument speaks to need, not executability. Executability is about whether it is realistically *possible* for LUMA to prudently spend billions of ratepayer dollars in just two years, when LUMA has never done so on a similar scale, cannot point to other instances of such admittedly "unprecedented" increases, and faces numerous, undisputed challenges. LUMA's appeal to an abstract sense of urgency does not satisfy its burden to demonstrate that ratepayer dollars can be spent timely and prudently.⁴⁰

8. *LUMA's Failure to Use Federal Funds Is Highly Relevant to Executability*

LUMA dismisses its poor track record executing federally funded projects as a "distraction," claiming the "system needs to be able to stand on its own two feet now and in perpetuity, *regardless of federal funding.*" LUMA Rev.Br. pp.40-41. These statements are

³⁹ Even if this were the statutory standard (it is not), Bondholders have presented more than sufficient evidence to demonstrate a lack of executability.

⁴⁰ As discussed *supra* I.A, LUMA's comparison of NFC spending rates at PREPA versus other utilities is inapt (LUMA Rev.Br. p.39), including because, unlike those other utilities, PREPA benefits from a historic amount of federal capital on top of NFC.

striking. *First*, far from being a “distraction,” whether LUMA in fact deployed available federal funds at the (low) rate it targeted—it did not—is highly salient evidence. It speaks to core executability issues, including:

- LUMA’s ability to accurately budget expenditures;
- LUMA’s ability to start, progress, and complete capital projects on time and on budget;
- LUMA’s actual level of deployable resources (*e.g.*, personnel, equipment, contractors);
- the effects of exogenous factors like supply-chain disruptions and equipment and labor shortages; and
- LUMA’s ability to navigate applicable bureaucratic, technical, and regulatory processes.

Second, LUMA’s claim that ratepayer funding should be set at a level *disregarding* Puerto Rico’s historic award of federal funding is wrong for the reasons discussed. *Supra* I.A. PREB made clear in the PRO that federal funds must be used, and ratepayers should not be the funding source of first resort. Deploying federal funds is not “artificially suppress[ing] rates,” as LUMA dubs it—it is prudently using available resources and setting rates consistent with law.⁴¹

9. Overcollection Is a Serious Concern

LUMA dismisses concern about overcollection from ratepayers, calling it a “misnomer” that “makes no sense” and is “grossly outweigh[ed]” by the system’s need. LUMA Rev.Br. pp.41-42. But LUMA’s own executability witness acknowledged that overcollection *would* be a

⁴¹ LUMA incorrectly contends that “Bondholders’ experts [] rely on conflating historical execution of federally funded projects with NFC projects.” LUMA Rev.Br. p.40. This is refuted by a simple review of Hogan’s and Hurley’s reports, which specifically and repeatedly break out LUMA’s federal and NFC spending. *See, e.g.*, Ex.50.00, at Exhibits 1a, 1b, 2, 3, 5a, 5b, 7a, 7b; Ex.51.00, at pp.44-45 & Exhibit 7. And as discussed above, underspending of federal funds is highly relevant.

disservice to the people of Puerto Rico. 11/17 Tr. 438:25-439:10 (Shearman admitting it is not best practice, and unfair to ratepayers, to seek funding for projects the utility does not expect to complete within the budget period).

Act 57-2014 dictates that proposed costs be reasonable, just, and the lowest reasonable cost to provide adequate service; overcollecting violates that mandate. Nor is there an evidentiary basis for LUMA to assert the risk of overcollection is “grossly outweighed” by risks of not receiving the full requested amount. There are two sides to that scale, and LUMA has quantified *neither*. In particular, the record shows LUMA has not conducted basic cost-benefit or quantitative assessments of its projects. Nor has LUMA submitted quantitative evidence on the risks of overcollection. Thus, LUMA cannot claim to have “weighed” these risks.

* * *

PREB has a statutory duty to assess LUMA’s proposed budget through the lens of executability. Ratepayers should not be dunned for money that LUMA cannot timely and prudently spend, and the evidence shows it cannot spend at anything approaching the astronomical levels it proposes.

K. Retail Wheeling

LUMA fails to justify its \$34M ratepayer-funding request for Retail Wheeling, devoting a meager two sentences to it and simply summarizing the planned program. LUMA Rev.Br. p.35. Given that LUMA has not shown a feasible path to execute this program, the large ratepayer-funding request should be reduced. BH Rev.Br. p.50.

II. Generation

Bondholders have identified significant failures of proof for proposed generation expenses (BH Rev.Br. pp.50-62), which Genera’s brief underscores. Genera admits the rate application must “be supported by pre-filed testimony and accompanying workpapers that contain all analyses,

facts, and calculations required to enable [PREB] and intervenors to conduct a comprehensive review.” Genera Rev.Br. p.7. Yet Genera’s approach, here as in prior submissions, is to baldly assert its proposed costs are prudent without the required analysis and evidence. Like LUMA, Genera falls back on vague, generic catchphrases like its claimed use of: (i) a “bottom-up approach whereby” each department head must “relay their particular budget needs ... based on individual input,” “programmatic priorities with Genera’s obligations under the LGA OMA,” and “appropriate industry standards”; and (ii) a process where “individual line items [are] tied to known maintenance needs, operational support, contractual obligations and federal cost-share requirements, among others.” Genera Rev.Br. p.10. Without support, these buzzwords are meaningless. Repeating them does not demonstrate the proposed budget is necessary, prudent, and the least possible for adequate service.

A. Hydroelectric Projects

PREPA chose not to submit a brief, and therefore Bondholders’ arguments regarding its proposed spending on hydro projects stand unchallenged. BH Rev.Br. pp.50-53.

B. Projects Potentially Eligible for Outside Funding

Genera chose not to respond to either of Hurley’s prefiled testimonies or to cross-examine him, and therefore Bondholders’ arguments regarding this topic also stand unchallenged. BH Rev.Br. pp.53-55.

C. LTSAs

Genera argues its proposed LTSAs with Tesla, Siemens, and GE are necessary to guarantee on-time parts, troubleshooting, and performance. Genera Rev.Br. pp.41-42. But the record shows that the proposed LTSA costs remain highly speculative—and therefore should not be charged to ratepayers—because Genera is only “in the process of negotiating [these] contracts,” with unknown completion timelines and uncertain material terms. *Id.* p.41; BH Rev.Br. pp.55-57. ■

[REDACTED]

[REDACTED]

[REDACTED]. Updated RR, Annex.3.Tab.Projects, line 234; BH Rev.Br. p.55. That LTSA is [REDACTED]

[REDACTED]

[REDACTED]. BH Rev.Br. pp.55-56; 12/12 Tr. 196:14-217:13. Ratepayers should not be charged for [REDACTED]

[REDACTED].

The Siemens LTSA for Genera’s new peakers is similarly incomplete and, worse yet, [REDACTED]

[REDACTED]—all indicating this \$14M ratepayer charge is not cost-beneficial. BH Rev.Br. p.56. [REDACTED]

[REDACTED] (12/2 Tr. 299:22-300:12), which Genera fails to address. [REDACTED]

[REDACTED]

[REDACTED]. BH Rev.Br. p.57. The status of the GE contract is similarly unclear, with Genera cryptically saying the “estimate [is] based on future contracts ... more than likely with General Electric.” Genera Rev.Br. p.41.

Genera claims these proposed LTSA costs should be approved because they guarantee “better performance in terms of equipment, and better maintenance” (*id.* p.42), representing that “without an LTSA it will *probably* cost [Genera] about 30%/40% more.” *Id.* p.41; *see also id.* pp.41-42 (LTSA’s can “*sometimes* guarantee inventory”). That speculation is Genera’s only quantification of the proposed LTSAs’ benefits; Genera cites no evidence to support its “probably” guesswork. It merely references Quiñoy’s testimony, and Quiñoy never submitted supporting

documentation. *Id.* Nor could Genera cite support, given the nascent state of negotiations. These speculative ratepayer costs should be denied.

D. Executability

Genera faces significant, ongoing issues regarding project execution. BH Rev.Br. pp.61-62. For example, there are 37 projects, totaling \$106M, that Genera has not completed and is letting slip off-schedule. *Id.* p.61; Ex.50 pp.18-19 & Exhibit 2. Genera also admits it lacks qualified workers, and this negatively affects executability. BH Rev.Br. p.61; 11/20 Tr. 122:25-123:13, 124:14-25, 125:16-21, 126:5-127:20. These executability issues will only be exacerbated by Genera's **6x** ramp-up rate under the Optimal Budget. BH Rev.Br. pp.61-62; Updated RR, Annex.3.Tab.Final-Revision; *see supra* I.J.2-4 (evidence shows such ramp-up rates are unprecedented and unachievable here). Genera's sole argument for executability is a vague assertion that its VP of Operations can "align[] strategic goals with daily execution." Genera Rev.Br. p.11. That is not enough to controvert the mountain of evidence showing a lack of executability, including Hogan's detailed analyses (which Genera did not challenge).⁴²

E. Operations

Genera asks PREB to adopt its proposed Optimal Budget for Operations, which totals \$231.6M (Genera Rev.Br. p.16)—significantly higher than its Constrained Budget. 11/21 Tr. 179:1-180:13; Ex. 23. This request comprises: (1) materials and supplies; (2) transportation, per diem and mileage; (3) utilities and rent; and (4) plant maintenance services (*i.e.*, GMR). Genera

⁴² Just since the hearing, the commercial operation date for a major, 528MW generation project has been delayed by over a year. *Amended PREPA, Energiza PPOA Pushes Commercial Operation Date for P3 Plant to October 2029 from June 2028*, Octus (1/20/2026). And PREPA's Governing Board now lacks a quorum, which prevents the evaluation and approval of new generation contracts. *'El tiempo sigue corriendo': paralización en la Junta de la AEE coloca en jaque sobre una decena de proyectos renovables*, El Nuevo Día (2/4/2026).

Rev.Br. pp.16-19. For almost all these requests, Genera simply restates the amounts sought without providing evidence that it has assessed and quantified the projects' anticipated benefits. *Id.* p.17. For example, for material and supplies, Genera's supporting documents only state it is pursuing the Optimal Budget and what that would cover. *Id.* p.16. Similarly, for its transportation, per diem, and mileage request, Genera states the purpose and then simply claims—without evidence—that the cost “reflects an efficient baseline.” *Id.* p.17. Genera cites Ex.23, but it does not support Genera's conclusory statement. *See* Ex.23, p.18.

