Annual Budgets

Fiscal Year 2026 Second

Budget Amendment and Reallocation

March 25, 2026

Executive Summary

LUMA submits this Fiscal Year 2026 Second Budget Amendment to realign capital to advance strategic system improvement initiatives. This budget amendment does not seek to change the total amount of Non-Federally Funded Capital (NFC) approved in the provisional budget, nor does it modify the revenue requirement presented in the ongoing Rate Case. Rather, the proposed reallocations are intended to maximize the use of already approved funds to address high priority system needs.

The proposed reallocations reflect the same priorities and necessities of investment that formed the basis of the provisional budget and are consistent with the Energy Bureau's approval of funding for activities and infrastructure that are high priority and noncontroversial. The projects presented in this amendment address system stability, safety concerns, and customer needs, and focus on execution-ready work that supports near-term reliability improvements. These investments span distribution, substation, transmission, and telecommunications assets, including the replacement of at-risk poles and conductors, restoration of out-of-service lines and breakers, and completion of critical substation repairs.

A primary driver of this amendment is the $128.5 million grant awarded by the U.S. Department of Energy (DOE) on September 30, 2025. This federal grant will advance critical projects, including $34.6 million to replace seven failed substation transformers and $24.1 million to facilitate Advanced Metering Infrastructure (AMI) deployment. Additional allocations include $19.5 million for grid automation and $25.1 million for transmission programs. By maximizing these DOE-funded programs, LUMA can proceed to restore critical out-of-service equipment, address key infrastructure deficiencies, and advance foundational modernization initiatives. LUMA has designated $46.8 million of these funds for FY2026 projects.

Simultaneously, several projects under the Priority Stabilization Plan (PSP) originally intended to be funded through NFC are now eligible for federal funding through Federal Emergency Management Administration (FEMA) or DOE, resulting in $27.3 million in NFC funding available for reallocation to support other priority investment opportunities. In addition, due to timing and execution constraints on two PSP projects, the battery energy storage systems (BESS) projects and the transmission line (TL)16800 Vega Alta to Vega Baja underground transmission segment, an additional $5.7 million in funding is available. As a result, the total NFC funding available from these reallocations amounts to $33.0 million. LUMA proposes allocating $0.45 million of the $33.0 million to cost-share requirements associated with the DOE grant and reallocating the remaining $32.6 million to mitigate existing system safety and reliability risks.

In addition to the approximately $32.6 million available from PSP-related adjustments, LUMA is also proposing to reallocate $26.3 million of NFC funding. These reallocations reflect a reprioritization of capital across programs based on updated project timing, resource availability, and evolving reliability and safety requirements. In total, LUMA is proposing approximately $58.9 million in NFC funding movements, representing the net effect of transfers across various portfolios. The proposed NFC reallocations prioritize stabilizing the distribution and transmission system through the following initiatives:

- Responding to a 15% increase in customer connection requests by reallocating $1.5 million to the New Business Connection Program
- Improving feeder-level reliability through the reallocation of $3.0 million to the Grid Automation Program, focusing on infrastructure repairs and the deployment of fault circuit indicators to reduce the frequency and duration of outages

Annual Budgets

- Executing priority line rebuilds and addressing DER system impacts by directing $4.3 million to the Distribution Line Rebuild Program
- Replacing over 1,000 high safety risk distribution poles identified in recent assessments by allocating $34.0 million to the Distribution Pole and Conductor Repair Program
- Restoring 10 miles of critical fiber segments and installing eight backup generators through the reallocation of $1.3 million to the OT Telecom System and Network Program
- Repairing structural and insulation deficiencies on 38 kV and 115 kV transmission corridors by directing $11.8 million to the Transmission Priority Pole Replacements Program
- Addressing emergent stabilization needs across aging substation infrastructure by reallocating $6.3 million to the Substation Reliability Program
- Preparing the Santurce Complex facilities to host the secondary EMS site by allocating $1.7 million to the Critical Energy Management System Upgrades Program

1.0 Amendment of the Federally Funded Budget

The Federally Funded Capital Budget amendment reflects changes in funding availability resulting from the DOE grant and the establishment of the FEMA Accelerated Award Strategy (FAASt) Consolidated Project Plan List. Specifically, the amendment incorporates $45.3 million in DOE funding associated with projects planned for execution in FY2026 and aligns FEMA project planned expenditure for FY2026 with the current status of active projects within FEMA's Grants Portal, which total $717.9 million.

Summary of Amendment – Federally Funded Capital Expenditures Budget ($ in thousands)[1]

	FY2026 Federally Funded Contributions			
Improvement Portfolio	**Proposed Amendment**	**Approved Budget**	**Variance ($)**	**Variance (%)**
Customer Experience	206,871	351,551	144,679	41%
Distribution	131,433	273,922	142,489	52%
Transmission	54,098	113,792	59,694	52%
Substations	151,504	118,960	(32,544)	(27%)
Control Center & Buildings	23,870	28,923	5,053	17%
Enabling	180,636	278,590	97,954	35%
Support Services	700	17,750	17,050	96%
PSP	-	-	-	0%
Subtotal	**749,113**	**1,183,487**	**434,375**	**37%**
Other				
2% Reserve for Excess Expenditures	14,077	23,670	9,593	41%
Total Capital Expenditures	**763,190**	**1,207,157**	**443,967**	**37%**

1.1 Use of DOE Grant Funds to Enhance System Resilience

On September 30, 2025[2], PREPA received approval from the DOE for a grant that includes funding for projects to be implemented by Genera PR, LLC (under the Thermal Generation Facilities O&M Agreement) and LUMA (under the Transmission and Distribution System O&M Agreement), both acting as agents for PREPA. LUMA's portion of the grant totals $128.5 million, accelerating the execution of critical resilience-focused projects. Of this total, $45.3 million is allocated for FY2026. LUMA designed these projects to strengthen Puerto Rico's energy system's reliability and adaptability through infrastructure hardening, modernization, and recovery efforts.

