65esxGOVERNMENT OF PUERTO RICO
PUERTO RICO PUBLIC SERVICE REGULATORY BOARD
PUERTO RICO ENERGY BUREAU

IN RE:

PUERTO RICO ELECTRIC POWER AUTHORITY RATE REVIEW

CASE NO.: NEPR-AP-2023-0003

SUBJECT: LUMA's Reply to Rate Design Briefs

LUMA'S REPLY TO RATE DESIGN BRIEFS

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TO THE HONORABLE PUERTO RICO ENERGY BUREAU:

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

I. Introduction

LUMA hereby respectfully refutes criticisms by intervenors of its rate design proposal. The load forecast is based on industry standard regression analysis and does not double count the impact of distributed generation ("DG") as claimed by the Institute of Competitiveness and Economic Sustainability ("ICSE"). Contrary to the Bondholder's arguments, the load forecast in the rate case is not understated compared to the load forecast in the Integrated Resource Plan ("IRP") because the IRP is used to plan for capacity resources, therefore, it includes losses while the revenue forecast does not because it considers consumption based on the power delivered to customers net of transmission and delivery losses. In addition, Solar United Neighbors ("SUN") and the Solar and Energy Storage Association of Puerto Rico ("SESA") (together "SUN/SESA") significantly overstate the impact on the customer charge resulting from the allocation of fixed costs. As demonstrated herein, LUMA's proposed rate design does not harm price signals for

conservation, energy efficiency, or demand management because the volumetric charge is increasing under the proposal. Further, the evidence shows that LUMA's proposed rate design does not disproportionately impact low-income customers. Finally, LUMA's proposed revenue decoupling mechanism aligns with nearly all recommendations of the Puerto Rico Energy Bureau's ("PREB") consultant, and LUMA's witnesses provided record support for the areas of difference. In stark contrast, the intervenors' positions are unsupported and/or directly contrary to the record evidence. Intervenors provide little or no detail regarding alternatives to LUMA's proposals or solutions to the purported issues raised.

II. LUMA's load forecasting methodology is sound and consistent with industry best practices.

Bondholders and ICSE both take issue with LUMA's load forecast. The Bondholders claim that LUMA offers "no credible explanation" for differences between its IRP forecast and its rate design forecast, wrongly characterizing LUMA's explanations as "unclear." Bondholders' Initial Rate Design Brief ("BH Brief"), 9. ICSE asserts that LUMA's load forecasting "lacks sufficient reliability to support the proposed rates" and demonstrates "material weaknesses" in methodology. ICSE's Reply to Revenue Requirements Briefs ("ICSE Brief[1]"), 2. These criticisms are unfounded and contradicted by the evidentiary record.

A. LUMA's load forecasting methodology is based on a regression-based method that is standard practice in the industry and, contrary to ICSE's claims, it does not double count the impact of DG.

LUMA developed its load forecast using established statistical techniques that are standard across the utility industry and consistent with approaches used by major utilities and Independent System Operators across North America. *See* LUMA's Rate Design Brief, ("LUMA RD Brief"),

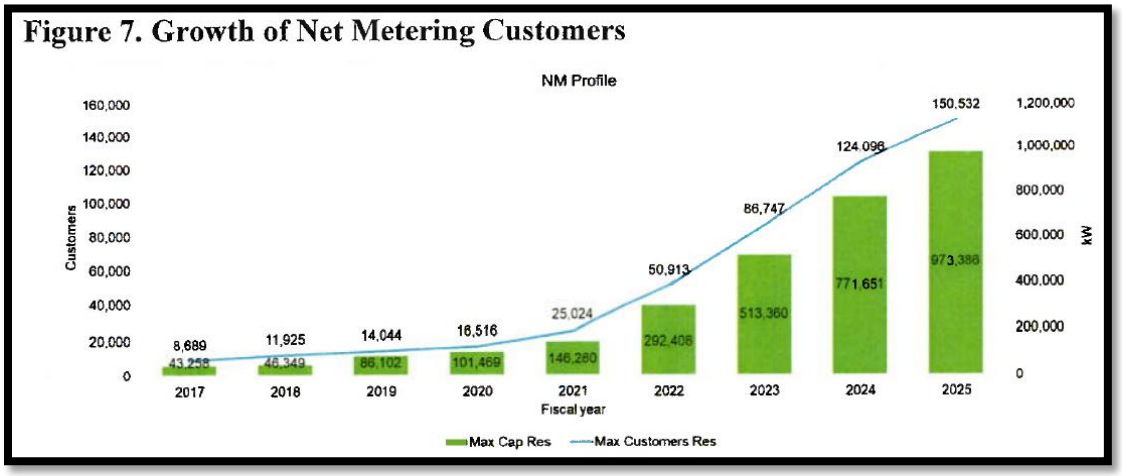
[1] Although ICSE titled its brief a "reply," it is an initial review as it pertains to load forecasting.