In support of its overall Operations budget, Genera claims, “Operations costs are no higher than the level required by prudent utility practice”—without any citation to industry standards or benchmarks. Genera Rev.Br. p.18 (citing only Ex. 23). Even setting aside these obvious failures of proof, Scutt admitted that the lower Constrained Budget: (1) “*maintains* system reliability and regulatory compliance” (11/21 Tr. 180:22-181:2); and (2) “defers some *noncritical* activities” and projects Genera could “probably postpone” without “immediate impact to system performance.” *Id.* 182:23-184:14. Scutt also admitted the proposed Operations Optimal Budget “reflects ... some *inefficiencies*,” and the Constrained Budget scales back “*non-essential* services” and “reflects *cost discipline* and operational *efficienc[ies]*.” *Id.* 181:4-14. These concessions defeat Genera's Optimal Budget request.

Moreover, Genera concedes the Constrained Budget “reflects prudent utility practice” and was “crafted to *preserve essential functions* such as compliance, core site services, and minimum maintenance levels.” Genera Rev.Br. p.18; *see also id.* p.19 (similar). While Genera cites conclusory testimony that “sustained deferral may introduce operational and reliability risks over time” (*id.*), it did not analyze or quantify any such risks and does not even say what timeframe

“over time” covers. Ex.23, pp.24-25 (stating that deferring costs “*may* also introduce risks” and “*potentially* affect service availability”). The Optimal Budget must be denied.

F. Projects

Beyond restating the amounts requested under the Constrained Budget and summarizing the uses (Genera Rev.Br. pp.20-22), Genera provides no supporting analyses showing why these ratepayer costs are reasonable, just, or the lowest-possible. *Id.* Genera cites only Quiñoy’s prefiled testimony, which lacks supporting evidence. Ex.24, pp.1-11.

G. NME

After the evidentiary hearing and just days before initial briefs were due, Genera proposed a new scenario for NME totaling \$472.4M. This represents the Constrained Budget for NME less certain costs related to decommissioning projects and \$1.5M in BESS O&M costs during FY2026. Genera Rev.Br. p.22.⁴³ Genera also states it no longer seeks ratepayer funds for the SJ 8 and 10 and Cambalache 1 gas-conversion projects. *Id.*⁴⁴

Genera argues the remaining costs are necessary to achieve performance consistent with the statutory standard, and that these costs are based on “detailed technical assessments of the condition, performance, and operational risks associated with the existing generation assets.” Genera Rev.Br. p.22. But Genera never submitted any “detailed technical assessments.” Genera simply parrots the standard and repeats Quiñoy’s prefiled testimony, which lacks supporting

⁴³ Genera removed the BESS costs after cross-examination revealed its O&M request to be improper, because the batteries will not be operational in FY2026. BH Rev.Br. p.55 n.34.

⁴⁴ Genera removed these proposed ratepayer costs only after cross-examination revealed them to be imprudent and potentially motivated by Genera’s conflicts of interest with NFE, which sells natural gas and stands to profit by converting generators in Puerto Rico to burn gas. BH Rev.Br. pp.58-59, 84-85.

evidence. *Id.* pp.22-23; Ex.24, p.17. Genera points to Exhibits 267 and 365, but they provide the same generalized statements without evidentiary support.⁴⁵

H. Labor, Operations, and Maintenance

Genera proposes a hybrid budget that includes: (1) labor and operating expenses totaling \$280.1M, including \$20M related to union labor expense mitigation; (2) HR non-labor operating expenses totaling \$560,000; (3) security expenses totaling \$22.5M; and (4) fleet budget totaling \$793,000. Genera Rev.Br. pp.25-33. Genera also seeks costs for its corporate office budget, including materials and supplies, utilities and rents, and other expenses; and for the Fuel department. *Id.* pp.33-36.

Genera claims these amounts meet the standard and are no higher than necessary, pointing to the testimonies of Witeczek and Scutt. *Id.* pp.25-36. But, again, these conclusory assertions lack supporting data and flunk the standard.

1. Labor Operating Expenses

Salaries and wages account for \$190.3M of this expense category. Genera Rev.Br. p.26. Genera says the increase is due to an increase in staff, annual salary adjustments, and implementation of any bargained-for items. *Id.* Pensions and benefits are allocated \$69.4M. *Id.* Overtime pay is allocated \$20.5M. *Id.*

Genera effectively asks PREB to take its word that these costs are just and reasonable, stating they “were developed through a rigorous budgeting process” and citing the Witeczek testimony—but no details are given about this process, including what was considered and what (if any) cost-benefit analyses Genera performed. *Id.* pp.26-27. Likewise, Genera says the labor

⁴⁵ Although Genera claims each line item is linked to a specific loss-recovery objective (Genera Rev.Br. p.24), that claim is based on conclusory testimony and project lists lacking empirical or quantitative support. *Id.*

budget supports its ability to meet “quantifiable performance indicators” related to certain broad areas, but it does not detail what any of the supposed quantifiable indicators are or how specifically they will be affected. *Id.* pp.28-29. Given Genera’s \$20.5M request for overtime—more than 10% of its entire labor budget—the lack of quantitative analysis is especially concerning.

Genera also requests from ratepayers \$20M/year in FY2027-FY2028 for *potential* cost increases resulting from union negotiations, as well as a related *potential* rise in administrative costs. *Id.* As Genera admits, however, the negotiations are ongoing (*id.* p.38), so the outcome (and cost, if any) remains unknown. Ratepayers should not be burdened with these speculative costs.

2. Security

Proposed security expenses total \$22.5M. *Id.* pp.30-31. Genera states these costs are essential to safe and continuous operations and cannot be reduced without increasing operational risk. *Id.* Again, these general assertions merely parrot the standard without any supporting data, quantitative analysis, specific industry benchmarks, or meaningful risk analysis.

3. Fleet

Genera proposes the Constrained Budget for fleet. Genera Rev.Br. pp.31-32. As above, there is no evidentiary support for these costs. Genera fails to identify how they were calculated and why money could not have been saved by, for example, choosing a different maintenance provider.

4. TM2500s

Genera requests \$17M/year in ratepayer funds for the “costs needed to operate the TM2500 units.” Genera Rev.Br. pp.39-40. This does not include additional personnel costs for the 14 TM2500 units, because FEMA has not yet approved the Governor’s requested extension of

operation beyond 2027. *Id.* p.39. If approval is obtained, then Genera says it will need even more money. *Id.*

Genera claims these costs are based on its “experience administering operation of the units since March 2024.” *Id.* What it omits—despite extensive discussion at the hearing—is that [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]. 11/25 Tr. 252:18-254:10; 257:7-13; *see also* BH Rev.Br. p.85. This relationship is an obvious conflict and ripe for misuse of ratepayer funds.

At the hearing, Genera witnesses admitted it has not considered putting this job out for competitive bidding. 11/25 Tr. 254:25-255:9. Instead, Genera proposes continuing its conflicted relationship until it assumes operations in 2027—and even then, Genera claims it will not realize “any ... savings” (Genera Rev.Br. pp.39-40), despite incurring transition costs. 11/25 Tr. 261:19-262:12. Bondholders recognize the importance of the TM2500s to the generation fleet, but that is no reason to burden ratepayers with uncompetitive operational costs. At minimum, Genera must run a competitive bidding process before these costs could be approved.

III. Budget Process

A. PREB Adjudication of Budgets Remains Necessary

LUMA continues to argue it should be allowed to reallocate up to 5% of its *entire budget*—the huge sum of Operating, Non-Federally-Funded, and Federally-Funded Capital Budgets—without PREB oversight. LUMA Rev.Br. pp.106-08. This would allow LUMA to shift tens or even hundreds of millions of dollars away from PREB-approved purposes with “no accountability and no consequence,” precisely as the Hearing Examiner recognized. 11/24 Tr. 109:19-110:7. Shockingly, LUMA admits it is *already* reallocating approved budget funding and then seeking

forgiveness rather than asking permission⁴⁶—further underscoring the need for PREB oversight. BH Rev.Br. pp.62-63.

None of LUMA’s arguments justify its no-accountability proposal. *First*, LUMA suggests it would align with standard practice for mainland IOUs. *Id.* pp.106-07. That comparison is inapt, because PREPA is not a solvent IOU. As the Hearing Examiner noted, there are not effective mechanisms to discipline, or disallow spending by, a utility like LUMA—unlike in the IOU context. 11/24 Tr. 31:13-33:15.

Second, LUMA claims the OMA dictates its no-oversight reallocation proposal (LUMA Rev.Br. pp.106-07), but as discussed *supra* I.G.2, the OMA does not bind PREB nor dictate the outcome of its inquiry.

Finally, LUMA claims PREB can blindly trust it because LUMA “always” hits its annual budget. LUMA Rev.Br. p.108. That is misleading—LUMA ignores its recurrent, substantial misses on its federally-funded capex budgets. *Supra* I.J.

B. Project Efficiencies Must Be Quantified

LUMA also seeks to eliminate PREB’s requirement for LUMA to report the savings it was hired to achieve. LUMA Rev.Br. pp.109-13. The reason for this request, as well as LUMA’s running failure to report such savings, is plain—LUMA has not achieved them.

LUMA is required to “provide annual reports on the implementation of improved efficiencies *and quantification of resulting savings*” (IBO p.31) but has not done so. BH Rev.Br. p.64. LUMA claims it is providing “concrete efficiency-*related* information” and “quantitative operational outcomes *relevant* to efficiencies” (LUMA Rev.Br. p.110), but these carefully worded

⁴⁶ LUMA Rev.Br. p.108 (“LUMA has proceeded to execute work and then seek after-the-fact alignment.”).

statements are misdirection. LUMA has never reported on *quantified savings* (Ex.921, p.42; 11/24 Tr. 409:1-17), and it identifies no evidence to the contrary. Indeed, LUMA later admits that “translating early-phase operational gains into precise rate reductions is not yet feasible.” LUMA Rev.Br. p.111. Because LUMA cannot quantify the savings it claims to have achieved, it cannot demonstrate *any* savings—it can only speculate.

