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 Motion in Compliance with Order of May 27, 2026**

LUMA'S MOTION SUBMITTING RESPONSES TO REQUIREMENT OF INFORMATION ON LUMA'S PORTION OF JOINT RECONCILIATION PLAN

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:

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, which, among other things, directed LUMA to propose a joint reconciliation plan for Fiscal Year ("FY") 2027 spending of the FY2026 reconciliation amount. *See* Final Rate Order, Chapter Two, at 7. On May 20, 2026, LUMA submitted the Joint Reconciliation Plan, which included as Exhibit 1 LUMA's portion of the plan ("LUMA's Reconciliation Plan").

2. On May 27, 2026, this Energy Bureau issued an order directing LUMA, Genera PR, LLC, and the Puerto Rico Electric Power Authority each to respond to specific requirements of information regarding their respective portions of the Joint Reconciliation Plan by June 9, 2026 ("May 27th Order").

3. In compliance with the May 27th Order, LUMA hereby submits as Attachment 1 to this Motion its responses to the requirements of information that this Energy Bureau directed to LUMA in connection with LUMA's Reconciliation Plan. As set forth in ROI-LUMA-MI-2021-0004-20260527-PREB-012, LUMA is withdrawing the Covadonga temporary repair project from the Reconciliation Plan.

WHEREFORE, LUMA respectfully requests that this Energy Bureau take **notice** of the aforementioned and **deem** that LUMA complied with the requirements of information directed to LUMA in the May 27th Order.

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. Ramos Aponte; ramon.ramos@jsyalaw.com; legal@genera-pr.com; and regulatory@genera-pr.com.

In San Juan, Puerto Rico, this 9th day of June, 2026.

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Attachment 1
LUMA's Responses to May 27th Requirements of Information

Exhibit 1 - LUMA's Responses to May 27th Requirements of Information

NEPR-MI-2021-004

June 9,2026

List of Responses and Attachments

Response ID	Document Type	Response Subject
ROI-LUMA-MI-2021-004-20260527-PREB-001	Response in PDF	Five corrective maintenance and reliability projects
ROI-LUMA-MI-2021-004-20260527-PREB-002	Response in PDF	
ROI-LUMA-MI-2021-004-20260527-PREB-003	Response in PDF	
ROI-LUMA-MI-2021-004-20260527-PREB-004	Response in PDF	PBFM1 - Facilities Development & Implementation
ROI-LUMA-MI-2021-004-20260527-PREB-005	Response in PDF	VDI for Azure Virtual Desktop project
ROI-LUMA-MI-2021-004-20260527-PREB-006	Response in PDF	Workforce Management System
ROI-LUMA-MI-2021-004-20260527-PREB-007	Response in PDF	32 approved projects
ROI-LUMA-MI-2021-004-20260527-PREB-008	Response in PDF	Distribution System Improvement (DER)
ROI-LUMA-MI-2021-004-20260527-PREB-008	Attachment*	Distribution System Improvement (DER)
ROI-LUMA-MI-2021-004-20260527-PREB-009	Response in PDF	Out of Service Vacuum Switches
ROI-LUMA-MI-2021-004-20260527-PREB-009	Attachment*	Out of Service Vacuum Switches
ROI-LUMA-MI-2021-004-20260527-PREB-010	Response in PDF	Line 16800
ROI-LUMA-MI-2021-004-20260527-PREB-011	Response in PDF	Transformers On-site Preparation Costs
ROI-LUMA-MI-2021-004-20260527-PREB-012	Response in PDF	Covadonga Temporary Repair

*Note: *Denotes attachments that have been provided in Microsoft Excel format.*

Joint Reconciliation Plan ROI

NEPR-MI-2021-0004

Response: ROI-LUMA-MI-2021-0004-20260527-PREB-001

SUBJECT

Five corrective maintenance and reliability projects

REQUEST

Identify each provision of the Rate Order on which LUMA relies for the proposition that the reconciliation plan may include projects that were not part of the approved FY2026 Budget. Explain specifically how the five corrective maintenance and reliability projects satisfy the Chapter Two description of the reconciliation amount as funding "activities that one or more of the utilities would have carried out [during FY2026] to spend those funds, but which they did not carry out."