2–5. PREB's own consultant, Mr. Zachary Ming ("Mr. Ming"), agreed that LUMA's use of a regression-based methodology is reasonable, "standard in load forecasting," and that PREB should "adopt LUMA's final load forecast." *Id.,* 4.

Despite LUMA's use of a supportable methodology, ICSE claims that because historical consumption data reflects increasing levels of DG over time, the use of DG modifiers in the forecast to account for future adoption of DG risks "double counting" and LUMA needed empirical testing to prove there is no overlap. But this reflects a fundamental misunderstanding of how the model works as well as the DG adoption trends that make it appropriate to include DG modifiers.

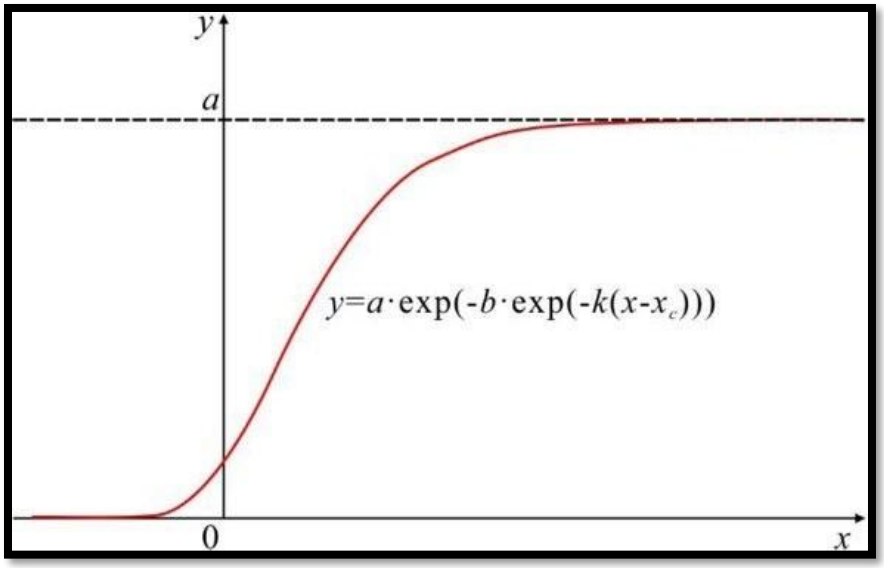
A regression model works by isolating a variable, such as the impact of DG, using historical data. *See* Ex. 4, 6:120–132. In her Direct Testimony, Joseline Estrada-Rivera ("Ms. Estrada") explained that LUMA used data from customers enrolled in the net metering program as a proxy to account for DG and found the adoption of PV systems in Puerto Rico is growing rapidly. Ex. 4, 9:197-10:216. Figure 7 illustrated the impact of DG based on the growth of net metering adoption:

Figure 7. Growth of Net Metering Customers



Id. 28:525. As seen in Figure 7, although historic data reflects increased DG, DG adoption is non-linear and instead "follows a sigmoidal adoption curve, indicating an initial slow uptake, a rapid growth phase, and eventual saturation." *Id*., 10:203–210. To capture and incorporate this growth trend, the use of a Gompertz Growth Model was selected as the most suitable forecast

methodology. *Id.* 10:208–216. Below is a demonstrative visual of the Gompertz function equation explained in Ms. Estrada's testimony, which also illustrates the sigmoidal adoption curve she describes:



As seen in comparison to Figure 7, relying on a straight-line adoption trend based on the historical data alone would not adequately capture the observed acceleration trend illustrated by the sigmoidal curve. *Id.*, 9:197–11:229.

In order to more accurately capture the acceleration that is not well modeled using historical data alone for the residential and commercial customer classes, for which this trend was observed, a DG modifier was introduced to the forecast model; an incremental load reduction was incorporated based on the displaced load from FY2025 specifically to avoid double counting while being able to model accelerated DG displacement in the future. *Id.*, 10:210–216; Ex. 72, 75:1315–76:1334; Tr. 12/15, 33:11–34:22, 45:4–48:8. ICSE does not provide any support for its argument and, the argument appears to be the result of a misunderstanding of the forecast model. LUMA asserts that mathematically, by subtracting the difference, there is no double-counting. Therefore,

contrary to ICSE's suggestion, no other empirical test is required to demonstrate that overlap does not occur.[2]

B. Contrary to ICSE's claims that LUMA's load forecast should have measured grid reliability as an independent variable, Ms. Estrada explained that grid reliability is already reflected in the historical data.