LUMA also claims its reporting obligations should be loosened because OIPC’s witness did not “propose any calculation to reduce the revenue requirement” (*id.*), but that is exactly backwards. It is *LUMA’s* obligation as a highly-paid operator to achieve and report efficiencies, not OIPC’s burden as a consumer representative to somehow quantify the efficiencies LUMA did *not* achieve. This attempted burden-flipping fails. *Supra* I.H.

PREB should deny LUMA’s request to eliminate this important reporting obligation and enforce it.

IV. Customer Experience

LUMA proposes an Optimal Budget for Customer Experience that is both unjustified and, counterintuitively, increases over time. PREB should adopt the Constrained Budget and reject the large increases requested for TPOS, PBUT31, and PBCS2.

A. TPOS

LUMA relies on expensive third-party vendors, with no evidence demonstrating that the benefits of these vendors warrant their cost. BH Rev.Br. pp.64-65. LUMA requests a \$122M increase in its TPOS budget, from \$58.8M (FY2025) to \$181.1M (FY2028). *Id.* LUMA’s request is particularly unreasonable considering its failure to analyze whether any of this work could be accomplished in-house. 12/1 Tr. 67:2-13; LUMA Rev.Br. p.83. In short, rather than trying to enhance its capabilities, LUMA proposes to kick the can by outsourcing *more* over the rate period—all without establishing cost-reasonableness. 12/1 Tr. 32:13-17.

As with most other expenses, LUMA falls back on buzzwords rather than providing data to show supposed “prudence in cost development.” LUMA Rev.Br. pp.82-84.⁴⁷ Even assuming LUMA has previously made “material, measurable improvements in Customer Service performance,” that does not “justify the OB,” because the OB is forward-looking and LUMA has not shown that the future costs are reasonable and the lowest possible. *Id.* p.84.

LUMA also continues to erroneously claim that the “significant increases” in TPOS are somehow justified merely because they are “funded through EE and PPCA, not base rates,” even saying this “squarely address[es] concerns raised on cross-examination.” *Id.* p.83. Not so. As Bondholders explained, wherever these costs appear on the bill, ratepayers will wind up paying them. BH Rev.Br. p.65 n.42.⁴⁸ The costs must be justified, and they were not.

B. Loss Recovery Program (PBUT31)

The requested costs for PBUT31 are unsupported and should be denied. BH Rev.Br. pp.65-66. At the hearing, LUMA could not provide objective proof that this program would reduce non-technical losses. 12/1 Tr. 350:17-351:2. LUMA’s brief fails to address this program. *See* LUMA Rev.Br. pp.83-88.

C. Voice of the Customer Program (PBCS2)

The \$2M requested for PBCS2 should be denied. BH Rev.Br. p.65 n.42. Ratepayers should not be required to pay for a program that LUMA weakly attempts to justify as providing “customer insights.” LUMA Rev.Br. p.84.

⁴⁷ For example: “built bottom-up by cost-causing teams, reviewed across departments, and aligned to execution capacity”; “workload-based analyses and service-level agreements-driven volumes for key accounts, as well as process governance needs, reflecting a structured justification for incremental FTEs to document cross-functional processes.”

⁴⁸ LUMA’s claim of “minimizing base-rate pressure” is thus meaningless. LUMA Rev.Br. p.83.

D. Optimal-Budget Items

LUMA requests approval of the Customer Experience Optimal Budget because it claims to have made “measurable performance improvements, prudent budgeting, and targeted remediation.” LUMA Rev.Br. p.82. However, these alleged past improvements do not justify increasing the future ratepayer burden, particularly for programs that will not impact safety or adequacy of service or apply only to a sliver of customers. BH Rev.Br. p.67. LUMA’s citation to purported OMA requirements (LUMA Rev.Br. p.82), is, again, unavailing. *Supra* I.G.2.

LUMA cites no data justifying the Optimal Budget, and Hanley’s testimony contains none. BH Rev.Br. p.67; *see also* Ex.109. In fact, adopting the Constrained Budget would not close any service centers, nor prevent LUMA from continuing to modernize its customer service technology. 12/1 Tr. 128:2-24, 149:5-9. Accordingly, the Constrained Budget is adequate.

E. Other Programs

LUMA discusses several other programs, none of which is supported with a cost-benefit analysis or data to show cost-reasonableness. LUMA Rev.Br. pp.85-88. **First**, LUMA does not show that “the collections and revenue protection proposals” are industry-standard as it claims, nor that, even if true, the unspecified industry comparators apply to PREPA’s circumstances. *Id.* p.85. LUMA points to sources citing collections LUMA obtained, but these fail to demonstrate the *costs* LUMA is proposing are reasonable, which are not discussed beyond claiming they are supposedly “calibrated to Puerto Rico’s data realities.” *Id.* LUMA then cites purported successes regarding municipal facilities, but it again analyzes only the alleged benefits, without weighing the proposed costs. *Id.*

Second, LUMA claims the “Billing Accuracy and Back Office program” is “essential” but again fails to explain why the costs are reasonable. *Id.* pp.86-87. LUMA’s bare assertions do not suffice.

Finally, for the “Modernized Customer Service Technology program,” LUMA tries to justify it as “not burden[ing] the base-rate” (*id.* p.87), but as explained *supra* IV.A, the location of a charge on the bill is academic. As for need, LUMA makes the same vague claims that must be rejected here as elsewhere. LUMA Rev.Br. p.87.

V. **Multi-Utility Costs**

A. ***Communications and Compliance***

1. **LUMA**

As to ratepayer-cost reasonableness, LUMA generically says the spending supports “LUMA’s ability to provide reliable electric service at the lowest reasonable cost,” and denial would result in less-informed consumers. LUMA Rev.Br. pp.65-68. But LUMA never explains its budget’s basis. LUMA repeats the “bottom-up approach” buzzword, but the only exhibit cited does not provide the “existing costs” supposedly used. *Id.* p.68 (citing Ex.14.0). Likewise, LUMA’s description of budgeting—“identified the existing costs” and then “assessed LUMA’s upcoming communication needs”—says nothing. *Id.* p.66. Nor does LUMA quantify or assess either the risks of reducing or deferring its proposed projects, or the supposed benefits of (i) increasing its TPOS costs for paid media campaigns and website design, and (ii) hiring five new employees.⁴⁹

As to need, LUMA says it wants to “communicate[] in a bigger way and *potentially* reach more people more often,” but it never explains what this pabulum means. *Id.* These deficiencies permeate LUMA’s requests for professional services, miscellaneous, and transportation. *Id.* p.67. For instance, LUMA requests nearly \$5M from ratepayers for “specialized materials required for

⁴⁹ LUMA says the hiring increase is based partially on mainland standards but never explains its need for that many individuals.

distinct projects, events, or initiatives that are essential for the Department’s continued service delivery,” without elaboration. *Id.* This does not identify what the \$5M is for.

LUMA also contends its proposed budget does not include activities that promote LUMA’s reputation (*id.* pp.67-68), but that is belied by the record (BH Rev.Br. p.67), as well as LUMA’s own brief. *See* LUMA Rev.Br. p.65 (describing lobbying activities, including engaging with elected officials and government entities). LUMA’s Communications budget should, at most, be limited to Constrained. *See id.* pp.67-68.

2. Genera

Under the Constrained Budget, Genera’s communications department seeks \$4.6M. Genera Rev.Br. ¶ 214. Genera parrots the standard and states these costs comply (*id.* ¶¶ 219-20), but aside from these conclusory remarks, Genera offers no evidence or explanation. They should be denied.

B. Regulatory/Legal/Title III Costs

LUMA Title III. LUMA does not even attempt to justify its request for ~\$8.8M in alleged Title III costs in FY2026—or the amounts requested for FY2027-FY2028—which Bondholders showed to be unreasonable. BH Rev.Br. p.69. As several government parties have argued (with PREPA’s support),⁵⁰ LUMA is already receiving a “substantially greater” service fee during Title III. BH Rev.Br. pp.69-70 n.47.

PREPA Title III. PREPA failed to justify its duplicative request for \$56.6M in estimated Title III costs *on top of* \$94.4M in estimated FOMB Title III costs—despite ROIs and inquiries

⁵⁰ *LUMA’s Opposition to the Governor of Puerto Rico and Commonwealth of Puerto Rico’s Motion to Remand*, Case 25-00062-LTS, Doc.39, pp.12-13 (2/2/2026) (citing Governor’s and P3A’s complaints).

throughout this case. *Id.* pp.70-71. PREPA’s decision not to file a brief perpetuates this failure of proof.

LUMA Legal. LUMA’s claimed need for both more in-house *and* external counsel is contradictory. On the one hand, LUMA seeks to hire six new in-house counsel because “bolstering in-house staff *reduces reliance on external counsel.*” LUMA Rev.Br. p.70; *see also id.* p.71 (same).⁵¹ On the other hand, LUMA simultaneously seeks **\$23.7M** in TPOS funding for external counsel, including a \$2.4M increase in FY2026 alone. Ex.10, Table 1.⁵² LUMA provides no reasoning or data to support the remainder of its requests. *Id.* Accordingly, the requested funding should be denied. BH Rev.Br. p.69.

Genera Legal. Genera concedes its Constrained Budget is sufficient to meet the statutory standard but notes it “would present challenges if unexpected events occurred.” Genera Rev.Br. p.48. Ratepayers should not be charged now for unspecified “unexpected events.” BH Rev.Br. p.71.

LUMA Regulatory. LUMA wrongly claims that “a quantitative and qualitative increase in workload” necessitates adding 33 new employees. LUMA Rev.Br. pp.56-57. LUMA’s rare attempt to quantitatively justify the need for new employees flounders: The supposedly dramatic increase in regulatory filings from FY2024 to FY2025 is actually ***less than 2%*** when one does the math.⁵³ That does not justify juicing the department at ratepayers’ expense.

⁵¹ LUMA also cites to Rotger-Sabat’s testimony, but his testimony omits any objective criteria or quantitative analysis. BH Rev.Br. p.69.

⁵² LUMA notes that its Constrained Budget cuts costs for external counsel (LUMA Rev.Br. p.71), which further suggests the increase is not warranted.

