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

IN RE: LUMA INITIAL BUDGETS AND RELATED TERMS OF SERVICE	**CASE NO.:** NEPR-MI-2021-0004 **SUBJECT**: **LUMA's Submission of Joint Reconciliation Plan Amendment in Compliance with Final Rate Order**

JOINT RECONCILIATION PLAN AMENDMENT IN COMPLIANCE WITH FINAL RATE ORDER

TO THE HONORABLE PUERTO RICO ENERGY BUREAU:

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

I. Introduction

1. On April 15, 2026, the Puerto Rico Energy Bureau ("Energy Bureau") issued a Final Resolution and Order on Electricity Rates ("Final Rate Order") in the proceeding *In Re: Puerto Rico Electric Power Authority Rate Review*, Case No. NEPR-AP-2023-0003. Among the determinations issued by the Energy Bureau in the Final Rate Order was a reconciliation amount of $98,641,949 for Fiscal Year ("FY") 2026. *See* Final Rate Order, Chapter Two, at 7. This amount is to be collected from customers during FY2027 and exceeds the Energy Bureau-determined revenue requirement for FY2027. *Id*. Since the revenue requirement for FY2027 reflects the system's needs for FY2027, the FY2026 reconciliation amount is technically a surplus relative to the system's FY2027 needs. *Id*. The Energy Bureau stated that it recognized that the FY2026 reconciliation amount reflects revenues the system needed during FY2026 but did not technically

receive in FY2026. *Id*. It is therefore expected that, during FY2026, one or more of the utilities would have carried out activities to spend those funds, but did not. *Id*.

2. Consequently, the Energy Bureau directed LUMA to propose a joint plan agreed on by the three utilities on how they propose to spend the reconciliation amount during FY2027. *See* Final Rate Order, Chapter Two, at 7. The joint plan should be submitted as an amendment to the FY2027 Budget. *Id*. The plan should describe the projects, the specific utility department responsible for each project, each project's total cost, and the approximate timing of spending. *Id*.

3. On May 15, 2026, LUMA filed a *LUMA's Request for Extension of Time to Submit Joint Reconciliation Plan Amendment in Compliance with Final Rate Order* in Case No. NEPR-AP-2023-0003, whereby it requested an extension on its behalf and on behalf of Genera PR, LLC ("Genera"), to comply with the Final Rate Order.

4. Thereafter, on May 19, 2026, the Energy Bureau issued a Resolution and Order in this instant proceeding granting the extension requested by LUMA and Genera, and directing LUMA to file the Joint Reconciliation Plan Amendment and any subsequent pleadings, motions, or filings concerning that amendment in this proceeding.

5. LUMA hereby submits the proposed FY2027 LUMA's Reconciliation Plan Amendment as *Exhibit 1* to this Motion ("LUMA's Reconciliation Plan"). Consistent with the approved revenue requirement, the proposed reconciliation amount has been distributed as follows: sixty-two percent (62%) to LUMA, sixteen percent (16%) to Genera, and three percent (3%) to the Puerto Rico Electric Power Authority ("PREPA"), with the remaining balance allocated to other system-related requirements and adjustments contemplated within the reconciliation framework.

II. LUMA's Portion of the Reconciliation Plan Amendment Submission ("LUMA's Reconciliation Plan").

6. LUMA's proposed reconciliation focuses on thirty-two (32) projects that were approved under the Final Rate Order. *See* LUMA's Reconciliation Plan, Section 1.1. In addition, the plan includes five (5) operationally necessary corrective maintenance and reliability preservation projects. *Id*., Section 1.2. Overall, the proposed projects prioritize operational continuity, facilities integrity, cybersecurity, operational technology resilience, restoration readiness, corrective maintenance, and protection of critical utility assets.

A. Projects Approved Under the Final Rate Order

7. Regarding the Reconciliation Plan, the Final Rate Order only requires LUMA to describe the projects, the specific utility department responsible for each project, each project's total cost, and the approximate timing of spending. *See* Final Rate Order, Chapter Two, at 7. No other guidelines or standards of review were provided by the Energy Bureau for this submittal.

The projects outlined below have already been approved by the Energy Bureau in the Final Rate Order. Thus, LUMA outlines them with reference to the determinations made in the Final Rate Order and the supporting documentation and testimony part of the evidentiary record.

8. The thirty-two (32) projects are divided into three portfolios: the Control Center and Building Portfolio, for which LUMA is requesting an allocation of $8.68 million, the Enabling Portfolio, for which LUMA is requesting $2.35 million, and the Support Services Portfolio, for which LUMA is requesting the Energy Bureau to allocate $19.90 million. In developing this proposed reconciliation, LUMA prioritized projects that support operational continuity, workforce readiness, cybersecurity, and operational technology resilience, facilities integrity, and other functions necessary to sustain safe and reliable operations. The projects below are executable initiatives intended to address current operational and infrastructure needs.

9. LUMA's proposal for transmission and distribution system ("T&D System") spending complies with said directive by identifying the projects, responsible portfolio, FY2027 timing, and proposed use of the reconciliation amount for T&D System needs that LUMA could not fund in FY2026. The rate case record contains evidence supporting the following projects and activities that LUMA includes in its Reconciliation Proposal.

1. Control Center and Building Portfolio

10. Closed-Circuit Television Systems and Access Customer Experience Facility- The project has a total cost of $30,000, and spending spans from July 2026 through June 2027. *See* LUMA's Reconciliation Plan, Section 1.1. The Closed-Circuit Television Systems and Access Customer Experience Facility project supports the installation of closed-circuit television systems and electronic access controls across Customer Experience facilities and contact center operations. The project is owned by the Corporate Security Department and identified in the rate case record as part of PBUT19, "Regional Operations Physical Security," within the Control Center & Buildings portfolio, under the line item "CCTV&accessCustomerExpFacility." Ex. 2.05.

11. For LUMA, Ms. Michelle Fraley testified that Corporate Security requested non-federal capital funds for technology adoption, life-cycle replacement of electronic access control and CCTV equipment transferred from PREPA, and related physical security hardware. Ex. 13.0, at 12:220-225. She further testified that approximately 70 to 75 percent of the electronic access control and CCTV equipment is past its recommended useful life, that the requested funds would support preventative maintenance of new CCTV equipment, and that Corporate Security planned to install up to 25 additional cameras per year to implement the Regional Operations Facilities Physical Security Program. *Id.,* at 12:225-228-13:229-230.

12. In the Final Resolution and Order, the Energy Bureau described PBUT19 as the program that funds CCTV replacement, electronic access control upgrades, and fence repairs at regional and technical facilities and warehouses. *See* Final Rate Order Chapter Three, at 238. Based on that record, the Energy Bureau approved the Optimal Budget for non-federal capital expenditures on Substation Physical Security and Regional Operations Facilities Physical Security, finding that maintaining physical safety at LUMA's substations and facilities, including working cameras and access control systems, is essential for safe and reliable service. *Id.*

13. Approval of the requested $30,000 for the Closed-Circuit Television Systems and Access Customer Experience Facility project is therefore consistent with the Energy Bureau's findings, the administrative record, and the purpose of the FY2027 reconciliation plan budget amendment that the Energy Bureau directed in Chapter Two of the Final Rate Order. The Energy Bureau has already determined that PBUT19 addresses the necessary physical security investments and has approved the optimal capital budget for Regional Operations Facilities Physical Security, as working CCTV and access control systems are essential for safe and reliable service. Using a portion of the FY2026 reconciliation amount for this project in FY2027 furthers the Energy Bureau's directive to identify FY2026-supported activities to be performed through a budget amendment, rather than leaving needed physical-security work unfunded because the associated FY2026 revenues were not received during FY2026.

14. The Energy Bureau should authorize LUMA to use $30,000 from the reconciliation amount for the Closed-Circuit Television Systems and Access Customer Experience Facility project in the FY2027 budget. This is supported by the record and the Energy Bureau's own Final Rate Order approving the full optimal non-federal capital budget for Regional Operations Facilities Physical Security.

a. Facilities Department

15. LUMA's reconciliation proposal includes ten (10) projects of the Facilities Department that were supported by the rate case testimony of Mr. Miguel Sosa, Ex. 17.0: (i) Generator Acquisitions, (ii) Water Cistern, Heating, (iii) Ventilation, and Air Conditioning Replacement, (iv) Caguas Regional Project II, (v) Bayamón Regional Projects, (vi) Ponce Regional Projects, (vii) Arecibo Regional Projects, (viii) Mayagüez Regional Projects, (ix) San Juan Regional Projects, and (x) Hormigueros Contact Center Relocation and Consolidation. As the record shows, LUMA's Facilities Department is responsible for maintaining resilient, efficient, and safe facilities for employees and customers, including suitable workspaces for employees operating the transmission and distribution system and properly maintained buildings for customers to conduct business safely and efficiently. *See* LUMA's Revenue Requirement Brief ("LUMA's RR Brief"), at 52, 56; Ex. 17.0, at 5:111-114-6:115-117. The record before the Energy Bureau establishes that many facilities remained in poor condition and that maintenance historically had been performed in a reactive, "run-to-failure" mode. *Id.*, at 11:249-252.

16. As explained in LUMA's Revenue Requirement Brief, the Facilities budget was developed through a bottom-up process using internal analyses, external validations, vendor quotes, bidding results, historical materials and records, utility norms and standards, and multi-level review processes. LUMA's RR Brief, at 52-53. The non-federal capital projects, including those that LUMA is including in its reconciliation proposal, were prioritized using a risk-based weighted methodology that prioritized safety and compliance needs. *Id.*, at 53.

17. The record also establishes that these Facilities projects are not discretionary enhancements, but rather safety, compliance, storm-readiness, and operational-continuity measures that support LUMA's ability to operate the T&D system. *Id.*, *see also* Ex. 17.0, at 28-

29:567. The functions of the Facilities Department are required by the T&D OMA, further Puerto Rico's energy public policy, and help meet regulatory requirements, including building codes and OSHA requirements. LUMA's RR Brief, at 52. The record also includes evidence that no reasonable alternatives were identified other than replacing generators, water cisterns, and HVAC units, executing critical construction repairs, and restoring fire alarm and suppression systems to code. Ex. 122. Timely execution is necessary to minimize operational risk and avoid extended service interruptions. *Id.*

18. Generator Acquisitions- The project has a total cost of $1.3 million, and spending spans from July 2026 through June 2027. *See* LUMA's Reconciliation Plan, Section 1.1. As LUMA states in its Reconciliation Proposal, Section 1.0, this project supports the acquisition and replacement of 86 backup generators across operational facilities throughout the island. The record supports the use of FY2027 reconciliation funds for this project because the rate case evidence established that 86 emergency generators across LUMA facilities are obsolete, have exceeded their useful lives, and require replacement or significant retrofit to assure performance during power outages. Ex. 17.0, at 38:739. Mr. Sosa testified that frequent failures of these generators threaten operational continuity, particularly during hurricane season, and that loss of backup power directly affects grid reconstruction efforts and endangers employee safety and comfort. *Id.* If generators fail during critical events, they can compromise life-protection systems, emergency lighting, fire suppression equipment, and other critical infrastructure. LUMA's RR Brief, at 55. The Energy Bureau's Final Resolution and Order recognized this record, finding that 86 generators island-wide are obsolete and that backup power failures threaten operational continuity, particularly during hurricane season. Final Rate Order, Chapter 3, at 226.

19. Water Cisterns- The project has a total cost of $100,000, and spending spans from July 2026 through June 2027. *See* LUMA's Reconciliation Plan, Section 1.1. Mr. Sosa identified obsolete cistern infrastructure as a facilities need affecting emergency preparedness and operational continuity. LUMA's RR Brief, at 55. Replacing water cisterns is necessary because no reasonable alternative existed to ensure clean water, adequate health and safety protections, and compliance with current building and safety codes. Ex. 122. Continued patchwork maintenance would lead to higher long-term costs, whereas full replacement was required to minimize operational risk and avoid extended service interruptions. *Id.* The Energy Bureau expressly recognized the evidentiary basis for this project, finding that the record supports the conclusion that 69 island-wide cisterns are obsolete and that a reliable water supply is essential for emergency preparedness. *See* Final Rate Order, Chapter Three, at 224.

20. Heating, Ventilation, and Air Conditioning Replacement- The project has a total cost of $1.1 million, and spending spans from July 2026 through June 2027. *See* LUMA's Reconciliation Plan, Section 1.1. The record supports the project because Mr. Sosa testified that LUMA must retrofit or replace HVAC units in multiple buildings due to more than ten years of inadequate maintenance. Ex. 17.0, at 28:567. Mr. Sosa identified specific replacements at critical locations, including La Torre, Luchetti, JRV, and NEOS. *Id*. HVAC replacement is necessary because no reasonable alternatives exist. Ex. 122. Identified generators and HVAC systems were damaged beyond cost-effective repair, and deferring repairs would pose safety, environmental, property loss, and operational interruption risks. *Id*. The Energy Bureau found that the record reflected safety-related repairs, including HVAC replacements, and determined that HVAC system replacement across critical facilities is necessary. *See Final* Rate Order, Chapter Three, at 224.

21. Caguas Regional Project II- The project has a total cost of $600,000, and spending spans from July 2026 through June 2027. *See* LUMA's Reconciliation Plan, Section 1.1. This project supports the reconstruction of the failed retaining wall at the Caguas operational facility. The rate case record supports the project as part of LUMA's broader Caguas regional safety remediation program. Mr. Sosa's testimony identified Caguas regional safety issues requiring major repairs to the Carolina complex. Ex. 17.0, at 38:739. Mr. Sosa further testified that these conditions are incompatible with a safe and functional work environment. *Id*. This evidence supports allowing LUMA to use reconciliation funds for Caguas facilities work because the project falls within the same adjudicated facilities-safety need that the Energy Bureau already considered and accepted.

22. Bayamón Regional Projects- The project has a total cost of $1 million, and spending spans from July 2026 through June 2027. *See* LUMA's Reconciliation Plan, Section 1.1. This project supports the replacement of the existing fire suppression system at the Palo Seco facility. Mr. Sosa explained that the Cataño fleet shop does not comply with safety codes and poses a safety risk to LUMA employees. Ex. 17.0, at 38:739. The Energy Bureau recognized the need for this project, finding that the Cataño fleet shop's fire alarm, fire suppression, and grease trap replacements posed urgent safety-code compliance issues. *See* Final Rate Order, Chapter Three, at 225. Thus, the administrative record supports the use of reconciliation funds for the proposed work that addresses the same urgent code-compliance and employee-safety issues considered and accepted in Case No. NEPR-AP-2023-0003.