[1] The 2% calculation on the Federally Funded Contributions columns is based solely on the federally funded budget approved by PREB. This percentage does not apply to the DOE special grant.
[2] Kick off meeting organized by DOE, on Thursday, November 6, 2025, at 3:00 pm, AST, between DOE, LUMA and the Puerto Rico Electric Power Authority (PREPA).

Annual Budgets

CUSTOMER EXPERIENCE PORTFOLIO

Advanced Metering Infrastructure (AMI) Implementation Program – $24.1 million ($1.0 million DOE federal funds for FY2026): This allocation complements the FEMA-funded AMI deployment with a "behind-the-meter repairs" initiative. This initiative enables more efficient, customer-focused AMI deployment by addressing repairs required for customer-owned equipment identified during deployment, a barrier to full AMI implementation due to unplanned customer costs. By facilitating the necessary repairs and safely upgrading eligible customers to AMI meters with minimal financial impact, these repairs accelerate the completion of the AMI program, reduce the financial burden on customers who would otherwise be responsible for these fixes, and enhance overall safety by addressing non-compliant or deteriorated customer connections.

DISTRIBUTION PORTFOLIO

- **Grid Automation Program** – **$19.5 million ($8.6 million DOE federal funds for FY2026):** This allocation enables the installation of approximately 135 reclosers to modernize protection systems on Puerto Rico's distribution grid. Unlike traditional fuses, reclosers automatically detect and isolate faults, reducing outage duration, improving safety, and enhancing grid resilience for both temporary and permanent faults. This initiative complements the acceleration of the FEMA-funded distribution automation projects. It aims to expedite the deployment of communications equipment across existing reclosers, improving system visibility.

TRANSMISSION PORTFOLIO[3]

- **Transmission Line Rebuild Program** – **$15.6 million ($6.7 million DOE federal funds for FY2026):** This allocation enables the restoration of critical transmission paths by repairing or replacing 38 kV conductors and structures on at least five out-of-service segments. With 48 segments currently offline, these efforts aim to reduce system risk, improve reliability, and restore contingency and redundancy across Puerto Rico's transmission grid. This initiative complements and accelerates FEMA-funded transmission line rebuilds and directly supports two-line segments identified in the PSP for Line 2100 and Line 9100.
- **Transmission Priority Pole Replacements Program – $6.0 million ($3.7 million DOE federal funds for FY2026):** This allocation enables the replacement of at least 12 critically damaged 115 kV structures on TL36100 and TL38200 to full functional service. Work includes planning, engineering design, and field execution to remove damaged structures, install new replacements, and commission all related transmission components back into service. These targeted upgrades ensure safe operation, reduce the risk of cascading outages, and strengthen system stability.
- **OT Telecom Systems & Networks Program – $3.5 million ($3.1 million DOE federal funds for FY2026):** This allocation supports the strategic enhancement of critical telecommunications infrastructure, including the land mobile radio expansion, optical ground wire fiber restoration, and microwave network. These projects collectively strengthen Puerto Rico's electric system by modernizing and hardening the core communications infrastructure that supports grid protection,

[3] Assessment of Transmission Lines program under this portfolio, has been allocated $1.4 million under the grant; however, no execution is expected during FY2026 due to project timing.

SCADA, and operational coordination. The Land Mobile Radio initiative restores and expands island-wide radio coverage to improve field communication and emergency response while the optical ground wire fiber restoration replaces degraded backbone fiber to ensure reliable, high-speed control and monitoring essential for system stability. Complementing these efforts, the new microwave link restores critical redundancy in the eastern region, reducing vulnerability to single-point failures.

SUBSTATION PORTFOLIO

- **Substations Reliability Program – $34.6 million ($21.4 million DOE federal funds for FY2026):** This allocation supports critical upgrades across the T&D System to enhance grid stability and reliability, including the replacement of seven failed substation transformers serving over 400 MW of load and 190,000 customers, which will require urgent temporary installations and complex logistics. The program will also restore two vital switchgear units at Covadonga and Llorens Torres, improving redundancy and reliability for over 14,000 customers and freeing up mobile substations for emergency use. Additionally, it upgrades essential protection, control, and monitoring systems, including SCADA, PAC, circuit breakers, and fiber optics, thereby reducing outage risk and improving system visibility.