⁵³ 232 in Q1-Q3 FY2025, when annualized, equals 309. 309 – 303 in FY2024 equals an increase of 6 filings. $6/303 = 0.0198$. The number of witnesses at technical conferences actually ***decreases by almost 20%*** in LUMA’s chart: 92 in Q1-Q3 FY2025, when annualized, equals 123. 123 – 153

Next, although LUMA’s TPOS budget drastically increases over the rate period (LUMA Rev.Br. p.58), it did not conduct any cost-benefit analysis to support its request—which its brief concedes. *Id.* p.60; *see also* BH Rev.Br. p.68. And LUMA projects *no* savings on TPOS from its proposed hiring surge until “later years” beyond the rate period—despite hiring all these new employees, LUMA will inefficiently have “continued reliance” on contractors. LUMA Rev.Br. p.58; *see also id.* p.61 (admitting contractor costs will increase, but “meanwhile internal resources would also increase”). Still, LUMA argues, the relevant LUMA department heads know what they need, and they believe 33 more employees is reasonable. *Id.* pp.60-61. This is emblematic of LUMA’s overall approach: Accept its bare say-so.

LUMA contends its proposed headcount increases, TPOS costs, and legal regulatory costs are justified because if not approved, the (unquantified) likelihood of errors, non-compliance, and missed deadlines will increase. *Id.* pp.60-61. LUMA cites Figueroa’s testimony, but Figueroa actually testified that LUMA’s current performance is sufficient to meet its regulatory obligations *without* any new hires. 12/3 Tr. 326:6-12, 327:10-16, 330:1-8. Further, LUMA’s brief incongruously admits, “the principal risk is *not* noncompliance as such.” LUMA Rev.Br. p.60. These admissions undercut LUMA’s speculative risks. PREB should reject LUMA’s Regulatory Optimal Budget.

Genera Regulatory & Environmental. Genera argues its proposed Regulatory Budget (Constrained) and Environmental Budget (Optimal) are necessary to meet monitoring and reporting requirements from the EPA and DNER, obtain contract authorizations from FOMB, and negotiate a new consent decree with the EPA (Genera Rev.Br. ¶ 290), but it provides no

in FY2024 equals a *decrease* of 30 witnesses. $-30/153 = -0.1961$. The other increases in the chart are modest. Ex.1.0, p.56.

substantiating details or evidence. Instead, Genera simply restates Palléns’s conclusory direct testimony. *Id.* ¶¶ 285-312. Nor does Genera explain why its Environmental Constrained Budget is insufficient, other than noting that the Optimal would allow for additional staff training—which Genera concedes it could work around under the Constrained. *Id.* ¶ 299. Genera’s conclusory parroting of the standard (*id.* ¶¶ 299-300, 309-10) is insufficient.

C. Workers & Contractors, TPOS

LUMA Operations. LUMA again invokes “bottom-up budgeting” regarding TPOS costs for Operations (LUMA Rev.Br. p.13), but as usual provides no record evidence quantifying the potential benefits of this proposed spending or the potential risks of not spending. LUMA also does not address its failure to assess the costs/benefits of internalizing the proposed \$69.4M (in FY2026 alone) of specialty contracts.⁵⁴ BH Rev.Br. p.71.

LUMA Finance. LUMA relies on Smith’s direct testimony to justify the Finance Department’s proposed budget and staffing increases (LUMA Rev.Br. pp.44-45), but elides Smith’s concessions that current staffing levels are sufficient, and that the department has not analyzed its capacity to onboard 34 new employees in FY2026. BH Rev.Br. p.71. Moreover, 90% of the proposed FY2026 TPOS budget is devoted to an ERP project that Smith admitted could be deferred, because the ERP’s end-of-life date is December **2032**. LUMA Rev.Br. p.46; BH Rev.Br. p.72. LUMA concedes that doing the ERP project now will not create savings in the rate period, because after modernization, outsourced spend “should decline around 2029” (LUMA Rev.Br.

⁵⁴ Ex.6, q.46. Apart from Supply-Side Contract Administration, which costs \$6.9M (*id.* q.47), LUMA did not conduct a cost-benefit analysis of these contracts.

p.46)—though even then, “some external expertise will remain necessary.” *Id.* Deferring the premature ERP project would also reduce staffing costs. *Id.* p.45.⁵⁵

D. Materials & Equipment

Tools. LUMA’s claim that the Tools Repair and Management Program involves “prudent and necessary investments” (LUMA Rev.Br. p.34), is unsupported. LUMA cites Exhibit 6.01, but it shows that LUMA already purchased all high-priority tools and replaced all unusable tools. Moreover, LUMA has yet to complete an analysis of current and future work to determine its needs and is still completing “an annual tools maintenance, replacement, and additions budget.” Ex.6.01, pp.1-2; *see also* BH Rev.Br. p.73. LUMA’s request should be denied.

Vehicles. LUMA’s fleet request should be denied. *Supra* I.G.1.

E. Miscellaneous

Facilities. LUMA argues that the requested \$64.2M in ratepayer funding for Facilities in FY26—which is over **21x** its FY2025 NFC budget, an unachievable ramp-up rate (*supra* I.J)—is necessary because “no reasonable alternatives exist.” LUMA Rev.Br. p.55. This justification is surprising given that, just a few lines above, LUMA says this huge cost includes “upgrading ... furniture,” and a page earlier, “a surge in janitorial services.” *Id.* pp.54-55. [REDACTED], and surging janitorial services. *See* 12/4 Tr. 291:7-292:10. Indeed, LUMA later admits the janitorial services are “severable.” LUMA Rev.Br. p.55. Finally, LUMA’s parroting of the standard (*id.* p.56⁵⁶), is inadequate to meet it.

⁵⁵ The purported risks LUMA lists are general and unsubstantiated. *Id.* p.47 (citing no exhibits) (“[R]isks to financial reporting timeliness and accuracy, and a continued reliance on manual cash management controls.”).

⁵⁶ “Facilities’ OB is necessary, prudent, and just and reasonable. These expenditures are essential to provide safe, resilient, and compliant facilities under the OMA and energy policy mandates.”

As for ratepayer-cost reasonableness, LUMA deploys the by-now-familiar buzzwords: “bottom-up,” “internal analyses,” “external validations,” “historical materials,” “utility norms and standards,” “multi-level review,” “market benchmarks, and “alignment with operational needs.” *Id.* pp.52-53. These labels are devoid of content, and no exhibits accompany them. This deficiency permeates LUMA’s Facilities request.

LUMA’s discussion of risk is similarly cursory. It says reducing the Optimal Budget would mean, “It will also have to reduce the scope of certain projects and postpone others to future years.” *Id.* p.55. That goes without saying; it is not a risk counseling against reducing the budget. Sosa further conceded that the Constrained Budget—which, on average, would still more than double FY2025 spending—is sufficient to meet LUMA’s duties. 12/4 Tr. 288:22-289:2, 292:11-17. LUMA’s request should be denied.

F. IT/OT

1. LUMA

LUMA’s claim of proposing a “just and reasonable” IT/OT budget based on “a disciplined, bottom-up process” is meritless. LUMA Rev.Br. p.93. The record shows LUMA failed to substantiate its proposed IT/OT Optimal Budget, and the process by which it was developed was anything but disciplined. BH Rev.Br. pp.74-79. LUMA’s brief follows the same approach as elsewhere, falling back on budgeting jargon: “disciplined, bottom-up process at the cost center, expense type, and project level, ensuring all requests were based on operational need and prioritized to address reliability risks, system deficiencies, emergency readiness, and legacy underinvestment while aligning with the LTIP and staffing considerations.” LUMA Rev.Br. p.93.

This dizzying sentence cites no exhibits or hard support, just a witness’s say-so (and it is not even clear what the witness is saying).⁵⁷

Though LUMA talks much about risks, it has not actually quantified them, even though Allen conceded in response to questioning from Commissioner Torres that they *could* be quantified. 12/2 Tr. 172:11-24. LUMA also fails to justify its request to double the size of the IT/OT Department: It claims this will reduce LUMA’s reliance on outside consultants (LUMA Rev.Br. p.94) without acknowledging its TPOS budget *grows* over the rate period.

Tellingly, LUMA fails to address the consequential flaws revealed in Allen’s testimony, which included: (i) eleventh-hour changes to Exhibit 906.1, through which LUMA removed \$30M of projects due to admitted non-executability; (ii) a suspect process by LUMA leading up to those changes, including Allen’s false “clarification” of Exhibit 906.1; (iii) LUMA’s failure to produce the IT/OT Roadmap in response to Bondholders’ ROIs and subsequent attempt to read selective portions of it into the record; and (iv) [REDACTED] [REDACTED]. BH Rev.Br. pp.78-79. LUMA evidently prefers to sweep it all under the rug as it continues to pursue an inflated IT/OT budget, but LUMA’s conduct casts serious doubt on the reasonableness of this (and all) its proposed budgets. The request must be denied.

2. Genera

Genera attempts to support its request for the IT/OT Constrained Budget by reciting Vázquez Figueroa’s résumé and restating his written testimony. Genera Rev.Br. ¶¶ 253-81. Although Genera states its proposed IT/OT costs—which it concedes are “gross approximations” (*id.* ¶ 269)—“are no higher than the level required by prudent utility practice” (*id.* ¶ 278), it does

⁵⁷ See also, e.g., *id.* p.94.

not support this claim with anything other than Figueroa's *ipse dixit*. Genera argues that "after careful consideration," it selected the comprehensive modernization strategy for all its CAPS projects (*id.* ¶ 268), but Figueroa admitted that Genera did not quantify the potential risks of deferring these projects. BH Rev.Br. p.79. Genera's increased IT/OT costs should be denied.