ICSE argues that Ms. Estrada should have explained why grid reliability was not included as a variable in the forecast modeling formula since reliability can impact consumer behavior and thus the load. *See* ICSE Brief, at 4. However, Ms. Estrada specifically addressed this issue when explaining that while grid reliability can influence adoption of photovoltaic ("PV") systems, it was not explicitly included in the model. *See* Ex. 4, 11:218-222. Instead, the observed *impacts* of grid reliability—such as consumption trends following hurricanes and the adoption of combined heat and power ("CHP") systems by industrial customers—are best used within the model because they can be measured in the existing data that is continuously refined through improved data collection. *See, e.g.*, Ex. 72, 21:273-284*,* 52:851-54:900. While ICSE acknowledges that fact (*see* ICSE Brief, 4), it claims that additional empirical explanation or measurement is required to defend this decision, yet ICSE does not provide any basis for the need for additional measurement or show why relying on the actual data is unreliable.

The reality is that ICSE attempted to summon a vague hypothetical at the hearing (Tr. 12/15, 116:23 –118:12),[3] which counsel abandoned, to now argue that there is a circularity—i.e., that the load impacts system reliability, and system reliability in turn impacts load, and around

[2] Additionally, ICSE's argument that the forecast model is unreliable because the model could change in the future is an untrue and even dangerous sentiment. *See* ICSE Br. at 3. The current forecast is based on the best data and practices available at the time, but improvements in the ability to collect and analyze additional data demands that forecast models be constantly evaluated for the possibility of improvement. *See* Ex. 72, 12:128–132, 28:387–29:395.

[3] The ICSE Brief references the rough transcript at 97:20-25. This reply uses citations to the final transcript.

again. ICSE believes that Ms. Estrada should be forced to prove a negative and omit reliability from her analysis. This argument is wholly unsupported by the evidence.[4]

First, counsel asked if changes in the load on the system entail changes in the reliability of the system, which Ms. Estrada stated she could not answer, quite rightly since there is no evidence in the record for such a statement. Tr. 12/15, 114:16–23. Then, when counsel for ICSE asked if the reverse would be true, Ms. Estrada indicated that she could not agree with the premise of the question but could explain what the data shows—that net metering registration following outage events is "indicative that customers react to reliability." *Id.*, 115:5–117:6. Such atypical disruptions that are expected to diminish as system improvements are implemented would make it unreasonable to add a reliability variable. In short, the testimony supports the accuracy and reliability of LUMA's forecasting model but lends no support to ICSE's argument in its brief.

Further, ICSE cites to LUMA's latest Resource Adequacy Study filed in Case NEPR-MI-2022-0002, for the proposition that LUMA previously relied upon an interdependency between reliability and demand in that it stated that "[i]n instances when power generation capacity is inadequate to meet demand, the system operator must initiate load-shedding." ICSE Brief, 5. ICSE does not explain why this reduction in consumption would not be reflected in the historical data. ICSE's reply fails to provide any evidence to undermine Ms. Estrada's forecast methodology, its arguments are wholly unsupported, and ICSE's complaints are further undermined by the fact that ICSE cannot identify any forecast or methodology that would better account for the variables that impact customers' energy consumption.

[4] ICSE claims that Ms. Estrada could not answer questions on whether changes in load affect reliability and vice versa. ICSE improperly relies only on a limited section of the transcript (Tr. 12/15, 101:11-13), but PREB should consider the whole of the exchange on cross-examination (up to page 120 of the final transcript).

C. The differences between the forecast used for rate design and the IRP forecast are supportable and do not undermine the use of each model for its intended purpose.

A central criticism raised by the Bondholders and ICSE is that LUMA's IRP forecast projects materially higher electricity consumption than LUMA's rate design load forecast for the same period. This criticism fundamentally misunderstands the distinct purposes of these two forecasts. Ms. Estrada was put on the spot to answer for a discovery response about the IRP proceedings that she did not provide herself and that was taken out of context; her testimony explained that the IRP forecast and the rate design forecast serve different purposes and were created at different times. *See* LUMA RD Brief, 6. The insinuation that "LUMA used an intentionally suppressed load forecast in the rate case to generate more revenue" is patently absurd.