ENABLING PORTFOLIO

- **Asset Data Integrity - $0.06 million ($0.04 million DOE federal funds for FY2026):** This allocation seeks to perform upgrades to LUMA's legacy Enterprise Asset Management system—specifically, Asset Suite—to enable improvements in work order management across capital projects. This initiative aims to centralize, standardize, and streamline critical capital work management and enable accurate and timely tracking of work order tasks, materials, and labor, meeting federal compliance requirements and internal operational goals

SUPPORT SERVICES PORTFOLIO

- **Update to Third Party Use, Audit, Contract, and Billing Procedures Program – $25.0 million ($0.7 million DOE federal funds for FY2026):** This allocation supports efforts to identify and remove unauthorized, abandoned, or non-compliant telecommunications attachments on PREPA poles, which pose safety and reliability risks. It will also support process improvements and enforcement mechanisms to ensure more efficient, effective transfer of active attachments and removal of unused and excess cables on poles, reducing structural overload and improving public safety.

1.2 Impact of the FAASt Consolidated Project Plan List

On October 10, 2025, LUMA requested that the Energy Bureau consider a budget amendment to the FY2026 Federally Funded Capital Budget to reflect the changes resulting from the FEMA Accelerated Award Strategy (FAASt) Consolidated Project Plan List. On October 24, 2025, the Energy Bureau denied this request and directed LUMA to pursue the projects associated with the previously approved $1.2 billion budget[4].

As recognized by the Energy Bureau, PREPA's FAASt Consolidated Project Plan List reduced the number of active Transmission and Distribution projects from 571 to 282. As of the date of this filing, the list of active projects remains the same. While 70 projects were included in the Energy Bureau's Attachment A5, they have not been reactivated in FEMA's Grants Portal and are not at a stage that allows execution. The commencement of these projects remains contingent on third-party actions and, as such, falls largely outside LUMA's direct control. Even if reactivated, a large number of these projects are unlikely to make significant progress in FY2026 due to the delays resulting from their inactivation early in calendar year 2025 and the time required to reinitiate work after they become active once again. Moreover, execution of these projects, like all federally funded projects, is highly dependent on the disbursement of working capital advances or advances, which have become limited in recent months and, ordinarily, take time to be processed and disbursed. Accordingly, the assessment of executable FEMA projects for FY2026 continues to align with the October 10th request of $717.9 million.

For these reasons, LUMA respectfully requests that the Energy Bureau approve the revised portfolio-level allocations for the Federally Funded Capital Budget. This approach ensures that the FY2026 budget reflects the best available estimate of executable work and aligns reported capital expenditures with the current status of federally funded active projects.

[4] The Energy Bureau, in its October 24, 2025, R&O, determined that LUMA's proposed amendment to the Federally Funded Capital Budget conflicted with the Bureau's mandate to ensure that federal funds remain aligned with previously approved reliability priorities. Because the proposed budget reduction relied on the inactivation of 224 projects from the FEMA pipeline—a step that could affect system reliability and redirect limited federal resources—the Energy Bureau required maintaining the $1.2 billion Federally Funded Budget and directed that these projects remain in the FAASt pipeline until a revised prioritization plan is submitted.

[5] On February 5, 2026, the Energy Bureau issued a R&O addressing the FEMA Consolidated Project Plan and the FAASt settlement. In that Order, the Energy Bureau identified a subset of projects included in Attachment A (included in said Order) from the inactive project inventory that, as an initial phase, must be resubmitted to FEMA for reactivation using the reserved funding identified in the Consolidated List. On February 11, 2026, the Energy Bureau modified the original order. This action updates the Attachment A project list from the February 5 Order to prioritize projects with higher incurred costs, aiming to reduce financial exposure and ensure timely implementation.

2.0 Reallocation of Funds within the Transmission and Distribution Non-Federally Funded Budget

The Non-Federally Funded budget amendment request includes multiple line items across various portfolios. For clarity and conciseness, the explanations provided in this document are organized by portfolio and focus on the main drivers impacting each portfolio's budget. These explanations summarize the primary factors contributing to the requested portfolio budget adjustments.

Summary of Reallocation – Non-Federally Funded Capital Expenditures Budget ($ in thousands)

	FY2026 Non Federally Funded			
Improvement Portfolio	**Proposed Amendment**	**Approved Budget**	**Variance ($)**	**Variance (%)**
Customer Experience	21,959	21,436	(523)	(2%)
Distribution	69,954	28,612	(41,342)	(144%)
Transmission	22,364	9,365	(12,999)	(139%)
Substations	32,561	29,094	(3,467)	(12%)
Control Center & Buildings	3,229	3,000	(229)	(8%)
Enabling	12,284	32,538	20,254	62%
Support Services	4,719	10,461	5,742	55%
PSP	12,988	45,552	32,564	71%
Subtotal	**180,057**	**180,057**	**(0)**	**0%**
Other				
2% Reserve for Excess Expenditures	3,601	3,601		
Total Capital Expenditures	**183,658**	**183,658**		

2.1 Priority Stabilization Plan

The Energy Bureau-approved FY2026 Provisional Budget[6] includes $45.6 million for projects explicitly identified in the approved PSP. The inclusion of the $45.6 million in the provisional budget was contingent on the requirement that, if DOE approves federal funding for these projects, the Energy Bureau would consider returning such funds to ratepayers.[7]

Since the Energy Bureau approved the provisional budget, several PSP projects have successfully secured federal funding. From the DOE-approved funding for LUMA, discussed in **Section 1.1** of this document, approximately $12.5 million corresponds to projects included in the $45.6 million PSP list. As a result, the funding source for those projects shifts from the NFC Budget to the Federally Funded Capital

[6]Fiscal Year 2026 Provisional Budget approved in Resolution and Order in Case No. NEPR-AP-2023-0003, *In Re: Puerto Rico Electric Power Authority Rate Review* (July 31, 2025).
[7] *Id.* at p. 19.