RESPONSE

LUMA relies on the Category Three provisions of the Rate Order[1], which recognizes that projects without a demonstrated federal funding pathway may be supported through ratepayer funding where the operator demonstrates that the project is necessary to provide safe and reliable service and that the proposed cost is reasonable. The corrective maintenance and reliability preservation projects included in the reconciliation plan satisfy these principles.

Consistent with the Category Three framework, none of these projects are currently included on the Consolidated List[2] , none are included in Attachments A[3], B, or C[4] previously submitted by LUMA to this Energy Bureau, and none were rated “high” in LUMA’s hopefulness matrix. In addition, federal funding available to LUMA under Section 428 is finite and currently fully allocated. LUMA’s current Section 428

[1] *See* Final Rate Order, dated April 15, 2026, Case No. NEPR-AP-0003, Chapter One, at p12.

[2] The FAASt Consolidated Project Plan List, submitted by PREPA to FEMA and COR3 on July 31, 2025, in response to FEMA’s June 3, 2025, request, centralizes project submissions for the remaining FAASt funding, which FEMA identified as having an unallocated balance of $3.62 billion. The list serves as the mechanism FEMA will use to evaluate and obligate the remaining funds under the FAASt program.

[3] Attachment A refers to LUMA’s proposed projects developed to support system reliability, safety, and resilience. Consistent with the framework established by the Energy Bureau which set a $636 million of 428 allocation for projects not included in the FAASt Consolidated Project Plan List. The proposed Attachment A maintains strict adherence to LUMA’s allocation of the $3.62 billion unallocated balance. See Puerto Rico Energy Bureau, *Motion submitting Attachment A and B*, Case No. NEPR-MI-2021-0002, 20260514-MI20210002-Exhibit-2-Motion-Submitting-LUMAS-Adjusted-Consolidated-List-Proposed-Attachment-A-and-Attachment-B-Streetlights-Projects.xlsx

[4] Attachment C refers to LUMA’s proposed amendment to the FEMA FAASt Global Equipment and Materials allocation and identifies the projects recommended for activation or reactivation, including those with incurred costs that may be eligible for reimbursement once reentered into the FEMA FAASt process. See Puerto Rico Energy Bureau, *Motion submitting Attachment C*, Case No. NEPR-MI-2021-0002, 20260522-MI20210002-Exhibit-2-Motion-Submitting-LUMAS-Attachment-C-Global-EM-Amendment.xlsx

allocation totals approximately $6.35 billion, comprised of approximately $3.09 billion in child projects, $1.66 billion associated with FAASt equipment and material activities, $0.97 billion associated with FAASt architecture and engineering activities, and approximately $0.64 billion identified by the Energy Bureau in its February 5, 2026, Resolution for additional child projects. As shown, these funds are currently fully allocated, therefore, no federal funding capacity exists to support the corrective maintenance and reliability preservation projects.

The Rate Order further recognizes that LUMA has identified inactive projects with incurred costs and directs LUMA to prioritize their reactivation. Accordingly, any future federal funding capacity that may become available through reconciliation between Sections 406 and 428 must first be evaluated in light of those priorities. At the same time, the corrective maintenance and reliability preservation projects proposed herein address existing conditions involving overloaded transformers operating beyond their intended design limits, out-of-service vacuum switches affecting feeder configuration and restoration capability, preservation activities necessary to protect approximately $53.6 million of transformer assets pending future installation, and restoration of Line 16800, a critical transmission contingency previously recognized by the Energy Bureau as necessary for system reliability and resiliency. Delaying these projects while awaiting potential changes to the federal allocation would expose customers to avoidable reliability risks, higher future costs, and accelerated asset deterioration.

