Informe trimestral de LUMA

para el segundo trimestre (Q2) del año fiscal 2026

que termina el 31 de diciembre de 2025

Trabajo constante y compromiso con el futuro energético de Puerto Rico

Durante el segundo trimestre del año fiscal 2026, LUMA mantuvo su compromiso con Puerto Rico mediante la operación continua de la red, las mejoras en el servicio al cliente y las iniciativas de modernización. Estos esfuerzos se llevaron a cabo en medio de limitaciones financieras, lo que requirió una cuidadosa priorización de recursos. A pesar de estos retos, LUMA se enfocó en actividades esenciales para estabilizar el sistema, mantener la confiabilidad del servicio eléctrico, apoyar a los clientes y avanzar en la transformación a largo plazo de la red eléctrica.

La seguridad continuó siendo una prioridad, realizando 428 inspecciones de seguridad de campo, 54 planes de acción correctiva y 95 charlas que beneficiaron a más de 2,500 participantes. Además, se ofrecieron sobre 6,500 horas de adiestramiento a aproximadamente 1,450 empleados. Se lograron avances en programas de infraestructura, incluyendo la reparación de alumbrado público, reemplazo de postes y la instalación de equipos de automatización de la red. Además, se completó la restauración de tres líneas de transmisión que permanecían fuera de servicio desde el huracán María, al igual que se avanzaron varias iniciativas para mejorar la confiabilidad de subestaciones.

LUMA realizó más de 571,000 llamadas, logrando 11,420 acuerdos de pago, lo que resultó en la recuperación de más de $73 millones en balances vencidos. Estos logros importantes enfatizan el compromiso con los clientes y los esfuerzos para reducir las cuentas que se encuentran en atraso. Además, LUMA atendió cerca de 523,000 clientes en sus oficinas regionales, a la vez que aumentó la comunicación proactiva con los clientes a través de avisos de interrupciones de servicio, mitigando la necesidad de reportar una interrupción. Asimismo, se añadieron más de 11,900 participantes al programa de medición neta, representando aproximadamente 121 megavatios de capacidad de energía solar residencial.

En el ámbito operacional, los trabajos se enfocaron en mejorar la confiabilidad del sistema mediante el reemplazo de estructuras de transmisión, el reemplazo de equipos en más de 320 estructuras y el manejo de la vegetación en 225 millas de servidumbre. Se completaron más de 600 trabajos de mantenimiento preventivo y correctivo, se inspeccionaron contadores y se reinstalaron más de 1,300 medidores. LUMA avanzó en la modernización del sistema al instalar sobre 41,900 medidores inteligentes, actualizar el Sistema de Información Geográfica y adoptar un sistema computadorizado de gestión de mantenimiento para optimizar los datos de los activos y la planificación.

Estos logros reflejan los esfuerzos continuos de LUMA para cumplir con sus responsabilidades y ofrecer mejoras tangibles a clientes y comunidades. Aunque persisten los retos financieros, la empresa continúa priorizando trabajos críticos e iniciativas de modernización, y reafirma su compromiso con el futuro energético de Puerto Rico.

Este informe, sometido conforme a los requisitos del Acuerdo de Operación y Mantenimiento del Sistema de Transmisión y Distribución de Puerto Rico (T&D OMA, por sus siglas en inglés), presenta un panorama de las operaciones y actividades que realizó LUMA entre el 1 de octubre y el 31 de diciembre de 2025. Refleja los esfuerzos de la empresa para cumplir con sus responsabilidades

esenciales en circunstancias complejas. Las secciones que siguen muestran el compromiso continuo de la compañía y las medidas concretas que ha adoptado para transformar la infraestructura energética de Puerto Rico.

Progreso para Puerto Rico durante el año fiscal 2026

Para continuar construyendo un mejor futuro energético para todos los clientes, LUMA:

- instaló más de 504 dispositivos de automatización y protección en las líneas de distribución para mejorar la confiabilidad del sistema,
- activó más de 24,434 sistemas solares que ahora participan en la medición neta de energía, lo que representa más de 238 MW de energía limpia,
- ofreció más de 31,190 horas de capacitación en salud y seguridad en el trabajo y en LUMA College,
- reemplazó sobre 8,270 postes de distribución rotos o dañados y
- reemplazó o reparó más de 7,100 luminarias.

Retos financieros del sistema energético

Durante el segundo trimestre del año fiscal 2026, la Autoridad de Energía Eléctrica de Puerto Rico (AEE) depositó en las cuentas operacionales de LUMA una cantidad equivalente al presupuesto de Operación y Mantenimiento (O&M) y de Capital No Financiado con Fondos Federales aprobados por el Negociado de Energía de Puerto Rico (PREB, por sus siglas en inglés) para dicho período. Sin embargo, las condiciones financieras y operativas continuaron reflejando el impacto acumulado de los déficits de financiación registrados en períodos anteriores y la estrecha liquidez que aún enfrenta el sistema eléctrico en general. Como resultado, tanto el primer trimestre como el segundo trimestre del año fiscal 2026 han sido marcados por los limitados recursos económicos disponibles a LUMA y la acumulación de niveles elevados de obligaciones pendientes.

En un ejercicio de responsabilidad fiscal, LUMA mantuvo un enfoque de gastos conservador durante el trimestre, dada la incertidumbre persistente sobre la cantidad de fondos a ser depositados por la AEE y si dicha cantidad cumpliría con los balances mínimos establecidos en el T&D OMA. Si bien LUMA recibió financiación conforme a los niveles presupuestados durante el período, las cuentas por pagar permanecieron elevadas, principalmente debido a las obligaciones contraídas en meses en los que se recibieron fondos inferiores al presupuesto. Esta situación pone de relieve la persistente presión financiera y los desafíos operativos derivados de las condiciones financieras, que siguen afectando la asignación de recursos, la ejecución de proyectos y la resiliencia general del sistema.

Para gestionar la liquidez y mitigar un deterioro financiero más grave, LUMA implementó varias medidas de contención de costos durante el segundo trimestre. Estas medidas incluyeron suspender temporalmente las actividades de mantenimiento de la vegetación, salvo las de carácter reactivo; limitar las horas extra; aplazar las actividades de mantenimiento y de capital no críticas; reevaluar los contratos con proveedores; congelar puestos vacantes; e implementar reducciones de personal a través de la empresa. Cada medida se evaluó con cautela para minimizar el impacto en los clientes y, al mismo tiempo, preservar la seguridad, la fiabilidad y la capacidad de respuesta ante emergencias.

A lo largo del trimestre, LUMA priorizó los gastos para mantener la estabilidad del sistema, responder a emergencias y abordar los riesgos inmediatos de confiabilidad y seguridad. Además, aplazó las actividades que no cumplían con dichos criterios y ajustó constantemente el cronograma y la secuencia de trabajo para alinear el gasto con los recursos disponibles. Este enfoque permitió la sostenibilidad de las operaciones críticas en condiciones financieras restrictivas.

LUMA se mantiene enfocada en operar en condiciones seguras y confiables con los recursos disponibles, ejercer un manejo financiero prudente e implementar estrategias para fortalecer la liquidez. De igual manera, continúa observando de cerca los flujos de financiamiento y adaptando sus planes para garantizar el cumplimiento operativo y salvaguardar la resiliencia del sistema en condiciones financieras limitadas.

LUMA Quarterly Report

for the Second Quarter (Q2) of Fiscal Year 2026

ending December 31, 2025

Steadfast Work and Commitment to Puerto Rico's Energy Future

In the second quarter of FY2026, LUMA maintained its commitment to Puerto Rico through sustained operational work, customer service improvements, and modernization initiatives. These efforts were undertaken amid financial constraints necessitating careful resource prioritization. Despite these challenges, LUMA focused on essential activities to stabilize the system, maintain reliability, support customers, and advance long-term transformation.

Safety remained a priority, with 428 field safety observations, 54 corrective action plans, and 95 safety talks reaching more than 2,500 participants. Additionally, more than 6,500 training hours were delivered to approximately 1,450 employees. Infrastructure programs progressed with public streetlight repairs, pole replacements and grid automation devices. In addition, three transmission lines that had been out of service since Hurricane María were successfully restored, while advances on substation reliability initiatives continued to progress.

LUMA completed more than 571,000 outbound calls, securing 11,420 payment agreements, and collecting over $73 million in past-due balances. These achievements emphasize our commitment to customers and our effort to reduce the number of accounts with past due balances. Moreover, LUMA served nearly 523,000 customers in regional offices, while enhancing communication with customers through proactive outage notifications, reducing the need for customers to call in to report outages. Renewable integration also progressed, with over 11,900 new net-metering participants adding approximately 121 megawatts of residential solar capacity.

Operational efforts targeted system reliability through the replacement of transmission structures, hardware upgrades on more than 320 structures, and vegetation management across 225 miles of rights-of-way. Over 600 preventive and corrective maintenance tasks were completed, along with metering inspections and the replacement of more than 1,300 meters. Modernization advanced with the installation of over 41,900 smart meters, Geographic Information System updates, and the adoption of a computerized maintenance management system to improve asset data and planning.

These achievements demonstrate LUMA's ongoing efforts to meet its responsibilities and deliver tangible improvements for customers and communities. While financial and funding challenges persist, the organization continues to prioritize critical work and modernization initiatives, reinforcing its commitment to Puerto Rico's energy future.

This report, submitted in accordance with the requirements of the Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement (T&D OMA), provides an overview of LUMA's operations and activities carried out between October 1 and December 31, 2025, reflecting the company's efforts to manage essential responsibilities under challenging conditions. The following sections outline the company's continued commitment and the steps taken to support Puerto Rico's energy infrastructure.

Progress for Puerto Rico during Fiscal Year 2026

To continue building a better energy future for all its customers, LUMA

- installed over 504 distribution automation and protection devices in the distribution lines to enhance reliability,
- activated more than 24,434 solar systems participating in net energy metering, which represents over 238 MW of clean energy,
- completed more than 31,190 training hours in health and safety on the job and at LUMA College,
- replaced over 8,270 broken and damaged distribution utility poles and
- replaced or repaired over 7,100 streetlights.