Annual Budgets

Budget. In addition, FEMA has obligated funds for three PSP projects (Sabana Llana, Guánica, and Monacillos), totaling $14.8 million. Together, these federal funding allocations shift $27.3 million of previously approved PSP funding away from NFC Budget and toward the Federally Funded Capital Budget.

The provisional budget also includes $4.0 million for land acquisition associated with the deployment of the BESS activity under the PSP, commonly referred to as the 4x25 BESS project.[8] While these projects have since been included in the PREB-approved Revised Consolidated Project List (Attachment A), the projects remain inactive. Given that the projects remain inactive in the Grants Portal, LUMA cannot advance with land acquisition at this stage due to the lack of certainty as to when the projects will be reactivated, LUMA does not anticipate executing land purchases during the current fiscal year. As a result, LUMA is proposing these funds be reallocated and reinvested into the T&D System.

Additionally, work associated with the TL16800 Vega Alta to Vega Baja underground transmission segment has experienced schedule impacts. The scope of this project includes cable replacement, splicing, and testing within existing manhole infrastructure. Execution of this work requires specialized underground cable pulling equipment, which LUMA does not currently own. Following a cost-benefit analysis, procurement of this equipment was determined to be more efficient than rental; however, associated procurement and delivery lead times have shifted execution into the next fiscal year. As a result, $1.7 million associated with this work is also available for reallocation at this time.

LUMA proposes reallocating these $33.0 million available funds, comprised of the $27.3 million in PSP projects that have now secured federal funding, the $4.0 million initially budgeted for BESS land acquisition, and the $1.7 million from the TL16800 project to programs that deliver immediate system benefits.

PSP – Funding Available for Reallocation and its Proposed Distribution ($ in thousands)[9]

PSP Funding Available for Reallocation ($)	
DOE - Overlap	12,502
FEMA - Overlap	14,800
BESS - (4x25)	4,000
TL - 16800	1,715
Funds Available to Reallocate	**33,017**

PSP Proposed Funds Reallocation ($)	
DOE Cost Share [10]	(453)
Distribution Pole & Conductor Repair	(17,535)
Transmission Priority Pole Replacements	(11,788)
Substation Reliability	(3,241)
Proposed Funds for Reallocation	**(33,017)**

[8] The 4x25 BESS project support the rapid installation of storage at strategically selected transmission nodes to improve system inertia, frequency stability, and black-start capability.

[9] Figures may not add due to rounding.

[10] Approximately $0.5 million of the available funding must be used to satisfy the 1% cost-share requirement under the DOE grant, ensuring full access to the federal award.

Annual Budgets

The projects prioritized for reallocation are consistent with PSP principles, focusing on grid stability, and reliability, are operationally feasible, and can yield benefits within near term timeframes. Specifically, this reallocation will support the Substation Reliability Program, which includes installation and commissioning of replacement transformers and associated protection and control upgrades at critical substations to restore operational redundancy and reduce the risk of extended outages; the Transmission Pole and Conductor Repair Program, which addresses deteriorated transmission structures and associated hardware on high-risk 38kV and 115kV corridors to mitigate structural failure risks and improve transmission system reliability; and the Distribution Pole and Conductor Repair Program, which focuses on replacing high-risk distribution poles and deteriorated conductor components identified through system assessments to reduce safety hazards and outage exposure across the distribution system. Additional details on the specific substations and transmission lines that will be addressed through this reallocation are provided in **Section 2.2**. Importantly, the reduction in the Non-Federally Funded Capital portion of the PSP line item does not reflect a reduction in system stabilization needs. Rather, it reflects both the successful transition of previously identified PSP projects to federal funding sources and the timing of certain PSP projects. With several projects now funded through DOE and FEMA, and others having adjusted schedules (BESS and TL16800), the associated NFC originally included in the PSP line item is no longer required for those projects. As a result, the NFC originally allocated to those projects is being reallocated to other programs that address critical system reliability and infrastructure needs outside of the PSP project list.

Considering the significant levels of investments still required by the T&D System, and the direct benefits these investments will have in meeting customer needs, LUMA respectfully requests the Energy Bureau to authorize LUMA to reallocate those funds to critical infrastructure improvements.

2.2 Capital Budget – Non-Federally Funded Improvement Portfolios

There are some Program Briefs with minor budget reallocations that are not discussed in this narrative, as they are below the 5% threshold of their respective portfolio line items. Such adjustments do not impact program performance or the achievement of FY2026 objectives. The Program Briefs that fall below this threshold are mentioned at the beginning of each portfolio section.

CUSTOMER EXPERIENCE PORTFOLIO

Program Briefs with minor budget reallocations under this portfolio are Billing Accuracy & Back Office Program, Meter Replacement & Maintenance Program and New Business Connections Program.