VI. Emergency Reserve Account, Emergency Response Plan

A. *Emergency Reserve Account*

As Bondholders explained, witnesses from each entity testified the ERA is unnecessary if the OMA reserve accounts are funded. BH Rev.Br. pp.80-82. LUMA and Genera ignore that testimony in their briefs and largely do not address the ERA. LUMA simply argues the ERA "is, and must remain, temporary" (LUMA Rev.Br. p.101), though it is unclear what exactly that means. Genera mentions in passing that the ERA "could ... be used ... for the 10% cost share." Genera Rev.Br. ¶ 350. But the record demonstrates there are already numerous funding sources for cost-share. BH Rev.Br. pp.82, 105-108.⁵⁸

LUMA continues to seek from ratepayers \$30M in ongoing funding (more if there are replenishments), *plus* \$209M for supposed historical outage event costs. LUMA Rev.Br. pp.97-104. The alleged historical costs should be denied. **First**, despite LUMA's protestation that it "is not only a matter of contractual compliance" (*id.* p.100), it clearly is a contract dispute between LUMA and PREPA (and perhaps P3A), not a cost for this rate case. *See id.* pp.97-98.⁵⁹

⁵⁸ LUMA is also too quick to dismiss emergency rate petitions as a "burden" (*id.* p.99); after all, they were created under Act 57-2014 precisely for emergencies. There is no evidence that PREB cannot act expeditiously on an emergency rate petition, nor that filing such a petition is too burdensome for LUMA's Regulatory department.

⁵⁹ Nor is it true, as LUMA claims, that the Outage Reserve Account is the only source of funds for responding to emergencies. *Id.* p.98. As Bondholders have shown, there are numerous sources of internal and outside funding.

Second, LUMA again incorrectly presumes its OMA binds PREB’s decisionmaking: “Eligible costs to be recovered through this rider *must include those allowed in Section 7.5(d) of the OMA.*” *Id.* p.99; *see also id.* p.101 (“This amount is required to comply with the OMA.”). As discussed *supra* I.G.2, the OMA does not bind PREB.

Third, LUMA attempts to assure PREB that it is acceptable to circumvent proper resolution of its contract dispute with PREPA, because the Outage Reserve Account purportedly has “mechanisms to ensure transparency and regulatory compliance.” LUMA Rev.Br. pp.100-01. LUMA cites a requirement to provide notice and reports to P3A of withdrawals, to notify P3A and PREB of outage events,⁶⁰ and notes that if outage costs were incurred “as a result of LUMA’s *negligence or willful misconduct,*” they will not be recovered. *Id.* LUMA should not ask PREB to adjudicate this contract dispute, but regardless, these mechanisms do not prove the propriety of the \$209M in alleged costs.

Fourth, LUMA asserts, without support, that the alleged historical costs “were prudently incurred to protect public safety and restore service under extraordinary conditions, and they cannot be deferred or absorbed without jeopardizing operational continuity.” *Id.* p.102. Not only does LUMA cite nothing, it admitted the alleged costs *were already* absorbed without jeopardizing operational continuity. *Id.* p.98 (LUMA “had to pay [the \$209M] from the Operating Account rather than from the OERA.”). In short, LUMA had other funds, which it admits were used to pay the alleged \$209M in outage costs.

This leads into the double-counting problem that PREB correctly identified. PRO p.23; *see also* BH Rev.Br. p.82. LUMA does not even attempt to explain how its request does not

⁶⁰ Notably, this mechanism undercuts LUMA’s later contention that “the absence of a permanent replenishment mechanism creates systemic risk.” *Id.* p.102. If LUMA already notifies PREB of outage costs, it would be simple to concurrently seek PREB’s approval of such costs.

constitute double-counting, despite this issue being repeatedly flagged. These costs admittedly were already covered with other funds, so LUMA cannot justify collecting \$209M from ratepayers for the very same costs.

Finally, LUMA argues that collecting now for the alleged historical costs does not contravene the rule against retroactive ratemaking. LUMA Rev.Br. pp.102-04. LUMA ventures far afield from that rule, however, discussing *Landgraf*'s general retroactivity principles, despite that case not involving ratemaking. *Id.* p.103. LUMA's request to make up for its past under-collection falls squarely within the rule against retroactive ratemaking, which "prohibits [a utility regulator] from adjusting current rates to make up for a utility's over- or under-collection in prior periods." *SFPP, L.P. v. FERC*, 967 F.3d 788, 801 (D.C. Cir. 2020) (citation and quotation omitted) (collecting cases).⁶¹

B. Emergency Response Plan

Witnesses for LUMA, Genera, and PREPA conceded at the hearing that their Constrained Budgets are generally sufficient to cover the emergency response-related items addressed in the panel. BH Rev.Br. p.83; *see also* Genera Rev.Br. p.28. Yet, LUMA and Genera seek the Optimal Budget for alternative emergency operations centers ("AEOC"). Genera Rev.Br. pp.27, 62; LUMA Rev.Br. pp.63-64. Genera admits an AEOC would be necessary only if its headquarters

⁶¹ LUMA misses the point when it argues, "[t]he fact that costs were incurred in the past does not" violate the rule against retroactive ratemaking, and then attempts to analogize its request to PREPA's legacy debt. LUMA Rev.Br. p.103. The point is not merely that the alleged \$209M costs were incurred in the past. PREPA previously included estimated outage-event costs in rates; to the extent actual costs exceeded such amount, LUMA could have then: (i) filed an emergency rate petition, or (ii) requested a regulatory deferral account. Either of these mechanisms would have put customers on notice. LUMA instead did nothing and waited until this case, years later, to seek recovery, thus creating the retroactive ratemaking problem. By contrast, customers have been on notice of PREPA's existing debt and were paying charges for debt until PREPA's restructuring, when the automatic stay prevented debt collection. Resuming debt payments will merely be a return to the status quo after PREPA's Title III case.

suffered damages. Genera Rev.Br. p.61. And the funding that LUMA seeks for its AEOC comprises a one-time \$1.35M investment in FY2026 to connect the AEOC to LUMA's servers via a fiber wire. LUMA Rev.Br. p.64. But Fraley admitted LUMA could still use its AEOC without that funding simply by using Wi-Fi. 12/5 Tr. 287:19-289:8. Further, although LUMA claims the risk of its primary EOC failing grows every day because 95% of the equipment is beyond lifecycle (LUMA Rev.Br. p.64), Fraley admitted the equipment is relatively new (2021) and simply out-of-warranty. Even if some equipment actually failed, LUMA could simply swap in equipment from other offices. 12/5 Tr. 244:22-250:24. Genera also failed to compare costs and benefits. *Id.* 234:11-235:19. Accordingly, the Constrained Budgets are sufficient.

VII. LUMA's and Genera's Potential Conflicts of Interest

As Bondholders explained, the record shows self-dealing between LUMA and Genera and their respective affiliates, including related to seconded employees, executive interchange, contract bidding, and fuel sales. BH Rev.Br. pp.84-86.

LUMA omits a Conflicts of Interest section entirely, despite this being a primary agenda item. Nor does LUMA address the above concerns, with the partial exception of seconded employees, discussed *supra* I.I.2.

Genera at least superficially attempts to address its conflicts, but its arguments are general and undermined by the record. Genera leans on the OCI policy in its OMA, as well as other entities' purported oversight. Genera Rev.Br. pp.43-44.⁶² That is insufficient. These supposed guardrails have not prevented NFE from pushing its gas-conversion profit strategy through Genera, nor have they prevented Genera from consistently and massively overestimating how much gas it

⁶² P3A's ability to prevent conflicts is also questionable given LUMA's recent claim that P3A has a "profit motive." *LUMA's Opposition to P3A's Motion to Remand*, Case 25-00061-LTS, Doc.30, p.18 (2/2/2026).

will need at facilities using gas supplied by NFE, exposing ratepayers to potential additional charges from its parent company for unneeded fuel. BH Rev.Br. pp.84-85. Genera's CEO admitted he essentially trusts his executives not to be influenced by potential conflicts. *Id.* Trust is not a serious or effective substitute for a real conflicts policy.

VIII. Inter-Utility Cooperation

LUMA's brief ignores inter-utility cooperation, another primary agenda item. This failure of proof sharpens the issues Bondholders flagged. BH Rev.Br. pp.86-88.⁶³

However, LUMA's brief occasionally offers a glimpse of the dysfunction here. For instance, LUMA attacks "a hostile Commonwealth government playing politics and baselessly suing to cancel LUMA's contract," and complains of "delays caused by Hacienda." LUMA Rev.Br. p.137. That government is LUMA's contract counterparty and controls the flow of funds to LUMA, calling into question whether more money from higher rates, even if approved, would flow to LUMA. *See id.* p.37 (projects are executable "if ... PREPA timely transfers the funds to LUMA").

LUMA also says PREPA made a "unilateral decision to deactivate crucial T&D projects from the list of active obligations," further undermining LUMA's claims of executability. *Id.* pp.137, 139. Elsewhere, LUMA alleges PREPA "failed to replenish" OMA accounts. *Id.* pp.98, 101. This raises the same flow-of-funds problem noted above.

PREB must ensure that ratepayers do not bear costs related to a lack of inter-utility cooperation, and that the utilities focus on their statutory mandate.

⁶³ Genera briefly addresses inter-utility cooperation, but its focus is on Genera's relationships with other entities, not the key relationship between LUMA and PREPA. Genera Rev.Br. pp.44-45.

IX. Revenue Requirement and Related Issues

A. Proposed “Margin”

LUMA’s attempt to justify its proposed ratepayer-funded “margin” of roughly \$175M/year as “an important lender satisfying criteria” is meritless. LUMA Rev.Br. p.121. PREPA has no new lenders and will not have any until, at the earliest, Title III exit. That is why LUMA admitted at the hearing that the “margin” is really just another source of working capital. BH Rev.Br. p.88.⁶⁴ The “margin” therefore would not be set aside for debt service and could be consumed by LUMA like any other working capital. Simply collecting more unsegregated cash for LUMA to spend would not signal anything to lenders.

Even as working capital, LUMA’s “margin” is unnecessary. As the record shows, it would duplicate numerous other funds serving that purpose. BH Rev.Br. pp.89-90; *see also* 12/9 Tr. 112:2-7 (Smith noting that “\$178 million on top of all that other stuff” seemed “duplicative”); Ex.965, p.2 (“margin” and excess expenditure reserve “serve[] a similar purpose”). LUMA’s allegation that those other accounts have been underfunded (LUMA Rev.Br. pp.123-24), is unsubstantiated and irrelevant because LUMA seeks account funding here. Likewise, LUMA’s assertion that the other accounts “are not sufficient” *even if* fully funded, without citation to evidence except a partial purported limitation on using the FFCIA (*id.* p.124), is contrary to the record.