Energy System Financial Challenges

During the second quarter of FY2026, the Puerto Rico Electric Power Authority (PREPA) deposited into LUMA's operational accounts amounts equivalent to the PREB-approved Operations and Maintenance (O&M) and Non-Federally Funded Capital (NFC) budgets for the period. However, financial and operational conditions continued to reflect the cumulative impact of funding shortfalls during prior periods and the limited liquidity the energy system continues to face. As a result, the constrained liquidity environment and elevated outstanding obligations are reflected in the operational results of the first and second quarters of FY2026.

Taking a fiscally responsible approach, LUMA maintained a conservative spending approach during the quarter due to persistent uncertainty regarding the amount of funding to be provided by PREPA and whether that amount would comply with the minimum balance requirements under the T&D OMA. While LUMA received funding at budgeted levels during the quarter, accounts payable remained elevated, primarily due to obligations incurred in months when funding fell below budget levels. This situation underscores ongoing financial pressure and operational challenges stemming from funding constraints, which continue to affect resource allocation, project execution, and overall system resilience.

To manage liquidity and mitigate further financial deterioration, LUMA implemented several cost-containment measures during the second quarter. These actions included temporarily pausing vegetation maintenance activities other than those for reactive work, limiting overtime, deferring non-critical maintenance and capital activities, reassessing supplier contracts, freezing open positions, and implementing workforce reductions across the organization. Each measure was carefully evaluated to minimize impacts on customers while preserving safety, reliability, and emergency response capabilities.

Throughout the quarter, LUMA prioritized expenditures to maintain system stability, respond to emergencies, and address immediate reliability and safety risks. Furthermore, activities that did not meet these criteria were deferred, and the timing and sequencing of work were continually adjusted to align spending with available cash. This approach enabled the sustainability of critical operations under financial constraints.

LUMA remains focused on maintaining safe and reliable operations within available resources, exercising prudent financial management, and implementing strategies to strengthen liquidity. The company continues to closely monitor funding flows and adapt operational plans to ensure compliance with regulatory requirements and to safeguard system resiliency under constrained financial conditions.

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Q2 FY2026 Financial Performance

As of December 31, 2025, LUMA remained within budget, having spent 40% of its annual operational and non-federally funded capital budgets. This lower-than-expected spending reflects measures implemented in response to cash constraints experienced in the first quarter. For example, while the PREB-approved NFC budget is $183 million for FY2026, LUMA received less than 1/12 of that amount in the first three months of the year. Thus, even if funding remains at budgeted levels for the remainder of the fiscal year, the shortfall will reduce the available cash LUMA has to invest in FY2026.

Summary of Q2 of FY2026 Spending

($ million)

	FY2026 Budget[1,3]	Q2 Budget[1,3]	Q2 Actuals[3]	YTD Budget[3]	YTD Actuals[3]	YTD Variance ($)[3]	YTD Variance (%)
Transmission & Distribution							
Operating Expenditures	$ 596.5	$ 151.2	$ 117.6	$ 294.2	$ 246.7	$ 47.5	
Non-Federally Funded Capital Expenditures	$ 183.7	$ 41.5	$ 26.8	$ 83.0	$ 62.2	$ 20.8	
Subtotal[2]	**$ 780.2**	**$ 192.7**	**$ 144.4**	**$ 377.2**	**$ 308.9**	**$ 68.3**	**18%**
Federally Funded Expenditures[4]	**$ 1,207.2**	**$ 281.9**	**$ 143.8**	**$ 497.5**	**$ 330.5**	**$ 167.0**	**34%**

Energy Consumption and Base Revenue

The following table outlines the total consumption and base revenue forecasted amounts compared to quarter and year-to-date actuals:

	FY2026 Forecast	Q2 Forecast	Q2 Actuals	YTD Forecast	YTD Actuals	YTD Variance
Total Consumption (GWh)	16,022	4,069	4,133	8,424	8,628	204
Base Revenue (millions) [5]	$ 1,160	$ 293	$ 283	$ 601	$ 583	$ (18)

[1] Numbers in this report reflect PREB's October 24, 2025, budget amendment approval.
[2] Budget figures above include a 2% reserve for excess expenditures.
[3] Figures in all tables are rounded.
[4] Federally funded expenditures include capital, general, and administrative charges.
[5] Base revenue does not include revenue billed for fuel adjustment, purchased power, CILT, or subsidies.

Transmission & Distribution Operating Expenditures

($ million)

	FY2026 Budget[1,3]	Q2 Budget[3]	Q2 Actuals[3]	YTD Budget[3]	YTD Actuals[3]	YTD Variance ($)[3]	YTD Variance (%)
Labor							
Salaries, Wages and Benefits	280.4	70.1	66.3	140.2	129.3	10.9	
Total Labor	**$ 280.4**	**$ 70.1**	**$ 66.3**	**$ 140.2**	**$ 129.3**	**$ 10.9**	**8%**
Non-Labor							
Materials & Supplies	26.0	6.5	4.3	13.0	8.4	4.6	
Transportation, Per Diem, and Mileage	11.8	2.9	1.5	5.9	4.5	1.4	
Property & Casualty Insurance	18.5	4.7	4.3	9.3	8.7	0.6	
Security	7.3	1.8	1.1	3.6	3.2	0.4	
IT Service Agreements	27.2	6.8	7.9	13.6	15.5	(1.9)	
Utilities & Rents	8.7	2.2	2.8	4.4	5.7	(1.3)	
Legal Services	8.2	2.0	4.6	4.1	7.2	(3.1)	
Communications Expenses	0.2	0.1	-	0.1	0.1	-	
Professional & Technical Outsourced Services	114.2	28.5	20.8	57.1	44.7	12.4	
Vegetation Management	74.0	20.5	3.2	33.0	17.6	15.4	
Other Miscellaneous Expenses	8.3	2.1	0.8	4.1	1.8	2.3	
Total Non-Labor / Other Operating Expense	**$ 304.4**	**$ 78.1**	**$ 51.3**	**$ 148.2**	**$ 117.4**	**$ 30.8**	**21%**
Subtotal	**$ 584.8**	**$ 148.2**	**$ 117.6**	**$ 288.4**	**$ 246.7**	**$ 41.7**	**14%**
2% Reserve for Excess Expenditures	11.7	3.0	-	5.8	-	5.8	
Total Operating Expenditures	**$ 596.5**	**$ 151.2**	**$ 117.6**	**$ 294.2**	**$ 246.7**	**$ 47.5**	**16%**

Operating Expenditures by Department

Customer Experience Operational Expenditures

LUMA's Customer Experience Department is at the core of LUMA's mission to deliver customer-centric, reliable, resilient, safe, and sustainable electricity. By implementing appropriate communication protocols and adhering to standard billing and collection practices, LUMA has served customers courteously and effectively, creating proactive, customer-focused solutions.

($ million)

	FY2026 Budget[3]	Q2 Budget[3]	Q2 Actuals[3]	YTD Budget[3]	YTD Actuals[3]	YTD Variance ($)[3]	YTD Variance (%)
Labor							
Salaries, Wages and Benefits	45.6	11.4	10.1	22.8	20.6	2.2	
Total Labor	**$ 45.6**	**$ 11.4**	**$ 10.1**	**$ 22.8**	**$ 20.6**	**$ 2.2**	**10%**
Non-Labor							
Materials & Supplies	-	-	-	-	-	-	
Transportation, Per Diem, and Mileage	0.4	0.1	-	0.2	0.1	0.1	
Property & Casualty Insurance	-	-	-	-	-	-	
Security	-	-	-	-	-	-	
IT Service Agreements	-	-	-	-	-	-	
Utilities & Rents	0.2	0.1	-	0.1	-	0.1	
Legal Services	-	-	-	-	-	-	
Communications Expenses	-	-	-	-	-	-	
Professional & Technical Outsourced Services	43.7	10.9	10.7	21.8	20.9	0.9	
Vegetation Management	-	-	-	-	-	-	
Other Miscellaneous Expenses	-	-	0.1	0.1	0.1	-	
Total Non-Labor / Other Operating Expense	**$ 44.3**	**$ 11.1**	**$ 10.8**	**$ 22.2**	**$ 21.1**	**$ 1.1**	**5%**
Total Operating Expense	**$ 89.9**	**$ 22.5**	**$ 20.9**	**$ 45.0**	**$ 41.7**	**$ 3.3**	**7%**

Key activities accomplished during Q2 FY2026:

- Completed more than 571,000 outbound calls, resulting in over 11,420 customers enrolling in payment agreements and collecting over $73 million in past due balances, thereby improving LUMA's overall collection efforts
- Executed over 3,600 service disconnections due to non-payment, issued more than 13,700 thirty-day prior disconnection notices, sent over 16,500 overdue payment reminders to bolster collection efforts and drive debt payments
- Served 522,779 customers in our regional Customer Experience offices with an average wait time of ten minutes, supporting service orders, and offering personalized guidance
- Implemented proactive planned outage notifications across interactive voice response, website, and mobile app channels to inform customers 24–48 hours in advance of scheduled service interruptions, which prevented outage reports from accounts already identified in affected areas, reducing ticket creation, and improving Contact Center efficiency
- Activated more than 11,982 new net metering participants, which represents a contribution of over 121 MW of additional residential solar capacity

Liquidity constraints primarily drove the $3.3 million variance in Customer Experience's operating expenditure. As a result, salaries, wages, and benefits were under budget, driven by lower staffing levels, backfilled positions, and lower overtime usage. Additionally, professional and technical outsourced services came in under budget because certain milestones for initiatives, such as voice response system enhancements, website redesign, and Customer Care and Billing optimization, were deferred to later periods. These adjustments reflect a temporary prioritization of essential services within the available cash position, while maintaining continuity in core customer service operations.

Operations Operating Expenditures

LUMA's Operations Department oversees and manages the day-to-day operations of the transmission and distribution (T&D) infrastructure, critical to providing safe and reliable electric service to all 1.5 million customers. Overall, LUMA's highest priority is the safety of our customers and our workforce, while addressing maintenance and repairs to improve overall reliability and resiliency.

