

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

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IN RE: REVIEW OF LUMA'S INITIAL BUDGETS

CASE NO.: NEPR-MI-2021-0004

**MOTION IN COMPLIANCE WITH
MAY 29, 2026, RESOLUTION AND ORDER**

TO THE HONORABLE PUERTO RICO ENERGY BUREAU:

COMES NOW the Puerto Rico Electric Power Authority ("PREPA"), through its counsel, and respectfully submits and prays as follows:

I. INTRODUCTION

On May 28, 2026, LUMA Energy LLC and LUMA Energy ServCo LLC (collectively, "LUMA") filed a Motion to Inform and Requesting Order Regarding PREPA's Failure to Comply with Fiscal Year 2026 Approved Budget ("LUMA Motion"), alleging that the Puerto Rico Electric Power Authority ("PREPA") failed to fund the Service Accounts¹ in accordance with the Fiscal Year 2026 revenue requirements established in the Puerto Rico Energy Bureau's Final Resolution and Order issued on April 15, 2026 in Case No. NEPR-AP-2023-0003 (the "Rate Order").

Specifically, LUMA alleges that PREPA failed to replenish the Service Accounts using amounts equivalent to one-twelfth of what LUMA interprets to be the Fiscal Year 2026 revenue requirement approved by the Energy Bureau and, based upon that interpretation, requests that the Energy Bureau order PREPA to make additional deposits into the Service Accounts.

¹ Capitalized terms used but not defined herein shall have the meanings ascribed to them in the LUMA Motion.

LUMA's Motion fails for three independent reasons. First, PREPA fully funded the Service Accounts consistent with the operative Fiscal Year 2026 budget certified by the Financial Oversight and Management Board (“FOMB”) pursuant to PROMESA. Second, the controversy raised by LUMA constitutes a Service Account Dispute governed by Article 15 of the Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement (“T&D OMA”). Third, the liquidity issues identified by LUMA are longstanding, well-documented, and cannot reasonably be attributed to PREPA’s May 2026 funding decisions.

Most importantly, LUMA's Motion rests upon a premise that it never establishes. Although LUMA repeatedly asserts that PREPA was required to immediately alter its Service Account funding methodology following the issuance of the April 15, 2026, Rate Order, LUMA identifies no provision of the Rate Order, PROMESA, or the T&D OMA imposing such an obligation. Instead, LUMA simply assumes that its interpretation of the approved revenue requirement automatically controls Service Account funding. Neither the Rate Order, nor the governing contractual and fiscal framework supports that conclusion.

For these reasons, and as further explained below, LUMA's Motion should be denied.

II. PREPA COMPLIED WITH THE CERTIFIED FY2026 BUDGET

On June 30, 2016, the Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”) was enacted.² PROMESA Section 101 created the Financial Oversight and Management Board for Puerto Rico (the “FOMB”).³ PROMESA Section 202⁴

² 48 U.S.C. §§ 2101–2241.

³ 48 U.S.C. § 2101(b)(1), “[a] Financial Oversight and Management Board is hereby established for Puerto Rico.”

⁴ 48 U.S.C. § 2142.

establishes a multi-step procedure for the development, submission, review, approval, and certification of budgets for covered territorial instrumentalities of the Commonwealth of Puerto Rico⁵. Pursuant to PROMESA's Section 202, PREPA is legally authorized to only spend the amounts authorized pursuant to a budget certified by the FOMB.⁶

Pursuant to PROMESA Sections 202(c)(2) and 202(e)(4)⁷, the FOMB developed and certified the FY2026 Budget for PREPA on June 30, 2025 (as amended, the "FY2026 PREPA Budget"), which is consistent with the proposed budget approved by the Puerto Rico Energy Bureau ("PREB") in its June 20, 2025 Resolution and Order, and submitted the FY2026 PREPA Budget to the Governor, which went into full force on July 1, 2025.⁸