Additionally, LUMA cites Dr. Tierney’s testimony responding to a hypothetical in which all other accounts were underfunded, to support its claim that these accounts will be insufficient. LUMA Rev.Br. p.123. This hypothetical is counterfactual: At least some of the other accounts

⁶⁴ LUMA’s willingness to adopt some alternative margin calculation untethered to a DSCR (LUMA Rev.Br. p.122), also shows this is just more working capital.

are already funded, and LUMA is requesting more funding. As Dr. Tierney concluded, “there are reserve accounts that provide working capital,” and a margin would be appropriate only when “[a] utility is seeking to issue bonds or go for commercial credit and the agreements relating to the new debt require some kind of reserve” (12/9 Tr. 43:21-45:23)—which is not happening here.⁶⁵

Further, even if LUMA’s “margin” were necessary (it is not), LUMA failed to provide an evidentiary basis for approval. BH Rev.Br. p.89. LUMA belatedly provides examples of how several other entities calculate working capital—now implying LUMA’s “margin” should be *over \$1B*—but (i) these examples are not in the record, and LUMA is improperly trying to interject them after the hearing when they cannot be confronted;⁶⁶ and (ii) LUMA fails to explain how these sources apply here, including because LUMA is operating a bankrupt utility that cannot take out financing, and is not subject to cost-disallowance like an IOU. *Id.* LUMA’s “margin” should be denied.

B. Bad Debt

PREB should reject LUMA’s proposed 2.97% bad-debt factor, which would result in almost \$130M in additional bad-debt expenses just for FY2026 under the *Constrained Budget*. Ex.62, pp.18-19. Instead, PREB should maintain the 1.5% bad-debt factor used in the FY2024 and FY2025 budgets. *Id.* pp.19-20.

LUMA’s continued reliance on the 2017 Rate Order is meritless. LUMA Rev.Br. p.116. It was based on data from more than a decade ago (12/9 Tr. 185:18-186:2), when LUMA admits

⁶⁵ LUMA’s claim that Dr. Tierney “agree[s] that there is a need for additional cash” is uncited and misleading. LUMA Rev.Br. p.125. As explained, Dr. Tierney clearly testified that LUMA’s proposed “margin” is unnecessary.

⁶⁶ LUMA’s belated citations to these sources regarding working capital—all existing before the hearing—should be stricken. LUMA Rev.Br. pp.122-23 & nn.31-34.

PREPA's collection system was plagued by "substantial deficiencies" requiring "an extensive multiyear data clean-up." LUMA Rev.Br. p.117. LUMA also represents that it has recently made strides in curing those issues and improving collections. *Id.* p.119. Indeed, Figueroa testified that he expects collections to continue improving and for the bad-debt factor to decline further—yet LUMA did not include this predicted decline. 12/9 Tr. 183:21-25, 193:7-14; *see also* LUMA Rev.Br. p.120 (citing allegedly continued improvements in collections). LUMA's inflated bad-debt factor is just another bid to increase liquidity/working capital.⁶⁷

LUMA also attempts to support its 2.97% bad-debt factor by citing Smith and Marzan. LUMA Rev.Br. pp.118, 120. But as Bondholders explained, LUMA's witness testimony demonstrated that *no* quantitative analysis was performed to determine the accuracy of this 2.97% factor. BH Rev.Br. pp.90-91. LUMA claims its bad-debt factor is supported by data showing a "multi-year average of approximately 2.86%" (LUMA Rev.Br. p.118), but as LUMA acknowledged, this data is "incomplete and inaccurate." BH Rev.Br. pp.90-91. This average also includes FY2024, when LUMA conducted extraordinary write-offs that LUMA says have "no bearing on the prospective factor." *Id.* As Marzan conceded, if the extraordinary write-offs are removed, the bad debt results align with the 1.5% bad-debt factor previously budgeted. 12/9 Tr. 153:10-24, 155:10-15.

Next, LUMA tries to flip the statutory burden, repeatedly suggesting that the OIPC's witness had to disprove LUMA's number and prove the 1.5% number. LUMA Rev.Br. pp.120-121. As discussed *supra* I.H, LUMA's burden-flipping is improper.

⁶⁷ It is misleading for LUMA to claim its factor was "previously approved by the PREB," whereas the 1.5% factor "lack[s] an empirical foundation in ... PREB-approved orders." LUMA Rev.Br. pp.116, 119. PREB has recently approved budgets using the 1.5% factor.

PREB should adopt its consultant’s recommendation to maintain the existing 1.5% bad-debt factor. 12/9 Tr. 177:15-209:19, 214:1-13. PREB’s consultants reviewed nine mainland power companies from 2021 through 2024 and found their bad-debt factors ranged from 0.8% to 1.75%. *Id.* 227:20-228:7, 230:20-231:10. Even the worst performers of this group did not carry bad-debt factors close to 2.97%. *Id.* Contrary to LUMA’s claim, that is ample “empirical foundation.” LUMA Rev.Br. p.119.

X. Pensions

PREPA’s projected pension liabilities should not be borne by ratepayers for several reasons. BH Rev.Br. pp.92-95. **First**, pension liabilities arising from prepetition employment contracts are not “current expenses” under the Trust Agreement and therefore cannot lawfully be paid ahead of PREPA’s legacy bond debt.⁶⁸ SREAEE confuses the question of when the pension *payments* will be made with when the *liability* was incurred. SREAEE Rev.Br. pp.19-20. PREPA’s continuing pension-payment obligations arise from prepetition employment contracts, meaning they are not current expenses under the Trust Agreement—even if the payments occur post-petition on a “PayGo” basis. Indeed, as FOMB and PREPA have recognized, PREPA’s legacy pension obligations are not “current expenses” under the Trust Agreement because (i) they are owed only to former PREPA employees, and (ii) they are not necessary to the current operation of the system.⁶⁹ Rather, the legacy pension obligations are subject to compromise in the Title III

⁶⁸ See generally *Bondholders’ Response to HE 10/27/2025 Order (12/5/2025)*. The legal reasons for the pensions’ junior priority to legacy bond debt will be explained in Bondholders’ forthcoming legal/policy brief.

⁶⁹ *Id.* p.4.

case. That is why PREB concluded it “will revisit” pension amounts based on “the outcome of PREPA’s Title III case.” PRO p.26.⁷⁰

Second, PREPA and SREAEE failed to substantiate the proposed ratepayer-funded pension costs. SREAEE suggests PREB should simply accept PREPA’s purported pension liabilities—\$23M/month for FY2026, not including administrative costs—because they are assertedly “grounded in current census data, observed benefit levels, and actuarial assumptions regarding the timing and composition of benefit payments.” SREAEE Rev.Br. p.13; *see also id.* p.9 (similar claim with no citations); SREAEE 2/9 Reply p.7 (claiming request is somehow supported “by the record as a whole”). These bare assertions have no probative value. There is no competent evidence to support the backup (if any) for those figures, as established at the hearing during cross-examination. 12/11 Tr. 68:7-20; 76:21-77:22.⁷¹ SREAEE’s references to a vague amount “in the mid-to-high \$20 million range,” the “average monthly benefit,” and “approximate” numbers of participants and pensioners simply reinforce the request’s fatal lack of specificity. SREAEE Rev.Br. pp.5, 13.

Although SREAEE blames its lack of support on alleged limits on its ability to present evidence and examine witnesses during the hearing (*id.* p.3 n.2), PREPA and SREAEE’s choices cannot excuse their failure to substantiate hundreds of millions of dollars in proposed ratepayer costs. Moreover, SREAEE is a separate entity from PREPA (*id.* p.5), which, as a rate applicant,

⁷⁰ The fact that the Fifth Amended Plan in PREPA’s Title III case contemplates go-forward payment of legacy pensions (SREAEE Rev.Br. pp.12, 19-20, 23) is irrelevant, and there is no present prospect of plan confirmation.

⁷¹ Indeed, SREAEE’s reply (at p.8) admits its monthly benefit calculation is a simple multiplication of average monthly benefits, which does not reflect obligations arising from various documents not in evidence.

had a distinct obligation to establish pension costs. Not only did PREPA fail to discharge that obligation, it opted not even to file an initial brief.

Ratepayers should not be asked to shoulder PREPA's pension obligations without underlying evidence of the amounts proposed and without an opportunity to test the reasonableness of the claimed costs.⁷²

Third, the additional \$11.9M PREPA seeks for pension administrative costs is unsubstantiated. BH Rev.Br. pp.93-94. ERS should be reducing its employee headcount as it runs off liabilities, not hiring more employees, who admittedly handle just a few minor requests per day. *Id.* The notion that having *fewer* participants creates more administrative work (SREAEE Reply p.10) is nonsensical and unsupported.

Fourth, ratepayers should not foot PREPA's pension costs because PREPA has not shown they cannot be covered by the Commonwealth, as they often have been. BH Rev.Br. pp.94-95. Although SREAEE asserts there is no alternative to PayGo funding, it incongruously acknowledges that PREPA has received hundreds of millions for pensions from Commonwealth sources, including just last year. SREAEE Rev.Br. pp.6-8, 11.⁷³ That can, and should, continue to occur.

Finally, the role that pensions may play in the social safety net does not excuse PREPA and SREAEE from sufficiently proving the basis for the amounts they seek to impose on

⁷² The interaction between the inclusion of pension costs in the rate structure and FOMB's Fiscal Plan will be addressed in Bondholders' forthcoming legal/policy brief. *See* SREAEE Rev.Br. pp.8-9, 23.