- **New Business Connection Program** – The reallocation of $1.5 million to the New Business Connection Program is driven by a 15% increase in customer connection requests compared with the previous fiscal year. Each request requires evaluation, endorsement, inspection, and verification of compliance with construction and engineering standards. These activities are subject to mandatory response requirement established by the Puerto Rico Permits Management Office (OGPe). This increase in workload necessitates additional engineering, inspection, and technical resources to maintain service quality, uphold safety standards, and ensure timely regulatory compliance. Without the requested budget, LUMA could face operational risks, including delays in processing new service connections, increased customer dissatisfaction, accumulation of operational backlogs, and potential non-compliance with OGPe requirements. Moreover, delays in new connections could directly affect economic development projects that depend on timely access to electrical service. The requested

budget reallocation is therefore essential to maintain service delivery, meet LUMA's contractual obligations under Annex I, (I)(D) of the T&D OMA[11] , and support the increasing demand for new customer connections.

DISTRIBUTION PORTFOLIO

- **Grid Automation Program** – The reallocation of $3.0 million to the Grid Automation program is driven by two key factors. First, LUMA must align previously approved wildfire mitigation work funding with the programs in which the work will be executed. While the Energy Bureau approved $11.7 million for wildfire mitigation in the Compliance and Studies program as part of the provisional rate, a portion of those activities will be implemented operationally through this program. Second, the reallocation supports LUMA's prioritization of feeder-level reliability improvements. This includes targeting the existing work backlog on the worst-performing feeders, which directly would help reduce outages by addressing both the frequency and duration components of reliability. The planned scope includes ready-to-execute upgrade packages, hotspot corrections, infrastructure repairs, cutout installations or replacements, and the deployment of fault circuit indicators designed to reduce the likelihood of conductor faults and equipment failures. Delaying this work increases the risk of degraded reliability, more frequent and longer customer outages, and additional equipment failures.

- **Distribution Line Rebuild Program –** The reallocation of $4.3 million to the Distribution Line Rebuild Program is driven by two primary factors. First, LUMA must align previously approved wildfire mitigation work funding with the programs in which the work will be executed. While the Energy Bureau approved $11.7 million for wildfire mitigation in the Compliance and Studies program as part of the provisional rate, a portion of those activities will be implemented operationally through this program. Second, funds are needed to address system impacts associated with the continued growth of Distributed Energy Resources (DER). As DER penetration increases, largely driven by legislative mandates and automatic interconnection approvals, the system is experiencing voltage and thermal conditions that exceed the design limits on portions of the existing network and pose serious safety risks. Recent amendments to applicable law no longer allow LUMA to recover network upgrade costs from proponents until a new DER regulation is completed. Given this situation, and considering the urgent condition of the distribution system, LUMA is proposing to reallocate these upgrade costs into the NFC budget to enable the required improvements to be performed.

- **Distribution Pole & Conductor Repair Program** – The reallocation of $34.0 million to the Distribution Pole and Conductor Repair Program is driven by the need to replace over 1,500 distribution poles identified through the Distribution Line Assessment program as critical high-risk assets requiring timely intervention. The assessments identified multiple safety hazards, including structural degradation of poles and an increased likelihood of equipment failure, conditions that elevate the risk of outages and pose public safety concerns. To address these issues, the work will include replacing priority poles and correcting associated deficiencies, along with replacing damaged equipment, conductors, and hardware connected to these structures to ensure safe and reliable system performance. The blended average cost of replacement is approximately $16,700 per pole, reflecting the scope of work required to remove and replace deteriorated structures and associated equipment. Execution of this work will first be performed by internal resources, and, as those

[11] See T&D OMA Annex 1 (I)(D) Engineering Activities: "Operator shall be responsible for all engineering activities related to the operation of the T&D System, including, among others, the process to serve (evaluate and approve) new customers."

resources are maximized, additional work would be performed by external resources (including seconded resources and contractors). This approach allows for incremental expansion of execution capacity beyond existing internal capabilities, enabling LUMA to accelerate the replacement of high-risk assets and deliver measurable reliability and safety improvements for customers. These poles were not included in the FEMA Consolidated List or in Attachment A list, primarily due to limited 428 funding availability and the need to prioritize other projects within the federal funding framework. However, their exclusion from those lists does not diminish the operational and safety risks associated with their current condition.

TRANSMISSION PORTFOLIO

Program Brief with minor budget reallocation under this portfolio is the Transmission Line Rebuild Program.

- **OT Telecom System & Network Program**– The reallocation of $1.3 million to the OT Telecom System and Network Program is driven by the need to perform telecommunications restoration efforts, for approximately 10 miles across four critical fiber segments that require repair and restoration, and to install eight backup generators at key telecommunications facilities across the island. These facilities are essential to stabilizing the communication network that supports real-time grid monitoring, protection systems, and control center operations. These efforts provide direct operational benefits by improving system visibility, ensuring reliable data transmission for grid operations, and reducing the likelihood of communication-related failures that can delay outage response and system dispatch. Delaying these efforts would significantly compromise ongoing fiber upgrades and backup power installations and increase the risk of communication disruptions that undermine outage response, dispatch coordination, and overall grid reliability.