Pursuant to PROMESA Section 202(f)⁹, the Oversight Board subsequently certified four (4) amendments to the FY2026 PREPA Budget on July 25, 2025 (the "First Revised FY2026 PREPA Budget")¹⁰, October 24, 2025 (the "Second Revised FY2026 PREPA Budget")¹¹, January 23, 2026 (the "Third Revised FY2026 PREPA Budget")¹², and March 13, 2026 (the "Fourth Revised FY2026 PREPA Budget").¹³ As a result, at all times relevant

⁵ On September 30, 2016, the Oversight Board designated PREPA as a covered territorial instrumentality pursuant to PROMESA Section 101(d)(1)(A). See 48 U.S.C. § 2101(d)(1)(A).

⁶ *In re Fin. Oversight & Mgmt. Bd. for P.R.*, 945 F.3d at 8 ("In short, the district court concluded that PROMESA subsection 202(e)(4)(C) itself precludes the territorial government from reprogramming funds from prior fiscal years except to the extent such reprogrammed expenditures are authorized in a subsequent budget approved by the Board, and any Puerto Rico law to the contrary is preempted by virtue of PROMESA section 4. See 48 U.S.C. § 2103 ('The provisions of this chapter shall prevail over any general or specific provisions of territory law, State law, or regulation that is inconsistent with this chapter').").

⁷ 48 U.S.C. §§ 2142(c)(2) and (e)(4).

⁸ <https://drive.google.com/file/d/1XCcFHwuFXKrt4ueVz40p1FWnCRJfD1OS/view>, last visited on June 4, 2026.

⁹ 48 U.S.C. § 2142(f), "[n]otwithstanding any other provision of this section, if, in the case of a Territory Budget, the Governor, the Legislature, and the Oversight Board, or in the case of an Instrumentality Budget, the Governor and the Oversight Board, jointly develop such Budget for the fiscal year that meets the requirements under this section, and that the relevant parties certify that such budget reflects a consensus among them, then such Budget shall serve as the Budget for the territory or territorial instrumentality for that fiscal year."

¹⁰ <https://drive.google.com/file/d/1IKJ6AVA6ObLzt5tp56BajAIMFf09-FjP/view>, last visited on June 4, 2026.

¹¹ <https://drive.google.com/file/d/18jH6w4pUhqXBwiv0E3TcwQ7b9cNkZCut/view>, last visited on June 4, 2026.

¹² https://drive.google.com/file/d/1uhW54Jtj1OJH6EozY7faM_pwTms9LpXZ/view, last visited on June 4, 2026.

¹³ <https://drive.google.com/file/d/1DGMTvrh-YVKTrvBadj9XI8YjKqWJXcsm/view>, last visited on June 4, 2026. [The Fourth Revised FY2026 PREPA Budget was certified by the Oversight Board pursuant to a

to LUMA's Motion, the operative budget governing PREPA's expenditures was the Fourth Revised Fiscal Year 2026 Budget certified by the FOMB on March 13, 2026.

The significance of the aforementioned framework cannot be overstated. Under PROMESA, PREPA is not free to disregard a certified budget whenever a stakeholder disagrees with a particular expenditure, funding methodology, or budgetary allocation. To the contrary, PREPA is legally obligated to operate within the parameters of the budget certified by the FOMB unless and until such budget is modified through the applicable statutory process. Any contrary approach would undermine the budget certification framework established by Congress under PROMESA and create uncertainty regarding the fiscal controls applicable to covered instrumentalities.

LUMA's Motion nevertheless rests upon the assumption that the Energy Bureau's April 15, 2026 Rate Order automatically superseded the operative Fiscal Year 2026 Budget certified by the FOMB and immediately required PREPA to alter the methodology used to fund the Service Accounts. However, LUMA identifies no provision of the Rate Order imposing such a requirement.

Although LUMA repeatedly asserts that PREPA's May 2026 deposits were inconsistent with the revenue requirement approved by the Energy Bureau, LUMA does not identify any language in the Rate Order directing PREPA to disregard the operative budget certified pursuant to PROMESA, abandon the budgetary framework governing Service Account funding, or immediately revise monthly deposits in the manner advocated by LUMA. Nor does LUMA identify any provision of PROMESA or the T&D OMA requiring PREPA to treat the Rate Order as an automatic amendment to the certified budget.