As discussed below, while the two forecasts use the same general methodology and both use regression models, they use data from different time periods and the data is incorporated in context-specific ways. From the outset, it is important to understand that the IRP forecast is designed for system planning in order to estimate generation resource capacity needs, looking at how much energy must be generated and transmitted and delivered though the system (taking into account losses incurred in the process of transmitting and delivering such power) in order to satisfy customer demand at the end of the line, or at the customer meter. As Ms. Estrada testified, "[f]or the IRP, the percentage of loss, commonly, drives up the consumption because of the percentage or loss, because you have to serve that load…"). Tr. 12/15, 233:24–234:3. In contrast, for rate design, she explained that the forecast is focused on the customer demand consumption at the end of the line, looking at how much electricity is consumed by customers at their meter location to calculate the per unit rate based on consumption to be used in billing the customers that is required to recover the authorized revenue requirements.

"On the fiscal planning side, the energy losses reduce the consumption. We have the same models, but at the end, the total consumption is going to be different, and it is, in essence, [because] of the incorporation or exclusion of the technical and non-technical losses in the system." Tr. 12/15, 234:2-8. If the rate design load forecast incorporated losses the way the IRP forecast does, the rate design forecast would be less accurate because it would overestimate the amount of energy actually delivered to customers net of losses and thus result in rates set too low to satisfy the revenue requirements.

As explained by Ms. Estrada, for the IRP, the forecasted consumption includes energy losses during transmission and delivery to better estimate the necessary energy supply, or amount of electricity generation capacity resources, needed to serve load reliably. *See* LUMA RD Brief, 6. As a planning tool for investing in generation capacity resources, this is necessary because LUMA must meet total energy demand, which is impacted by losses during the transmission and delivery process. *Id.* For example, the IRP forecast accounts for the impact of different customer classes being served at different voltage levels, which results in different amounts of loss in the transmission process. Accounting for factors like this causes the IRP forecast to always result in a higher number than the rate design forecast, which is derived from the amount of electricity that actually reaches the end customer at the meter. *See* LUMA RD Brief, 6. If the base customer load used in the rate design forecast incorporated transmission losses the way the IRP forecast does, Ms. Estrada testified that it "would be overestimating the revenues, by 12% increase in the demand." Tr. 12/15, 310:1–16.

The underlying data is also different. The IRP forecast was developed in early 2024 and used historical data through December 2023 for model coefficients, whereas the rate review

forecast were developed in March of 2025 and incorporated data through December 2024. *Id*., 282:15–283:18.

In her pre-filed direct testimony, Ms. Estrada also explained that the load forecast used an energy efficiency load modifier that followed the 30% reduction of electricity by 2040 as stipulated in Act 17-2019 and in accordance with the Resolution and Order issued by PREB on January 21, 2022, Case NEPR-MI-2021-0005, which were in effect at the time the load forecast model was submitted. Ex. 4, 12:247–251; Tr. 12/15, 282:15–283:18. Act 1-2025, which restructured the RPS by eliminating all pre-2050 compliance requirements, was not enacted until March 18, 2025. It is premature to adjust the load forecast for changes to statutory requirements or PREB proposals because the newly proposed targets are still being evaluated and have not yet been adopted. *See* Ex. 58.03.

D. LUMA has fully addressed the relevant practicability issues and ICSE's reply does not meaningfully challenge the practicability of the proposed rates.

ICSE's Reply Brief acknowledges that LUMA addressed issues of affordability, lack of demand elasticity, and the continued viability of the grid as the drivers of whether the proposed rates are practicable. ICSE Brief, 7; LUMA's Revenue Requirement Brief (Jan. 26, 2026) ("LUMA Rev.Req. Brief"), 127–134. Instead, ICSE argues that the "reliability of the assumptions" is a practicability issue and "forecasting methodologies are still evolving." ICSE Brief, 7. This is a threadbare argument that amounts to saying that because no one can perfectly predict the future, forecasts should be ignored altogether and any resulting rate based on forecasting is inherently impracticable. ICSE's briefing on this argument contains *no* evidentiary support and offers no alternative methodology for calculating rates based on consumption that could satisfy revenue requirements. In fact, ICSE's argument that PREB should "incorporate macroeconomic impact analysis" by accounting for the "consequences of tariff levels" flies in the face of extensive,

uncontradicted testimony regarding price inelasticity of demand for electricity in Puerto Rico. *Compare* ICSE Brief, 8 *with* LUMA Rev.Req. Brief, 129–131; s*ee also* Ex. 72.0, 13–21, 78–79. Instead of challenging the evidence, ICSE recycles its misguided arguments about the reliability of LUMA's load forecast and relies solely on speculation. There is no argument or evidence presented by ICSE that meaningfully challenges the evidence presented by LUMA that demonstrates the reasonability of LUMA's load forecast and the practicability of the proposed rate design.