($ million)

	FY2026 Budget[3]	Q2 Budget[3]	Q2 Actuals[3]	YTD Budget[3]	YTD Actuals[3]	YTD Variance ($)[3]	YTD Variance (%)
Labor							
Salaries, Wages and Benefits	141.9	35.4	34.0	70.9	69.4	1.5	
Total Labor	**$ 141.9**	**$ 35.4**	**$ 34.0**	**$ 70.9**	**$ 69.4**	**$ 1.5**	**2%**
Non-Labor							
Materials & Supplies	12.9	3.3	2.8	6.5	6.6	(0.1)	
Transportation, Per Diem, and Mileage	6.8	1.7	0.8	3.4	2.9	0.5	
Property & Casualty Insurance	-	-	-	-	-	-	
Security	-	-	-	-	-	-	
IT Service Agreements	-	-	-	-	-	-	
Utilities & Rents	1.2	0.3	0.3	0.6	0.5	0.1	
Legal Services	-	-	-	-	-	-	
Communications Expenses	0.1	-	-	-	0.1	(0.1)	
Professional & Technical Outsourced Services	17.5	4.4	3.7	8.8	8.5	0.3	
Vegetation Management	74.0	20.5	3.2	33.0	17.6	15.4	
Other Miscellaneous Expense	0.5	0.2	0.1	0.3	-	0.3	
Total Non-Labor / Other Operating Expense	**$ 113.0**	**$ 30.4**	**$ 10.9**	**$ 52.6**	**$ 36.2**	**$ 16.4**	**31%**
Total Operating Expense	**$ 254.9**	**$ 65.8**	**$ 44.9**	**$ 123.5**	**$ 105.6**	**$ 17.9**	**14%**

Key activities accomplished during Q2 FY2026:

- Replaced twenty-three 38 kV, four 115 kV, and one 230 kV structures to enhance service reliability and maintain system integrity
- Provided maintenance to 40 miles of vegetation at distribution and 184 miles of transmission on 38kV, 115 kV, and 230 kV lines across 225 rights-of-way miles
- Upgraded insulated hardware across two hundred eighty-two 38 kV, thirty-five 115 kV, and seven 230 kV line structures
- Replaced switches on twenty-seven 38 kV transmission lines and on three 115 kV transmission lines
- Completed 158 metering system inspections for 38 kV accounts to verify meter programming, accuracy, and wiring; additionally, recycled and reinstated 1,314 meters into inventory
- Performed 519 preventive maintenance tasks, including thermography inspections, battery bank checks, breaker testing, and transformer inspections. Furthermore, the Operations team completed 107 corrective maintenance tasks, such as replacing internal chambers, repairing bus supports, fixing oil leaks, and servicing switches and breakers

Liquidity constraints were the primary driver of the $17.9 million variance in Operations' operating expenditures. Salaries, wages, and benefits were below budget due to lower staffing levels and the reallocation of internal labor to capital projects, which further reduced operating costs. Transportation per diem and mileage expenses were also under budget, reflecting reduced field activity aligned with available liquidity. Vegetation Management expenses were also under budget, as liquidity constraints required limiting the use of third-party vendors who perform this work. This reduction in contracted services, combined with vendor capacity constraints, led to slower completion of scheduled vegetation management activities. As a result, fewer planned works were completed during the quarter.

LUMA Electrical Utility Field Workers

LUMA provides a quarterly status on electrical utility field workers, including those qualified to work on energized lines.

Electrical Utility Field Worker Type	Electrical Utility Field Worker as of December 31, 2025[8]
Utility electrician	108
Apprentice underground technician	11
Underground Technician	5
Apprentice substation technician[7]	42
Substation technician[6]	62
Senior substation technician[6]	22
Meter technicians	27
Low-voltage technician	113
Foreman[6]	82
Foreman - low voltage	34
Apprentice lineworker, 1st period	0
Apprentice lineworker, 2nd period	21
Apprentice lineworker, 3rd period	11
Apprentice lineworker, 4th period[7]	19
Apprentice lineworker, 5th period[7]	27
Apprentice lineworker, 6th period[7]	36
Apprentice lineworker, 7th period[7]	72
Journeyman lineworker[6]	347
Total	**1,039**

The FY2026 budget includes 1,651 full-time electrical utility field workers, with Q2-end reflecting 1,039 positions filled. LUMA prioritizes monitoring workforce indicators to maintain acceptable turnover levels and is advancing retention strategies to ensure top talent remains engaged and committed. The talent acquisition team has implemented targeted initiatives, including LinkedIn outreach and the use of artificial intelligence-powered employment and recruitment platforms, to address critical operational needs in specific locations. These initiatives evaluate candidate requests and conduct assessments to ensure adherence to LUMA standards, while managing a hiring freeze to account for current financial constraints. Additionally, LUMA has begun identifying new candidates for the Apprenticeship Lineworker and Substation Technician Programs, which are part of our strategy to develop and expand our field workforce.

[6] These electrical utility field workers are qualified to work on energized lines.
[7] These electrical utility field workers are qualified to work on energized lines, either independently or under the supervision of a journeyperson lineworker or journeyperson substation technician.
[8] The figures reflect the full-time employees and exclude ground people, operators, and laborers who support electrical utility field workers.

Utility Transformation Operating Expenditures

LUMA's Utility Transformation Department provides the technical, engineering, and programmatic framework required to deliver safe, reliable, resilient, and clean energy service to our 1.5 million customers. The department supports key initiatives outlined in the System Remediation Plan and focuses on the long-term vision outlined in the Integrated Resource Plan.

($ million)

	FY2026 Budget[3]	Q2 Budget[3]	Q2 Actuals[3]	YTD Budget[3]	YTD Actuals[3]	YTD Variance ($)[3]	YTD Variance (%)
Labor							
Salaries, Wages and Benefits	22.8	5.7	4.0	11.4	5.9	5.5	
Total Labor	**$ 22.8**	**$ 5.7**	**$ 4.0**	**$ 11.4**	**$ 5.9**	**$ 5.5**	**48%**
Non-Labor							
Materials & Supplies	2.1	0.6	0.2	1.1	0.6	0.5	
Transportation, Per Diem, and Mileage	3.8	1.0	0.2	1.9	0.4	1.5	
Property & Casualty Insurance	-	-	-	-	-	-	
Security	-	-	-	-	-	-	
IT Service Agreements	-	-	-	-	-	-	
Utilities & Rents	0.8	0.2	0.3	0.4	0.5	(0.1)	
Legal Services	1.0	0.2	0.4	0.5	0.7	(0.2)	
Communications Expenses	-	-	-	-	-	-	
Professional & Technical Outsourced Services	7.3	1.8	-	3.6	0.1	3.5	
Vegetation Management	-	-	-	-	-	-	
Other Miscellaneous Expenses	0.1	(0.1)	0.4	-	1.0	(1.0)	
Total Non-Labor / Other Operating Expense	**$ 15.1**	**$ 3.7**	**$ 1.5**	**$ 7.5**	**$ 3.3**	**$ 4.2**	**56%**
Total Operating Expense	**$ 37.9**	**$ 9.4**	**$ 5.5**	**$ 18.9**	**$ 9.2**	**$ 9.7**	**51%**

Key activities accomplished during Q2 FY2026:

- Defined a process for digitizing distributed generation sites in the Geographic Information System and processed approximately 1,000 network activities, further improving the electric connectivity model, network planning, and outage management
- For emergency response, the team leveraged recent improvements to the damage assessment process and tools and drafted a detailed playbook to streamline workflows and communication. These activities support more efficient restoration of electric service for customers and improved categorization of disaster events
- Progressed the adoption of the Computerized Maintenance Management System by creating template maintenance activities, cycles, and work orders directly within the system. Leveraging a standardized enterprise-level platform enhances asset data quality and consistency while improving work planning and organization
- Processed four third-party attachment (TPA) applications requesting to attach telecommunication cables to 44 electric poles and collected application fees for a total of $285

Liquidity constraints during the quarter were the primary driver of the $9.7 million variance in Utility Transformation's operating expenditure. Salaries, wages, and benefits expenses were below budget, driven mainly by lower staffing levels and payroll tax costs coming in under projections. Lower-than-budgeted professional and technical outsourced services also contributed to the variance, primarily due to deferred outsourced services and fewer third-party pole attachment applications received during the period. Despite these constraints, the department effectively prioritized capital work, optimizing labor deployment to support emergent work needs and critical infrastructure projects within available resources.

Support Services Operating Expenditures

LUMA's Support Service functions enable the entire enterprise to deliver the electric service. These functions include safety, physical security, emergency management, Information Technology and Operations Technology (IT OT), environmental, legal, procurement, regulatory, finance, and other areas essential to LUMA's success in meeting its mission and achieving its key goals.