⁷³ The Commonwealth spends an average of \$481M annually to support government agencies and public corporations (like PREPA). FOMB Q4 FY2025 Report, p.22. Such funding is not "extraordinary." SREAEE Rev.Br. p.21. Moreover, SREAEE's attempt to speak for FOMB (SREAEE Reply pp.12-13) should be rejected; FOMB chose not to participate in this case.

ratepayers, nor does it show ratepayers are the only funding source. Pension charges to ratepayers will also impose social costs and must therefore be justified by evidence.⁷⁴

XI. Practicability

The evidence shows that: (1) affordability should be considered at the rate-design stage, not the revenue-requirement stage; (2) use of FOMB’s affordability threshold for residential customers is inappropriate; (3) electricity consumption is relatively inelastic; and (4) Cao’s testimony was unpersuasive, unreliable, and overstated the potential economic impacts of rate increases. BH Rev.Br. pp.95-99. ICSE did not submit a brief, and Genera’s and OIPC’s briefs do not address practicability. What’s more, LUMA’s brief agrees with each of these points. *See* LUMA Rev.Br. pp.127-29 (point 1), pp.131-32 (point 2), pp.129-31 (point 3), pp.131-34 (point 4). PREB should adopt these undisputed principles in its rate order.

XII. Federal Funds

A. *LUMA*

LUMA claims it is committed to maximizing federal funds, stating that 81% of its spending to date (\$2.2B of \$2.7B) was federally sourced. LUMA Rev.Br. p.134. But PREPA and its operators have ~**\$16B** in available FEMA funds (12/18 Tr. 81:8-12), meaning LUMA has deployed **less than 14%** of the available FEMA funds since taking over the T&D system 4.5 years ago. *See also supra* I.J.1. LUMA also highlights that it established a federal funds team “led by a VP-level manager” (LUMA Rev.Br. p.134), but any operator would establish a dedicated team to secure the billions available here. These are not hallmarks of success. LUMA next says it has “diligently improved the speed at which reimbursements are sought” (*id.* p.134 (citing 12/18 Tr.

⁷⁴ SREAEE’s unexplained contention that Bondholders “have no legitimate stake in this proceeding” (Reply p.3) is contradicted by PREB’s determination to grant Bondholders full intervenor rights—which SREAEE did not oppose.

431:22-432:13)), but the record says otherwise. Indeed, LUMA’s witnesses testified to an *8-month delay* in its reimbursement process, whereas Genera’s process takes “between 45 to 60 days.” 12/18 Tr. 328:11-329:5.

LUMA complains that Bondholders’ explication of its underuse of federal capital is “mere supposition” “untethered” to any “objectively defined benchmark.” LUMA Rev.Br. p.135. False. LUMA has underspent its *own* federal funds budget by ~\$1.5B for the last four fiscal years. 12/18 Tr. 386:9-387:1; *see also supra* I.J. These are LUMA’s own targets—not Bondholders’ “armchair-quarterback opinions.” LUMA Rev.Br. p.135; *see also id.* p.5 (LUMA admitting it must “quicken the pace of federally funded projects”).⁷⁵ As discussed *supra* I.J.1, LUMA’s (missed) spending targets were also modest compared to what it now proposes.

LUMA’s and PREPA’s outside-funding failures are also shown objectively by the June 2025 FEMA letter advising that, after nearly five years, there remained \$3.6B in unallocated FAASfunds. Ex.595, pp.6-7. Genera’s 96% RFR success rate, which LUMA has not come close to matching, is yet another objective metric of failure. Genera Rev.Br. p.64; 12/18 Tr. 158:14-15. So too is FOMB’s finding that, “Of the \$77 billion allocated in DRF, 67% still has not been disbursed.” FOMB Q4 FY2025 Report, p.8 (“[T]his trend of *slower-than-projected disbursement* is similar to FY2024, where disbursements for FEMA and CDBG funds were, on average, 23% below forecast.”). The stark reality is that LUMA is not maximizing federal funding.⁷⁶

LUMA also claims that Bondholders misunderstand the federal funding process, and that Hurley—who LUMA did not cross—incorrectly asserted that large amounts of federal funding

⁷⁵ In yet another internal contradiction, LUMA elsewhere claims its (slow) rate of federal funds usage is “deliberate pacing.” *Id.* p.135.

⁷⁶ Indeed, LUMA also plans to continue using—and ramp up—secondes for federal work, potentially jeopardizing FEMA funding. *Supra* I.I.2.

remain unspent. LUMA Rev.Br. p.135. But the record shows there is, among other things, ~\$636M in unallocated FAASf funds, \$419M in remaining ER1 funds, up to \$1.3B in remaining ER2 funds, and hundreds of millions in LUMA’s FFCIA. BH Rev.Br. pp.103-08. In a recent validation of Bondholders’ position, PREB directed the rate applicants to utilize the \$636M in unallocated FAASf funds.⁷⁷ PREB also found that (i) the Consolidated Project List materially deviated from that established by FEMA; (ii) reallocation of generation projects could result in the release of \$1.3B in “additional Section 428 funding”; and (iii) addressing possible duplication and reconciliation of T&D projects could free up another \$850M—all allowing greater use of federal funds and additional projects.⁷⁸

Bondholders do not contend that LUMA should spend federal dollars in a “pell-mell” manner, as LUMA claims (LUMA Rev.Br. p.136), but simply that LUMA should seek, obtain, and deploy federal funds expeditiously and effectively. To date, it has not. For example, LUMA submitted 95 projects totaling \$95.5M to HUD for ER1 funding. Ex.79, p.33:731-733. Even though LUMA understood that all 95 projects had been approved and that funding was forthcoming, it sent HUD a replacement-request letter removing certain projects and adding others. As a result of this self-inflicted wound, LUMA continues to await ER1 funding. Ex.1049. Missteps like these, which engender delay and harm ratepayers, are unacceptable.⁷⁹

⁷⁷ *Order re: FEMA Consolidated Project Plan and FAASf Settlement*, NEPR-MI-2021-0002 (2/5/2026).

⁷⁸ *Id.* pp.2-4.

⁷⁹ LUMA even attempts to rely on its bungled ER1 requests as evidence that federal funding like the ER1 and ESR programs are not “reliable sources for cost sharing.” LUMA Rev.Br. pp.136-37. LUMA cannot impugn these funding sources based on its own missteps.

Nor do Bondholders improperly discount Puerto Rico’s circumstances. LUMA Rev.Br. p.136. Indeed, as Hurley testified—and LUMA’s witnesses conceded—there are various mechanisms tailored to Puerto Rico that facilitate and expedite the flow of federal dollars, including special FAASt procedures, Stafford Act amendments relaxing requirements, Commonwealth WCAs, and a reduced 10% FEMA cost-share. BH Rev.Br. pp.103-08. LUMA counters that there are still timing gaps to bridge and cost-share obligations to cover (LUMA Rev.Br. p.136), but the record shows there are various sources of liquidity available for these purposes. BH Rev.Br. pp.106-08.⁸⁰ And, as noted above, LUMA’s claim that “despite almost 100 requests for reimbursement under the ER1 project, none have been approved to date” (LUMA Rev.Br. p.137), does not hold up. Ex.1049; 12/18 Tr. 282:17-287:7.

Insofar as PREPA has contributed to LUMA’s federal-funds shortcomings, any such lack of cooperation is untenable. *Supra* VIII; BH Rev.Br. pp.86-87. But the simple fact is that LUMA touted itself as an expert on maximizing federal funds during the T&D OMA procurement process in 2019-2020, and it is not living up to the billing. LUMA says PREB can assist by providing capital. LUMA Rev.Br. p.137. Indeed, LUMA wants ratepayers to fund its Optimal Budget in full, its 2% excess-expenditure reserve, its proposed “margin,” its OMA Reserve Account (plus \$209M to recoup alleged past costs), the ERA, and the Cortes account—a staggering sum. *Id.* p.139. But throwing ratepayers’ money at the problem is not the answer. The answer is to (i) achieve savings (which LUMA refuses to quantify, *supra* III.B, because it has not); (ii) spend

⁸⁰ Federal funding has, if anything, recently increased. DOE has announced reallocation of \$350M from residential rooftop solar projects (funds that would not have been available to the operators), to projects that support grid stability. And DOE has renewed its emergency orders that support increasing generation capacity and managing vegetation. *Energy Secretary Continues to Strengthen Puerto Rico’s Energy Grid with Renewed Orders*, Press Release (2/10/2026), <https://www.energy.gov/articles/energy-secretary-continues-strengthen-puerto-ricos-energy-grid-renewed-orders>.

smarter, meaning LUMA should pursue projects with concrete, demonstrable reliability and efficiency impacts; and (iii) leverage the various sources of outside funding. LUMA should be required to show it has utilized all available sources of outside funding before charging ratepayers.

Finally, LUMA requests hundreds of millions of dollars for federal cost-share (Updated RR, Annex.1.Tab.C.2.Optimal), but completely fails to substantiate its request. LUMA mentions the inclusion of cost-share in passing (LUMA Rev.Br. p.113), but nowhere does LUMA describe its calculations, support them with evidence, or, critically, explain why non-ratepayer sources cannot cover this. In fact, the record establishes there are ample sources to cover cost-share. BH Rev.Br. pp.106-08. This request should be denied.

B. Genera

Genera's claim that all its projects in the "Federal Funding Pipeline"⁸¹ are necessary and critical to the grid is supported by no more than its say-so (Genera Rev.Br. p.64 (citing 12/18 Tr. 10:4-11:3)), and is belied by the record. BH Rev.Br. p.102-03.

In an attempt to show it is maximizing federal funds, Genera cites its Hopefulness ranking (Ex.910), which purports to categorize NME projects based on eligibility. Genera Rev.Br. p.65. But Genera's brief does not explain or justify its rankings, nor does it address its witnesses' general inability to do so at the hearing. BH Rev.Br. p.101.⁸² Moreover, Genera does not justify why ratepayers should fund NME projects coded "3," which Genera admits have a *high likelihood* of federal funding, or projects coded "2," which were included in the consolidated list or the State

⁸¹ Genera does not define or explain this term.

⁸² LUMA's Hopefulness Ranking (Ex.1047) suffers from the same lack of support. BH Rev.Br. p.101.

Revolving Fund. *Id.* pp.102-03. At minimum, all such projects should be excluded from the revenue requirement.

Genera also included in the Updated Revenue Requirement a \$30M revolving facility for federal cost-share (Genera Rev.Br. p.66), but its justification for this expense rings hollow. Genera included \$110M for cost-share in its initial July revenue requirement (Ex.22.02, Tabs A-1, A-2), but then removed the request from the October 2025 revised revenue requirement. Ex.22.03. Genera now claims it eliminated the request based in part on its understanding that “PREPA would cover the costs.” Genera Rev.Br. p.8. Yet Genera *previously* said it removed the request because it received \$71M of CDBG-DR funding and anticipated receiving the rest from HUD. Ex.890, p.3. Genera’s exhibit said nothing about PREPA covering the cost-share, as it now claims. These contradictory claims destroy any evidentiary value of Genera’s justification.