February 20, 2026 request by Luma to conform the Third Revised FY2026 PREPA Budget to be consistent with PREB's Resolution and Order dated August 19, 2025.]

The absence of such language is unsurprising. The April 15, 2026 Rate Order was issued in the context of a ratemaking proceeding. Its purpose was to establish revenue requirements and rates applicable to Puerto Rico's electric system. The Rate Order was not a budget certification proceeding under PROMESA, nor did it purport to amend, replace, or supersede the Fiscal Year 2026 Budget certified by the FOMB.

Moreover, multiple motions for reconsideration challenging various aspects of the April 15, 2026 Rate Order remain pending before the Energy Bureau, including motions filed by LUMA itself. Thus, even after issuance of the Rate Order, the parties continued to litigate issues concerning the implementation of the Bureau's determinations. In that context, PREPA continued to operate pursuant to the only budget formally certified under PROMESA.

Importantly, the budgetary framework upon which PREPA relied was not created unilaterally by PREPA. To the contrary, the Fourth Revised Fiscal Year 2026 Budget was certified by the FOMB following a request submitted by LUMA seeking to conform the budget to prior Energy Bureau determinations. Having sought and obtained certification of the operative budgetary framework, LUMA now asks the Bureau to conclude that PREPA should have disregarded that same framework. LUMA's Motion offers no legal basis for such a result.

The practical consequences of LUMA's position further demonstrate its flaws. If accepted, LUMA's theory would mean that every adjustment to a revenue requirement automatically modifies PREPA's funding obligations under a certified budget, regardless of whether the budget has been revised, whether reconsideration proceedings remain pending, or whether the FOMB has approved any corresponding changes. Nothing in PROMESA, the Rate Order, or the T&D OMA supports such a proposition.

Consistent with the Fourth Revised Fiscal Year 2026 Budget certified by the FOMB, PREPA funded the Service Accounts in May 2026 in the exact amount authorized under the operative budgetary framework.

	FY 2026 Certified Budget	May Service Account Funding	Difference
Operating Account	62,049,000	62,049,000	-
Non Federally Funded Capital Account	15,305,000	15,305,000	-
Purchased Power Account	66,046,000	66,046,000	-
Energy Efficiency Account	1,156,557	1,156,557	-
Total	144,556,557	144,556,557	-

The table above confirms that PREPA deposited \$144,556,557 into the Service Accounts during May 2026, which precisely matches the monthly funding amount authorized under the Fourth Revised Fiscal Year 2026 Budget certified by the FOMB. There is no variance between the certified budget and the actual funding provided by PREPA.

Accordingly, the relevant question before the Bureau is not whether PREPA complied with the certified budget. The documentary evidence establishes that it did. Rather, the issue raised by LUMA is whether PREPA should have disregarded the operative budget certified pursuant to PROMESA and instead adopted LUMA's preferred interpretation of the April 15, 2026 Rate Order. LUMA identifies no provision of PROMESA, the Rate Order, or the T&D OMA requiring PREPA to do so.

Indeed, LUMA's Motion effectively asks the Bureau to conclude that PREPA acted improperly by complying with the only budget legally governing its expenditures at the time the deposits were made. However, the undisputed evidence demonstrates that PREPA fully complied with the operative Fiscal Year 2026 Budget and funded the Service Accounts in the precise amount authorized by the Fourth Revised Fiscal Year 2026 Budget certified by the FOMB. PREPA's actions cannot reasonably be characterized as

non-compliance with either its fiscal obligations under PROMESA or its obligations under the operative budgetary framework governing the electric system.