23. Ponce Regional Projects- The project has a total cost of $300,000, and spending spans from July 2026 through June 2027. *See* LUMA's Reconciliation Plan, Section 1.1. As the record shows, Mr. Sosa testified that the Ponce region has multiple safety issues, including

damaged fire suppression systems; damaged trailer offices at various locations; stormwater issues; damaged structures requiring demolition; parking areas requiring asphalt work in Ponce and Santa Isabel; and warehouse issues. Ex. 17.0, at 38:739. Mr. Sosa further testified that some of the Ponce projects were already underway, and that failure to complete improvements would put safety and regional operational stability at risk. *Id.* In the Final Rate Order, the Energy Bureau held that the record identifies damaged fire suppression systems, structures requiring demolition, and warehouse repairs for the Ponce Region Projects. *See* Final Rate Order, Chapter Three, at 225. The evidence and Energy Bureau findings support the use of reconciliation funds for the Ponce Regional Project. The work addresses documented safety, stormwater, structural, and operational-continuity risks.

24. Arecibo Regional Projects- The project has a total cost of $500,000, and spending spans from July 2026 through June 2027. *See* LUMA's Reconciliation Plan, Section 1.1. This project supports the replacement of deteriorated waterproofing systems and structural repairs associated with corrosion-related damage at operational facilities within the Arecibo region. Mr. Sosa testified that Arecibo regional safety issues required repairs to the Arecibo warehouse and Operations Building. Ex. 17.0, at 38:739. Mr. Sosa further testified that failure to act could result in partial or total collapses, with severe legal and human consequences. *Id.* He also testified that the projects had already started and were in the evaluation and design phase. *Id.* The Energy Bureau found that the record documents warehouse and operations building have safety issues that, if left unaddressed, pose a risk of partial or total structural collapse. *See* Final Rate Order, Chapter Three, at 224-225. Thus, the rate case record supports the use of reconciliation funds because the project addresses facility integrity and safety risks identified by LUMA's Facilities witness and recognized by the Energy Bureau.

25. Mayagüez Regional Projects- The project has a total cost of $500,000, and spending spans from July 2026 through June 2027. *See* LUMA's Reconciliation Plan, Section 1.1. This project supports the replacement of deteriorated waterproofing systems and structural repairs associated with corrosion-related damage at operational facilities within the Mayagüez region. Mr. Sosa testified that the Mayagüez regional work involves fleet shop reconditioning and Customer Experience roof waterproofing. Ex. 17.0, at 38:739. Mr. Sosa further testified that existing conditions in Mayagüez jeopardize the continuity of critical operations and may lead to unexpected shutdowns or major incidents. *Id*. He also testified that the projects had been underway since FY2025 and were in the design and specification development phase. *Id*. The Energy Bureau found that Mayagüez fleet shop reconditioning and Customer Experience roof waterproofing address operational continuity and safety. *See* Final Rate Order, Chapter Three, at. 225. The rate case record supports using reconciliation to finance work directly tied to safety, facility integrity, and continuity of regional operations, as considered and approved therein.

26. San Juan Regional Projects-The project has a total cost of $2.5 million, and spending spans from July 2026 through June 2027. *See* LUMA's Reconciliation Plan, Section 1.1. This project supports multiple facility improvements at operational locations in the San Juan region, including the replacement of fire pump control infrastructure, emergency exit repairs, and the rehabilitation of deteriorated waterproofing and structural components. Mr. Sosa identified critical building repairs in the San Juan region associated with facilities that support essential utility operations. Ex. 17.0, at 38:739.

27. Mr. Sosa further testified that urgent improvements at La Torre and NEOM were needed to support the energy load of new equipment, including an electrical generator to ensure continuous operation. *Id.* He also testified that SCADA or DOC failure could cause massive

blackouts or prevent proper network monitoring, thereby compromising facility safety. *Id.* The Energy Bureau recognized that the San Juan campus includes critical infrastructure supporting SCADA and grid operations. *See* Final Rate Order, Chapter Three, at 225. The rate case record, therefore, supports the use of reconciliation funds for the San Juan Regional Projects to protect facilities that support critical grid monitoring, dispatch, and operational continuity functions.

28. Hormigueros Contact Center Relocation and Consolidation-The project has a total cost of $750,000, and spending spans from July 2026 through June 2027. *See* LUMA's Reconciliation Plan, Section 1.1. This project supports relocation and consolidation of the Hormigueros Contact Center and associated operational functions. As the rate case administrative record establishes, Mr. Sosa identified the Hormigueros Contact Center and Mayagüez Customer Experience relocation as an opportunity to maximize the Hormigueros contact center property and consolidate other operations, including San Germán and Mayagüez. Ex. 17.0, at 29:567. The Energy Bureau recognized the economic justification for the project, stating that consolidating the Hormigueros contact center with the San Germán and Mayagüez operations would yield $250,000 in annual lease expense reductions. *See* Final Rate Order, Chapter Three, at 226. Thus, the administrative record supports the use of reconciliation for projects that advance operational consolidation, improve the use of LUMA facilities, and reduce lease costs.

29. Hearing testimony further reinforces the reasonableness of using FY2027 reconciliation funds for non-federal capital ("NFC") projects of the Facilities Department that were supported in the rate case record. Mr. Sosa testified at the hearing that the Facilities Department's non-federal capital projects cannot be federally funded. Tr. 12/04, 291:21-25. Mr. Sosa explained that deferring safety needs at LUMA facilities poses risks to building compliance and safety, and

could result in fines for operating buildings without necessary permits. Tr. 12/04, 362:15-25-363:1-6.

30. In sum, the rate case administrative record supports the conclusion that the Facilities projects are necessary, non-federally funded, and tied to safety, compliance, cost control, and operational continuity. The Energy Bureau's own determinations confirm that the record supports the need for these department-owned Facilities projects. The Final Rate Order approved the specific Facilities projects now included in the reconciliation proposal, including water cisterns; heating, ventilation, and air conditioning replacement; Arecibo, Bayamón, Mayagüez, Ponce, San Juan, Caguas; generator acquisitions; and Hormigueros Contact Center consolidation. The Energy Bureau already had before it substantial record evidence regarding the need, nature, and operational purpose of these projects.

31. The Energy Bureau should find that LUMA's proposed use of reconciliation funds for these projects for the Facilities Department that are included in LUMA's Reconciliation Proposal is supported by the rate case record and is consistent with the Final Rate Order Chapter Two directive. The Energy Bureau should approve the requested FY2027 budget amendment for these projects from the reconciliation total because they are supported by the rate case administrative record, are not federally funded, and are critical to safety and operational needs.

2. Enabling Portfolio

32. Alternate Emergency Operations Center-The project has a total cost of $1.35 million, and spending spans from July 2026 through July 2027. *See* LUMA's Reconciliation Plan, Section 1.1. In the Final Rate Order, the Energy Bureau determined that the development of an Alternate Emergency Operations Center is necessary. *See* Final Rate Order, Chapter Three, at 242. It noted that although LUMA could use the state-run Emergency Operations Center if its

primary is unavailable, relying on an external facility is less effective and uncertain because the state facility may not always be open when needed. *Id*., at 242-243. LUMA's witness, Ms. Michelle Fraley, testified that without the Alternate Emergency Operations Center, LUMA would be "very limited" in its crisis operations and "would fail at meeting the PREB standards of all the requirements during an emergency." Tr. 12/5 184:3-15. Moreover, the Alternate Emergency Operations is described as a legal requirement under PREPA's enabling law, Act 83 of May 2, 1941, which requires contingency plans. *See* LUMA's RR Brief, at 64.

33. LUMA's goal is to have an Alternate Emergency Operations Center identified and test Initial Operational Capability ("IOC"). The Alternate Emergency Operations Center is not intended to replicate the primary Emergency Operations Center, but to allow LUMA to physically operate critical capabilities while leveraging virtual tools to integrate remote support capabilities, such as Legal Officer, Procurement Officer, and Finance Section. Ex. 864. Having an Alternate Emergency Operations Center is critical if the primary Emergency Operations Center becomes inoperable due to power loss or emergencies such as flooding or structural damage. The Alternate Emergency Operations Center would have, at a minimum, the IT infrastructure necessary to connect to the LUMA network, data, and applications, ensuring business continuity. Ex. 12.00 at 14:281-287. Establishing an Alternate Emergency Operations Center will ensure continuity of operations if the primary facility becomes unavailable. The project is the responsibility of the LUMA Emergency Preparedness Department.

34. Asset Management Information System — The project has a total cost of $700,000, and spending spans from July 2026 through July 2027. *See* LUMA's Reconciliation Plan, Section 1.1. The Energy Bureau approved this project at the constrained spending level in the Final Rate Order. *See* Final Rate Order, Chapter Three, at 96. This project falls under the PBUT27 (Asset

Data Integrity) program brief, which describes the ongoing configuration of Asset Suite (the enterprise asset management solution) as an in-progress activity, which includes leveraging "a phased approach to implementation based on asset criticality, and then extend[ing] to other asset categories such as substations and telecom." Ex. 5.14. The project is described as the "[c]onfiguration of an enterprise asset management solution to manage the end-to-end asset lifecycle from planning, design, build, operate & maintain to retire. Development and tracking of asset management programs to enable the transition from run-to-failure to preventative maintenance based on asset criticality." Ex. 144.1. It establishes a Transmission Line Naming Standard and an Asset Suite configuration to support comprehensive management of transmission lines, segments, and spans. *See* LUMA's Reconciliation Plan, Section 1.1. These enhancements will strengthen LUMA's ability to accurately track and report work performed on transmission assets, improving operational excellence and data integrity. *Id*.

35. Geographic Information System ("GIS") Improvements — The project has a total cost of $300,000, and spending spans from July 2026 through July 2027. *See* LUMA's Reconciliation Plan, Section 1.1. The Energy Bureau approved this project at the constrained spending level in the Final Rate Order. *See* Final Rate Order, Chapter Three, at 96. The Final Rate Order extensively discusses how the development and improvement of the GIS program are closely tied to the Asset Data Integrity program (PBUT27). *Id.,* at 92. Accurate GIS data is a prerequisite for the effective functioning of nearly all other modern electric systems, including the Outage Management System, the Advanced Distribution Management System, and accurate system modeling and planning. *Id*., at 93. The System Remediation Plan identified that PREPA's existing GIS had "significant gaps," including a "large backlog of work stretching back a decade that has not been captured in the GIS," and that "[t]he accuracy of some of the existing GIS asset

and connectivity data is in question." Ex. 490, at 210. The project is described as "[i]mprovement to Geographical Information System's asset and connectivity data to enable accurate modeling, operations and planning of the Transmission and Distribution System." Ex. 144.1. It enhances the accuracy and functionality of LUMA's electrical network model in preparation for the Advanced Distribution Management System ("ADMS") by implementing connectivity validation rules, integrating field redlines through Network Pro, and increasing automation to reduce manual work. *See* LUMA's Reconciliation Plan, Section 1.1. It also modernizes underground system data, introduces improved symbology and transmission line features for better usability. *Id*.

3. Support Services Portfolio

36. As the Energy Bureau recognized in its July 31, 2025, Provisional Rate Order, LUMA's IT/OT requests totaling $18.7 million were denied provisional funding. Ex. 612. These denials were expressly characterized as interlocutory, with the Energy Bureau stating that determinations on ultimate need or prudence would be addressed in the permanent-rate phase. *Id.*

37. In the Final Rate Order, the Energy Bureau acknowledged that IT/OT form the electric system's nervous system, they sense, decide, dispatch, record, and report, and that cybersecurity keeps those systems available, trustworthy, and recoverable. *See* Final Rate Order, Chapter Six, at 24. The Energy Bureau further noted that customers do not see most IT/OT, or cybersecurity work, but they pay for it and bear the consequences when it fails. *Id*. LUMA's Chief Information Officer testified that LUMA manages a significant portfolio of public utility assets and the private and financial information of its nearly 1.5 million customers, and that protecting the confidentiality, integrity, and availability of the company's digital and operational assets is critical to ensure the safe, secure, and reliable delivery of energy. Ex. 11.0 at 6:116-120.

38. The Support Services Portfolio projects described herein total $19.90 million and address critical technology, cybersecurity, and enterprise system needs that the system required during FY2026 but could not fund due to the gap between the permanent revenue requirement and the provisional revenue requirement in effect during that fiscal year. These projects fall within the IT/OT and Cybersecurity Department as well as other Support Services functions, which together form the backbone of LUMA's ability to operate, innovate, and serve Puerto Rico safely, reliably, and securely. Ex. 11.0 at 6:121-127.

39. The projects in this plan are drawn from the four primary IT/OT capital programs: Cybersecurity (PBIT2), Enablement (PBIT3), Asset Management (PBIT4), and Collaboration and Analytics (PBIT5), as well as enterprise systems that support coordination across the utility operations. *See* Final Rate Order, Chapter Six, at 28-29. Each project addresses a documented gap or risk, is consistent with LUMA's approved System Remediation Plan, and aligns with the IT/OT Department's bottom-up, operationally grounded budget development process. Ex. 11.0 at 17:335-344.

a. Cybersecurity Projects

40. Vulnerability Discovery (OT)- The project has a total cost of $310,000, and spending spans from July 2026 through December 2027. *See* LUMA's Reconciliation Plan, Section 1.1. This project is listed under the IT/OT Cybersecurity Program (PBIT2) in LUMA's project and budget overview for FY26–FY28. Ex. 906.2. It establishes capabilities for operational technology to identify assets, set configuration baselines, analyze vulnerabilities, and continuously monitor critical environments. *See* LUMA's Reconciliation Plan, Section 1.1. These capabilities will provide structured visibility into operational technology, strengthening LUMA's ability to detect equipment degradation, prevent misconfiguration, and mitigate cyber-induced failure to

support service reliability and continuity. *Id*. The project falls within the IT/OT Cybersecurity Program (PBIT2) and is the responsibility of the LUMA IT/OT Department.

41. Cloud-Based External Attack Surface Management Solutions- The project has a total cost of $550,000, and spending spans from July 2026 through October 2027. *See* LUMA's Reconciliation Plan, Section 1.1. This project is listed under PBIT2 (IT/OT Cybersecurity Program) as "Cloud-based external attack surface management (EASM) solutions." Ex. 906.2. It deploys a platform that continuously discovers and monitors all internet-facing assets across cloud, hybrid, and on-premises environments, closing blind spots where forgotten endpoints or misconfigured services may expose systems supporting transmission and distribution operations. *See* LUMA's Reconciliation Plan, Section 1.1. Establishing this external visibility strengthens operational, security, and compliance performance in alignment with recognized industry cybersecurity standards. *Id*. The project is the responsibility of the LUMA IT/OT Department.