- **Transmission Priority Pole Replacements Program** – The reallocation of $11.8 million to the Transmission Priority Pole Replacements Program is driven by the need to repair and replace critical structural, insulation, and hardware deficiencies on 38 kV and 115 kV transmission corridors. This effort focuses on high risk structures along the following transmission paths: 3500 (Cachete Sector to Caparra Sector), 14900 (Quebradillas Sector to Quebradillas TO), 36800 (Canóvanas TC to Palmer TC), 10300 (Canóvanas TC to Canóvanas Sector), 13500 (Acacias TC to Cabo Rojo TO), 36800 (Palmer TC to Fajardo TC), 9000 (Garzas 1 HP to Peñuelas), 10100 (Las Lomas Sector to Reparto Metropolitano TO), 1500 (Once de Agosto Sector to Sabana Grande TO), 1000 (Villa Prades Sector to Capuchinos Sector), 1600 (León Sector to Acacias TC), and 14100 (Barceloneta TC to Merck). Field inspections on these lines have identified deteriorated poles, corroded or damaged hardware, compromised insulators, leaning structures, and locations with inadequate clearances, all of which significantly increase the risk of conductor contact, pole failure, and flashovers, particularly under high wind or heavy loading conditions. The proposed reallocation will fund replacement of the most critical structures, installation of new or upgraded insulators and cross arms, and remediation of guying and foundation issues required to maintain safe and reliable operation. Collectively, these corridors support over 100,000 customers across northern, eastern, and southern Puerto Rico, meaning that a single structure failure on any one of these lines can result in extended outages for entire communities and limit available contingency paths for the broader grid. By proactively replacing the highest-risk poles and associated equipment, this reallocation will reduce the probability of structure-related outages, improve compliance with applicable design and safety criteria, and enhance system resilience ahead of broader long-term reconstruction efforts.

Annual Budgets

SUBSTATION PORTFOLIO

Program Brief with minor budget reallocation under this portfolio is the Substation Physical Security Program.

- **Substation Rebuilds Program** – The reallocation of $3.0 million from the Substation Rebuilds Program to the Substation Reliability Program is driven by the need to align available funding with immediate system needs. While the Substation Rebuild Program continues to advance, several activities remain in early-stage planning, engineering, or assessment phases and are expected to extend into the next fiscal year. As a result, the funds currently allocated to this program are not required in the near term for program execution. The proposed reallocation of funds to the Substation Reliability Program, where immediate work is required to address aging infrastructure and support stabilization work, including transformer replacements at critical locations. This reallocation allows resources to be directed toward higher-priority reliability needs while not adversely affecting the progress or long-term execution of the Substation Rebuild Program.

- **Substation Reliability Program**– The reallocation of $6.3 million to the Substation Reliability Program is driven by emergent system-stabilization needs across aging substation infrastructure, including the replacement of transformers, battery banks, distribution and transmission relays, circuit breakers, remote terminal units, load tap changers, and underfrequency load-shedding equipment. Specifically, this work includes transformer replacements at key substations, including Rincon 7301, Quebradillas 7402, Aguadilla 7003, Aguas Buenas 3701, Santa Isabel 4401, the Isla Grande GIS, Crea 1717, and Juncos TC. Existing transformers at these locations are overloaded, in advanced stages of deterioration, or in some cases out of service, substantially increasing the risk of equipment failure and long-duration outages. The proposed reallocation enables civil works, electrical pre-installation, energization activities, and associated protection and control upgrades needed to place the new transformers and banks in service promptly upon arrival. Completing this work restores critical redundancy and operational flexibility, reduces customer exposure to extended interruptions, and avoids the inefficiencies and asset-management risks associated with storing major equipment indefinitely while necessary installation work remains unfunded.

  While these substations are under evaluation for the potential inclusion within the FEMA funding process, the condition of the assets requires near-term action to address immediate reliability and operational risks. Accordingly, the work proposed under this reallocation is to proceed using NFC to ensure the timely stabilization of these critical substations. In parallel to the execution of this work using NFC, LUMA will continue to pursue FEMA funding eligibility and, if determined eligible, will pursue reimbursements for the maximum allowable amounts. Accordingly, allocating funding for these activities will benefit customers in the near-term, without jeopardizing the ability to obtain federal funding in the future.

CONTROL CENTER & BUILDING

- **Regional Operations Physical Security Program** – The reallocation of $0.3 million from the Regional Operations Physical Security Program to the OT Telecom System and Network Program is driven by the need to prioritize current system needs, which include supporting urgent telecommunications restoration through the installation, repair, and upgrade of critical fiber infrastructure. As part of this reallocation, LUMA will defer planned expansions of closed-circuit television coverage, noncritical access control upgrades, and enhancements to physical monitoring

systems at select facilities. Deferring these activities allows LUMA to redirect resources to higher-priority tasks within the OT Telecom System and Network Program. Existing security controls and monitoring systems remain in place and continue to support the protection of critical infrastructure while allowing available resources to address urgent operational needs.

- **Facilities Development & Implementation Program** – The reallocation of $1.7 million from the Facilities Development & Implementation Program to Grid Automation and OT Telecom System and Network programs is driven by the need to prioritize current system needs, including worst-performing feeder upgrades, critical fiber segment repair and restoration, and backup generator installations. As part of this reallocation, this program will defer several non-critical facility improvement projects, including maintenance and enhancements to building infrastructure, heating, ventilation, and air conditioning (HVAC) system, and parking rehabilitations that do not affect core operational capabilities. This reallocation ensures that available funding is directed toward the most urgent operational needs without increasing risk or adversely affecting the integrity of LUMA's facility operations.