($ million)

	FY2026 Budget[3]	Q2 Budget[3]	Q2 Actuals[3]	YTD Budget[3]	YTD Actuals[3]	YTD Variance ($)[3]	YTD Variance (%)
Labor							
Salaries, Wages and Benefits	70.1	17.6	18.2	35.1	33.4	1.7	
Total Labor	**$ 70.1**	**$ 17.6**	**$ 18.2**	**$ 35.1**	**$ 33.4**	**$ 1.7**	**5%**
Non-Labor							
Materials & Supplies	11.0	2.6	1.3	5.4	1.2	4.2	
Transportation, Per Diem, and Mileage	0.8	0.1	0.5	0.4	1.1	(0.7)	
Property & Casualty Insurance	18.5	4.7	4.3	9.3	8.7	0.6	
Security	7.3	1.8	1.1	3.6	3.2	0.4	
IT Service Agreements	27.2	6.8	7.9	13.6	15.5	(1.9)	
Utilities & Rents	6.5	1.6	2.2	3.3	4.7	(1.4)	
Legal Services	7.2	1.8	4.2	3.6	6.5	(2.9)	
Communications Expenses	0.1	0.1	-	0.1	-	0.1	
Professional & Technical Outsourced Services	45.7	11.4	6.4	22.9	15.2	7.7	
Vegetation Management	-	-	-	-	-	-	
Other Miscellaneous Expenses	7.7	2.0	0.2	3.7	0.7	3.0	
Total Non-Labor / Other Operating Expense	**$ 132.0**	**$ 32.9**	**$ 28.1**	**$ 65.9**	**$ 56.8**	**$ 9.1**	**14%**
Total Operating Expense	**$ 202.1**	**$ 50.5**	**$ 46.3**	**$ 101.0**	**$ 90.2**	**$ 10.8**	**11%**

Key activities accomplished during Q2 FY2026:

- Filed more than 220 responses to information requests from the PREB and intervening parties for the Rate Case. As part of the process, LUMA participated in 19 hearings to ensure regulatory compliance, provide timely clarifications, and advocate for fair and reasonable rates, fostering transparency and protecting stakeholder interests
- Managed logistics for the receipt and delivery of 13 transformers to substations around the island, including a 500,000-pound (500-megavolt-amperes) transformer delivered to the Sabana Llana substation
- Conducted 428 field safety observations across operational areas, resulting in safety findings that informed the development and implementation of over 50 corrective action plans, ensuring alignment with regulatory standards
- Delivered 92 electrical safety talks reaching 2,523 participants, including schools, municipal employees, and private companies
- Offered 6,606 hours of health, safety, and technical training to over 1,400 employees to ensure compliance with health and safety standards
- Improved generator fuel systems in Santurce building complex, repaired water supply in Sabana Llana, and cleared sewage systems in Palo Seco to ensure reliability and optimal operation

Liquidity constraints during the second quarter were the primary driver of the $10.8 million variance in Support Services operating expenditure. Salaries, wages, and benefits expenses were below budget, driven mainly by lower staffing levels and unfilled positions, as well as reduced vehicle maintenance and outsourced services. Additionally, materials & supplies, professional & technical outsourced services, and labor expenses were below budget due to the ongoing implementation of the time recording enhancement system, which shifted vehicle usage costs directly to the corresponding projects and operating departments.

FY2026 Improvement Programs

On June 1, 2021, LUMA assumed operations of Puerto Rico's electric transmission and distribution T&D system, inheriting a precarious, mismanaged, and neglected electric system. Since LUMA could not operate the grid immediately in compliance with minimum industry standards and prudent utility practice, it assessed the grid's condition and designed Improvement Programs[9] to address the identified gaps before commencing operations. Most programs are designed to bring the utility's operations and assets up to a minimum industry standard as part of the System Remediation Plan. Each Improvement Program spending includes operating expenditures and capital costs within the FY2025 budget. For each Improvement Program listed below, LUMA includes key activities for the quarter and an explanation of the year-to-date spending variance. LUMA does not expect any variance in achieving program milestones unless otherwise noted.

Improvement Portfolio Summary

($ million)

Portfolio	FY2026 Budget[3]	Q2 Budget[3]	Q2 Actuals[3]	YTD Budget[3]	YTD Actuals[3]	YTD Variance ($)[3]	YTD Variance (%)
Customer Experience	379.8	95.1	68.3	161.8	157.1	4.7	3%
Distribution	302.5	68.2	27.3	131.6	71.3	60.4	46%
Transmission	123.2	37.4	10.5	58.2	22.4	35.8	61%
Substation	147.9	32.4	26.6	64.1	58.1	6.1	9%
Control Center & Buildings	34.0	9.1	3.7	17.8	7.1	10.7	60%
Enabling	411.6	81.0	35.4	145.1	87.9	57.2	39%
Support Services	31.4	13.9	1.1	22.6	2.2	20.4	90%
Priority Stabilization Plan	45.6	10.0	4.5	20.0	12.0	8.0	40%
Total	**$ 1,475.8**	**$ 347.2**	**$ 177.3**	**$ 621.3**	**$ 418.0**	**$ 203.3**	**33%**

[9] LUMA developed these programs in late 2020. Subsequently, the P3 Authority and the Puerto Rico Energy Bureau reviewed and approved them as part of the Initial Budgets (docket NEPR-MI-2021-0004) and the System Remediation Plan (docket NEPR-MI-2020-0019). As part of these programs, the Energy Bureau also reviewed and approved initial scopes of work for specific federally funded projects under docket NEPR-MI-2021-0002. Detailed information on the budget, the System Remediation Plan, and the implementation of federally funded capital investments is available on the Energy Bureau's website.

Capital Expenditure by Funding

Transmission & Distribution Capital Expenditures – Federally Funded

($ million)

Improvement Portfolio	FY2026 Budget[3]	Q2 Budget[3]	Q2 Actuals[3]	YTD Budget[3]	YTD Actuals[3]	YTD Variance ($)[3]	YTD Variance (%)
Customer Experience	351.6	88.1	62.5	147.7	145.3	2.4	
Distribution	273.9	61.1	21.8	117.3	57.7	59.6	
Transmission	113.8	35.1	6.0	53.6	10.0	43.5	
Substations	119.0	25.1	21.2	49.7	47.7	2.0	
Control Center & Buildings	28.9	7.9	3.8	15.3	7.1	8.2	
Enabling	278.6	48.7	28.5	88.5	62.7	25.7	
Support Services	17.7	10.5	(0.0)	15.8	0.0	15.8	
Priority Stabilization Plan	-	-	-	-	-	-	
Subtotal	**$ 1,183.5**	**$ 276.4**	**$ 143.8**	**$ 487.8**	**$ 330.5**	**$ 157.3**	**32%**
Other							
2% Reserve for Excess Expenditures	23.7	5.5	-	9.8	-	9.8	
Total Capital Expenditures	**$ 1,207.2**	**$ 281.9**	**$ 143.8**	**$ 497.5**	**$ 330.5**	**$ 167.0**	**34%**

Transmission & Distribution Capital Expenditures – Non-Federally Funded

($ million)

Improvement Portfolio	FY2026 Budget[3]	Q2 Budget[3]	Q2 Actuals[3]	YTD Budget[3]	YTD Actuals[3]	YTD Variance ($)[3]	YTD Variance (%)
Customer Experience	21.4	5.4	5.5	10.7	11.3	(0.5)	
Distribution	28.6	7.2	5.5	14.3	13.6	0.7	
Transmission	9.4	2.3	4.5	4.7	12.4	(7.7)	
Substations	28.5	7.1	5.4	14.2	10.3	3.9	
Control Center & Buildings	3.6	0.9	(0.2)	1.8	(0.1)	1.8	
Enabling	32.5	5.2	1.0	10.4	1.6	8.8	
Support Services	10.5	2.6	0.7	5.2	1.1	4.2	
Priority Stabilization Plan	45.6	10.0	4.5	20.0	12.0	8.0	
Subtotal	**$ 180.1**	**$ 40.7**	**$ 26.8**	**$ 81.4**	**$ 62.2**	**$ 19.2**	**24%**
Other							
2% Reserve for Excess Expenditures	3.6	0.8	-	1.6	-	1.6	
Total Capital Expenditures	**$ 183.7**	**$ 41.5**	**$ 26.8**	**$ 83.0**	**$ 62.2**	**$ 20.8**	**25%**

Customer Experience Improvement Portfolio Summary

The **Customer Experience Improvement Portfolio** focuses on enhancing the customer experience, among other things, through the Distribution Streetlighting and Advanced Metering Infrastructure Implementation programs.

($ million)

Program	FY2026 Budget[3]	Q2 Budget[3]	Q2 Actuals[3]	YTD Budget[3]	YTD Actuals[3]	YTD Variance ($)[3]	YTD Variance (%)
Distribution Streetlighting	**$ 203.6**	**$ 59.7**	**$ 34.0**	**$ 94.5**	**$ 69.9**	**$ 24.6**	
Federally Funded	203.6	59.7	34.0	94.5	69.9		
Non-Federally Funded	-	-	-	-	-		
OpEx	-	-	-	-	-		
SRP	81.4	-	-	-	-		
AMI Implementation Program	**$ 148.0**	**$ 28.4**	**$ 28.5**	**$ 53.2**	**$ 75.4**	**$ (22.2)**	
Federally Funded	148.0	28.4	28.5	53.2	75.4		
Non-Federally Funded	-	-	-	-	-		
OpEx	-	-	-	-	-		
SRP	-	-	-	-	-		
Programs <5% of Portfolio Total	**$ 28.3**	**$ 7.1**	**$ 5.8**	**$ 14.1**	**$ 11.8**	**$ 2.3**	
Federally Funded	-	-	-	-	-		
Non-Federally Funded	21.4	5.4	5.5	10.7	11.3		
OpEx	6.8	1.7	0.3	3.4	0.6		
SRP	1.3	-	-	-	-		
Total	**$ 379.8**	**$ 95.1**	**$ 68.3**	**$ 161.8**	**$ 157.1**	**$ 4.7**	**3%**

The **Distribution Streetlighting** program focuses on upgrading and replacing hazardous or outdated distribution streetlights, prioritizing the most critical to the network. It includes installing new LED lights, updating Geographic Information System data for streetlight assets, and auditing billing records for approximately 500,000 streetlights. Under this program, LUMA has conducted a physical audit of the streetlights and assigned each a unique identifier. It leverages that information to update the Customer Care & Billing system, ensuring accurate billing. The program also includes communicating with customers about streetlight system corrections. Key Q2 FY2026 activities included repairing over 2,700 streetlights and replacing more than 2,600 utility poles across the municipalities of Adjuntas, Aguada, Añasco, Arroyo, Barranquitas, Caguas, Ceiba, Cidra, Comerío, Dorado, Florida, Gurabo, Hatillo, Las Piedras, Maunabo, Morovis, Naguabo, Naranjito, Orocovis, Salinas, and Vega Alta. Year-to-date spending was lower than expected due to delays in the timeline of funds obligation and the inactivation of Federal Emergency Management Agency (FEMA) Accelerated Award Strategy (FAASt) numbers in the FEMA Grants Portal. As a result, some architecture and engineering work was paused pending resolution of prioritization and the reactivation of FEMA's FAASt numbers. This situation will affect the execution plans and budgets for FY2026.