42. Structured Data Protection Implementation- The project has a total cost of $570,000, and spending spans from July 2026 through June 2027. *See* LUMA's Reconciliation Plan, Section 1.1. This project is listed under PBIT2 (IT/OT Cybersecurity Program) as "Structured Data Protection Implementation - High Priority." Ex. 906.2. It implements automated discovery, classification, access monitoring, and lifecycle governance for sensitive structured data across databases, enterprise applications, and file systems. *See* LUMA's Reconciliation Plan, Section 1.1. These capabilities strengthen protection against unauthorized access or data leakage and support compliance. *Id*. The execution of this project extends beyond FY2027. *Id*. The project is the responsibility of the LUMA IT/OT Department.

43. Network Segmentation Phase 2- The project has a total cost of $510,000, and spending spans from July 2026 through June 2027. *See* LUMA's Reconciliation Plan, Section 1.1.

This project is listed under PBIT2 (IT/OT Cybersecurity Program) as "Network Segmentation - Phase 2" and is also categorized as a "System Reliability" priority in LUMA's initiative listing. Ex. 906.2. It strengthens isolation between information technology, operational technology, supervisory control and data acquisition ("SCADA"), and substation networks by deploying next-generation internal firewalls, expanding micro-segmentation, and enforcing deep packet inspection and intrusion prevention across internal zones. *See* LUMA's Reconciliation Plan, Section 1.1. These controls improve containment of cybersecurity events and align with recognized industry cybersecurity standards. *Id*. The project is the responsibility of the LUMA IT/OT Department.

44. Network Detection & Response — Next Generation IDS- The project has a total cost of $350,000, and spending spans from July 2026 through June 2027. *See* LUMA's Reconciliation Plan, Section 1.1. This project is listed under PBIT2 (IT OT Cybersecurity Program) as "Network Detection & Response (NDR) - Next Generation IDS." Ex. 906.2. It delivers behavioral network monitoring and response across information technology, operational technology, and cloud environments to detect lateral movement, anomalous behavior, and post-exploitation activity that traditional signature-based tools cannot detect. *See* LUMA's Reconciliation Plan, Section 1.1. These real-time behavioral detection capabilities enhance early threat identification, protect systems that support transmission and distribution operations, and align with recognized industry cybersecurity standards. *Id*. The project is the responsibility of the LUMA IT/OT Department.

b. Enablement and Workforce Technology Project

45. End User Device Management- The project has a total cost of $4.56 million, and spending spans from July 2026 through June 2027. *See* LUMA's Reconciliation Plan, Section 1.1. This

project falls under PBIT3 (IT/OT Enablement Program). Ex. 906.2. The IT/OT Enablement Program historically included the replacement of end-of-life end-user devices (approximately 2,000 laptops, 550 desktops, 1,200 ruggedized tablets, and 2,300 mobile devices). Ex. 919 at 383. LUMA's Chief Information Officer's rate case testimony describes the program as focusing on improving end-user device management and on establishing standards and a lifecycle refresh. Ex. 11.0 at 12:254-255. This project replaces aging, obsolete, and unsupported workforce devices essential for outage response, field operations, customer service, cybersecurity response, engineering, and collaboration. *See* LUMA's Reconciliation Plan, Section 1.1. Replacing these devices reduces emergency failures, lowers ongoing maintenance costs, expedites procurement, minimizes productivity loss, and reduces cybersecurity exposure, strengthening overall service continuity. *Id*. The project is the responsibility of the LUMA IT/OT and Cybersecurity Department, Technology Enablement subdivision.

c. Asset Management and Infrastructure Projects

46. Network Tools for Troubleshooting- The project has a total cost of $260,000, and spending spans from July 2026 through June 2027. *See* LUMA's Reconciliation Plan, Section 1.1. The Energy Bureau approved this project at the requested spending level in the Final Rate Order. *See* Final Rate Order, Chapter Six, at 44. This project is listed under IT/OT in the initiative listing with "Operation Effectiveness" priority. Ex. 906.2 It acquires modern network visibility and diagnostic tools to stabilize deteriorated backbone networks in information technology and operational technology environments until rebuilds begin, reducing time-consuming manual troubleshooting and unnecessary field deployments. *See* LUMA's Reconciliation Plan, Section 1.1. The tools enable faster fault identification and remediation, helping prevent conditions on

operational technology networks that could cause remote terminal units to go offline. *Id*. The project is the responsibility of the LUMA IT/ Department.

47. IT Production Migration to Cloud- The project has a total cost of $460,000, and spending spans from July 2026 through June 2027. *See* LUMA's Reconciliation Plan, Section 1.1. The Energy Bureau approved this project at the requested spending level in the Final Rate Order. *See* Final Rate Order, Chapter Six, at 44. This project is under PBIT4 (IT/OT Asset Management). Ex. 906.2 It migrates legacy information technology production systems to cloud platforms to improve efficiency, automation, security, and resilience compared with on-premises environments. *See* LUMA's Reconciliation Plan, Section 1.1. Cloud migration reduces operational overhead, lowers the likelihood of service-impacting failures, and modernizes critical functions that support utility operations. *Id*. The project is the responsibility of the LUMA IT/OT Department.

48. VDI For Azure Virtual Desktop- The project has a total cost of $300,000, and spending spans from July 2026 through June 2027. *See* LUMA's Reconciliation Plan, Section 1.1. The Energy Bureau approved this project at the requested spending level in the Final Rate Order. *See* Final Rate Order, Chapter Six, at 44. This project is under PBIT4 (IT/OT Asset Management). Ex. 906.2; Ex. 11.04. It centralizes end-user computing on Microsoft Azure Virtual Desktop to strengthen data protection, access controls, and the reliability of remote work. *See* LUMA's Reconciliation Plan, Section 1.1. A centralized platform increases configuration consistency, reduces device-level vulnerabilities, and supports secure, dependable operations for personnel across the organization. *Id.* The project is the responsibility of the LUMA IT/OT Department.

49. Workforce Management System- The project has a total cost of $1.35 million, and spending spans from July 2026 through June 2027. *See* LUMA's Reconciliation Plan, Section 1.1.

The Energy Bureau approved this project at the requested spending level in the Final Rate Order. *See* Final Rate Order, Chapter Six, at 44. This project is under PBIT4 (IT/OT Asset Management). Ex. 906.2. The Workforce Management System is designed to improve customer response times and enable real-time visibility into field service execution by supporting work planning, mobile dispatch, crew scheduling, and work order management. Ex. 920. During the rate case evidentiary hearing, LUMA's Chief Information Officer explained the decision to stay with a legacy ecosystem rather than acquire a new cloud-based workforce management system, to consolidate business processes and achieve best value. Tr. 12/4 67:3-15. It implements a unified platform for planning work, assigning qualified crews, tracking field progress, and ensuring consistent execution of corrective, preventive, and emergency activities. *See* LUMA's Reconciliation Plan, Section 1.1. A centralized system supports coordination across engineering, operations, and field services, improving restoration efficiency and supporting more effective execution of operational work. Ex. 11.04. The execution of this project extends beyond FY2027. *See* LUMA's Reconciliation Plan, Section 1.1. The project is the responsibility of the LUMA IT/OT Department in coordination with the Operations Department.

50. AVEVA Pi Hardware Tag Points Additions- The project has a total cost of $200,000, and spending spans from July 2026 through June 2027. *See* LUMA's Reconciliation Plan, Section 1.1. The Energy Bureau approved this project at the requested spending level in the Final Rate Order. *See* Final Rate Order, Chapter Six, at 44. This project is under PBIT4 (IT/OT Asset Management). Ex. 906.2. It expands the Aveva Plant Information ("PI") system's tag capacity to support the rapidly growing number of data points from SCADA, reclosers, fault circuit indicators, and new transformers, for engineering analysis and grid monitoring. *See* LUMA's Reconciliation Plan, Section 1.1. Increasing tag capacity supports engineering studies and

operational analytics by ensuring sufficient room for additional operational data. *Id*. The project is the responsibility of the LUMA IT/OT Department.

51. Compliance Management Software- The project has a total cost of $110,000, and spending spans from July 2026 through June 2027. See LUMA's Reconciliation Plan, Section 1.1. The Energy Bureau approved this project at the requested spending level in the Final Rate Order. See Final Rate Order, Chapter Six, at 44. This project is under PBIT4 (IT/OT Asset Management) and is also listed as a "T&D OMA Compliance/Contracts" priority initiative. Ex. 906.2. It adds a centralized compliance tracking system to consolidate obligations, standardize monitoring, and improve audit readiness. *See* LUMA's Reconciliation Plan, Section 1.1. The system enhances visibility into requirements, supports timely documentation, and strengthens coordination of compliance activities to ensure consistent adherence to applicable regulations. Id. The project is the responsibility of the LUMA IT/OT Department, in coordination with the Regulatory and Compliance Department.

52. OSI (Aveva) PI Hardware Replacement-The project has a total cost of $750,000, and spending spans from July 2026 through June 2027. *See* LUMA's Reconciliation Plan, Section 1.1. The Energy Bureau approved this project at the requested spending level in the Final Rate Order. *See* Final Rate Order, Chapter Six, at 44. This project is under PBIT4 (IT/OT Asset Management). Ex. 906.2. It replaces end-of-life Aveva Plant Information system hardware and establishes dedicated test and production environments to ensure continuity of real-time data used for engineering analysis and grid operations. *See* LUMA's Reconciliation Plan, Section 1.1. Modernizing the hardware adds vendor-supported, redundant infrastructure that strengthens system reliability and safeguards the real-time operational data essential to grid management. *Id*. The project is the responsibility of the LUMA IT/OT Department.

53. Satellite Enterprise Hardware- The project has a total cost of $1.07 million, and spending spans from July 2026 through June 2027. *See* LUMA's Reconciliation Plan, Section 1.1. The Energy Bureau approved this project at the requested spending level in the Final Rate Order. *See* Final Rate Order, Chapter Six, at 44. It recognized that Starlink hardware supports emergency preparedness and disaster recovery communications, a necessity for a utility operating in a hurricane-prone environment. *Id*., at 42. This project deploys Starlink satellite connectivity at key operational sites and for field crews to maintain communication during outages and emergencies when terrestrial networks are impaired, thereby strengthening restoration logistics and situational awareness. *See* LUMA's Reconciliation Plan, Section 1.1. The project is the responsibility of the LUMA IT/OT Department, in coordination with the Emergency Preparedness Department.

54. KRONOS/UKG Migration to Cloud- The project has a total cost of $1.11 million, and spending spans from July 2026 through June 2027. *See* LUMA's Reconciliation Plan, Section 1.1. The Energy Bureau approved this project at the requested spending level in the Final Rate Order. *See* Final Rate Order, Chapter Six, at 44. This project is under PBIT4 (IT/OT Asset Management). Ex. 906.2. It migrates the on-premises Kronos Workforce Central environment, which is now approaching end-of-life with limited vendor support, to the UKG Kronos cloud platform to strengthen timekeeping, attendance, and labor reporting capabilities essential for payroll integrity and storm mobilization. *See* LUMA's Reconciliation Plan, Section 1.1. Cloud migration improves system stability, reduces operational overhead, and avoids higher maintenance costs, service interruptions, and investments in obsolete equipment associated with legacy platforms. *Id*. The project is the responsibility of the LUMA IT/OT Department.

55. Contract Management System- The project has a total cost of $2.61 million, and spending spans from July 2026 through June 2027. *See* LUMA's Reconciliation Plan, Section 1.1.

The Energy Bureau approved this project at the requested spending level in the Final Rate Order. *See* Final Rate Order, Chapter Six, at 44. This project falls under PBIT4 (IT/OT Asset Management) and is categorized as a "FEMA Scaling" priority initiative. Ex. 906.2. It implements an enterprise system that centralizes contract creation, negotiation, renewals, performance management, and compliance tracking, strengthening vendor oversight and improving audit-ready documentation for federal agencies and regulators. *See* LUMA's Reconciliation Plan, Section 1.1. The platform enhances coordination during outages by supporting the timely mobilization of mutual aid, emergency contractors, and logistics resources. *Id*. The project is the responsibility of the LUMA IT/OT Department, in coordination with the Procurement Department.

d. Collaboration, Analytics, and Enterprise Systems Projects

56. Enterprise Document Management System-The project has a total cost of $1.72 million, and spending spans from July 2026 through June 2027. *See* LUMA's Reconciliation Plan, Section 1.1. The Energy Bureau approved this project at the requested spending level in the Final Rate Order. *See* Final Rate Order, Chapter Six, at 45. This project is under PBIT5 (IT OT Collaboration & Analytics) and is also categorized as an "Operation Effectiveness" priority. Ex. 906.2. LUMA's Chief Information Officer testified that this project was necessary to establish a centralized, secure document repository to manage critical regulatory, operational, and customer-facing documents. Ex. 11.0 at 40:838-841. It replaces outdated, fragmented repositories with a secure, centralized document management system that provides version control, workflow automation, metadata standards, and governed access for engineering drawings, operational documents, and regulated records. *See* LUMA's Reconciliation Plan, Section 1.1. Centralizing documentation improves retrieval speed and reduces version errors. *Id*. The project is the responsibility of the LUMA IT/OT Department.

57. Data Lake Expansion-The project has a total cost of $3.11 million, and spending spans from July 2026 through June 2027. *See* LUMA's Reconciliation Plan, Section 1.1. The Energy Bureau approved this project at the requested spending level in the Final Rate Order. *See* Final Rate Order, Chapter Six, at 45. This project is under PBIT5 (IT/OT Collaboration & Analytics). Ex. 906.2. LUMA's Chief Information Officer described this investment as necessary to expand LUMA's centralized data storage and analytics environment to support real-time reporting for customer service, outage management, asset monitoring, and financial oversight. Ex. 11.0 at 40:847-850. The program involves extending the data lake by integrating additional data sources and loading data from business-critical systems. Ex. 11.05. It expands the enterprise data lake to accommodate escalating operational and corporate data streams from systems such as SCADA, energy management, workforce management, geographic information, advanced metering, and customer platforms, enabling expedited analytics for outage management, engineering, and regulatory reporting. *See* LUMA's Reconciliation Plan, Section 1.1. Increasing capacity optimizes data ingestion and accelerates decision-making during events. *Id*. This project extends beyond FY 2027. *Id*. The project is the responsibility of the LUMA IT/OT Department.