III. LUMA's proposed rate design should be approved.

A. LUMA's COSS properly allocates costs between customer charges and energy charges and has PREB's consultant's approval.

The Independent Consumer Protection Office ("ICPO") argues that the "record does not demonstrate that LUMA has rigorously quantified which portions of its revenue requirement are truly customer-related, nor that the proposed fixed charges are limited to those costs. ICPO further claims the proposed structure risks shifting demand, and energy related costs into unavoidable monthly charges, insulating LUMA from volumetric risk while exposing consumers to higher unavoidable bills." ICPO Rate Design Brief ("ICPO RD Brief"), 14. SUN/SESA similarly argue that LUMA's COSS "classifies a broad range of costs as 'customer-related,' defined as investments allegedly incurred primarily to enable customer connection to the electric system and the collection of payments thereafter." SUN-SESA Rate Design Brief ("SUN/SESA Brief"), 10.

To the contrary, LUMA's expert witness Mr. Shannon's cost allocation properly designed the customer charge based on "the principle that there are some fixed costs associated with connecting customers to the commodity delivery network. Even if a customer uses no power, there is still some infrastructure dedicated to connecting that customer to the distribution network." Ex. 20.0, 24:567-570. Mr. Shannon's customer charge is based upon a minimum system study. *See*

id., 9:274–10:287. "This analysis takes the smallest unit [of equipment] purchased by the utility and applies that unit cost to the total amount of infrastructure. The result is the cost of a distribution network assuming that the utility only installed the minimum infrastructure to connect its customers, hence the customer-classified portion." *Id.*, 9:274-278.

ICPO further argues that "the underlying cost allocation is uncertain" in LUMA's COSS given that PREPA is not compliant with the FERC Uniform System of Accounts ("USOA"). ICPO RD Brief, 13. ICPO argues that Mr. Shannon's functionalization "may be expedient, but it lacks the precision necessary to support durable rate design conclusions." *Id*. ICPO is incorrect that "the underlying cost allocation is uncertain." *Id.* Mr. Shannon testified that, despite the lack of compliance with the USOA, he was able to determine the cost allocation following generally accepted utility practice. Specifically, "[t]he NARUC Manual notes that while the assignment of costs will generally follow the accounting categories in the USOA, at times there will be exceptions and that, in such cases, the purpose of functionalization, not the accounting treatment, must drive the distribution of the functional costs used in the cost allocation study, including the production function, the transmission function, the distribution function, the customer service function and the administrative and general function." Ex. 20.0, 6:179-185.

So, as Mr. Shannon testified, the lack of USOA accounting does not make the cost allocation uncertain as it is based on recognized cost functionalization principles. Mr. Shannon explained that "[i]n LUMA's case, the revenue requirement is presented in a similar manner to prior budget presentations. I was able to make some general functionalization decisions based on the roles of the operators. Genera PR LLC's ("Genera") costs and PREPA HydroCo LLC's ("PREPA HydroCo") costs are assigned to production; LUMA's costs span transmission, distribution, and customer service; PREPA's HoldCo costs are assigned to administrative and

general. LUMA does not separate out its expenses by transmission or distribution, so I applied the share of miles of lines for each to perform a rudimentary splitting of the GridCo costs into transmission and distribution. Miles of transmission and distribution lines is a rough proxy for the level of investment needed in each functional area." *Id.*, 7:198-206.

The ICPO Brief also argues for "the implementation or expansion of the actual consumption-based tiers within volumetric rates" because a "tiered rate structure, under which higher levels of consumption are charged at progressively higher per-kWh rates, can serve multiple legitimate regulatory objectives simultaneously." ICPO RD Brief, 14. This IPCO proposal is not supported by the record, and was not put forth proposal through pre filed testimony. Notably, the two pages of the IPCO RD Brief discussing this, lack any citation to the record.

ICPO ignores Mr. Ming's analysis and his conclusion that despite finding some flawed methodological choices in the COSS, he "tested the sensitivity of the class cost allocation to these methodological choices, however, there was not a significant effect on the final class cost allocation." Ex. 61.0, 64. Therefore, Mr. Ming recommended that PREB "adopt LUMA's COSS methodology." *Id.* ICPO articulates no alternative or corrective action to the COSS. PREB should reject ICPO's positions on the COSS.