III. THIS IS A CONTRACTUAL SERVICE ACCOUNT DISPUTE

LUMA's Motion seeks relief that extends well beyond the Energy Bureau's traditional ratemaking and regulatory authority. Although framed as a request to enforce compliance with the April 15, 2026, Rate Order, the Motion fundamentally seeks a determination regarding the interpretation and application of Section 7.5 of the T&D OMA governing the funding and administration of the Service Accounts. Specifically, LUMA requests that the Bureau determine the methodology applicable to Service Account replenishments, conclude that PREPA's interpretation of Section 7.5 is incorrect, declare that PREPA has failed to comply with its obligations under the T&D OMA, and compel PREPA to make additional deposits into the Service Accounts. That is not a rate case issue. It is a contractual dispute governed by the T&D OMA, and LUMA knows it.

The T&D OMA expressly addresses how disputes of this nature are to be resolved.

Article 15 of the T&D OMA provides:

Except as otherwise expressly provided in this Agreement, any dispute among the Parties arising out of, relating to or in connection with this Agreement or the existence, interpretation, breach, termination or validity thereof (a 'Dispute') shall be resolved in accordance with the procedures set forth in this Article 15 (Dispute Resolution), which shall constitute the sole and exclusive procedures for the resolution of such Disputes...

The breadth of this provision is significant. The parties expressly agreed that disputes concerning the interpretation, application, or alleged breach of the OMA would be resolved through the dispute resolution procedures established in Article 15. The present controversy falls squarely within that language. Indeed, resolution of LUMA's Motion necessarily requires a determination regarding the interpretation and application of Section 7.5 itself.

More importantly, the T&D OMA specifically identifies disputes concerning Service Accounts as a category of dispute subject to Article 15. Section 7.5(g) provides:

The Parties hereby agree that, in the event that a dispute arises in connection with a Service Account ... the matter shall be subject to resolution as a Technical Dispute in accordance with Article 15 (Dispute Resolution).

The parties therefore expressly anticipated the possibility of disagreements regarding the administration, funding, replenishment, and operation of the Service Accounts and agreed in advance how those disputes would be resolved. That framework includes mandatory negotiations, referral to an independent expert possessing the requisite technical expertise, and a final and binding determination. See T&D OMA Articles 15.3 and 15.4

LUMA's Motion seeks to circumvent that contractual framework entirely. Rather than invoking the dispute resolution procedures that the parties expressly negotiated and incorporated into the T&D OMA, LUMA asks the Bureau to adjudicate the parties' competing interpretations of Section 7.5 under the guise of a regulatory violation. PREPA respectfully submits that the Bureau should decline that invitation.

This is not a dispute concerning the validity of a rate, the prudence of a budget, the reasonableness of a tariff, or any other matter traditionally committed to the Bureau's ratemaking or regulatory authority – this is a purely contractual matter. There is a material distinction between the Bureau's authority to regulate the electric system and the authority to adjudicate whether a party has complied with a particular contractual provision of the T&D OMA. LUMA has identified no provision of Act 57, Act 17, Act 120, or the T&D OMA authorizing the Bureau to serve as the primary adjudicator of alleged breaches of the OMA.

Nothing in the April 15, 2026 Rate Order displaced or modified that contractual framework. Accordingly, to the extent a genuine disagreement exists regarding the proper

interpretation or application of Section 7.5, such controversy constitutes a Service Account Dispute under Section 7.5(g) and Article 15 of the T&D OMA and should be resolved through the dispute resolution procedures expressly agreed upon by the parties rather than through regulatory enforcement proceedings before the Bureau.

IV. THE LIQUIDITY CHALLENGES ARE NOT NEW

LUMA's Motion attempts to portray the present controversy as the product of PREPA's May 2026 funding decisions. The record, however, demonstrates otherwise.

The liquidity challenges affecting the electric system did not arise in May 2026, nor did they arise as a result of the April 15, 2026, Rate Order. Rather, they are the culmination of longstanding financial conditions that have existed for years and have been repeatedly discussed among PREPA, LUMA, the Energy Bureau, the FOMB, P3A, AAFAF, Genera, and other stakeholders. PREPA has consistently raised concerns regarding declining unrestricted cash balances, delayed federal reimbursements, increasing expenditures, collection challenges, and other factors affecting the system's liquidity.