B. Corrective Maintenance and Reliability Projects

58. Act 57-2014, PR Laws Ann. Tit. 22 §§ 1051-1056 (2026), was enacted with the aim of, amongst other things, enforcing "a thorough reform of the energy sector that promotes the operation and administration of an efficient system at just and reasonable costs, considering that [Puerto Rico is] an isolated jurisdiction that needs to have a safe and stable electric power grid." *See Statement of Motives*, Act 57-2014. In furtherance thereof, Article 6.21 of Act 57-2014 establishes obligations applicable to electric power service companies. To wit:

> (a) Every certified electric power company shall provide customers or consumers with an adequate, safe, reliable, efficient, and nondiscriminatory electric power service;
> (b) Every rate or charge required or collected for any service provided or to be provided, and the rules adopted by every electric power service company regarding the provision of such services shall be just, reasonable, and nondiscriminatory; and
> (c) No certified electric power company shall give unjust or unreasonable preference or advantage to any person; neither shall such company subject any person to unjust or unreasonable prejudice or disadvantage in any aspect.

PR Laws Ann. Tit. 22 § 1054t (2026).

59. In what is pertinent to the captioned proceeding, Article 6.25 of Act 57-2014 regulates the procedures for the review of Puerto Rico's electricity rates. PR Laws Ann. Tit. 22 § 1054x (2026). To start, subsection (a) of the referenced provision states that the Energy Bureau:

> shall be in charge of following the process established herein to review and approve the electric power service companies' proposed rate reviews. The Energy Bureau shall ensure that all rates are just and reasonable and consistent with sound fiscal and operational practices that provide for a reliable and adequate service at the lowest reasonable cost.

Id.

60. Moreover, during any rate review process, the burden of proof shall lie on the requesting electric power service company to show that the proposed rate is just and reasonable, consistent with sound fiscal and operational practices that provide a safe and adequate service at the lowest reasonable cost. *See* Article 6.25(b) of Act 57-2014, PR Laws Ann. Tit. 22 § 1054x(b) (2026). Accordingly, the requesting electric power service company shall submit all the information requested by the Energy Bureau. *Id*.

61. The additional five projects included in this plan represent operationally necessary investments that are not part of the approved 2026 Budget. However, these projects are comprised of urgent corrective maintenance work or address known risks that currently pose an imminent risk to reliability and continuity of service to customers. The proposed projects are primarily corrective and are intended to proactively mitigate known infrastructure and operational

vulnerabilities before they result in larger reliability, safety, or cost impacts on customers and the system.

62. The electric system in Puerto Rico continues to face well-documented challenges stemming from decades of deferred maintenance, catastrophic hurricane damage, and aging infrastructure that in many cases has long exceeded its design life. As the Energy Bureau itself recognized in the Final Rate Order, the current poor condition of the electric system poses significant challenges in setting rates and determining the appropriate level of investment required to maintain service. *See* Final Rate Order, Chapter One, at 1. The projects proposed herein address specific, identified vulnerabilities that, if left unaddressed, would increase the likelihood of equipment failures, prolonged outages, and higher emergency repair costs.

63. LUMA proposes five additional projects organized across three improvement portfolios, with a combined total cost of $30.93 million. All five projects are proposed for execution during FY2027 and will be managed by LUMA's Capital Programs and Grid Transformation Department, with oversight distributed among the Distribution, Transmission, and Substations sections as identified for each project.

1. Distribution Portfolio

64. Distribution System Improvement (DER)- LUMA respectfully requests that the Puerto Rico Energy Bureau approve the use of $4.00 million in FY2027 reconciliation funds for the Distribution System Improvement (DER) activities within PBUT6, Distribution Line Rebuild Program. This request is limited to a targeted subset of the PBUT6 Distribution Line Rebuild activities and does not ask the Energy Bureau to reconsider its base-rate determination for PBUT6 as a whole.[1] The $4.00 million requested by LUMA is a narrower, time-limited, reconciliation-

[1] In the Final Resolution and Order, the Energy Bureau excluded PBUT6 from base rates except for Distribution New Business.

funded project focused on overloaded and deteriorated distribution infrastructure that supports safe and reliable service in areas affected by increasing DER penetration. *See* LUMA's Reconciliation Plan, Section 1.2.

65. The project targets deteriorated or overloaded infrastructure involving 335 transformers across 158 feeders. *Id.* These units are currently operating at approximately 130% of their intended capacity. *Id.* These overload conditions will persist until the affected transformers are upgraded, materially increasing the likelihood of equipment failure, operational disruptions, voltage violations, thermal overloads, accelerated wear, and abnormal operating temperatures. *Id.* As long as these overloads remain unaddressed, the system is exposed to an ongoing safety risk, including potential hazards to customers and the surrounding environment, such as oil spills or equipment-related incidents. *Id.*

66. The requested work is necessary to preserve safe and reliable operations, reduce the likelihood of emergency failures, and avoid higher reactive replacement and restoration costs associated with unplanned equipment outages. *Id.* As shown in *Attachment 1_DER Transformer Costs*, sponsored by Mr. Pedro Meléndez, the average cost of planned transformer replacement is approximately $8,395 per transformer, compared to approximately $9,478 when replacement occurs following failure and an outage (or emergency replacements). The increased emergency costs are driven by outage response activities, including dispatching crews to the outage location, patrolling to identify the failed equipment, returning to warehouse locations to retrieve replacement transformers, and then mobilizing crews back to the field to complete restoration activities. *See* LUMA's Reconciliation Plan, Section 1.2. Corrective maintenance replacement represents cost avoidance compared to waiting for equipment failure.

67. The administrative record in the rate case supports the need for this project. LUMA explained that the initiative focuses on upgrading distribution infrastructure to increase capacity on constrained and overloaded circuits and supporting the fragile distribution system. Ex. 74.16a. For the DER-specific component, LUMA requested $46.1 million through FY2028 to address existing and potential new distribution-circuit thermal and voltage violations resulting from the automatic interconnection of customer solar PV projects. Ex. 74.17. LUMA explained that the requested DER-upgrade funding was directed to critical and urgent safety and reliability investments identified through initial technical evaluations on distribution circuits with high concentrations of customer DER. *Id.*

68. As stated in rate case Exhibit 142, proposed upgrades are consistent with LUMA's obligations under the T&D OMA, including operating within safe thermal loading levels, providing acceptable voltage performance, and providing for safe and reliable operation of the distribution infrastructure in general. *See* LUMA's RR Brief, at 25-26. LUMA has a duty to upgrade the T&D System, regardless of whether updates are required due to the impact of DER. As Mr. Meléndez explained during the evidentiary hearing, most feeder upgrades are needed because the system is old, fragile, and does not meet code. Tr. 12/04, 433:5-11. The beneficiaries of the upgrades are the individuals connected to the circuit, as the system will come back into configuration. *See* LUMA's RR Brief, at 25-26.

69. The rate case record also demonstrates why this work is needed. Automatic customer interconnection before studies are performed conflicts with prudent utility practice and creates system conditions that must be corrected to maintain safe and reliable operations. Ex. 142. These investments will provide grid flexibility, reduce the probability and occurrence of outages,

increase capacity for new customer loads, support island-wide economic development, and enable the safe and reliable integration of renewable energy systems into the distribution grid. *Id.*

70. The Energy Bureau's findings confirm the engineering need for DER activities. The Final Resolution and Order found that PBUT6 covers comprehensive rebuilding of distribution feeders identified as having poor reliability performance or serving critical facilities, and that the program includes the remediation and modernization of Puerto Rico's distribution system. *See* Final Rate Order, Chapter Three, at 46. The Energy Bureau specifically identified Distribution System Improvements within PBUT6 as upgrades to transformers and conductors that are undersized for current loads or damaged by reverse power flows caused by high DER penetration, principally rooftop solar. *Id.,* at 48. The Energy Bureau also found that the PBUT6 program assists in integrating DER into the distribution system. *Id.,* at 49.

71. The Energy Bureau found that rapid DER integration has created thermal and voltage violations requiring conductor upgrades to maintain system stability. *Id.,* at 52-53. The Energy Bureau also found that undersized conductors cannot handle the thermal stress and voltage fluctuations caused by high rooftop solar penetration. *Id.*, at 53. Without these rebuilds, the Energy Bureau found that the system faces localized voltage collapse and continued asset destruction. *Id.* The Energy Bureau further found that failure to invest in these DER-related upgrades could stall renewable-energy adoption or destabilize the grid. *Id.*

72. LUMA's Reconciliation Plan supplies an additional project-specific cost reasonableness showing for the limited $4.00 million request. It identifies a discrete population of 335 overloaded transformers across 158 feeders, each operating at approximately 130% of intended capacity. It explains the customer and system risks associated with those conditions, including voltage deviations, abnormal operating temperatures, thermal stress, accelerated

degradation, and operational constraints. Approval of the $4.00 million project, therefore, advances a planned corrective approach instead of requiring LUMA and customers to wait for higher-cost emergency replacements after equipment fails.

73. In the Final Rate Order, the Energy Bureau excluded all PBUT6 projects from base rates except Distribution New Business. Appendix F identified DER Improvement as excluded from base rates because the Energy Bureau was unable to rule out a federal funding pathway, including potential FAASt-eligible infrastructure restoration. *See* Final Rate Order, Chapter Three at 63; Appendix F. That denial was not a finding that DER-related transformer and feeder upgrades were unnecessary. To the contrary, the Final Resolution and Order recognized the underlying engineering need, the DER-driven voltage and thermal violations, and the risk that failure to invest could destabilize the grid or stall renewable-energy adoption.

74. The reconciliation-funded request is narrow, time-limited, and directed to currently overloaded service transformers and feeders experiencing DER-driven operating stress. The proposal serves the purpose of the reconciliation plan ordered by the Energy Bureau: to identify FY2026 activities that the utilities would have carried out had the FY26 revenues been received in FY2026, and to propose how those reconciliation amounts should be spent in FY2027.

75. The Energy Bureau should approve LUMA's request to use $4.00 million of FY2027 reconciliation funds for DER activities within PBUT6. The record establishes the underlying need for DER-related distribution upgrades. The Reconciliation identifies a focused set of overloaded transformers and affected feeders, and the requested funding supports a lower-cost planned replacement strategy that reduces the risk of emergency failures, voltage violations, thermal overloads, and customer interruptions.

76. Out of Service Vacuum Switches- The project has a total cost of $1.32 million, and spending spans from July 2026 through June 2027. This investment falls within LUMA's PBUT6 Distribution Line Rebuild program, which focuses on replacing failed switches and cable segments, and on feeders with the worst reliability metrics, to achieve the greatest impact on system performance. In the Final Rate Order, the Energy Bureau recognized that the systematic restoration of vacuum switches and other out-of-service distribution components "directly contributes to reducing customer outage duration and frequency by restoring redundant pathways and backup systems throughout the distribution grid." *See* Final Rate Order, Chapter Three, at 24.

77. The evidentiary record in this proceeding establishes that Puerto Rico's distribution system suffers from an unprecedented magnitude of out-of-service equipment. The system currently has more than 111 vacuum switches identified as out of service. *See* LUMA's Reconciliation Plan, Section 1.2. This situation exists within a broader context of critical asset failure. Ex. 6.0, at 62:1206-1226 and 63:1227-1229.

78. The $1.32 million investment to replace 24 vacuum switches is a targeted, high-impact expenditure within the broader PBUT6 Distribution Line Rebuild program. *See* LUMA's Reconciliation Plan, Section 1.2; *Attachment 2_Vacuum Switch Replacement Priorities*, sponsored by Mr. Pedro Meléndez.

79. The project is expected to deliver an estimated annual reduction of approximately 1.3 million customer minutes interrupted through the restoration of normal switching operations and improved fault isolation capability. *See* LUMA's Reconciliation Plan, Section 1.2. This directly supports the statutory goals set forth in Act 17-2019, Article 1.5(10)(a), which guarantees "every customer's right to receive a reliable, stable, and excellent power service at a cost that is accessible, just, and reasonable." PR Laws Ann. Tit. 22 § 1141d(10)(a).

80. The Final Rate Order acknowledges that LUMA presented evidence with regards to PBUT6 investments as contributing to system reliability improvements, projecting that "investments in PBUT6 (combined with federal funds) will result in a System Average Interruption Duration Index (SAIDI) improvement of 31.36 minutes and a System Average Interruption Frequency Index (SAIFI) improvement of 0.156 over the rate period." *See* Final Rate Order, Chapter Three, at 49. The vacuum switch restoration component of PBUT6 is a cost-effective pathway to achieving reliability improvements because it restores existing system functionality rather than requiring new construction.

81. If the Energy Bureau does not approve this project, the consequences are both immediate and compounding. When one or more vacuum switches fail and must be bypassed, feeders operate in an out-of-configuration state, preventing the system from functioning as originally designed. Under these degraded conditions, the system loses sectionalizing capability, has limited ability to isolate faulted sections, operates with reduced transfer flexibility, and becomes significantly more complex to manage during outages. *See* LUMA's Reconciliation Plan, Section 1.2.

82. Given the approximately 22-week lead time for procuring new vacuum switches, it is essential that the Energy Bureau approve this project to enable LUMA to begin procurement and installation efforts promptly. *See* LUMA's Reconciliation Plan, Section 1.2. Delaying procurement activities will increase the backlog of out-of-service units and prevent the system from reaching a stable operating condition where replacements can keep pace with ongoing failures. *Id*.

83. The PBUT6 vacuum switch project is specifically identified within the "Engineering Distribution Out of Service (Priority 1)" category, described as the "[f]ocused

restoration of high-priority equipment currently out of service, including vacuum switches and underground cable segments, to restore system redundancy and functionality." *See* Final Rate Order, Chapter Three, at 24. Approval of this project is therefore consistent with the Energy Bureau's own prioritization framework and its repeated directives to stabilize the distribution grid.