The **Advanced Metering Infrastructure Implementation** program establishes two-way communication capabilities that enable remote meter reading, real-time alerts and analytics, and advanced reporting and control functions. The program delivers a broad range of functionalities that enhance system reliability and resiliency, generate potential cost savings for both the utility and its customers, and improve customer satisfaction by supporting clean energy integration and enabling more accurate billing. Features such as granular consumption data, bi-directional metering, outage notifications, power quality monitoring, and remote connect/disconnect capabilities enable these benefits. The program will deploy approximately 1.5 million smart meters, creating a digital communications network and integrating a head-end and a meter data management system. Key Q2 FY2026 activities included installing 41,917 AMI meters and 25 network devices. Network surveys

continued throughout the island, with San Juan and Caguas at 98% completion and Ponce at 90%. A total of 96,790 additional pre-deployment walkdowns concluded this period. The deployment vendor has begun using data from distributed intelligence applications to identify potentially overloaded transformers and share information with LUMA. It identified approximately 5,000 customer premises that may need repair. Project milestones included onboarding the AMI communications vendor and completing business process design workshops for the Meter Data Management System. Finally, the team selected a vendor and finished user acceptance testing for the 12-month systems integration release. Year-to-date spending was higher than expected due to installing more meters than initially budgeted and procuring multiple complementary systems to enhance meter communication, streamline maintenance processes, and improve data flow, resulting in more accurate information and enhanced customer support.

Distribution Improvement Portfolio Summary

The **Distribution Improvement Portfolio** focuses on enhancing the distribution system through the Grid Automation, Distribution Line Rebuild, and Distribution Pole & Conductor Repair programs.

($ million)

Program	FY2026 Budget[3]	Q2 Budget[3]	Q2 Actuals[3]	YTD Budget[3]	YTD Actuals[3]	YTD Variance ($)[3]	YTD Variance (%)
Distribution Line Rebuild	**$ 116.8**	**$ 16.5**	**$ 1.0**	**$ 43.1**	**$ 9.2**	**$ 34.0**	
Federally Funded	111.1	15.1	(0.1)	40.3	6.8		
Non-Federally Funded	5.7	1.4	1.1	2.8	2.3		
OpEx	-	-	-	-	-		
SRP	97.4	-	-	-	-		
Grid Automation	**$ 96.0**	**$ 23.3**	**$ 3.4**	**$ 40.5**	**$ 8.1**	**$ 32.5**	
Federally Funded	90.0	21.8	3.2	37.5	6.0		
Non-Federally Funded	6.0	1.5	0.2	3.0	2.0		
OpEx	-	-	-	-	-		
SRP	-	-	-	-	-		
Distribution Pole & Conductor Repair	**$ 78.1**	**$ 26.3**	**$ 22.9**	**$ 43.3**	**$ 53.9**	**$ (10.6)**	
Federally Funded	61.2	22.1	18.7	34.9	44.7		
Non-Federally Funded	16.9	4.2	4.2	8.5	9.2		
OpEx	-	-	-	-	-		
SRP	40.1	-	-	-	-		
Programs <5% of Portfolio Total	**$ 11.6**	**$ 2.1**	**$ 0.1**	**$ 4.6**	**$ 0.1**	**$ 4.5**	
Federally Funded	11.6	2.1	0.1	4.6	0.1		
Non-Federally Funded	-	-	-	-	-		
OpEx	-	-	-	-	-		
SRP	5.6	-	-	-	-		
Total	**$ 302.5**	**$ 68.2**	**$ 27.3**	**$ 131.6**	**$ 71.3**	**$ 60.4**	**46%**

The **Distribution Line Rebuild** program replaces overhead and underground distribution lines to improve system reliability and resiliency. It restores out-of-service circuits, completes previously abandoned circuit construction, performs voltage conversions to improve distribution capacity, constructs new distribution line extensions to serve additional customers, and installs underground cable or tree wire to enhance service for critical customers. Key Q2 FY2026 activities included receiving the funds obligation for one rebuild project to complete the six feeders of the priority list — architecture and engineering design are ongoing, and construction will commence this fiscal year after the execution of construction contracts; working on detailed scope of work (SOW) versioning after funds obligation by incorporating the FEMA Section 428/406 split—one detailed SOW was submitted to FEMA, and two to COR3 for review; and continuing the constructability review for the feeders that already have obligated funds. Year-to-date spending was lower than expected due to delays in the timeline of funds obligation and the inactivation of FEMA FAASt numbers in the FEMA Grants Portal. As a result, some architecture and engineering work was paused pending resolution of prioritization and the reactivation of FEMA's FAASt numbers. This situation will affect the execution plans and budgets for FY2026.

The **Grid Automation** program primarily focuses on deploying equipment to enhance and modernize distribution and transmission automation. It includes installing automated switchgear on both distribution and transmission feeders and deploying communicating fault sensors on distribution feeders to improve overall system reliability. In the long term, the program aims to address power quality issues, load balancing, optimization of volt-ampere reactive power, and conservation voltage, ultimately minimizing power-delivery costs for consumers and enhancing overall customer satisfaction. Key Q2 FY2026 activities included installing 60 circuit fault indicators, five 3-phase reclosers, and sixty-four 1-phase reclosers. The team successfully enabled visibility into five

additional reclosers by installing communication devices. FEMA granted 12 out of 13 new fund obligations for FY2026 projects, planning efforts commenced promptly, and we implemented internal process improvements to mitigate execution risks. Year-to-date spending was lower than expected due to delays in fund obligations, which affected the timeline for procurement and construction activities.

The **Distribution Pole and Conductor Repair** program focuses on mitigating safety hazards associated with distribution poles, equipment, and conductors that require repair or replacement. Major repairs and replacements are guided by a comprehensive assessment of the distribution system and engineering analyses, which prioritize actions based on pole criticality and emergent repair needs. Following this process, high-priority poles and associated safety hazards are addressed, including the replacement of damaged equipment, conductors, and hardware. Key Q2 FY2026 activities included installing more than 600 poles across the municipalities of Aguada, Barceloneta, Barranquitas, Canovanas, Ciales, Coamo, Corozal, Hatillo, Juncos, Lajas, Las Piedras, Manati, Naranjito, Orocovis, Rio Grande, Saba Grande, Salinas, and San Lorenzo. Year-to-date spending was higher than expected due to more poles being replaced and conductor repairs being completed, when compared to the proposed planned execution.

Transmission Improvement Portfolio Summary

The **Transmission Improvement Portfolio** focuses on enhancing system recovery, resilience, and transformation through the Transmission Line Rebuild, the OT Telecom Systems and Networks, and the Transmission Priority Pole Replacements programs.

($ million)

Program	FY2026 Budget[3]	Q2 Budget[3]	Q2 Actuals[3]	YTD Budget[3]	YTD Actuals[3]	YTD Variance ($)[3]	YTD Variance (%)
Transmission Line Rebuild	**$ 67.7**	**$ 26.4**	**$ 5.1**	**$ 34.4**	**$ 9.0**	**$ 25.5**	
Federally Funded	66.7	26.2	4.3	34.0	5.7		
Non-Federally Funded	0.9	0.2	0.8	0.5	3.3		
OpEx	-	-	-	-	-		
SRP	66.7	-	-	-	-		
Transmission Priority Pole Replacements	**$ 28.3**	**$ 5.3**	**$ 2.8**	**$ 13.2**	**$ 8.2**	**$ 5.0**	
Federally Funded	21.3	3.5	0.1	9.7	1.1		
Non-Federally Funded	7.0	1.8	2.7	3.5	7.2		
OpEx	-	-	-	-	-		
SRP	21.3	-	-	-	-		
OT Telecom Systems & Network	**$ 24.3**	**$ 5.0**	**$ 2.6**	**$ 9.1**	**$ 5.2**	**$ 3.9**	
Federally Funded	22.9	4.6	1.6	8.4	3.3		
Non-Federally Funded	1.4	0.4	1.0	0.7	1.9		
OpEx	-	-	-	-	-		
SRP	22.9	-	-	-	-		
Programs <5% of Portfolio Total	**$ 2.9**	**$ 0.7**	**$ 0.0**	**$ 1.5**	**$ (0.0)**	**$ 1.5**	
Federally Funded	2.9	0.7	0.0	1.5	(0.0)		
Non-Federally Funded	-	-	-	-	-		
OpEx	-	-	-	-	-		
SRP	-	-	-	-	-		
Total	**$ 123.2**	**$ 37.4**	**$ 10.5**	**$ 58.2**	**$ 22.4**	**$ 35.8**	**61%**

The **Transmission Line Rebuild** program focuses on rebuilding, hardening, and upgrading transmission infrastructure at 230 kV, 115 kV, and 38 kV. Key Q2 FY2026 activities included restoring a transmission line that was out of service since Hurricane María, transmission lines (TL)13600 Arecibo to Mirador Azul section, and one breaker replacement on La Rambla. Performed reconstruction on TL12600, which included installing 19 poles, repairing over 30 spans of 38 kV line, clearing vegetation, and replacing insulators and hardware. Year-to-date spending was lower than expected due to timing delays in FEMA obligations and the inactivation of FEMA FAASt numbers in the FEMA Grants Portal. As a result, some architecture and engineering work has been paused pending resolution of project prioritization and FEMA's reactivation of FAASt numbers. This situation will affect the execution plans and budgets for the remainder of FY2026.

The **Transmission Priority Pole Replacement** program includes replacing damaged overhead transmission poles, towers, and associated hardware and conductors. Key Q2 FY2026 activities included awarding four detailed SOWs for transmission pole replacement, installing two optical sensors, replacing one switch, repairing 14 switches, replacing thirteen structures, and replacing insulation and hardware, which impacted 279 structures. Year-to-date spending was lower than expected due to delays in funding obligations, which have pushed back the start of planned construction activities. However, this has been partially offset by Non-Federally Funded Capital emergent work executed on critical transmission lines, which required immediate attention and resource allocation.