Providing Non-Federal Capital (NFC) for these activities now does not foreclose future reimbursement opportunities. On the contrary, timely execution allows customers to realize the benefits of improved reliability and avoid emergency costs while preserving LUMA's ability to seek reimbursement for work already completed. While no demonstrated federal funding pathway currently exists for these projects, certain activities, particularly those associated with the preservation of transformers intended for future FEMA-supported projects and the restoration of Line 16800, may become eligible for reimbursement should additional federal allocation become available after projects with incurred costs have been addressed in accordance with the priorities established in the Rate order. Should such opportunities arise, LUMA will pursue reimbursement so that customers ultimately receive the benefit of those recoveries. Accordingly, approving these projects now provides the benefits of timely corrective action without eliminating the possibility of future federal funding.

The proposed projects are also necessary to provide safe and reliable service and satisfy the Chapter Two description of the reconciliation amount as funding activities that the utilities would have carried out during FY2026 but did not. The needs addressed by these projects existed, were known, and were documented during FY2026, and the associated work represents corrective actions intended to address existing operational deficiencies and preserve asset integrity. While these projects were not included in the approved FY2026 Budget, they address conditions that existed during the period that gave rise to the reconciliation amount. In several cases, project execution was constrained by procurement timing, extended delivery lead times, and liquidity limitations during FY2026.Those extended delivery lead times are no longer a concern for FY2027, as the materials required to complete these projects were already procured during FY2026 and will be available to support implementation in FY2027. The reconciliation amount provides an opportunity to address unmet reliability and corrective maintenance needs that arose during that same period, using funds that ultimately were utimately not expended during FY2026.

LUMA's inclusion of these projects in the reconciliation plan is also consistent with the Energy Bureau's treatment of corrective maintenance throughout the Rate Order. In the Rate Case, LUMA proposed six corrective maintenance projects across the transmission, substation, and distribution portfolios, including

pole replacement and substation reliability initiatives, and all six were approved by the Energy Bureau[5]. These approvals demonstrate the Energy Bureau's recognition that corrective maintenance investments are necessary to maintain safe and reliable service and constitute prudent utility practice. The projects that LUMA proposed to be funded with reconciliation amounts are based on the same principles and are intended to address existing conditions that threaten system reliability, increase operational risk, or expose customers to higher future costs.

[5] *See* Final Rate Order, dated April 15, 2026, Case No. NEPR-AP-0003, Chapter Three, at p13, p22, p34

Joint Reconciliation Plan ROI

NEPR-MI-2021-0004

Response: ROI-LUMA-MI-2021-0004-20260527-PREB-002

SUBJECT

Five corrective maintenance and reliability projects

REQUEST

The Rate Order directs that timing or liquidity gaps on Category Two projects be addressed through non-ratepayer liquidity sources (Working Capital Advances, the FFCIA, the Energy Sector Reserve, HUD cost-share funds, and the State Revolving Fund) or, if necessary, a temporary rate adjustment under Section 6.25(d) of Act 57- 2014. For each of the five corrective projects, explain why those mechanisms were not used or pursued and why reconciliation funding is proposed instead.

RESPONSE

The non-ratepayer liquidity mechanisms identified in the Rate Order are intended to address timing and liquidity gaps associated with projects that have demonstrated federal funding pathways. In contrast, the corrective maintenance and reliability preservation projects included in the Joint Reconciliation Plan do not currently possess such pathways. As discussed in response to *ROI-LUMA-MI-2021-0004-20260527-PREB-001*, none of these projects is included on the Consolidated List, none are included in Attachments A, B, or C previously submitted by LUMA, and none were rated “high” in LUMA’s hopefulness matrix. Consequently, the Working Capital Advance, Federally Funded Capital Improvements Accounts (FFCIA), and HUD cost-share funds mechanisms identified in the Rate Order are not applicable because they are intended to support projects in the federal pipeline. With respect to the Energy Sector Reserve and the State Revolving Fund, LUMA has not been granted access to these funding sources and is unaware of any mechanism currently available to access them. Further, LUMA is not aware of any funding currently available under these programs to support the proposed projects. Accordingly, LUMA has no knowledge of any currently available source of funding source or process by which these projects could be financed using the Energy Sector Reserve or the State Revolving Fund.