84. Section 6.25(b) of Act 57-2014 places upon the requesting electric power service company the burden of demonstrating that its proposed costs are "prudent, reasonable, and necessary for the provision of electric service." PR Laws Ann. Tit. 22 § 1054x(b)(2026). The record demonstrates that the PBUT6 Out-of-Service Vacuum Switches project meets all elements of this standard. The project targets equipment that has been identified through systematic assessment as failed and unable to perform its intended function. The replacement of non-functional switches represents sound engineering judgment and is consistent with Prudent Utility Practice as defined in the Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement ("T&D OMA"). Ex. 489, Section 1.1, at 26. The project leverages existing infrastructure and installation protocols, minimizing implementation risk and maximizing return on investment. More than 111 vacuum switches are out of service, failures are outpacing repairs, and each additional failure compounds restoration complexity. The project is necessary to arrest the deterioration of the system configuration and restore basic operational capability to the distribution network.

85. The PBUT6 Out of Service Vacuum Switches project is a just, reasonable, and necessary expenditure that directly advances the statutory mandates of Act 57-2014 and Act 17-2019, the reliability improvement goals established by the Energy Bureau.

2. Transmission Portfolio

86. Line 16800 (PSP)- Line 16800 is a Priority 1 Priority Stabilization Plan ("PSP") transmission line rebuild project under PBUT33, designated for restoration from Dorado to Bayamón at 38 kV over 8.2 miles. *See* Final Rate Order, Chapter Three, at 69. The Final Rate Order specifically identified Line 16800 as one of the 15 PSP-designated transmission line rebuild projects required for execution in FY2026–FY2028. *Id*. The PSP required LUMA to restore service on 15 transmission line segments by the end of FY2028, with a long-term objective of restoring service on 49 segments by the end of FY2035. *Id*. The project has a total cost of $4.1 million, and spending spans from July 2026 through June 2027. *See* LUMA's Reconciliation Plan, Section 1.2.

87. The operational necessity for restoring Line 16800 is well-documented in the evidentiary record. As LUMA witness, Mr. Pedro Meléndez explained in his rate case surrebuttal testimony, Line 16800 is "an out-of-service underground line, posing risk to the 38kV system in the Dorado area. In the event of a failure of the 115kV / 38kV transformer at the Dorado TC, this line provides the necessary backup/contingency to avoid or minimize load shedding". Ex. 74.0 40:831 and 41:832-834.

88. The risk is not theoretical. The Puerto Rico transmission system is "far from being N-1 secure and does not adhere to basic planning criteria given the number of out-of-service facilities at both the transmission and distribution levels". Ex. 861 at 17. Planning studies have identified that contingencies involving the Vega Baja TC and Dorado TC corridor — specifically, a "fault plus stuck breaker" scenario involving the 37400 Vega Baja TC–Manati TC and 37400 Dorado TC–Vega Baja TC lines — would produce voltage violations with a worst-case low voltage of 0.7957 per unit, well below acceptable thresholds. Ex. 920. This confirms that the northern transmission network, where Line 16800 operates, is already under stress with inadequate contingency protection.

89. LUMA originally anticipated executing Line 16800 under the FY2026 Provisional Budget. *See* LUMA's Reconciliation Plan, Section 1.2. However, the project requires specialized underground cable pulling equipment that PREPA did not possess and thus LUMA needed to procure, with delivery expected in FY2027. *Id.* This is a legitimate logistical constraint for underground transmission work, which involves replacing and splicing cables within existing manhole systems, activities that are materially different from overhead line work.

90. LUMA's decision to procure the cable pulling equipment rather than rent it reflects sound cost-benefit analysis: the estimated procurement cost of $800,000 is $200,000 less than the approximately $1.0 million rental cost, and the purchased equipment will be available for future underground transmission projects. The deferral from FY2026 to FY2027 was appropriately proposed in the FY2026 Second Budget Amendment and Reallocation submitted by LUMA in this instant proceeding. *See* LUMA's Reconciliation Plan, Section 1.2.

91. The revised project timeline of July 2026 through June 2027 remains well within the PSP's two-year implementation window, which extends through March 2027. The PSP methodology requires that a proposed activity "(a) avert near-term reliability or safety risks, and (b) be executable within 24 months". Ex. 612, at 21. Line 16800 satisfies both criteria: it averts the reliability risk created by the absence of contingency protection in the Dorado corridor, and its execution during FY2027 falls within the PSP timeframe.

92. Further delay in restoring Line 16800 would be contrary to the interests of ratepayers for two independent reasons. First, underground cables deteriorate more rapidly when they remain de-energized. Extended out-of-service periods increase the potential need for longer cable replacements, more extensive excavation, or additional splicing, all of which would materially increase the project's scope and cost. *See* LUMA's Reconciliation Plan, Section 1.2.

The rate case record documents numerous underground cable faults across the system, including cable faults, termination failures, and splice failures, all of which require extensive restoration work. Ex. 74.03b (Excel table). The $4.1 million cost estimate reflects current conditions; deferral risks could escalate that figure.

93. Second, keeping Line 16800 out of service places a greater load on adjacent assets, accelerating wear and increasing the likelihood of secondary failures elsewhere on the system. *See* LUMA's Reconciliation Plan, Section 1.2. The system's overall fragile state, with outages exceeding 100 events daily even under mild weather conditions, makes the accelerated degradation of adjacent assets a concrete, not speculative, concern. Ex. 6.0 12:246-249.

94. The Energy Bureau has established a clear regulatory framework for evaluating capital projects. The PSP identifies "immediate actions necessary to stabilize reliability before permanent rates are set," including "transmission hardening" and targeted repairs. Ex. 612, at 21. Line 16800 is a transmission restoration project that directly implements the PSP mandate. The Energy Bureau further mandated that PSP capital projects should move forward "without funding delays" and that its "provisional-rate mechanism in this phase of the proceeding is intended primarily to ensure that the urgent actions identified in the PSP move forward". *Id.*, at 18. Approving Line 16800 for FY2027 execution is fully consistent with these directives.

95. In sum, the Line 16800 project is expressly included in the PSP approved by the Energy Bureau, addresses a documented and critical reliability risk to the northern transmission network, and is supported by the evidentiary record demonstrating its operational necessity. Deferral would increase costs, extend exposure to a known single point of failure, and contravene the PSP's mandate to stabilize the electric system within two years. Approval is consistent with

the Energy Bureau's own orders, prudent utility practice, and the paramount interest of reliable electric service for the ratepayers of Puerto Rico.

3. Substation Portfolio

96. Transformers "On-site" Preparation Costs- This project supports preparation activities necessary to safely receive, preserve, store, maintain, and protect 28 large power transformers scheduled to arrive in Puerto Rico beginning in FY2027. *See* LUMA's Reconciliation Plan, Section 1.2. The proposed $15.46 million Substation Portfolio project for July 2026 through June 2027, will allow LUMA to protect incoming large power transformers that support multiple critical infrastructure reconstruction and system improvement initiatives. *Id*.

97. The rate case administrative record establishes that transformer "on-site" preparation is a distinct, necessary step separate from transformer purchase and separate from final energization. Ex. 147. Mr. Pedro Meléndez explained that the "Transformers 'On-site' Preparation Costs" cover the activities required to receive and prepare transformers on-site. *Id.* Preparation costs are the practical costs of receiving, staging, preserving, and preparing already-procured or incoming critical equipment so it is available when system conditions, funding, and installation sequencing permit execution. *See id.*

98. The rate case record also supports the operational need for advancing preparation costs before final energization. Mr. Meléndez explained that approximately half of LUMA's 431 transformers, 216 units, were operating beyond their designed life expectancy, that an ongoing replacement cycle of 11 per year would be required after the backlog is addressed, that more than 60% of operating transformers were overdue for maintenance, and that 51 transformers urgently need replacement because they were out of service, overloaded, or in poor operating condition. *Id.* He further explained that LUMA must strategically advance units to stations where full

replacement costs and resources are not yet available, stage and dress them on-site, and be positioned to respond quickly to customers if at-risk transformers fail. *Id.*

99. In the Final Rate Order, the Energy Bureau found that substation equipment failures contributed more than 37% of FY2024 SAIDI and recognized LUMA's analysis projecting that PBUT7 investments alone would improve SAIDI by 175 minutes and SAIFI by 0.89 interruptions over FY2026–FY2028. *See* Final Rate Order, Chapter Three, at 18-19. The Energy Bureau also found that LUMA presented evidence that high-voltage infrastructure is obsolete and operating past useful life, that transformers were out of service, and that another 50 transformers were in critical condition and prone to failure. *Id*. These findings establish record support for the program need underlying this request and confirm that transformer work is tied to documented reliability and asset-condition problems.

100. The Energy Bureau nonetheless denied recovery of the broader PBUT7 substation projects in the Final Rate Order, including the original FY2026 Transformers "On-site" Preparation Costs line item budgeted at $45.5 million, after finding that the projects generally had a demonstrated federal pathway and should be excluded from base rates. *See* Final Rate Order, Chapter Three, at 19-22. LUMA is not asking the Energy Bureau to disregard or reconsider that decision. LUMA asks the Energy Bureau to approve a narrower, time-limited use of reconciliation funds for immediate preservation and testing work that must occur when the transformers arrive and before the federal project sequence reaches the final installation stage.

101. The Reconciliation Plan provides the project-specific justification for the request. It explains that LUMA previously advanced procurement of 28 transformers to secure manufacturing slots, pricing, and delivery schedules for anticipated reconstruction and reliability needs; that the approximate procurement value of those transformers is $53.6 million; and that

they are intended to support critical infrastructure reconstruction and system improvement initiatives that will increase system stability, operating capacity, and redundancy for approximately 150,000 customers. *See* LUMA's Reconciliation Plan. Of the 28 transformers included in the request, 13 are associated with projects that are not currently active within FEMA's execution pipeline, while the remaining 15 are associated with projects that are active within FEMA's execution pipeline but do not include scope for the on-site preparation activities requested here. *Id.* Thus, the requested $15.46 million would fund the immediate preservation and readiness work for equipment already tied to LUMA's reliability program.

102. The scope of the requested work is also reasonable and necessary. The Reconciliation Plan identifies required activities including temporary concrete foundations and support pads, oil and nitrogen system maintenance, environmental protection measures, periodic inspections, acceptance and baseline testing, visual and mechanical inspections, insulation resistance testing, transformer turns ratio testing, winding resistance testing, insulation power factor testing, dissolved gas analysis, oil dielectric and moisture testing, bushing testing, and functional verification of accessories and alarm systems. *See* LUMA's Reconciliation Plan, Section 1.2.

103. The project tracker included as *Attachment 3_Transformer On Site Cost*, sponsored by Mr. Pedro Meléndez, identifies the 28 transformers by substation description, substation location, on-site preparation cost, and transformer cost. The tracker shows that the base cost for transportation, oiling, and temporary pad activities across all 28 units totals approximately $13.45 million, with a 15% overhead factor yielding a total project cost of approximately $15.46 million. Individual per-unit on-site preparation costs range from approximately $400,000 to $1,000,000,

reflecting differences in transformer size, site accessibility, and logistical requirements for locations including island substations at Vieques and Culebra.

104. LUMA's Reconciliation Plan also addresses the timing problem that justifies immediate non-federal funding. These transformers were procured while the corresponding FEMA-funded infrastructure projects remained active within the federal project pipeline. Of the 28 transformers included in this request, 13 are associated with projects that are not currently active within FEMA's execution pipeline. Nevertheless, these transformers remain tied to infrastructure projects that LUMA will continue to pursue for future activation and execution. The remaining 15 transformers are associated with projects that are active within FEMA's execution pipeline but did not include scope for the activities requested. LUMA's intention is to pursue reimbursement from FEMA for these costs and plans to submit revised scopes incorporating these activities; however, the approval process for this revised scope may take more than eight months to complete. *See* LUMA's Reconciliation Plan, Section 1.2, Substation Portfolio. LUMA must proceed upon delivery with receiving, preservation, storage, testing, and asset-protection activities to ensure the equipment remains in optimal condition for future installation activities. *Id.* That project-specific showing addresses the Energy Bureau's concern in the Final Rate Order that ratepayer funding should not replace federal funding for the broader substation-replacement program, as the request here is limited to preserving the equipment and avoiding deterioration, loss of readiness, and warranty risk while federal sequencing continues.

105. Approval is also consistent with prudent asset management and a lower-cost approach. LUMA's Reconciliation Plan explains that proper preservation is critical because inadequate support, preservation, and protection during storage increases the risk of moisture intrusion, corrosion, insulation degradation, internal contamination, structural stress, and

premature equipment deterioration. *Id.* It further explains that manufacturers require strict compliance with storage, preservation, environmental protection, oil-handling, and periodic inspection procedures as conditions of warranty coverage, and that failure to comply could result in partial or complete denial of warranty claims. *Id.* Approving the $15.46 million reconciliation-funded project, therefore, protects the value of approximately $53.6 million in procured transformer assets while avoiding a broader recovery request that the Energy Bureau declined to include in base rates.

106. The Energy Bureau should approve LUMA's request to use $15.46 million of FY2027 reconciliation funds for Transformers "On-site" Preparation Costs. The rate case administrative record supports the underlying PBUT7 program need, and LUMA's Reconciliation Plan includes a project-specific execution showing: identified transformers, defined preservation and testing work, a July 2026 through June 2027 execution window, immediate asset-protection needs, and customer reliability benefits. Approval would authorize a targeted, lesser cost than the broader PBUT7 recovery that the Energy Bureau denied, while preserving critical transformer assets and maintaining readiness for future installation.

107. Covadonga — Temporary Repair — The project has a total cost of $5 million, with spending from July 2026 through June 2027. *See* LUMA's Reconciliation Plan. The Covadonga Substation is currently operating under a temporary, highly constrained configuration, fed by two temporary mobile substations that supply a limited number of distribution lines. *Id*. This setup forces the entire substation load through a limited number of points, providing minimal operational contingency in the event of equipment failure and significantly limiting operational flexibility. *Id*. The System Improvements Preliminary Plan identifies Covadonga GIS as having out-of-service 38/4.16 kV equipment, with the critical contingency component being the "Loss of adjacent

substation 1011" and the potential to affect "Multiple distribution feeders from substation 1011." Ex. 496, at 14.

108. The Covadonga Substation serves approximately 5,000 customers in Old San Juan and surrounding areas. The DOE Grant documentation and System Stabilization Plan confirm that the Covadonga Substation serves "Viejo San Juan" and that restoring this facility would "secure system redundancy for more than approximately 14,000 customers, including critical customers such as Aduana Federal, Fortaleza y Muelles de San Juan, Comandancia de San Juan, and Aeropuerto de Isla Grande." Ex. 498.1; Ex. 1094, at 10. Failure of the substation under current operating conditions could result in an extended outage affecting a highly important governmental, commercial, and tourism corridor with limited alternatives available to maintain service continuity.