B. SUN/SESA misstate the impact on the fixed fee rate based on the allocation of costs to the customer charge.

SUN/SESA argue that "the proposed fixed fee rate hike actually jumps from $4 to at least $40.29." SUN/SESA Brief, 11. However, as SUN/SESA acknowledge, this increase is not due to LUMA's proposal or its allocation of costs to the fixed fee to the customer charge but instead relate to new charges related to the Contribution in Lieu of Taxes ("CILT") and the recovery of subsidies ("SUBA") and a $10.89 per month charge for the PREPA pension fund charges. *See id,* 10-11 (referencing $10.89 month pension charge for the GRS class).

As shown in LUMA Exhibits 350, 350.1, and 350.2, for the base rates LUMA proposes to raise the current GRS[5] customer charge of $4.00 per month to $10.00 per month for FY2026, $15.00 per month for FY2027, and $20.00 per month for FY2028. For LRS the charge will increase from $3.00 per month to $5.00 per month for FY2026, $7.00 per month in FY2027, and $8.50 per month in FY2028. For RH3 the charge will increase from $2.00 per month to $4.00 per month for FY2026, $5.00 per month in FY2027, and $7.00 per month in FY2028. As Mr. Shannon noted, "[t]his will bring the customer charge in line with the total amount of customer-classified costs." Ex. 20.0, 25:584-586.

LUMA's proposed increase to the customer charge is well below the numbers stated by SUN/SESA. The fact that PREB has made other determinations regarding subsidies and other charges that are reflected here does not change the evidence that shows that LUMA reasonably calculated its customer charge for inclusion in base rates. As the hearing officer has noted, this case is about determining base rates. *See, e.g.,* Resolution and Order (June 30, 2023); Hearing Examiner's Order of September 29, 2025.

Both SUN/SESA and ICPO misstate the impetus behind the decision to include the CILT and SUBA subsidies in the fixed charge as part of LUMA's proposal. SUN/SESA Brief, 10; IPCO RD Brief, 14. In fact, the Hearing Examiner required that "Schedule P-4 shall identify any advantages or disadvantages of recovering the costs associated with any one or more of the subsidy categories through the fixed customer charge rather than through the current volumetric charges." Hearing Examiner's Order of June 11, 2025, 1. LUMA's filing was compliant with this requirement.

[5] The acronyms for the rate classes are defined in the current PREPA tariff book.

Also, they claim that LUMA included the additional pension costs as a fixed charge, but it was PREB that ordered the rider be filed as a fixed charge. Specifically, on July 31, 2025, PREB approved the full recovery of pension costs for PREPA's Employee Retirement System in the amount of $307,475,422 for FY2026. PREB concluded that the pension cost should be recovered from customers through a special pension rider structured as a fixed charge per customer.[6]

C. LUMA's proposed rate design does not harm price signals for conservation, energy efficiency, or demand management.

In addition to overstating the amount and impact of the allocation of costs to the fixed charge, SUN/SESA allege that "LUMA seeks to restructure its rate design by shifting revenue recovery *away* from volumetric charges and toward higher fixed monthly charges imposed on all customers." SUN/SESA Brief, 10 (emphasis added). ICPO similarly argues that LUMA's "proposal shifts an increasing share of system costs into fixed or otherwise unavoidable charges, weakening the traditional relationship between electricity usage and cost responsibility. By doing so, it reduces customers' ability to manage or lower their bills through conservation, energy efficiency, or demand management." ICPO RD Brief, 10-11.

This is incorrect. Mr. Datta's arguments are based on the idea that "[if] … you froze your revenue requirements, and you changed the allocation of how you recover those requirements to more fixed and less volumetric, your volumetric rates, if nothing else changed, would have to decline." Tr. 12/16, 265:21-266:1. But that is not what is happening here. Revenue requirements are not frozen, as Mr. Datta conceded on cross examination, instead LUMA "increased the entire

[6] LUMA filed a *Revised Motion in Compliance with the July 31st Order Regarding Revision of Pension Rider*, on November 25, 2025. The revised proposal sought to convert the volumetric charge to a fixed monthly charge as required by PREB effective January 1, 2026, while maintaining the existing energy-based allocation among customer classes. On December 23, 2025, PREB postponed consideration of the rate design applicable to pension costs until its order on permanent rates.

revenue requirements, which you have to split … between a monthly fixed charge and volumetric charge, both of which increased." *Id.*, 266:8-14.