Similarly, Genera now asserts it added FEMA and DOE cost-share back into the revenue requirement because PREPA witnesses testified at the hearing that the operators are responsible for including cost-share in their budgets, thus disabusing Genera of its supposed prior understanding that PREPA would cover cost-share. Genera Rev.Br. ¶¶ 340, 347. But the record shows that Diaz was testifying about the 1% DOE cost-share, not the 10% FEMA cost-share. 12/18 Tr. 187:18-188:24 (Diaz); *id.* 189:12-189:20 (Sanchez-Bras stating Genera’s intent to include 1% DOE cost-share in Updated Revenue Requirement). Again, these contradictory claims undermine Genera’s credibility. In any case, there is no good reason to charge ratepayers for Genera’s FEMA or DOE cost-share obligations given the various sources of funding available for that exact purpose, including but not limited to ER1 funds.⁸³

⁸³ Genera attempts to downplay the amount of HUD funding to cover FEMA cost-share (Genera Rev.Br. p.65), but the record shows there is still \$419M in ER1 funding available. 12/18 Tr. 455:9-15.

Finally, Genera is wrong to request establishment of the Cortes account if funds from the \$750M Commonwealth revolving facility are unavailable to it. Genera Rev.Br. p.65. There are numerous sources of underutilized internal and outside funding to bridge any timing gaps. BH Rev.Br. pp.103-08.⁸⁴

C. PREPA

PREPA did not submit a revenue requirement brief, and therefore Bondholders' arguments regarding PREPA's federal funding requests and utilization stand unchallenged. BH Rev.Br. Parts II.A, XIII.

CONCLUSION

Bondholders respectfully request that PREB modify the rate request as discussed herein and in their Initial Brief.

⁸⁴ LUMA also downplays the ratepayer burden of establishing the Cortes account, claiming it would be only ~\$25M. 12/18 Tr. 391:14-392:15. As Hurley explained, using Cortes's illustrative assumptions and available public data, the actual cost could be closer to \$400M. Ex.66, p.16; *id.* at Appendix A, Table A-2.

CERTIFICATE OF COMPLIANCE

The undersigned certifies that this brief, exclusive of the portions exempted in the Hearing Examiner's 12/22/2025 Order (caption, table of contents, signature blocks, and service information) and the Spanish summary required by standing order, contains 19,893 words per the word-processing program's word count feature.

/s/ Corey K. Brady

Corey K. Brady

Dated: February 17, 2026

RESPECTFULLY SUBMITTED,

THIS 17th DAY OF FEBRUARY 2026

CERTIFICATE OF SERVICE: We hereby certify that the foregoing petition was filed with the Office of the Clerk of the Energy Bureau using its Electronic Filing System, and courtesy copies were sent via electronic means to mvalle@gmlex.net; alexis.rivera@prepa.pr.gov; jmartinez@gmlex.net; jgonzalez@gmlex.net; nzayas@gmlex.net; Gerard.Gil@ankura.com; Jorge.SanMiguel@ankura.com; Lucas.Porter@ankura.com; mdiconza@omm.com; golivera@omm.com; pfriedman@omm.com; msyassin@omm.com; katuska.bolanos-lugo@us.dlapiper.com; Yahaira.delarosa@us.dlapiper.com; margarita.mercado@us.dlapiper.com; carolyn.clarkin@us.dlapiper.com; andrea.chambers@us.dlapiper.com; regulatory@genera-pr.com; legal@genera-pr.com; mvazquez@vvlawpr.com; gvilanova@vvlawpr.com; dbilloch@vvlawpr.com; ratecase@genera-pr.com; jfr@sbgblaw.com; hrivera@jrsp.pr.gov; gerardo_cosme@solartekpr.net; contratistas@jrsp.pr.gov; victorluisgonzalez@yahoo.com; Cfl@mcvpr.com; nancy@emmanuelli.law; jrinconlopez@guidehouse.com; Josh.Llamas@fticonsulting.com; Anu.Sen@fticonsulting.com; Ellen.Smith@fticonsulting.com; Intisarul.Islam@weil.com; alexis.ramsey@weil.com; kara.smith@weil.com; rafael.ortiz.mendoza@gmail.com; rolando@emmanuelli.law; monica@emmanuelli.law; cristian@emmanuelli.law; luis@emmanuelli.law; jan.albinolopez@us.dlapiper.com; Rachel.Albanese@us.dlapiper.com; varoon.sachdev@whitecase.com; javrua@sesapr.org; Brett.ingerman@us.dlapiper.com; brett.solberg@us.dlapiper.com; agraitfe@agraitlawpr.com; jpouroman@outlook.com; epo@amgprlaw.com; loliver@amgprlaw.com; acasellas@amgprlaw.com; matt.barr@weil.com; Robert.berezin@weil.com; Gabriel.morgan@weil.com; corey.brady@weil.com; lindsay.greenbaum@analysisgroup.com; harrison.holtz@analysisgroup.com; charles.wu@analysisgroup.com; Brian.Gorin@analysisgroup.com; Bhumika.Sharma@analysisgroup.com; Rachel.Anderson@analysisgroup.com; lramos@ramoscruzlegal.com; tlauria@whitecase.com; gkurtz@whitecase.com; ccolumbres@whitecase.com; isaac.glassman@whitecase.com; tmacwright@whitecase.com; jcunningham@whitecase.com; mshepherd@whitecase.com; jgreen@whitecase.com; hburgos@cabprlaw.com; dperez@cabprlaw.com; howard.hawkins@cwt.com; mark.ellenberg@cwt.com; casey.servais@cwt.com; bill.natbony@cwt.com; zack.schrieber@cwt.com; thomas.curtin@cwt.com; escalera@reichardescalera.com; riverac@reichardescalera.com; susheelkirpalani@quinnemanuel.com; erickay@quinnemanuel.com; dmonserrate@msglawpr.com; fgierbolini@msglawpr.com; rschell@msglawpr.com; eric.brunstad@dechert.com; Stephen.zide@dechert.com; David.herman@dechert.com; Isaac.Stevens@dechert.com; James.Moser@dechert.com; michael.doluisio@dechert.com; Kayla.Yoon@dechert.com; mfb@tcm.law; lft@tcm.law; arosenberg@paulweiss.com; pbrachman@paulweiss.com; swintner@paulweiss.com; kzeituni@paulweiss.com; Julia@londoneconomics.com; Brian@londoneconomics.com; luke@londoneconomics.com; juan@londoneconomics.com; mmc Gill@gibsondunn.com; LShelfer@gibsondunn.com; jcasillas@cstlawpr.com; jnieves@cstlawpr.com; pedrojimenez@paulhastings.com; ericstolze@paulhastings.com; arrivera@nuenergypr.com; apc@mcvpr.com; ramonluisnieves@rlnlegal.com; kbailey@acciongroup.com; shempling@scotthemplinglaw.com; rsmithla@aol.com; guy@maxetaenergy.com;

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**RESUMEN DE: RESPUESTA DE LOS BONISTAS
ESCRITO POSTERIOR A LA VISTA SOBRE LOS REQUISITOS DE INGRESOS
AL NEGOCIADO DE ENERGÍA DE PUERTO RICO:**

Los Bonistas sostienen que los informes de los operadores se caracterizan por la ausencia fundamental de apoyo a su solicitud de más de 10 billones de dólares a los contribuyentes pese a que los defensores de la tarifa deben cumplir estrictamente con su obligación legal de aportar pruebas. La mayoría de las justificaciones de los operadores son listas largas e inconexas de palabras de moda sin explicaciones y mucho menos citas que respalden con documentación.

El récord demuestra que existen fuentes de financiamiento federales significativas que deben utilizarse antes de recurrir a los contribuyentes. Los operadores no justificaron adecuadamente por qué no han maximizado otros programas disponibles. Los Bonistas destacan que múltiples proyectos son elegibles para fondos externos y que la subutilización de estas fuentes no puede ser fundamento para cargar costos a los clientes.

Según la evidencia, LUMA no ha demostrado capacidad para ejecutar el nivel de inversión propuesto. Los Bonistas destacan el historial de subejecución en proyectos federales, limitaciones de personal, desafíos en procesos internos de adquisiciones y logística y dificultades de coordinación con PREPA. Los “ramp-ups” propuestos son sin precedentes y no se sostienen en evidencia técnica.

LUMA nunca presentó sus evaluaciones de ingeniería, los informes de inspección, ni explicación de cómo los costos anteriores influyeron en la propuesta aquí presentada. Como se discutió durante las vistas, las mejoras y los proyectos para terminar o reparar activos de servicios públicos que no prestan servicio a los clientes son innecesarios para el funcionamiento actual del sistema y, por lo tanto, no deben ser prioritarios.

El propio testigo de ejecutabilidad de LUMA reconoció que el cobro excesivo sería un perjuicio para el pueblo de Puerto Rico. Su solicitud de compensar el déficit de recaudación del pasado entra de lleno en la norma contra la fijación retroactiva de tarifas, que prohíbe a un regulador de servicios públicos ajustar las tarifas actuales para compensar el exceso o el déficit de recaudación de una empresa de servicios públicos en períodos anteriores.

Los Bonistas arguyen que las obligaciones previstas en materia de pensiones de PREPA no deben recaer sobre los contribuyentes. Están derivadas de contratos de trabajo anteriores a la solicitud de quiebra y no son gastos corrientes en virtud del acuerdo fiduciario. Buscar fondos duplicados de los contribuyentes además de todas las fuentes es innecesario e incompatible con la prestación de servicios al menor costo razonable.

Por tanto, los Bonistas solicitan que el Negociado ajuste el Requisito de Ingresos a niveles consistentes con el récord probatorio, denegando o reduciendo partidas no justificadas, priorizando el uso de fondos federales y limitando cualquier gasto que no esté sustentado mediante evidencia técnica, financiera o cuantitativa.