109. The operational impacts of these conditions are already evident in worsening interruption trends, with the Covadonga area accumulating approximately 662,000 Customer Minutes of Interruption (CMI) and 2,250 Customer Interruptions (CI) to date in FY2026. *See* LUMA's Reconciliation Plan, Section 1.2, Substation Portfolio, Covadonga-Temporary Repair.

110. The Energy Bureau has recognized that corrective maintenance essential to continued safe operation is appropriately funded through base rates as a Category Three expense. *See* Final Rate Order, Chapter Three, at 302. This project involves "corrective maintenance essential to continued safe operation" that "cannot reasonably be deferred without creating imminent reliability or safety risk." *See id*.

111. Advancing this urgent temporary repair project now reduces the likelihood of higher operational and restoration costs associated with continued operation under temporary emergency-style conditions. *See* LUMA's Reconciliation Plan, Section 1.2.

112. In conclusion, the five projects described herein represent corrective maintenance and reliability investments. Directing these funds toward critical infrastructure needs during FY2027 ensures that the reconciliation amount is used for its intended purpose, addressing the system's unfunded operational requirements, rather than remaining unutilized surplus.

113. The proposed projects address documented, urgent infrastructure vulnerabilities across all three major asset categories in the T&D System. The distribution projects target overloaded transformers and out-of-service switching equipment that directly impair service quality and increase the risk of customer interruptions. The transmission project restores a critical underground line segment that currently eliminates contingency capability in a densely loaded corridor. The substation projects ensure proper preservation of large power transformers already procured and provide essential temporary relief at a critically constrained substation serving Old San Juan.

114. In each case, deferral of the proposed work would result in higher costs, greater system risk, or both. Emergency replacement costs for distribution transformers are higher than planned replacement costs. Underground transmission cables deteriorate more rapidly when de-energized, increasing future remediation costs. Power transformers left without proper preservation during storage are subject to warranty voidance and accelerated degradation. Continued operation of the Covadonga Substation under its current temporary configuration exposes approximately 5,000 customers to unacceptable outage risk

115. The Energy Bureau has consistently emphasized that utilities must prepare realistic budgets and live within those budgets. LUMA's Reconciliation Plan respects this principle by directing the FY2026 reconciliation amount toward specific, identified projects with defined costs and timelines, rather than permitting the funds to flow into general operating accounts without

accountability. LUMA's Reconciliation Plan also supports the Energy Bureau's objective of maximizing the use of available funds to improve system reliability and reduce the backlog of deferred maintenance that has accumulated over decades of underinvestment.

III. PREPA's Portion of the Reconciliation Plan Amendment Submission ("PREPA's Reconciliation Plan").

116. PREPA's proposed reconciliation focuses on three (3) projects totaling $2.961 million. These three (3) projects are detailed below:[2]

Project	Responsible Departments	Total Costs	Description	Timing
External Audits for FY2024 and FY2025 "Ramp up"	Finance Department	$2.0M	PREPA intends to accelerate the completion of its FY2024 and FY2025 external audits in order to bring its audited financial statements current. Unlike in prior years, neither the Puerto Rico Treasury Department nor any other government agency has committed to provide funding for these projects. Accordingly, PREPA urgently requires these funds to complete the audits in a timely manner.	FY2027
Settlement of Judicial Claim	Legal Affairs Department	$0.500M	Due to the privileged, confidential, and work-product nature of the assessment performed to justify the necessity of this project, PREPA submits said assessment as **Confidential PREPA Exhibit**. PREPA respectfully requests that this exhibit be maintained under confidential treatment.	FY2027

[2] PREPA's proposal submitted herein is based on the Final Rate Order. Subsequent to the issuance of the Final Rate Order, PREPA filed a Motion for Reconsideration seeking review of certain determinations contained therein. Accordingly, in the event that the Energy Bureau's determination on PREPA's Motion for Reconsideration modifies the Final Rate Order, PREPA expressly reserves the right to amend or supplement this proposal as necessary to conform to such determination.

Project	Responsible Departments	Total Costs	Description	Timing
PROTECO PRP Group Trust Fund	Environmental Protection	$0.461M	"Cash calls" and any other required payments by PREPA for FY2027 in connection with the remedial investigation and feasibility studies being conducted at the Proteco site under the applicable administrative settlement agreement and order on consent (ASAOC).	FY2027

117. PREPA respectfully requests that the Energy Bureau grant confidential treatment to *Exhibit 2-Confidential PREPA Exhibit*. The exhibit contains materials protected by the attorney work-product doctrine. Specifically, the exhibit reflects legal analysis and advice prepared by PREPA's counsel in connection with a settlement matter in a civil case pending before the local courts of Puerto Rico. Accordingly, the exhibit is exempt from public disclosure and should be maintained under seal and protected from public dissemination.

118. The attorney work-product privilege is recognized under Rule 505(2) of Evidence. In the relevant part, it defines that concept as:

> …the protection afforded to information that is the product of the work of a party or of the person who is the attorney, consultant, surety, insurer, or agent of such party, prepared or obtained in anticipation of, or as part of, a civil, administrative, or criminal investigation or proceeding.

Rule 505(a)(2), 32 LPRA App. VI, R. 505(a)(2).

119. This rule extends protection in the form of a privilege so that an attorney's work is exempt from discovery. The doctrine recognizes that the scope of attorney work product encompasses the following:

> [The] information he has gathered and the mental impressions, legal theories, and strategies he pursues or has adopted, derived from interviews, statements,

> memoranda, correspondence, summaries, factual or legal investigations, personal beliefs, and other tangible or intangible means.

José A. Cuevas Segarra, *III Treatise on Civil Procedure Law*, Tome 852 (2nd ed., Publicaciones JTS 2011). *See also Casasnovas Balado v. UBS Financial Services, Inc.*, 2017 TSPR 164, p. 6.

120. The principal reason for the introduction of this privilege was described by the Supreme Court of the United States as follows:

> Were such materials open to opposing counsel on mere demand, much of what is now put down in writing would remain unwritten. An attorney's thoughts, heretofore inviolate, would not be his own. Inefficiency, unfairness and sharp practices would inevitably develop in the giving of legal advice and in the preparation of cases for trial. The effect on the legal profession would be demoralizing. And the interests of the clients and the cause of justice would be poorly served.

Hickman v. Taylor, 329 U.S. 495, 511 (1947); *F.T.C. v. Grolier Inc*., 462 U.S. 19, 24 (1983).

121. For the foregoing reasons, Rule 505 safeguards not only the attorney's work, but also seeks to guarantee, implicitly, the ministerial function and fiduciary duty that an attorney owes to his or her client, since it allows the former to develop the legal theories necessary to ensure the adequate defense of the represented party.

122. *Exhibit 2-Confidential PREPA Exhibit* falls squarely within the protections afforded by Rule 505 of the Puerto Rico Rules of Evidence, as it contains confidential attorney work product prepared in connection with a settlement analysis regarding a civil case. Disclosure of this material would undermine the fundamental protection afforded by the work-product doctrine by revealing PREPA's legal strategy in connection with the potential settlement. Therefore, good cause exists for this Energy Bureau to grant confidential treatment to *Exhibit 2-Confidential PREPA Exhibit* and protect it from public disclosure.

123. Moreover, the Energy Bureau's Policy on Confidential Information ("Policy"), CEPR-MI-2016-0009, originally issued on August 31, 2016, and later amended on September 21,

2016, sets forth the procedural requirements governing requests for confidential treatment of documents submitted before the Energy Bureau. Under this framework, a party seeking confidentiality must expressly designate the information claimed to be confidential and submit a legal memorandum articulating the statutory or regulatory grounds supporting such a request, together with the evidentiary basis justifying confidential treatment. *See* CEPR-MI-2016-0009, Section A, as amended by Resolution dated September 16, 2016.

124. The Policy further requires that the legal memorandum include a detailed table identifying the specific information for which confidentiality is sought, along with a summary explaining how each item satisfies the applicable legal standard. *See Id*. ¶ 3. Below is a summary of the information for which PREPA seeks confidential treatment:

File	Summary of Legal Basis for Confidential Treatment
Confidential PREPA Exhibit 1 – Civil Case Settlement Analysis and Recommendation	Attorney work-product

125. Therefore, PREPA respectfully requests that the Energy Bureau maintain *Exhibit 2-Confidential PREPA Exhibit* as confidential because the document constitutes protected attorney work product. PREPA emphasizes that the exhibit contains legal analysis, mental impressions, conclusions, opinions, and litigation or settlement-related strategies prepared by PREPA's counsel.

III. Genera's Portion of the Reconciliation Plan Amendment Submission ("Genera's Reconciliation Plan").

126. PREPA's proposed reconciliation focuses on three (3) projects totaling approximately $26.765 million. These three (3) projects are detailed below:

Program	Plant	Description	Amount
Auxiliary Equipment	All Plants	Replacement of auxiliary equipment that is damaged during operation due to age or wear. Includes Motors, Pumps, Boiler and turbine auxiliary equipment, BOP, etc.	$7,000,000
Plant General Maintenance	All Plants	Neccesary expenditures for plant facilities services such as Landscaping, fumigation, waste disposal, janitorial/cleaning and Air Conditioning services. As well as necessary services for plant support such as technical predictive services vibration and predictivie analysis, plant technical advisory services and non capitalizable expenditures.	$11,000,000
NME	All Plants	NME projects in execution that have been moved/delayed due to current funding and are important to complete in next Fiscal Year	$8,765,598
		Total	**$26,765,598**

WHEREFORE, LUMA respectfully requests that this Energy Bureau take **notice** of the aforementioned and **approve** the Joint Reconciliation Plan Amendment.

RESPECTFULLY SUBMITTED.

WE HEREBY CERTIFY that this motion was filed using the electronic filing system of this Energy Bureau and that electronic copies of this motion will be notified to the Puerto Rico Electric Power Authority, through its attorneys of record: Richard Cruz-Franqui, rcruzfranqui@gmlex.net; Mirelis Valle-Cancel, mvalle@gmlex.net; and Natalia Zayas Godoy, nzayas@gmlex.net; and to Genera PR, LLC, through: Jorge Fernández-Reboredo, jfernandez@ecija.com, Gabriela Castrodad, gcastrodad@ecija.com; Ricardo Pallens Cruz, ricardo.pallens@genera-pr.com; Ernesto Ramos Maldonado, eramos@ecija.com; Ramón L.

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In San Juan, Puerto Rico, this 20th day of May, 2026.

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Exhibit 1
LUMA's Reconciliation Plan

FY2027 Joint Reconciliation Plan Amendment

May 20, 2026

Executive Summary

This FY2027 Joint Budget Reconciliation Amendment is submitted by LUMA Energy LLC, as the Transmission and Distribution System Operator, on behalf of the Puerto Rico Electric Power Authority (PREPA), and Genera PR LLC (Genera), in accordance with the Puerto Rico Energy Bureau's *NEPR-AP-2023-0003 Final Resolution and Order on Electricity Rates*[1] (2026 Rate Order).

In the Rate Order, the Puerto Rico Energy Bureau (Energy Bureau) determined that the FY2026 authorized revenue requirement for the Puerto Rico Energy System (Energy System) is $1,780 million. The Energy Bureau also approved a Permanent Base Rate which, if in effect for the entire 12-month period of the FY2026, would be expected to collect from customers the full authorized revenue requirement. The Permanent Base Rate approved by the Energy Bureau is the same as the Provisional Rate approved on July 31, 2025. The base rate in effect during the months of July and August was based on the 2017 Rate Order, which is approximately 1.4 c/kWh lower than the Permanent Rate approved in the 2026 Rate Order. Accordingly, and pursuant to Section 6.25 of Act 57-2014, the Energy Bureau determined to reconcile approximately $98.64 million in revenues that would have been collected if the 2026 Permanent Base Rate were in effect since July 1, 2025. Because the Energy Bureau considered the reconciled revenues as incremental revenues during FY2027, it ordered LUMA, Genera, and PREPA to jointly develop and submit a reconciliation plan that identifies how these funds would be used during FY2027, including the projects, responsible entities, estimated costs, and anticipated timing associated with the proposed expenditures.

This filing presents the proposed FY2027 reconciliation plan developed in response to the Energy Bureau's directive. On May 11, 2026, representatives from LUMA, PREPA, and Genera convened pursuant to the Rate Order to establish a consensus allocation of the $98.6 million reconciliation amount and ensure timely submission of a joint plan. During this process, LUMA and Genera agreed to align the reconciliation allocation with the distribution reflected in the approved revenue requirement. Consistent with that agreement, the reconciliation amount has been allocated as follows: 62% to LUMA, 16% to Genera, and 3% to PREPA, with the remaining balance allocated to other system-related requirements and adjustments contemplated within the reconciliation framework.

LUMA's proposed reconciliation focuses on 32 projects that were approved as part of FY2026 Budget in the 2026 Rate Order, as well as five urgent corrective maintenance and reliability repairs that were not included in the approved FY2026 Budget. These additional projects address ongoing system and equipment deterioration, operational limitations and increasing system loading constraints that create imminent reliability risks to customers. Overall, the projects that LUMA proposes to be funded through the reconciled FY2026 base rate revenues prioritize operational continuity, facilities integrity, cybersecurity, operational technology resilience, restoration readiness, corrective maintenance, and protection of critical utility assets.

[1] *In re* [Final Resolution and Order on Electricity Rates], NEPR-AP-2023-0003 (Apr. 15, 2026).

1.0 LUMA's Reconciliation Plan

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

	FY2027 Non Federally Funded			
Improvemente Portfolio	**Proposed Amendment[2]**	**Approved Budget[2]**	**Variance ($)[2]**	**Variance (%)**
Customer Experience	18,967	18,967	-	0%
Distribution	52,349	47,029	5,320	11%
Transmission	23,350	19,250	4,100	21%
Substations	30,810	10,350	20,460	198%
Control Center & Buildings	17,448	8,768	8,680	99%
Enabling	34,945	32,595	2,350	7%
Support Services	40,899	20,999	19,900	95%
Total	**$218,768**	**$157,958**	**$60,810**	**38%**

1.1 Projects Approved by PREB as part of the Rate Order

The 32 projects included in this section represent activities approved by the Energy Bureau in the 2026 Rate Order to be performed in FY2026 however, as acknowledged by the Energy Bureau in that same Order, due to the timing of its approval, were unlikely to be performed in FY2026. In developing this proposed reconciliation, LUMA prioritized projects that support operational continuity, workforce readiness, cybersecurity, and operational technology resilience, facilities integrity, and other functions necessary to sustain safe and reliable operations. The projects below are executable and address current operational and infrastructure needs.