With both fixed and volumetric charges proposed to increase, LUMA's proposed rate design properly maintains price signals in the balance between fixed and volumetric charges. *See* LUMA RD Brief, 14. LUMA is not shifting costs *away* from the volumetric charge to the fixed charge.[7] In fact, LUMA's proposed rate design "does not go as far as [a straight-fixed variable approach] in terms of placing all fixed costs into the fixed or demand component." Ex. 20.0, 22:520-522. Mr. Shannon explained: "remember that the volumetric rate is also increasing by a lot in this case. So the price signal remains and it's actually stronger than it is under the status quo because we're raising the energy charges a lot as well." Tr. 12/16, 94:13-17.

When asked, "[w]ouldn't the higher fixed rates in the context of low energy users discourage measures like energy efficiency?," Mr. Shannon responded, "No, because the energy efficiency, like if you adopt it, say you buy a more efficient refrigerator, the value to the customer is in the price that is avoided, which is the energy charge. We're raising the energy charge under the proposal here by a substantial amount as well. And so, again, that price signal for the energy efficiency calculation becomes more valuable as well." *Id.*, 94:18-95:3. Mr. Datta himself acknowledged this, when asked if "an increase in the fixed charge, on its own, doesn't necessarily mean that it would no longer be accounting for costs that should be associated with a fixed charge"

[7] As shown in LUMA Ex. 348, the per kWh volumetric charges for GRS increase from approximately 5 cents per kWh for the first 425kWH to approximately 16 cents per kWh and for additional consumption the volumetric charges increase from approximately 5.5 cents per kWh to approximately 18 cents per kWh. The volumetric charge for LRS increase from approximately 2 cents per kWh for the first 425kWH to approximately 5.5 cents per kWh and for additional consumption the volumetric charges increase from approximately 5.5 cents per kWh to approximately 18 cents per kWh. The volumetric charge for RH3 increases from approximately 0.07 cents per kWh for the first 425kWH to approximately 5 cents per kWh and for additional consumption the volumetric charges increase from approximately 0.055 cents per kWh to approximately 18 cents per kWh.

he responded: "That is … Yes, potentially correct. Yes, that's right." *Id.*, 130:24-131:6. Mr. Datta acknowledged that he had no citation, studies, or other support for his assertions that an increase in a high fixed charge sends perverse price signals that encourage inefficient use of electric service or that high fixed charges force low energy users to subsidize large energy users. Ex. 55, 28; Tr. 12/16, 131:8-133:4.

PREB's consultant Mr. Ming pointed out Mr. Datta's misunderstanding, stating: "Mr. Datta disregarded the increase in revenue and rates in LUMA's application. LUMA did not propose a reduction in the volumetric charge. Rather, LUMA proposed an increase in the volumetric charge that would actually lead to a significant improvement in the economics for rooftop solar relative to current rates." Ex. 61, 102. Further to this point, LUMA's proposed customer charge does not, contrary to SUN/SESA's assertions, implicate Section 4 of Act 114-2007. 22 LPRA § 1014 (2025). SUN/SESA Brief, 14-17. As Mr. Ming pointed out, LUMA's proposal may actually encourage solar adoption. SUN/SESA acknowledge that the fixed fee "does not constitute a modification to the statutory formula" but continue to make the same misguided arguments about "shifting recovery from a per-kWh charge to fixed monthly fees" already refuted here. SUN/SESA Brief, 15. Finally, SUN/SESA make a convoluted attempt to assert that "a fixed charge that penalizes their low net consumption is functionally equivalent to imposing a charge on the renewable generation itself, certainly a proscribed indirect charge." *Id.*, 16. Again, SUN/SESA provide no support for this assertion and ignore record evidence showing that LUMA's proposed increases to *both* the fixed and volumetric components do not result in a "penalty" for lower consumption.

In fact, the majority of the customer's bill is still derived from the volumetric energy charge. For example, for a GRS customer with a monthly usage of 400 kWh, the proposed monthly bill would be $121.31. *See* Ex. 20.03, 3. Even accepting a fixed charge of $40.29, as stated by

SUN/SESA, SUN/SESA Brief, 11, that leaves over $80, or two thirds, of the customer's bill attributable to the volumetric charge, and within the customer's ability to adjust based on their usage.