The **OT Telecom Systems & Network** program supports investments to modernize telecommunications infrastructure to enhance data transport, emergency communications, and

centralized control across transmission, distribution, and substations. Key activities in Q2 FY2026 included advancing critical infrastructure fund obligations for the Cerro Punta site and its access road; advancing Group B telecom projects across five sites; initiating design execution for 60% of projects with previously obligated funds; and initiating procurement for towers supporting these sites. Additionally, we launched the open bid process for the Microwave project, responded to FEMA requests for information to ensure Section 406 funding alignment, and completed all documentation for Project Amendment Version 1 under the Hazard Mitigation Program for the Transport Network Program Group 1, which encompasses three sites. Replacement from 48-strand to 96-strand under build fiber along the Maunabo Pueblo to Juan Martín segment, covering approximately 3.5 miles of fiber. Additionally, replaced 14,000 feet of optical ground wire fiber on the segment of Candelarias Substation toward Hato Tejas Substation. Year-to-date spending was lower than expected due to a prolonged equipment procurement process. However, this has been partially offset by Non-Federally Funded Capital work executed on the optical ground wire fibers in the system.

Substations Improvement Portfolio Summary

The **Substation Improvement Portfolio** aims to enhance system resiliency and safety by rebuilding, hardening, and modernizing substations through the Substation Rebuilds and Substation Reliability programs.

($ million)

Program	FY2026 Budget[3]	Q2 Budget[3]	Q2 Actuals[3]	YTD Budget[3]	YTD Actuals[3]	YTD Variance ($)[3]	YTD Variance (%)
Substation Rebuilds	**$ 92.8**	**$ 18.8**	**$ 15.6**	**$ 36.4**	**$ 35.3**	**$ 1.1**	
Federally Funded	89.0	17.8	15.6	34.5	35.3		
Non-Federally Funded	3.8	1.0	0.0	1.9	0.0		
OpEx	-	-	-	-	-		
SRP	46.7	-	-	-	-		
Substation Reliability	**$ 50.3**	**$ 12.5**	**$ 9.6**	**$ 25.4**	**$ 19.5**	**$ 5.9**	
Federally Funded	25.8	6.4	4.2	13.1	9.1		
Non-Federally Funded	24.5	6.1	5.3	12.2	10.3		
OpEx	-	-	0.0	-	0.0		
SRP	-	-	-	-	-		
Programs <5% of Portfolio Total	**$ 4.7**	**$ 1.1**	**$ 1.4**	**$ 2.3**	**$ 3.3**	**$ (0.9)**	
Federally Funded	4.1	0.9	1.4	2.0	3.3		
Non-Federally Funded	0.2	0.0	0.0	0.1	0.0		
OpEx	0.4	0.1	-	0.2	-		
SRP	4.1	-	-	-	-		

The **Substation Rebuilds** program focuses on upgrading transmission and distribution substations to enhance the reliability of the electric grid. Key Q2 FY2026 activities included continuing progress in in-flight substation rebuilds, energization of the transmission transformer at Caguas Transmission Center (TC) 115/38kV, and transportation of the transformer from San Juan to Mora TC in support of System Stabilization Plan activities. In-flight substation projects include construction activity at Rio Grande, Cataño, and Costa Sur substations. Year-to-date spending was lower than expected due to delays in work activities supporting the substation rebuild and transformer re-energization.

The **Substation Reliability** program focuses on upgrading and reinforcing aging infrastructure to enhance system reliability. Key Q2 FY2026 activities included completing nine substation assessments, 12 functional specifications documents, developing four issues for construction, and seven SOWs. Transformer replacement started in Yahuecas. Other key activities included replacing ten battery banks, seven distribution relays, 11 transmission relays, one remote terminal unit, one transmission breaker, five transmission circuit breakers, ten auxiliary switches, two power transformers, five load tap changers, and one underfrequency load-shedding unit. Year-to-date spending was lower than expected due to the redirection of construction resources to support emergent work and Priority Stabilization Plan activities.

Control Center and Buildings Improvement Portfolio Summary

The **Control Center and Buildings Improvement Portfolio** focuses on building the necessary infrastructure to deliver reliable, cost-effective energy while meeting applicable regulations through the Facilities Development & Implementation, the Critical Energy Management System Upgrades, and the Control Center Construction & Refurbishment programs.

($ million)

Program	FY2026 Budget[3]	Q2 Budget[3]	Q2 Actuals[3]	YTD Budget[3]	YTD Actuals[3]	YTD Variance ($)[3]	YTD Variance (%)
Facilities Development & Implementation	**$ 15.0**	**$ 3.7**	**$ 0.0**	**$ 7.5**	**$ 0.2**	**$ 7.3**	
Federally Funded	11.0	2.8	(0.1)	5.5	(0.1)		
Non-Federally Funded	3.0	0.8	0.2	1.5	0.3		
OpEx	1.0	0.2	0.0	0.5	0.1		
SRP	14.5	-	-	-	-		
Critical Energy Management System Upgrades	**$ 12.6**	**$ 3.9**	**$ 2.9**	**$ 7.9**	**$ 5.5**	**$ 2.4**	
Federally Funded	12.2	3.8	3.3	7.6	5.9		
Non-Federally Funded	-	-	(0.4)	-	(0.4)		
OpEx	0.5	0.1	-	0.2	-		
SRP	8.9	-	-	-	-		
Control Center Construction & Refurbishment	**$ 5.7**	**$ 1.3**	**$ 0.7**	**$ 2.2**	**$ 1.4**	**$ 0.6**	
Federally Funded	5.7	1.3	0.7	2.2	1.4		
Non-Federally Funded	-	-	-	-	-		
OpEx	-	-	-	-	-		
SRP	4.6	-	-	-	-		
Programs <5% of Portfolio Total	**$ 0.6**	**$ 0.2**	**$ 0.1**	**$ 0.3**	**$ 0.1**	**$ 0.2**	
Federally Funded	0.0	0.0	-	0.0	-		
Non-Federally Funded	0.6	0.1	0.1	0.3	0.1		
OpEx	-	-	-	-	-		
SRP	-	-	-	-	-		
Total	**$ 34.0**	**$ 9.1**	**$ 3.7**	**$ 17.8**	**$ 7.1**	**$ 10.7**	**60%**

The **Facilities Development & Implementation** program focuses on construction and remediation efforts for facilities and real property. Key Q2 FY2026 activities included performing improvements related to access controls, control arms, cameras and security devices for the Santurce Complex adjacent parking lots, improvements were made to Monacillos building generator fuel system for longer lasting and more reliable operation to backup critical operations in this building; repairing underground four-inch diameter water supply line in Sabana Llana building; unclogging the sewage system at the Palo Seco warehouse complex. Year-to-date spending was lower than expected as LUMA prioritized critical grid operations and emergency response activities over non-essential capital and improvement initiatives. Additionally, the FEMA FAASt numbers for this program have been inactivated in the FEMA Grants Portal. As a result, architecture and engineering work has been paused pending resolution of project prioritization and FEMA's reactivation of FAASt numbers. This situation will affect the execution plans and budgets for the remainder of FY2026.

The **Critical Energy Management System Upgrades** program will replace obsolete and unsupported energy management systems and introduce new technologies to ensure the safe and reliable operation of the electric grid. Key Q2 FY2026 activities included ongoing configuration updates in preparation for system go-live, completion of 99% point-to-point testing of remote terminal units, and completion of failover testing between the primary and backup sites. Year-to-date spending was lower than expected as payments are tied to project milestones, and the vendor has not completed the last two milestones. As a result, the project has been delayed, and corresponding payments have not been processed.

The **Control Center Construction & Refurbishment** program focuses on constructing and upgrading facilities to house the primary and backup control centers, as well as all ancillary support services. Key Q2 FY2026 activities included receiving FEMA's response letter to the Section 106 consultation objection submitted by PREPA in Q1 FY2026, conducting meetings with PREPA to develop options to respond to the letter, and resolving the disagreement related to the FEMA Section 106 findings to support PREPA's objective of eliminating the eligible historic district designation of the Monacillos campus. Year-to-date spending was lower than expected due to reduced activity while awaiting FEMA correspondence.

Enabling Improvement Portfolio Summary

The **Enabling Improvement Portfolio** of investment projects focuses on safety and operational excellence through initiatives such as Vegetation Management, Microgrid, Phasor Measurement Units, and Battery Energy Storage Installations and Integration, T&D Fleet, Compliance and Studies, and Asset Data Integrity programs.

($ million)

Program	FY2026 Budget[3]	Q2 Budget[3]	Q2 Actuals[3]	YTD Budget[3]	YTD Actuals[3]	YTD Variance ($)[3]	YTD Variance (%)
Implementation	**$ 232.2**	**$ 47.6**	**$ 10.6**	**$ 84.4**	**$ 37.0**	**$ 47.4**	
Federally Funded	158.2	27.1	7.4	51.4	19.4		
Non-Federally Funded	-	-	-	-	-		
OpEx	74.0	20.5	3.2	33.0	17.6		
SRP	181.9	-	-	-	-		
Microgrid, Phasor Measurement Units (PMU), and Battery Energy Storage Installations and	**$ 70.0**	**$ 8.9**	**$ 0.9**	**$ 13.2**	**$ 2.2**	**$ 10.9**	
Federally Funded	70.0	8.9	0.9	13.2	2.2		
Non-Federally Funded	-	-	-	-	-		
OpEx	-	-	-	-	-		
SRP	-	-	-	-	-		
Compliance & Studies	**$ 44.7**	**$ 8.2**	**$ 2.3**	**$ 16.5**	**$ 10.7**	**$ 5.8**	
Federally Funded	28.3	7.1	3.1	14.2	10.6		
Non-Federally Funded	16.4	1.2	(0.8)	2.3	0.0		
OpEx	-	-	0.0	-	0.0		
SRP	20.1	-	-	-	-		
T&D Fleet	**$ 33.2**	**$ 8.3**	**$ 3.9**	**$ 16.6**	**$ 9.5**	**$ 7.1**	
Federally Funded	-	-	-	-	-		
Non-Federally Funded	9.2	2.3	1.3	4.6	3.7		
OpEx	24.0	6.0	2.6	12.0	5.8		
SRP	30.8	-	-	-	-		
Asset Data Integrity	**$ 25.2**	**$ 6.4**	**$ 0.4**	**$ 11.2**	**$ 1.0**	**$ 10.3**	
Federally Funded	21.8	5.5	-	9.5	-		
Non-Federally Funded	3.4	0.8	0.4	1.7	1.0		
OpEx	-	-	-	-	-		
SRP	24.1	-	-	-	-		
Programs <5% of Portfolio Total[10]	**$ 6.4**	**$ 1.6**	**$ 17.2**	**$ 3.2**	**$ 27.4**	**$ (24.2)**	
Federally Funded	0.3	0.1	17.2	0.2	30.4		
Non-Federally Funded	3.6	0.9	0.0	1.8	(3.0)		
OpEx	2.5	0.6	0.0	1.2	0.1		
SRP	3.5	-	-	-	-		
Total	**$ 411.6**	**$ 81.0**	**$ 35.4**	**$ 145.1**	**$ 87.9**	**$ 57.2**	**39%**