CONTROL CENTER & BUILDING PORTFOLIO – $8.68 MILLION

PBUT19 Closed-Circuit Television Systems and Access Customer Experience Facility – $0.03 million (July 2026 – June 2027)[3]

This project supports the installation of closed-circuit television systems and electronic access controls across Customer Experience facilities and contact center operations. The project strengthens physical security controls, improves monitoring and access management capabilities, and supports employee and customer safety at operational facilities.

PBFM1 Generator Acquisitions – $1.30 million (July 2026 – June 2027)[4]

This project supports the acquisition and replacement of 86 backup generators across operational facilities throughout the island. Many existing units are obsolete or unreliable, creating operational risks during outages and emergency events when facilities require backup power to maintain continuity of

[2] Figures may not add due to rounding.
[3] *Id.* ch. 3, at 239.
[4] *Id.* at 227.

operations. Replacing these units improves operational readiness and the continuity of operational functions.

PBFM1 Water Cistern – $0.10 million (July 2026 – June 2027)[5]

This project supports the replacement of 69 obsolete water cistern infrastructure across operational facilities. Replacement of aging units is necessary to maintain minimum operational functionality and facility readiness during emergency conditions and water service interruptions.

PBFM1 Heating, Ventilation, and Air Conditioning Replacement - $1.10 million (July 2026 – June 2027)[6]

This project supports the retrofit and replacement of deteriorated heating, ventilation, and air conditioning systems across operational facilities. Many existing systems have experienced prolonged deterioration, increasing the likelihood of operational disruption, unsafe working conditions, and equipment-related impacts at facilities supporting operational personnel. Modernization of these systems improves facility reliability and workforce readiness.

PBFM1 Caguas Regional Project II – $0.60 million (July 2026 – June 2027)[7]

This project supports the reconstruction of the failed retaining wall at the Caguas operational facility. The existing wall has failed structurally and undergone significant deformation, posing safety and infrastructure risks at a critical operational location. Reconstruction is necessary to maintain safe and reliable facility operations.

PBFM1 Bayamón Region Projects – $1.00 million (July 2026 – June 2027)[8]

This project supports the replacement of the existing fire suppression system at the Palo Seco facility. The current system is outdated and requires modernization to improve facility safety, operational protection, and compliance with applicable safety standards.

PBFM1 Ponce Region Projects – $0.30 million (July 2026 – June 2027)[9]

This project supports repair and waterproofing work at the Yauco operational administrative building, including replacement of deteriorated waterproofing systems and structural repairs associated with rebar corrosion. Work is necessary to prevent continued deterioration.

PBFM1 Arecibo Region Projects – $0.50 million (July 2026 – June 2027)[10]

This project supports the replacement of deteriorated waterproofing systems and structural repairs associated with corrosion-related damage at operational facilities within the Arecibo region. The work is intended to preserve facility integrity and prevent further deterioration of the infrastructure.

[5] *Id.*
[6] *Id.*
[7] *Id.*
[8] *Id.*
[9] *Id.*
[10] *Id.*

PBFM1 Mayagüez Region Projects – $0.50 million (July 2026 – June 2027)[11]

This project supports the replacement of deteriorated waterproofing systems and structural repairs associated with corrosion-related damage at operational facilities within the Mayagüez region. The work is intended to preserve facility integrity and prevent further deterioration of the infrastructure.

PBFM1 San Juan Region Projects – $2.50 million (July 2026 – June 2027)[12]

This project supports multiple facility improvements at operational locations within the San Juan region, including replacement of fire pump control infrastructure, emergency exit repairs, and rehabilitation of deteriorated waterproofing and structural components. The work improves facility safety, operational continuity, and protection of critical infrastructure supporting day-to-day operations.

PBFM1 Hormigueros Contact Center Relocation and Consolidation – $0.75 million (July 2026 – June 2027)[13]

This project supports relocation and consolidation of the Hormigueros Contact Center and associated operational functions. The initiative improves operational efficiency, optimizes facility utilization, and supports integration of operations currently distributed across multiple locations.

ENABLING PORTFOLIO – $2.35 MILLION

PBHE8 Alternate Emergency Operations Center – $1.35 million (July 2026 – July 2027)[14]

This project establishes an Alternate Emergency Operations Center equipped with essential infrastructure to ensure continuity of critical operations during emergencies.

PBUT27 Asset Management Information System – $0.70 million (July 2026 – July 2027)[15]

This project establishes a Transmission Line Naming Standard and a configuration of Asset Suite to support comprehensive management of transmission lines, segments, and spans. These enhancements will strengthen LUMA's ability to accurately track and report work performed on transmission assets, improving operational excellence and data integrity.

PBUT27 Geographic Information System (GIS) Improvements – $0.30 million (July 2026 – July 2027)[16]

This project enhances the accuracy and functionality of LUMA's electrical network model in preparation for Advanced Distribution Management System (ADMS) by implementing connectivity validation rules, integrating field redlines through Network Pro, and increasing automation to reduce manual work. It also modernizes underground system data, introduces improved symbology and transmission line features for better usability.

[11] *Id.*
[12] *Id.*
[13] *Id.*
[14] *Id.* at 243.
[15] *Id.* at 92.
[16] *Id.* at 92.

SUPPORT SERVICES PORTFOLIO – $19.90 MILLION

PBIT2 Vulnerability Discovery (OT) – $0.31 million (July 2026 – December 2027)[17]

This project establishes capabilities for operational technology to identify assets, set configuration baselines, analyze vulnerabilities, and continuously monitor critical environments. These capabilities will provide structured visibility into operational technology, strengthening LUMA's ability to detect equipment degradation, prevent misconfiguration, and mitigate cyber-induced failure to support service reliability and continuity.

PBIT2 Cloud-Based External Attack Surface Management Solutions – $0.55 million (July 2026 – October 2027)[18]

This project deploys a platform that continuously discovers and monitors all internet-facing assets across cloud, hybrid, and on-premises environments, closing blind spots where forgotten endpoints or misconfigured services may expose systems supporting transmission and distribution operations. Establishing this external visibility strengthens operational, security, and compliance performance in alignment with recognized industry cybersecurity standards.

PBIT2 Structured Data Protection Implementation – $0.57 million (July 2026 – June 2027)[19]

This project implements automated discovery, classification, access monitoring, and lifecycle governance for sensitive structured data across databases, enterprise applications, and file systems. These capabilities strengthen protection against unauthorized access or data leakage and support compliance. The execution of this project extends beyond FY2027.

PBIT2 Network Segmentation Phase 2 – $0.51 million (July 2026 – June 2027)[20]

This project strengthens isolation between information technology, operational technology, supervisory control and data acquisition, and substation networks by deploying next-generation internal firewalls, expanding micro-segmentation, and enforcing deep packet inspection and intrusion prevention across internal zones. These controls improve containment of cybersecurity events and align with recognized industry cybersecurity standards.

PBIT2 Network Detection & Response – Next Generation IDS – $0.35 million (July 2026 – June 2027)[21]

This project delivers behavioral network monitoring and response across information technology, operational technology, and cloud environments to detect lateral movement, anomalous behavior, and post-exploitation activity that traditional signature-based tools cannot detect. These real-time behavioral detection capabilities enhance early threat identification, protect systems that support transmission and distribution operations, and align with recognized industry cybersecurity standards.

[17] *Id.* ch. 6, at 41.
[18] *Id.*
[19] *Id.*
[20] *Id.*
[21] *Id.*

PBIT3 End User Device Management – $4.56 million (July 2026 – June 2027)[22]

This project replaces aging, obsolete, and unsupported workforce devices essential for outage response, field operations, customer service, cybersecurity response, engineering, and collaboration. Replacing these devices reduces emergency failures, lowers the costs of ongoing maintenance and expedited procurement, minimizes productivity loss, and decreases cybersecurity exposure, strengthening overall service continuity.

PBIT4 Network Tools for Troubleshooting – $0.26 million (July 2026 – June 2027)[23]

This project acquires modern network visibility and diagnostic tools to stabilize deteriorated backbone networks in information technology and operational technology environments until rebuilds begin, reducing time-consuming manual troubleshooting and unnecessary field deployments. The tools enable faster fault identification and remediation, helping prevent conditions on operational technology networks that could cause remote terminal units to go offline.

PBIT4 IT Production Migration to Cloud – $0.46 million (July 2026 – June 2027)[24]

This project migrates legacy information technology production systems to cloud platforms to improve efficiency, automation, security, and resilience compared with on-premises environments. Cloud migration reduces operational overhead, lowers the likelihood of service-impacting failures, and modernizes critical functions that support utility operations.

PBIT4 VDI For Azure Virtual Desktop – $0.30 million (July 2026 – June 2027)[25]

This project centralizes end-user computing via Microsoft Azure Virtual Desktop to strengthen data protection, access controls, and remote work reliability. A centralized platform increases configuration consistency, reduces device-level vulnerabilities, and supports secure, dependable operations for personnel across the organization.

PBIT4 Workforce Management System – $1.35 million (July 2026 – June 2027)[26]

This project implements a unified platform for planning work, assigning qualified crews, tracking field progress, and ensuring consistent execution of corrective, preventive, and emergency activities. A centralized system supports coordination across engineering, operations, and field services, improving restoration efficiency and supporting more effective execution of operational work. The execution of this project extends beyond FY2027.

PBIT4 AVEVA Pi Hardware Tag Points Additions – $0.20 million (July 2026 – June 2027)[27]

This project expands the Aveva Plant Information system's tag capacity to support rapidly growing data points from supervisory control and data acquisition, reclosers, fault circuit indicators, and new

[22] *Id.*
[23] *Id.* at 44.
[24] *Id.*
[25] *Id.*
[26] *Id.*
[27] *Id.*

transformers used for engineering analysis and grid monitoring. Increasing tag capacity supports engineering studies and operational analytics by ensuring sufficient room for additional operational data.

PBIT4 Compliance Management Software – $0.11 million (July 2026 – June 2027)[28]

This project adds a centralized compliance tracking system to consolidate obligations, standardize monitoring, and improve audit readiness. The system enhances visibility into requirements, supports timely documentation, and strengthens coordination of compliance activities to ensure consistent adherence to applicable regulations.

PBIT4 KRONOS/ UKG Migration to Cloud – $1.11 million (July 2026 – June 2027)[29]

This project migrates the on-premises Kronos Workforce Central environment, now approaching end-of-life with limited vendor support, to the UKG Kronos cloud platform to strengthen timekeeping, attendance, and labor-reporting capabilities, essential for payroll integrity and storm mobilization. Cloud migration improves system stability, reduces operational overhead, and avoids the higher maintenance costs, service interruptions, and investments in obsolete equipment associated with legacy platforms.

PBIT4 Starlink Satellite Enterprise Hardware – $1.07 million (July 2026 – June 2027)[30]

This project deploys Starlink satellite connectivity to key operational sites and field crews to maintain communication during outages and emergencies when terrestrial networks are impaired, strengthening restoration logistics and situational awareness.

PBIT4 OSI (Aveva) PI Hardware Replacement – $0.75 million (July 2026 – June 2027)[31]

This project replaces the end-of-life Aveva Plant Information system hardware and establishes dedicated test and production environments to ensure the continuity of real-time data used for engineering analysis and grid operations. Modernizing the hardware adds vendor-supported, redundant infrastructure that strengthens system reliability and safeguards the real-time operational data essential to grid management.

PBIT4 Contract Management System – $2.61 million (July 2026 – June 2027)[32]

This project implements an enterprise system that centralizes contract creation, negotiation, renewals, performance management, and compliance tracking, strengthening vendor oversight and improving audit-ready documentation for federal agencies and regulators. The platform enhances coordination during outages by supporting the timely mobilization of mutual aid, emergency contractors, and logistics resources.

PBIT5 Enterprise Document Management System – $1.72 million (July 2026 – June 2027)[33]

This project replaces outdated, fragmented repositories with a secure, centralized document management system that provides version control, workflow automation, metadata standards, and

[28] *Id.*
[29] *Id.*
[30] *Id.*
[31] *Id.*
[32] *Id.*
[33] *Id.* at 45.

governed access for engineering drawings, operational documents, and regulated records. Centralizing documentation improves retrieval speed and reduces version errors.

PBIT5 Data Lake Expansion – $3.11 million (July 2026 – June 2027)[34]

This project expands the enterprise data lake to accommodate escalating operational and corporate data streams from systems such as supervisory control and data acquisition, energy management, workforce management, geographic information, advanced metering, and customer platforms, enabling expedited analytics for outage management, engineering, and regulatory reporting. Increasing capacity optimizes data ingestion and accelerates decision-making during events. The execution of this project extends beyond FY2027.

1.2 Corrective Maintenance and Reliability Projects

The five projects included in this section represent operationally necessary investments that are not part of the approved FY2026 Budget. However, these projects are comprised of urgent corrective maintenance work or address known issues that currently pose an imminent risk to reliability and continuity of service to customers. The proposed projects are primarily corrective in nature and are intended to proactively mitigate known infrastructure and operational vulnerabilities before they result in larger reliability, safety, or cost impacts to customers and the system.

DISTRIBUTION PORTFOLIO – $5.32 MILLION

PBUT6 Distribution System Improvement (DER) – $4.00 million (July 2026 – June 2027)

This project focuses on corrective maintenance, including replacing deteriorated or overloaded infrastructure, involving 335 transformers across 158 feeders. These units are currently operating at about 130% of their intended capacity. Such conditions significantly increase the likelihood of equipment failure, operational disruptions, voltage violations, thermal overloads, and accelerated wear. As long as these overloads remain unaddressed, the system is exposed to an ongoing safety risk, including potential hazards to customers and the surrounding environment such as oil spills or equipment-related incidents. The project reduces the risk of service interruptions affecting customers connected to circuits or facilities currently experiencing elevated loading conditions and operational stress. Projected DER load growth over the next 12–24 months is estimated at 8% annually, further increasing the likelihood of transformer failure. Without timely corrective action, these conditions will continue to impose persistent operational and safety risks across the system.