D. LUMA's proposed rate design does not disproportionately impact low-income customers.

ICPO asserts that PREB "should require modifications to the proposed rate design that reduce bill impacts for vulnerable customer segments while preserving appropriate cost recovery." ICPO RD Brief, 16. ICPO does not provide any indication of what those modifications might be. Nor does it provide any analysis of why such modification would be appropriate or how the proposed rate design would negatively impact vulnerable customer segments but asserts only that "LUMA does not sufficiently analyze scenarios that reduce fixed charges, strengthen volumetric recovery, or more aggressively credit non-rate revenues to offset customer bills." *Id.*

In fact, LUMA proposed several structures designed to protect low-income customers. *See* LUMA RD Brief, 16, 18-19. As discussed by Mr. Shannon, the low-income residential customers' increase was capped at a maximum of 30%. Ex. 20.0, 19:450–20:456. The proposal also incorporates a discount for low-income customers and maintains the Residential Fixed Rate available to customers living in public housing. *Id.*, 20:472-474. For other low-income classes, LRS, customers who need the Supplemental Nutritional Assistance Program Criteria, and RH3, the 30% cap on increases results in them paying less than the GRS customers. *Id.*, 20:472-21:483. In addition, as shown above, the proposed increase to the fixed charge is significantly lower for LRS and RH3 customers than for GRS customers. Ex. 350, 350.1, 350.2.

E. LUMA's proposed revenue decoupling mechanism is aligned with the PREB consultant's recommendations.

In their Initial Brief, SESA and SUN note that their witnesses Datta and Dr. Faruqui, respectively, both support revenue decoupling. SUN/SESA Brief, 17-18. However, they state that SESA's witness Mr. Datta supports the adoption of revenue decoupling under a framework that, in some respects, differs from LUMA's proposal. According to Mr. Datta, the implementation of revenue decoupling in Puerto Rico should (1) only apply to the LUMA base distribution and exclude all fuel and other pass-through riders; (2) require bi-directional symmetric true ups with deadbands and caps on annual adjustments, and (3) prohibit inclusion of sales lost from utility caused outages. Mr. Datta also recommends creating a revenue decoupling approach that ensures accountability. He also recommends pairing the decoupling mechanism with performance incentives. Dr. Faruqui states that "rates should be based on prudentially incurred costs, not on projected lost revenues." Ex. 56, 14:237-242. In its Initial Brief, ICPO asserts that any decoupling mechanism must exclude fixed charges and rider-recovered revenues from its scope. ICPO RD Brief, 17. ICPO also asserts that LUMA seeks decoupling without quantification of operational efficiencies and accountability mechanisms that would ensure those efficiencies are reflected in rates. *Id.*, 18.

First, consistent with SUN and SESA's positions, LUMA's witness Mr. Alejandro Figueroa ("Mr. Figueroa") explained that LUMA does not propose that the target revenue per customer include variable costs, such as the costs of fuel or purchased power or other riders, such as CILT and SUBA. Ex. 73, 4:81-89. Second, LUMA's proposed revenue decoupling mechanism is bidirectional and includes a 3% cap on overcollection and under collections, with any

overcollection beyond the 3% to remain in the PREPA account until PREB authorizes its use. Tr. 12/16, 153:10-154:8.[8]

Third, Mr. Faruqui's recommendation to use costs and not lost revenues due to lost sales, Datta's proposal to prohibit inclusion of sales lost from utility caused outages, and OPIC's proposal to exclude fixed charges are all contrary to the recommendations of PREB witness Ms. Whited to establish the decoupling revenue target based on total utility revenue requirement and to include lost sales due to outages. Ex. 59, 2 (recommendations 1 and 8). She notes that without a revenue decoupling mechanism, changes in sales between rate cases can cause the utility revenue to increase or decrease, making revenue unpredictable and also causing utility to take action to increase sales and avoid actions to decrease sales, whereas under a decoupling mechanism, "the utility recovers its authorized revenue requirement independently of fluctuations in customer electricity use." *Id*., 4. She specifically disagreed with SESA's proposal to exclude outage-related costs because in Puerto Rico, LUMA receives its compensation through the management fee, not through increasing volumetric sales, so excluding outages would not impact LUMA, but would instead deprive the utility from revenues needed for maintenance and investment and harm the customers by decreasing reliability. *Id.*, 12-13. Mr. Datta's proposals on incentives and accountability also conflict with Ms. Whited's recommendation that the PREB address reliability and performance accountability through separate incentive mechanisms. *Id.*

WHEREFORE, LUMA requests that PREB **take notice** of this brief, **deny** intervenors' request to reject LUMA's load forecast; **deny r**equests to reject in whole or in part, LUMA's rate

[8] LUMA addressed Ms. Whited's proposal to only have a soft cap on under-collections in its Initial Brief at 21.

design proposal; and **approve** LUMA's rate design proposal as supported on the record and LUMA's RD Brief.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, this 3rd day of March 2026.

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