The **Vegetation Management and Capital Clearing Implementation** program focuses on mitigating immediate vegetation hazards in critical areas and maintaining cleared rights-of-way to standard widths. Key Q2 FY2026 activities included completing the assessment, trimming, and removing 40 miles of vegetation from distribution and 184 miles from transmission lines. As part of the vegetation safety and reliability initiative, the team assessed and cleared 144 miles of vegetation from distribution lines and one mile of vegetation from transmission lines using federal funds. Year-to-date spending was lower than expected due to delays in the obligation of funds, which have postponed the start of vegetation clearing activities. Cash flow constraints also led to a pause in all maintenance work from October 6, 2025, until December 1, 2025, resulting in lower-than-normal trimming progress across the T&D system.

[10] The net credit within the programs with less than 5% of the total Enabling Portfolio is primarily due to the Emergency Response Preparedness Program, with expenditures previously classified as NFC. Then, this program was reclassified as O&M, since the WebEOC system implementation and integration costs are operational in nature.

LUMA Quarterly Vegetation Management by Voltage Level

Voltage	FY2026 Q2 Miles			FY2026 YTD Miles			FY2026 Q2 Acres[11]			FY2026 YTD Acres[11]		
	Federally Funded Clearing[12]	OpEx Maintenance	Total Miles	Federally Funded Clearing[12]	OpEx Maintenance	Total Miles	Federally Funded Clearing[12]	OpEx Maintenance	Total Acres	Federally Funded Clearing[12]	OpEx Maintenance	Total Acres
Distribution	144	40	184	285	358	643	174	49	223	345	434	780
38 kV	0	22	22	0	58	58	0	68	68	0	177	177
115 kV	1	101	102	1	234	235	16	1220	1235	16	2832	2,848
230 kV	0	61	61	0	139	139	0	744	744	0	1689	1,689
Total	**145**	**225**	**370**	**286**	**790**	**1076**	**190**	**2080**	**2270**	**361**	**5132**	**5493**

The **Microgrid, Phasor Measurement Units, and Battery Energy Storage Installations and Integration** program supports projects that enhance system reliability and resiliency, restore functionality, and mitigate safety hazards. Key Q2 FY2026 activities included receiving requests for information from FEMA related to the design of the microgrids in Vieques and Culebra, as presented in the detailed SOW submitted in the first quarter and engaging an architecture and engineering firm to develop 60% of the microgrid design prior to resubmitting the detailed SOW. Year-to-date spending was lower than expected due to logistical adjustments to architecture and engineering engagement during the microgrid design, prior to resubmitting the detailed SOW. This situation will affect the execution plans and budgets for the remainder of FY2026.

The **Compliance & Studies** program supports transmission and distribution planning, protection studies, and developing hosting capacity data, the amount of distributed energy resources that can be accommodated on the distribution system, for public and internal use. Key Q2 FY2026 activities included completion of the Integrated Resource Plan T&D Plan development filed with the PREB in October and the follow-up Preferred Resource Plan assessment in November, Wide-Area-Protection, Standards Development and Asset Management activities. Year-to-date spending was lower than expected due to FEMA FAASt numbers being inactivated in the FEMA Grants Portal. As a result, architecture and engineering work has been paused pending resolution of project prioritization and FEMA's reactivation of FAASt numbers. This situation will affect the execution plans and budgets for the remainder of FY2026

The **T&D Fleet** program focuses on upgrading the existing fleet of vehicles, aircraft, and equipment to meet industry standards. It focuses on initiating and improving processes for data collection, asset repair, and maintenance. Key Q2 FY2026 activities included completing 524 Department of Transportation inspections and 204 American National Standards Institute vehicle compliance inspections while also providing targeted training on Forklift Certification training to 14 employees; Cardiopulmonary Resuscitation , Automated External Defibrillator, and First Aid Training to 11 employees, Used Oil Training to 22 employees, Security Management Audit Training to 22 employees, and Hazardous Materials Training to one mechanic. Year-to-date spending was lower than expected, primarily due to an increase in in-house maintenance and repair work, driven by the energy system's cash constraints.

The **Asset Data Integrity program** ensures the accuracy of key asset data, supporting effective modeling, operations, and planning of the transmission and distribution system. Key Q2 FY2026

[11] To calculate acres from miles, the miles are converted to feet by multiplying by 5,280. Then the width of the right of way is assumed for each voltage level (distribution = 10', 38 kV = 25', and 115 & 230 kV = 100'). The miles (in feet) are multiplied by the ROW width (in feet) to determine the square feet completed. Finally, the square feet are converted to acres by dividing by 43,560 sq feet per acre.

[12] For federally funded miles and acres, the figure includes both completed work and miles assessed as clear spans.

activities included completing the user acceptance testing for the telecom asset hierarchy, loading multiplex assets (telecom equipment), and deploying base assets, work requests, and work order analytics. Year-to-date spending was lower than expected due to delays in the obligation of funds, which have postponed the start of activities.

Support Services Improvement Portfolio Summary

The **Support Services Improvement Portfolio** supports the utility's overall operational success through programs including IT OT Asset Management, Critical Financial Systems, IT OT Enablement, Critical Financial Controls, and Updates to Third-Party Use, Audit, Contract, and Billing Procedures.

($ million)

Program	FY2026 Budget[3]	Q2 Budget[3]	Q2 Actuals[3]	YTD Budget[3]	YTD Actuals[3]	YTD Variance ($)[3]	YTD Variance (%)
IT OT Asset Management	**$ 23.5**	**$ 12.0**	**$ 0.6**	**$ 18.8**	**$ 1.0**	**$ 17.8**	
Federally Funded	17.4	10.5	(0.0)	15.8	0.0		
Non-Federally Funded	6.1	1.5	0.6	3.0	1.0		
OpEx	-	-	0.0	-	0.0		
SRP	18.7	-	-	-	-		
IT OT Enablement Program	**$ 1.9**	**$ 0.5**	**$ -**	**$ 0.9**	**$ 0.0**	**$ 0.9**	
Federally Funded	-	-	-	-	-		
Non-Federally Funded	1.9	0.5	-	0.9	0.0		
OpEx	-	-	-	-	-		
SRP	-	-	-	-	-		
Critical Financial Systems	**$ 2.0**	**$ 0.5**	**$ 0.1**	**$ 1.0**	**$ 0.1**	**$ 0.9**	
Federally Funded	-	-	-	-	-		
Non-Federally Funded	1.8	0.5	(0.0)	0.9	0.0		
OpEx	0.2	0.0	0.1	0.1	0.1		
SRP	0.2	-	-	-	-		
Critical Financial Controls	**$ 1.6**	**$ 0.4**	**$ 0.2**	**$ 0.8**	**$ 0.5**	**$ 0.3**	
Federally Funded	-	-	-	-	-		
Non-Federally Funded	-	-	-	-	-		
OpEx	1.6	0.4	0.2	0.8	0.5		
SRP	1.6	-	-	-	-		
Update to Third Party Use, Audit, Contract and Billing Procedures	**$ -**	**$ -**	**$ 0.0**	**$ -**	**$ 0.4**	**$ (0.4)**	
Federally Funded	-	-	-	-	-		
Non-Federally Funded	-	-	-	-	-		
OpEx	-	-	0.0	-	0.4		
SRP	-	-	-	-	-		
Programs <5% of Portfolio Total	**$ 2.4**	**$ 0.5**	**$ 0.1**	**$ 1.0**	**$ 0.1**	**$ 0.9**	
Federally Funded	0.3	0.0	-	0.0	-		
Non-Federally Funded	0.7	0.2	0.1	0.3	0.1		
OpEx	1.4	0.3	0.0	0.7	0.0		
SRP	1.1	-	-	-	-		
Total	**$ 31.4**	**$ 13.9**	**$ 1.1**	**$ 22.6**	**$ 2.2**	**$ 20.4**	**90%**

The **IT OT Asset Management** program introduced industry-standard procedures for IT and OT assets. It continues to assess the application and infrastructure portfolio while providing necessary system upgrades to ensure secure business operation, continuity, and improved customer responsiveness. The program also includes developing a new backup data center to enhance the reliability and resilience of technology systems. Key Q2 FY2026 activities included Board and Report configurations and system integrations between technology platforms. Year-to-date spending was lower than expected due to the inactivation of FEMA FAASt numbers in the FEMA Grants Portal. As a result, architecture and engineering work has been paused pending resolution of project prioritization and FEMA's reactivation of FAASt numbers. This situation will affect the execution plans and budgets for FY2026.

The **IT OT Enablement** program will implement capabilities to deliver and maintain IT/OT services and systems, enabling LUMA employees and systems to operate in accordance with industry best practices and to standardize processes and tools. Key Q2 FY2026 activities were limited, as no major implementation activities were achieved during the quarter. Year-to-date spending was lower than

expected due to liquidity constraints in the electric system. In response, LUMA has prioritized critical grid operations and emergency response activities over non-essential capital and improvement portfolio expenditures.

The **Critical Financial Systems** program covers technology projects across financial, risk, and supply chain management. Key Q2 FY2026 activities were limited, as no major implementation activities were achieved during the quarter. Year-to-date spending was lower than expected due to the ongoing liquidity constraints of the electric system. In response, LUMA has prioritized critical grid operations and emergency response activities over non-essential capital and improvement portfolio expenditures.