- **Critical Energy Management System Upgrades** – The reallocation of $1.7 million to the Critical Energy Management System Upgrades Program is driven by the need to prepare the Santurce Complex facilities to host the secondary EMS site. This project was not part of the incremental request included in the provisional budget; however, through this reallocation, LUMA can advance now this critical investment and enable successful completion of the secondary EMS. Because the facilities-related work is not included in the federally funded EMS project, the required facilities upgrades must be treated as NFC, necessitating this budget reallocation. Establishing the secondary site is essential to ensure system continuity in the event of a loss of the primary EMS location in Monacillo. Without this reallocation, the project would lack a defined budget for the necessary facility upgrades, creating a critical gap that would jeopardize both the deployment timeline and the resilience of the EMS infrastructure.

ENABLING PORTFOLIO

Program Briefs with minor budget reallocations under this portfolio are T&D Fleet Program, Project Management Software and Tools Program and Materials Management Program.

- **Compliance & Studies** – The reallocation of $14.5 million from the Compliance & Studies Program to the Distribution Pole & Conductor Repair Program, the Distribution Line Rebuild, and the Grid Automation Program is driven by the need to address critical distribution infrastructure conditions identified through distribution system assessments. A significant portion of the reallocated funds will support the Distribution Pole & Conductor Repair Program, which focuses on replacing high-risk distribution poles and deteriorated conductor components to reduce safety hazards and outage exposure across the distribution system. While the Energy Bureau approved wildfire mitigation funding under the Compliance & Studies Program as part of the provisional rate, the work performed must ultimately be implemented through the programs responsible for field execution (Distribution Line Rebuild and Grid Automation Program). This reallocation will defer certain circuit and substation studies; however, critical wildfire mitigation studies have been completed. Redirecting these funds ensures that available resources are focused on executing infrastructure improvements necessary to mitigate identified system risks and improve overall reliability.

Annual Budgets

- **Asset Data Integrity** – The reallocation of $1.9 million from the Asset Data Integrity Program to the Distribution Pole & Conductor Repair Program is driven by the need to replace high-risk distribution poles and deteriorated conductor components identified through system assessments to reduce safety hazards and outage exposure across the distribution system. As part of this reallocation, the implementation of enterprise Asset Management System enhancements, Asset Tagging improvements, and Geospatial Information System updates will be deferred for the next fiscal year. While these activities remain important for long-term improvements in asset management, the deferral does not affect the continued operation of existing systems, allowing available resources to be directed toward more immediate system needs.

- **Tool Repair & Management** – The reallocation of $2.3 million from the Tools Repair & Management Program to the New Business Connection Program and the OT Telecom System & Networks Program is driven by reduced funding requirements within the program during FY2026. Due to cash constraints experienced during the first half of FY2026, the acquisition of new fleet assets has been deferred. Therefore, procurement under this program has been limited to essential tools and equipment. As a result, program expenditures are lower than originally planned, freeing up funds for reallocation. These funds are being allocated to address increased customer connection demand and urgent telecommunications restoration needs

SUPPORT SERVICES PORTFOLIO

Program Brief with minor budget reallocation under this portfolio is the IT OT Collaboration & Analytics Program.

- **IT OT Asset Management** – The reallocation of $1.6 million from the IT OT Asset Management Program to the Critical Energy Management System Upgrades is driven by the need to complete facility upgrades required to support the deployment of a secondary EMS. As part of this reallocation, the program will defer conference room improvement and enhancement initiatives and reduce professional services related to Workforce Management System implementation. This reallocation does not impact on core operations and allows funds to be allocated to support higher-priority operational needs.

- **Critical Financial Systems** – The reallocation of $1.6 million from the Critical Financial Systems Program to the Distribution Pole & Conductor Repairs Program is driven by reduced funding requirements within the program during FY2026. Due to cash constraints experienced during the first half of the fiscal year, the Oracle Procure-to-Pay initiative has been paused, delaying its deployment. This pause does not affect ongoing operations, as current processes remain functional and continue to support normal operation levels. As a result, funds not required for these activities are being reallocated to support the replacement of high-risk distribution poles and deteriorated conductor components identified through system assessments to reduce safety hazards and outage exposure across the distribution system.

- **IT OT Enablement Program** – LUMA is reallocating $1.9 million from the IT OT Enablement Program to the Distribution Pole & Conductor Repairs Program is driven by reduced funding requirements within the program during FY2026. Following a recent company-wide reorganization, the program's need for new end-user devices, including laptops, monitors, and associated equipment, has decreased relative to the current allocated budget. As a result, the program does not require the full funding originally allocated for these purchases. Funds from this program are being reallocated to

support the replacement of high-risk distribution poles and deteriorated conductor components identified through system assessments to reduce safety hazards and outage exposure across the distribution system.

- **IT OT Cybersecurity Program** – The reallocation of $0.6 million from the IT OT Cybersecurity Program to the Distribution Line Rebuild Program is driven by reduced funding requirements within the program during FY2026. As the system is not yet fully digital, certain cybersecurity initiatives have been deferred, reducing the program's near-term funding needs. As a result, funds not required for these activities are being reallocated to support upgrades to distribution infrastructure, including improvements necessary to accommodate DER and enhance overall system reliability.

PRIORITY STABILIZATION PLAN

- **Priority Stabilization Plan -** The reallocation of $33.0 million from the Priority Stabilization Plan to Distribution Pole & Conductor Repair Program, Transmission Priority Pole Replacement Program, and Substation Reliability are detailed in **Section 2.1**.