A cost-benefit assessment demonstrates that corrective maintenance replacement represents cost avoidance compared to waiting for equipment failure and performing emergency work after customer outages. The average cost of planned replacement is approximately $8,395[35] per transformer, compared to approximately $9,478[35] when replacement occurs following failure and an outage. For the 335 transformers included in this project, proactive replacement could result in an estimated cost avoidance of $362,805. The increased emergency costs are driven by outage response activities, including dispatching crews to the outage location, patrolling to identify the failed equipment, returning to warehouse locations to retrieve replacement transformers, and then mobilizing crews back to the field to complete restoration

[34] *Id.*
[35] Refer to *Attachment 1_DER Transformer Costs* for detail breakdown of the costs.

activities. The cost avoidance estimate referenced assumes failures occur during normal working hours and exclude additional overtime costs incurred during after-hours emergency restoration events. The estimate also assumes replacement in medium-difficult conditions and typical work durations. Actual replacement costs and work durations can increase significantly when transformers are located in difficult-to-access areas, including backyards or areas requiring specialized access methods. Therefore, the $4.00 million request incorporates these contingencies, and thus reflects a higher unitary replacement cost than the baseline assumption of normal working conditions.

In summary, while network upgrades were intended to be recovered from sources other than base rates, the 335 transformers identified here have exceeded safe operating parameters, cause voltage instability and other service quality deficiencies and are prone to failure, requiring immediate replacement in such circumstances. Accordingly, these replacements constitute corrective maintenance required to address ongoing system deterioration, rather than proactive enhancements intended to improve DER integration. They also generate net savings for customers when addressed through planned replacement instead of reactive emergency response.

PBUT6 Out of Service Vacuum Switches – $1.32 million (July 2026 – June 2027)

This project addresses the replacement and restoration of 24[36] distribution vacuum switches that are out of service. The need for this work is driven by the growing inventory of failed switches across the system, with more than 111 vacuum switches currently identified as out of service. Restoration of these 24 out-of-service distribution vacuum switches will benefit customers who are currently at an imminent risk of experiencing repetitive and prolonged outages equivalent to approximately 1.3 million customer minutes interrupted.

Replacement vacuum switches were procured using funding approved under the FY2026 Provisional Budget; however, the approximately 22-week procurement and delivery lead time shifted equipment deliveries into FY2027 and limited LUMA's ability to begin installation activities during FY2026. Had the equipment been delivered during FY2026, replacement of this equipment would have commenced in FY2026.

Approximately 60 vacuum switches are expected to be received during FY2027, including an initial delivery of 12 units in July followed by the remaining units throughout the fiscal year. While incoming deliveries will support restoration of inventory and future replacement needs, the scope of this project reflects installation of 24 vacuum switches based on current operational execution capacity and prioritization of the highest-risk out-of-service locations.

These switches are installed throughout the feeder system to enable key operational activities such as opening, closing, and transferring loads under different system conditions. Their role is essential in supporting switching processes, load transfers, service restoration during outages, and feeder load balancing. Vacuum switches are strategically located based on customer density, customer type, and the operational ties required between lateral circuits, backbone sections, and adjacent feeders. When one or more switches fail, they must be bypassed, placing the feeder in an out-of-configuration state and preventing the system from operating as originally designed. If another failure occurs while a switch is already bypassed, restoration becomes significantly more complex and may take two to three times longer than it would with a functioning device. Under these conditions, the system loses sectionalizing

[36] Refer to *Attachment 2_Vacum Switch Replacement Priorities* for the detailed priority of the switch replacement.

capability, suffers limitations in isolating faulted sections, operates with reduced transfer flexibility, and becomes more complex to manage during outages. These impacts directly affect system reliability, restoration efficiency, and operational performance.

TRANSMISSION PORTFOLIO – $4.10 MILLION

PBUT33 Line 16800 (PSP) – $4.10 million (July 2026 – June 2027)

This project restores the out-of-service Line 16800 Vega Alta–Vega Baja underground transmission segment by replacing and splicing cable, performing testing, and completing necessary work within the existing manhole system. The project is part of the Priority Stabilization Plan (PSP) approved under the FY2026 Provisional Budget, reflecting the Energy Bureau's recognition of the importance of this transmission corridor to system reliability and stabilization of the transmission network.

LUMA had anticipated completing the execution of this project in FY2026. However, this project requires specialized and unique underground cable pulling equipment that PREPA did not possess and thus LUMA needed to procure. LUMA considered both renting and purchasing the cable pulling equipment. While renting the equipment would have been faster, a cost-benefit analysis considering project duration, complexity, and future needs determined that purchasing the equipment would cost approximately $200,000 less than renting ($800,000 purchase versus $1,000,000 to rent). Purchasing the equipment also provided enhanced benefits, such as an ability to use the same equipment on other similar projects, thus continuing to deliver savings to customers by avoiding the need for future rental costs. Accordingly, the execution timeline of this project was shifted to FY2027 to coincide with the delivery of the cable pulling equipment, currently expected for July 2026.[37].

Restoration of Line 16800 is essential to reestablish redundancy and restore a critical contingency path for the northern transmission network. The line is currently out of service, creating an elevated operational risk because there is no contingency available to maintain service should the remaining transformers, bus, or associated equipment at Dorado TC fail. Under current conditions, any disturbance affecting the in-service elements of this corridor would result in direct customer outages affecting up to 30,000 customers. The system has already been experiencing these stresses, having witnessed over 20 events on a neighboring line during the past two fiscal years. Restoring Line 16800 will reinstate the contingency required to comply with prudent utility practice and maintain acceptable system reliability under N-1 conditions. Without this project, the system remains exposed to a single point of failure that could cause significant extended outages for customers.

Completing this project now also provides a direct cost benefit to customers compared to continued deferral. Underground cables deteriorate more rapidly when they remain de-energized, meaning extended out-of-service periods increase the potential need for longer cable replacements, more extensive excavation, or additional splicing, which would materially increase project scope and cost. Moreover, keeping this line out of service places a greater load on adjacent assets, accelerating wear and increasing the likelihood of secondary failures elsewhere on the system.

[37] Fiscal Year 2026 Second Budget Amendment and Reallocation submitted by LUMA in Case No. NEPR-MI-2021-0004, *In re*: Review of LUMA's Initial Budgets (March 25, 2026).

SUBSTATION PORTFOLIO – $20.46 MILLION

PBUT7 Transformers "On-site" Preparation Costs – $ 15.46 million (July 2026 – June 2027)

This project supports preparation activities necessary to receive, preserve, store, maintain, and protect 28[38] large power transformers scheduled to arrive in Puerto Rico beginning in FY2027. These transformers are intended to support multiple critical infrastructure reconstruction and system improvement initiatives that will increase system stability, operational capacity, and redundancy affecting approximately 150,000 customers across Puerto Rico's electrical system.

LUMA previously advanced procurement activities to secure manufacturing slots, pricing, and delivery schedules necessary to support anticipated reconstruction. The approximate procurement value of the 28 transformers is estimated at $53.6 million. These transformers were procured while the corresponding FEMA-funded infrastructure projects remained active within the federal project pipeline. Of the 28 transformers included in this request, 13 are associated with projects that are not currently active within FEMA's execution pipeline. Nevertheless, these transformers remain tied to infrastructure projects that LUMA will continue to pursue for future activation and execution. The remaining 15 transformers are associated with projects that are active within FEMA's execution pipeline but did not include scope for the activities requested. LUMA's intention is to pursue reimbursement from FEMA for these costs and plans to submit revised scopes incorporating these activities; however, the approval process for this revised scope may take more than eight months to complete. Transformer deliveries are expected to begin during early FY2027 and cannot be deferred. Accordingly, activities necessary to maintain the transformers in ready-for-installation condition must proceed while the FEMA process continue advancing.

The project directly addresses the operational and technical requirements necessary to maintain the transformers in optimal condition while final construction and installation activities are completed. Required activities include preparing temporary concrete foundations and support pads, maintaining oil and nitrogen systems, environmental protection measures, periodic inspections, and performing acceptance and baseline testing to verify asset condition upon delivery and during storage. Proper preservation activities are critical to maintaining the long-term reliability and operational integrity of the transformers. Failure to properly support, preserve, and protect the units during storage increases the risk of moisture intrusion, corrosion, insulation degradation, internal contamination, structural stress, and premature equipment deterioration.

The project also includes execution of acceptance and condition verification testing upon receipt of the transformers. Required testing activities include visual and mechanical inspections, insulation resistance testing, transformer turns ratio testing, winding resistance testing, insulation power factor testing, dissolved gas analysis, oil dielectric and moisture testing, bushing testing, and functional verification of accessories and alarm systems. These activities establish baseline asset conditions and verify that the units remain compliant with manufacturer specifications and acceptable operating standards prior to installation and energization.

These preservation and testing activities are also essential from a warranty protection and asset management perspective. Transformer manufacturers require strict compliance with storage, preservation, environmental protection, oil-handling, and periodic inspection procedures as conditions of

[38] Refer to *Attachment 3_Transformer On Site Cost* for a description of the substations and cost associated to the transformer replacement

warranty coverage. Failure to maintain appropriate preservation conditions or to perform required testing activities could result in partial or complete denial of future warranty claims for insulation failure, moisture contamination, winding displacement, corrosion, or other equipment degradation mechanisms.

PBUT7 Covadonga – Temporary Repair – $5.00 million (July 2026 – June 2027)

This project provides temporary outdoor distribution infrastructure necessary to address immediate operational constraints, capacity limitations, and reliability vulnerabilities currently affecting the Covadonga Substation. The substation is presently operating under a temporary, highly constrained configuration fed by two temporary mobile substations supplying a limited number of distribution lines.

This substation serves approximately 5,000 customers in Old San Juan and surrounding areas, including critical government facilities such as La Fortaleza and the Capitol, hotels, tourism centers, and significant commercial activity. Failure of the substation under current operating conditions could result in an extended outage affecting a highly important governmental, commercial, and tourism corridor with limited alternatives available to maintain service continuity. The current temporary configuration does not provide adequate redundancy and leaves the substation exposed to a single point of failure. Existing conditions also increase operational stress on the temporary equipment and increase the risk of prolonged outages in the event of equipment or breaker failure. The operational impacts of these conditions are already being observed through worsening interruption trends, with Covadonga accumulating approximately 662,000 Customer Minutes of Interruption (CMI) and 2,250 Customer Interruptions (CI) during FY2026 to date.

This project involves the installation of new, temporary outdoor infrastructure and equipment to bypass existing deteriorated, end-of-life switchgear and enable the re-energization of existing power transformers to increase capacity to supply continued electrical service to existing customers. The project would also enable the connection of new customers, supporting critical economic development initiatives in the area. The re-energization of the Covadonga power transformers also eliminates the need for mobile substations at this site, liberating them to be used elsewhere in the system for maintenance and capital improvement needs.

Advancing this urgent repair will help reduce costs associated with continued operation under temporary emergency-style conditions and reduced outage risks to critical government and tourism areas while permanent repair needs are designed and implemented.

CERTIFICATION

I, Pedro A. Meléndez-Meléndez, hereby state and certify as follows:

1. I am the Chief Capital Programs and Grid Transformation Department of LUMA Energy ServCo, LLC, and I am authorized to make this Certification in Case No. NEPR-MI-2024-0001, before the Puerto Rico Energy Bureau.
2. The proposals included in Section 1.2 of the document titled FY2027 Joint Reconciliation Plan Amendment on *Corrective Maintenance and Reliability Projects* were developed under my direction and review and reflect LUMA's proposal to be submitted to the Puerto Rico Energy Bureau on May 20, 2026.
3. I am sponsoring the following Exhibits that accompany and support Section 1.2 of the FY2027 Joint Reconciliation Plan Amendment: (i) *Attachment 1 DER Transformer Costs*; (ii) *Attachment 2 Vacuum Switch Replacement Priorities,* and (iii) *Attachment 3 Transformer On Site Cost.*
4. The documents (i) *Attachment 1 DER Transformer Costs*; (ii) *Attachment 2 Vacuum Switch Replacement Priorities,* and (iii) *Attachment 3 Transformer On Site Cost* were developed under my direction and review.
5. If called to testify under oath, I would support LUMA's proposal in Section 1.2 of the FY2027 Joint Reconciliation Plan Amendment, on *Corrective Maintenance and Reliability Projects* and the following Exhibits: (i) *Attachment 1 DER Transformer Costs*; (ii) *Attachment 2 Vacuum Switch Replacement Priorities*, and (iii) *Attachment 3 Transformer On Site Cost*.
6. The proposals and information included in Section 1.2 of the FY2027 Joint Reconciliation Plan Amendment, on *Corrective Maintenance and Reliability Projects* are true and correct

to the best of my knowledge, information, and belief, and have been prepared in good faith using information reasonably relied upon in the ordinary course of my professional responsibilities, as well as my expertise and that of LUMA's subject-matter experts and professionals.

Certified and signed today, May 20, 2026, in San Juan, Puerto Rico.

Pedro Meléndez (May 20, 2026 15:08:46 EDT)

Pedro A. Meléndez Meléndez
Chief Capital Programs
and Grid Transformation Department
LUMA Energy ServCo, LLC

CERTIFICATION

I, Johan Badenhorst, hereby state and certify as follows:

1. I am the Chief Information Officer of LUMA Energy ServCo, LLC, and I am authorized to make this Certification in Case No. NEPR-MI-2024-0001, before the Puerto Rico Energy Bureau.
2. The proposals included in Section 1.1 of the document titled FY2027 Joint Reconciliation Plan Amendment on the *Support Services Portfolio* of the *Projects Approved by PREB as Part of Rate Order* were developed under my direction and review and reflect LUMA's proposal to be submitted to the Puerto Rico Energy Bureau on May 20, 2026.
3. If called to testify under oath, I would support LUMA's proposal in Section 1.1 of the FY2027 Joint Reconciliation Plan Amendment, on the *Support Services Portfolio* of the *Projects Approved by PREB as Part of Rate Order.*
4. The proposals and information included in Section 1.1 of the FY2027 Joint Reconciliation Plan Amendment, on the *Support Services Portfolio* of the *Projects Approved by PREB as Part of Rate Order* are true and correct to the best of my knowledge, information, and belief, and have been prepared in good faith using information reasonably relied upon in the ordinary course of my professional responsibilities, as well as my expertise and that of LUMA's subject-matter experts and professionals.

Certified and signed today, May 20, 2026, in San Juan, Puerto Rico.

Johan Badenhorst
Johan Badenhorst (May 20, 2026 13:31:07 EDT)

Johan Badenhorst
Chief Information Officer
LUMA Energy ServCo, LLC

Exhibit 2
Confidential PREPA Exhibit

Confidential PREPA Exhibit 1 – Settlement of Judicial Claims