The **Critical Financial Controls** program focuses on two key areas –internal controls and internal audit–while building skills and capabilities in financial reporting and auditing. This will enable LUMA to update and enforce industry-standard policies and procedures that comply with the latest laws and regulations. Key Q2 FY2026 activities were limited, as no major implementation activities were achieved during the quarter. Year-to-date spending was lower than expected due to ongoing liquidity constraints in the electric system. In response, LUMA has prioritized critical grid operations and emergency response activities over non-essential capital and improvement portfolio expenditures.

The **Update to Third-Party Use, Audit, Contract, and Billing Procedures** program focuses on updating procedures for the third-party use of land and infrastructure, as well as audits, contracts, and billing. Key Q2 FY2026 activities included working on the inventory pilot program in coordination with telecommunication companies to initiate the migration of legacy inventory into the Alden System; issuing a total of 4,351 notifications to ensure the proper transfer of telecommunication cables to newly replaced utility poles; continued conversations with Puerto Rico Government (FOMB, OMB and the PR Telecommunication Bureau) and telecommunication companies regarding additional funding for a TPA Island wide Inventory Project and TPA transfers in relation to LUMA's Pole replacement programs; sent 153 notices of unauthorized attachments to telecommunication companies; processed four TPA applications requesting to attach telecommunication cables to 44 LUMA’s poles and collected application fees totaling $285. Year-to-date spending was higher than expected due to coordination with telecommunications companies for upcoming distribution system rebuilds.

Third-Party Attachment additional requirements

Third party Attachment Rental Fee					
Fiscal Year	Status	Attachments	Billed[13]	Q2 Collect	Inception to date collected[14]
FY2025	Current	456,893	$3,768,624	$0	(588,329)
FY2024	Past Due	456,792	$3,887,923	$0	(938,291)
FY2023	Past Due	452,657	$3,846,440	$0	(817,050)
FY2022	Past Due	429,438	$3,663,477	$0	(769,562)
	Totals		**$15,166,464.00**	**$0**	**$ (3,113,232.00)**

Actions LUMA took to address non-compliant attachers:

- LUMA continued to evaluate and process pole attachment applications from all telecommunications companies throughout the fiscal year.
- LUMA presented a new pole attachment rate to telecommunication carriers and the Telecommunications Bureau, calculated in accordance with Regulation 9090 and the Federal Communications Commission formula and will invoice each telecommunications company in accordance with the attachment rate fee agreed upon by the parties.

Challenges in implementing the TPA management program:

- LUMA has actively pursued the development of a Third-Party Attachment agreement with telecommunications providers over the past three years.
- Despite these efforts, we have not reached an agreement to date.
- Telecommunications providers remain non-compliant with Act 83-1941 as amended and with the Puerto Rico Regulation 9090, which requires:
  - participation in construction projects, and
  - timely transfer of third-party attachments to newly installed infrastructure.
- This non-compliance:
  - hinders LUMA's ability to initiate the reimbursement requisition process, and
  - delays the completion of critical infrastructure projects.
- Telecommunications companies have not provided an accurate and comprehensive inventory of their attachments to our infrastructure, further complicating coordination and planning.

Proposed solutions:

- LUMA proposed to continue developing a new draft of the pole attachment license agreement, which it will share with telecommunication companies, to address key issues and controversies between parties in relation to the TPA management.
- LUMA also sent a joint-use agreement whereby Municipalities could use PREPA poles for security cameras as required by PREPA Technical Communication 07-03. This agreement will

[13] LUMA has established an annual billing cycle for the rental fee.
[14] Inception to date is not inclusive of current quarter collections.

enable third-party attachments unrelated to telecommunications services to comply and generate additional revenue through annual fees and electricity consumption.

- LUMA proposed enforcing Act 83-1941 and Regulation 9090 to ensure its federal projects can continue through the established federal close-out process. LUMA and telecommunications companies have been presenting alternatives to the Government of Puerto Rico, including allocating additional funding for pole-attachment inventory and transferring TPAs to new poles, thereby enabling the removal and close-out of federal projects.
- LUMA continues communications with the Telecommunications Bureau to ascertain legal and regulatory actions that address unauthorized and non-compliant attachments. For instance, LUMA initiated legal action and sent notices of violation to two telecommunications carriers after identifying findings of severe non-compliance and the installation of unauthorized attachments.

Priority Stabilization Plan Portfolio Summary

($ million)

Program	FY2026 Budget[3]	Q2 Budget[3]	Q2 Actuals[3]	YTD Budget[3]	YTD Actuals[3]	YTD Variance ($)[3]	YTD Variance (%)
Priority Stabilization Plan	**$ 45.6**	**$ 10.0**	**$ 4.5**	**$ 20.0**	**$ 12.0**	**$ 8.0**	
Federally Funded	-	-	-	-	-	-	
Non-Federally Funded	45.6	10.0	4.5	20.0	12.0	8.0	
OpEx	-	-	-	-	-	-	
SRP	-	-	-	-	-	-	
Total	**$ 45.6**	**$ 10.0**	**$ 4.5**	**$ 20.0**	**$ 12.0**	**$ 8.0**	**40%**

The **Priority Stabilization Plan** portfolio encompasses a subset of initiatives approved under the Electric System Priority Stabilization Two-Year Plan[15]. Key Q2 FY2026 activities included energizing the Monacillos TC 115/38 kV bank 1 and bank 3 transformers and TL9100 Guaraguao to Bayamón Pueblo, TL2100 Dos Bocas to Hatillo. Additionally, the Sabana Llana TC 230/115 kV Autotransformer 2, which was received from Brazil, was moved into the substation this quarter and is scheduled for energization. Year-to-date spending was lower than expected due to liquidity constraints. As a result, several Priority Stabilization Plan workstreams, including substation hardening and feeder stabilization projects, experienced deferred procurement and contractor mobilization.

[15] For more details, refer to Case No. NEPR-MI-2024-0005.

FY2026 Shared Services

LUMA is responsible for delivering Shared Services to perform certain administrative and managerial functions required to operate and manage PREPA since its commencement, as well as the Legacy Generation Assets operated by Genera PR, as of July 1, 2023. Annex VI of the T&D OMA contemplated these responsibilities, and the Shared Services Agreement (SSA), which initially governed them among PREPA, P3A, and LUMA, became effective on June 1, 2021. In the SSA, the expiry date of these services was December 31, 2023. At that time, neither PREPA nor Genera PR, as the operator of the Legacy Generation Assets, could assume these responsibilities on the expiration date. Therefore, LUMA entered into an Amended and Restated Shared Services Agreement (A&R SSA) with each party beginning January 1, 2024.

Under the terms of both A&R SSAs, LUMA provided shared services for an additional nine months until September 30, 2024. Upon formal requests from both Genera and PREPA, these Agreements were further extended in January 2025 until February 28, 2025, for Genera PR, and until June 30, 2025, for PREPA. All Shared Services provided to Genera PR ended February 28, 2025. Since then, PREPA has confirmed its inability to assume its responsibilities under the A&R SSA and has requested two additional extension requests by the end of FY2026.

The primary purpose of the A&R SSA extensions was to provide PREPA with extra time to undertake the necessary activities to assume responsibility for the administrative and management services currently provided by LUMA. During this period under the Amended SSAs, also known as the Shared Services Period, LUMA provides PREPA with services that generally fall into two areas:

- Information Technology and Operational Technology (IT OT) – This support provides access and services to PREPA on the IT OT infrastructure managed by LUMA, and
- Finance and Accounting – This includes general accounting and reporting, accounts payable, plant accounting, and treasury activities provided by LUMA for PREPA

The insurance policies covering PREPA's assets and activities (for transmission, distribution, and generation), which were previously provided under the A&R SSAs, are provided under the Insurance Collaboration Agreement from FY2025 onwards. All parties to the Insurance Collaboration Agreement (PREPA, Genera, and LUMA) executed an amendment to this agreement on May 29, 2025, whereby it will be renewed each June 1st annually for the upcoming fiscal year unless any party notifies the other through a notice of discontinuation or a mutually agreed-upon amendment.

LUMA treats the costs of Shared Services activities as pass-through expenditures without markup or profit, consistent with the T&D OMA and the A&R SSA.

Shared Services Summary

($ million)

	FY2026 Budget[3]	Q2 Budget[3]	Q2 Actuals[3]	YTD Budget[3]	YTD Actuals[3]	YTD Variance [3] ($)	YTD Variance (%)
Labor	0.4	0.1	0.3	0.2	0.6	(0.4)	
Property & Casualty Insurance	61.9	15.5	0.4	31.0	0.8	30.2	
IT Service Agreements	0.9	0.2	0.3	0.4	0.6	(0.2)	
Legal Services	-	-	-	-	(2.5)	2.5	
Professional & Technical Outsourced Services	-	-	0.1	-	0.1	(0.1)	
Other	-	-	-	-	0.1	(0.1)	
Shared Services Total	**$ 63.2**	**$ 15.8**	**$ 1.1**	**$ 31.6**	**$ (0.3)**	**$ 31.9**	**101%**

The variance in property insurance premiums compared to the budget is primarily due to the inclusion of Genera's and PREPA's budgeted portions, which were not reflected in actuals. Additionally, the variance in Legal services is driven by the reclassification of certain expenses to interim costs, impacting the original budget distribution.

The financial information provided in this report has not been audited and should not be used for any purpose other than the report itself. The limitations and lack of integration of PREPA's financial and related systems, as well as the identified pre-existing control gaps, may also affect the overall accuracy of the reported results.

Third-Party Attachments Additional Reporting Requirements

NEPR-MI-2021-0004

LUMA's FY2026 Second Quarterly Report for the period ending on December 31, 2025

REQUEST

Provide, beginning with Q2 FY2025 quarterly reports to the Energy Bureau, detailing:

d) A list of non-compliant attachers and actions taken to address non-compliance

RESPONSE

REDACTED FROM ORIGINAL / CONFIDENTIAL