Annual Budgets

3.0 Schedules

3.1 Summary[12,13]

(In $000's)

	FY2026			
	FY2026 Proposed Amendment	FY2026 Approved Budget	Variance ($)	Variance (%)
Transmission & Distribution				
GridCo Operating Expenditures	584,776	584,776	-	0%
GridCo Non-Federally Funded Capital Expenditures	180,057	180,057	-	0%
Total T&D Operating and Non-Federally Funded Capital Budget	**$ 764,833**	**$ 764,833**	**$ -**	**0%**
Federally Funded Capital Expenditures	763,190	1,207,157	443,967	37%
Generation				
GenCo Operating and Capital Expenditures	345,322	345,322	-	0%
HydroCo Operating and Capital Expenditures	13,639	13,639	-	0%
Total Generation Budget	**$ 358,961**	**$ 358,961**	**$ -**	**0%**
HoldCo Operating and Capital Expenditures	**$ 34,220**	**$ 34,220**		
Other				
LUMA Fee	139,368	139,368	-	0%
Genera PR Fee	25,161	25,161	-	0%
Bad Debts	62,893	62,893	-	0%
Bankruptcy and Advisor Costs	56,418	56,418	-	0%
Emergency Reserve Account	15,000	15,000		
Pension	307,475	307,475		
Total Other	**$ 606,315**	**$ 606,315**	**$ -**	**0%**

[12] T&D Expenditures include 2% reserve for excess expenditures, but T&D Operating Expenditures do not include Shared Services for GenCo, HydroCo, or HoldCo.
[13] Figures may not add due to rounding.

Annual Budgets

3.2 Improvement Portfolio Budget [13]

(In $000's)

Improvement Portfolio	FY2026 Proposed Amendment Federal Funded CapEx	Non-Federal Funded CapEx	OpEx	Total	FY2026 Approved Budget Federal Funded CapEx	Non-Federal Funded CapEx	OpEx	Total
Customer Experience	206,871	21,959	6,817	235,647	351,551	21,436	6,817	379,803
Distribution	131,433	69,954	-	201,387	273,922	28,612	-	302,534
Transmission	54,098	22,364	-	76,462	113,792	9,365	-	123,157
Substations	151,504	32,561	400	184,464	118,960	29,094	400	148,454
Control Center & Buildings	23,870	3,229	1,460	28,558	28,923	3,000	1,460	33,382
Enabling	180,636	12,284	100,466	293,387	278,590	32,538	100,466	411,595
Support Services	700	4,719	3,140	8,559	17,750	10,461	3,140	31,351
PSP	-	12,988	-	12,988	-	45,552	-	45,552
Subtotal	**749,113**	**180,057**	**112,283**	**1,041,452**	**1,183,487**	**180,057**	**112,283**	**1,475,827**
Other								
2% Reserve for Excess Expenditures[14]	14,077	3,601	2,246	29,517	23,670	3,601	2,246	29,517
Total Capital Expenditures	**763,190**	**183,658**	**114,528**	**1,070,969**	**1,207,157**	**183,658**	**114,528**	**1,505,344**

[14] The 2% calculation on the Federal Funded CapEx column is based solely on the federally funded budget approved by PREB. This percentage does not apply to the DOE special grant.

Annual Budgets

3.3 Improvement Portfolios - Total Capital Expenditures [13]

(In $000's)

Improvement Portfolio	FY2026 Total Capital Expenditures				=	FY2026 Federally Funded Contributions				+	FY2026 Non Federally Funded			
	Proposed Amendment	Approved Budget	Variance ($)	Variance (%)		Proposed Amendment	Approved Budget	Variance ($)	Variance (%)		Proposed Amendment	Approved Budget	Variance ($)	Variance (%)
Customer Experience	228,830	372,986	144,156	39%		206,871	351,551	144,679	41%		21,959	21,436	(523)	(2%)
Distribution	201,387	302,534	101,146	33%		131,433	273,922	142,489	52%		69,954	28,612	(41,342)	(144%)
Transmission	76,462	123,157	46,695	38%		54,098	113,792	59,694	52%		22,364	9,365	(12,999)	(139%)
Substations	184,064	148,054	(36,011)	(24%)		151,504	118,960	(32,544)	(27%)		32,561	29,094	(3,467)	(12%)
Control Center & Buildings	27,098	31,923	4,824	15%		23,870	28,923	5,053	17%		3,229	3,000	(229)	(8%)
Enabling	192,920	311,128	118,208	38%		180,636	278,590	97,954	35%		12,284	32,538	20,254	62%
Support Services	5,419	28,211	22,792	81%		700	17,750	17,050	96%		4,719	10,461	5,742	55%
PSP	12,988	45,552	32,564	71%		-	-	-	0%		12,988	45,552	32,564	71%
Subtotal	**929,170**	**1,363,544**	**434,375**	**32%**		**749,113**	**1,183,487**	**434,375**	**37%**		**180,057**	**180,057**	**(0)**	**0%**
Other														
2% Reserve for Excess Expenditures[1]	17,678	27,271	9,593	35%		14,077	23,670	9,593	41%		3,601	3,601		
Total Capital Expenditures	**946,848**	**1,390,815**	**443,967**	**32%**		**763,190**	**1,207,157**	**443,967**	**37%**		**183,658**	**183,658**		