These concerns were not raised for the first time in connection with LUMA's Motion. To the contrary, they have been the subject of numerous meetings, correspondence, budget proceedings, cash flow discussions, and stakeholder engagements over an extended period of time. Indeed, the Energy Bureau itself previously initiated proceedings concerning PREPA's liquidity position, which to this day remain *sub judice*, further demonstrating that the underlying issues identified by LUMA have long been known to all relevant stakeholders.

Moreover, the Energy Bureau itself recognized in the April 15, 2026 Rate Order, that liquidity constraints and delays in the receipt of federal funds are realities confronting the electric system. To that extent, the Bureau expressly acknowledged that FEMA's obligation process may involve review periods extending from six to eighteen months and

further recognized the need for liquidity sources capable of bridging the gap between project expenditures and the receipt of federal funds. The Bureau likewise acknowledged that documented liquidity gaps may arise and specifically identified mechanisms available to address such circumstances. These findings confirm that the liquidity issues presently cited by LUMA are neither novel nor unexpected, but rather well-known challenges that have been expressly recognized by the Bureau itself.

The significance of these facts is straightforward. The liquidity challenges identified by LUMA predate the events described in its Motion by several years and have been the subject of extensive discussion among all relevant stakeholders. Consequently, LUMA cannot credibly attribute the current liquidity conditions to PREPA's May 2026 funding decisions or rely upon those conditions as evidence of non-compliance. To the contrary, the undisputed evidence demonstrates that PREPA funded the Service Accounts in accordance with the operative Fiscal Year 2026 Budget while continuing to manage liquidity challenges that were already well known throughout the electric sector.

V. CONCLUSION

LUMA's Motion ultimately rests upon a proposition that it never establishes: that the April 15, 2026 Rate Order required PREPA to disregard the operative Fiscal Year 2026 Budget certified by the FOMB and immediately adopt LUMA's preferred methodology for funding the Service Accounts. Neither the Rate Order, PROMESA, nor the T&D OMA supports that conclusion.

The undisputed evidence demonstrates that PREPA funded the Service Accounts in accordance with the Fourth Revised Fiscal Year 2026 Budget certified by the FOMB. Indeed, the amounts deposited by PREPA in May 2026 precisely matched the amounts authorized under the operative budgetary framework governing PREPA's expenditures.

Accordingly, PREPA's actions cannot reasonably be characterized as non-compliance with either the Rate Order or its obligations under PROMESA.

The record further demonstrates that the controversy presented by LUMA concerns the interpretation and application of Section 7.5 of the T&D OMA. As such, it constitutes a Service Account Dispute expressly governed by Section 7.5(g) and Article 15 of the T&D OMA. Rather than invoking the dispute resolution procedures negotiated by the parties, LUMA seeks to have the Bureau adjudicate a contractual disagreement arising under the T&D OMA – something that the very T&D OMA expressly rejects. PREPA respectfully submits that such controversy should be resolved through the dispute resolution framework expressly agreed upon by the parties.

Finally, the liquidity conditions cited by LUMA are neither new nor unexpected. They have been the subject of repeated discussions among stakeholders for years and have been expressly recognized by the Bureau itself. LUMA therefore cannot credibly attribute those conditions to PREPA's May 2026 funding decisions or rely upon them as evidence of non-compliance.

Accordingly, for all of the foregoing reasons, PREPA respectfully requests that the Bureau deny LUMA's Motion in its entirety and grant such other relief as the Bureau deems just and proper.

WHEREFORE, PREPA respectfully requests that the Energy Bureau take notice of this Response, and deny LUMA's motion.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, on the 5th day of June 2026.

CERTIFICATE OF SERVICE: We hereby certify that this document was filed with the Office of the Clerk of the Energy Bureau using its Electronic Filing System at <https://radicacion.energia.pr.gov/login> and notified via email to the attorneys of the parties

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