Similarly, LUMA did not pursue a temporary rate adjustment under Section 6.25(d) of Act 57-2014. The purpose of such a mechanism is to address temporary funding requirements when no other funding source is available. Here, however, the reconciliation process has already identified revenues required by the system during FY2026 but were not received during that period and has established a mechanism to recover those funds in FY2027. Accordingly, pursuing an additional temporary rate adjustment would unnecessarily increase customer rates to recover costs already covered by the reconciliation mechanism established by the Rate Order.

LUMA therefore proposes reconciliation funding because it is the most efficient and least burdensome mechanism available to address these corrective maintenance and reliability preservation needs. Using the FY2026 reconciliation amount allows existing revenues to be directed toward operational conditions that arose during FY2026, without requiring additional funding mechanisms or incremental rate increases for customers.

Joint Reconciliation Plan ROI

NEPR-MI-2021-0004

Response: ROI-LUMA-MI-2021-0004-20260527-PREB-003

SUBJECT

Five corrective maintenance and reliability projects

REQUEST

Paragraph 63 states that the five corrective maintenance projects have a combined total cost of $30.93 million, while Exhibit 1 reflects a combined total of $29.88 million for those projects. Confirm the correct figure and correct the record as appropriate.

RESPONSE

The correct combined total cost for the five corrective maintenance projects is $29.88 million. Accordingly, Paragraph 63 should be revised to reflect this amount, consistent with the figures presented in Exhibit 1. However, because LUMA intends to pursue PBUT7 Covadonga – Temporary Repair ($5.00 million) under Department of Energy (“DOE”) grant and is therefore withdrawing its request to fund that project through reconciliation amounts, the adjusted total cost to be reflected is $24.88 million.

Joint Reconciliation Plan ROI

NEPR-MI-2021-0004

Response: ROI-LUMA-MI-2021-0004-20260527-PREB-004

SUBJECT

PBFM1 - Facilities Development & Implementation

REQUEST

For the Facilities (PBFM1) projects-Generator Acquisitions, Water Cisterns, HVAC Replacement, Caguas Regional Project II, Bayamón Regional Projects, Ponce Regional Projects, Arecibo Regional Projects, Mayagüez Regional Projects, San Juan Regional Projects, and Hormigueros Contact Center Relocation and Consolidation-explain why each proposed reconciliation amount differs from the corresponding amount in the Order's Approved NFC Projects table, and confirm that the proposed scope is a subset of, and not in addition to, the approved scope.

RESPONSE

The table below identifies the differences between each proposed reconciliation amount and the Rate Order-approved amounts of NFC cost of Facilities & Infrastructure department.

($ in million)

Project Name	PBFM1 NFC Approved Project FY2026	Reconciliation request	Difference	Explanation for each proposed reconciliation amount differs from the corresponding amount in the Order's Approved NFC
FMS Generator Acquisitions	$2.96	$1.30	$1.66	The initial NFC Fiscal Year 2026 approved budget allocated $2.96 million for FMS Generator Acquisitions to fund four of the most needed Emergency Power Generators in Las Banderas Building, NEOM Building, La Torre Building Sabana Llana Electrical Service Center and Guayama Electrical Service Center, each one essential to ensure operational. LUMA requests a reduced amount of $1.30 million to be funded through the reconciliation plan. Due to limited availability of contractors and project management resources, lead time, procurement process, actual needs and priorities shifting. LUMA determined that it would not be possible to acquire all generators within FY2026. Thus, the revised $1.30

				million would fund the acquisition of at least two, would be dedicated to La Torre Building Emergency Generator Replacement and Sabana Llana Electrical Service Center as they represent the highest priority for operational continuity.
FMS Water Cisterns	$0.23	$0.10	$0.13	The approved FY2026 budget initially allocated $0.23 million dollars from FMS Water Cisterns for the replacement or upgrade of water cisterns assemblies island wide. However, the current availability of contractors and project management resources, necessary lead times, procurement workflows, evolving priorities and active operational planning requires a reconciliation request of 0.10 million dollars. This budget would be allocated to replacing the two existing 7.5 HP vertical multistage water pump and motor assemblies at the NEOM building in Monacillo. The project also includes enhancements to the water supply system through the installation of two variable frequency drives, two pressure transducers, one pressure gauge, and one bladder tank, along with the required plumbing and electrical connections. These upgrades represent the highest priority to ensure operational continuity within the achievable scope for Fiscal Year 2026.
FMS HVAC Replacements	$6.33	$1.10	$5.23	The initial allocation of 6.33 million from the approved fiscal year 2026 budget for FMS HVAC Replacements would have been dedicated to the replacement of two HVAC chillers in Santurce JRV Building, two HVAC chillers in Santurce NEOS Building, two HVAC chillers in Lucchetti Building, two 40 Tons Condenser units for NEOM Building, two 40 Tons Evaporators and four 20 Tons condenser units for La Torre building. Given contractor availability, limited project management resources, procurement timelines, and shifting institutional priorities, a revised reconciliation request of 1.10 million dollars for these facility systems was made, acquiring three chillers serving two main administrative buildings, represents the scope realistically achievable in FY26. This variance reflects execution capacity constraints rather than a change in project need. This budget will allocate for one HVAC chiller for NEOS Building, one HVAC chiller for JRV Building and the refurbishment of the two 40 Tons Condenser units in NEOM Building and the refurbishment of the two 40 Tons evaporators and four 20 Tons condenser units in La Torre building. This reflects the realistic portion of the project scope that can be successfully achieved during FY26.
FMS Caguas Regional Project II	$2.76	$0.60	$2.16	To address the need for an employee parking lot paving, the construction of a retaining wall, the demolition and repurpose of a collapsed building at the Caguas electrical service center, an initial NFC Fiscal Year 2026 approved budget allocated $2.76 million from FMS Caguas Regional Project. To cover the costs of the only achievable portion of this project, a modified reconciliation request of $0.60 million to be dedicated to the construction of the retaining wall.

FMS Bayamon Regional Projects	$1.03	$1.00	$0.03	The approved fiscal year 2026 budget from FMS Bayamon Regional Projects with an original allocation of 1.03 million dollars contemplated the installation of a fire suppression system and a fire alarm for Power Service Building in Catano. A reconciliation request of $1.00 million was requested as the installation of a fire suppression system for Power Service Building is the feasible portion of the proposed project scope that can be successfully executed during this specific fiscal year period.
FMS Ponce Regional Projects	$8.26	$0.30	$7.96	This project will address structural deterioration at the Yauco operations building, including corroded rebar, interior and exterior roof fractures, and replacement of the failing asphaltic waterproofing membrane. The approved FY 2026 budget is reduced from $8.26 million to a revised request of $0.30 million, as the remaining initiatives require further environmental, structural and technical evaluations before they can proceed. This revised amount reflects the portion of the project scope that can be executed within the fiscal year given current contractor availability, procurement timelines, and organizational priorities.
FMS Arecibo Regional Projects	$0.66	$0.50	$0.16	To address architectural deficiencies at the Arecibo Electrical Service Center, this initiative covers the remediation of interior and exterior roof fracturing, rebar induced spalling fixes, and the complete replacement of the degraded asphaltic waterproofing membrane, as well as the refurbishment of Arecibo Customer Experience center's fire suppression system and its fire alarm system. Realigning the authorized FY2026 budget from $0.66 million dollars to a reconciliation request of $0.50 million dollars for these regional projects responds to a realistic timeline because only the repairs on the structural deficiencies at the Arecibo Electrical Service Center and the refurbishment of Arecibo CX's alarm system represents the achievable portion of the proposed project scope that can be successfully executed during this specific fiscal year period given the actual availability of contractors, project management resources, procurement timelines, and shifting organizational priorities.
FMS Mayaguez Regional Projects	$0.50	$0.50	-	This project has no difference in the budget.
FMS San Juan Regional Projects	$14.01	$2.50	$11.51	The initial $14.01 million approved in NFC Fiscal Year 2026 for the FMS San Juan Regional Projects involves a comprehensive overhaul of facilities across the LUMA Santurce and Monacillo complexes. This includes the Lucchetti Building Structural assessment, Lucchetti Structural reinforcement and upgrades, NEOM Building Roof Retrofit, Durotex Roof Retrofit, Durotex Emergency Staircase Replacement and NEOS Building Electric Fire Pump Controller replacement. Addressing the feasible portion of the project scope that can be successfully completed during this specific

				fiscal year period would delay the most expensive partitions of the project to compress it down to a realistic reconciliation request of $2.50 million dollars. This budget would cover Durotex Roof Waterproofing, Durotex Emergency Staircase replacement, NEOM Roof Waterproofing improvements and the replacement of the Electric Fire Pump controller at the Santurce NEOS building.
Hormigueros Contact Center Relocation and Consolidation	$0.76	$0.75	$0.01	This strategic real estate initiative drives the consolidation of the Hormigueros Contact Center, unlocking facility optimization opportunities to absorb and integrate regional operations from San Germán and Mayagüez. While managing this complex transition, some cost-saving opportunities were presented on the available furniture and equipment to be acquired and capitalized on, adjusting the NFC Fiscal Year 2026 approved budget from $0.76 million down to a reconciliation request of $0.75 million from the approved Hormigueros Contact Center Relocation and Consolidation project budget in the NFC Fiscal Year 2026.
TOTAL	**$37.50**	**$8.65**	**$28.85**	

Joint Reconciliation Plan ROI

NEPR-MI-2021-0004

Response: ROI-LUMA-MI-2021-0004-20260527-PREB-005

SUBJECT

VDI for Azure Virtual Desktop project

REQUEST

Regarding the VDI for Azure Virtual Desktop project: the Rate Order approved this project at the Constrained Budget level ($300,000 for FY26; $0 for FY27). Reconcile the statement in paragraph 48 that the project was "approved … at the requested spending level," and explain the basis for proposing $300,000 of reconciliation funding for a FY2027 spending window.

RESPONSE

The Rate Order approved the VDI for Azure Virtual Desktop project at the Constrained Budget level, which included $300,000 in FY2026 and $0 in FY2027. Accordingly, when paragraph 48 states that the project was “approved at the requested spending level,” the statement refers to the fact that the approved amount for FY2026 matches LUMA’s requested Constrained Budget.

LUMA is proposing to execute the VDI for Azure Virtual Desktop project FY2026 approved scope during FY2027 using FY2026 reconciliation funds, which is the mechanism the Rate Order created for such circumstances. This approach does not modify the approved FY2027 budget, does not introduce new FY2027 spending beyond what was already approved for FY2026, and ensures that the project is carried out using the revenues that were authorized for it in FY2026 but were unavailable during that period.

Joint Reconciliation Plan ROI

NEPR-MI-2021-0004

Response: ROI-LUMA-MI-2021-0004-20260527-PREB-006

SUBJECT

Workforce Management System

REQUEST

Regarding the Workforce Management System: the Rate Order approved this project at the Constrained Budget level, not at the petitioned (Optimal) level. Reconcile the statement in paragraph 49 that the project was "approved ... at the requested spending level," and identify the FY2026 and FY2027 approved amounts on which the proposed $1.35 million is based.

RESPONSE

The Rate Order approved the Workforce Management System project at the Constrained Budget level. The approved amounts for FY2026 and FY2027 are $2.77 million and $1.32 million respectively, which are completely aligned with the approved Constrained Budget level. Therefore, when paragraph 49 states that the project was “approved at the requested spending level,” it reflects that LUMA’s Reconciliation Plan request for FY2026 is below the approved Constrained Budget amount and thus falls fully within the level of spending already authorized by the Energy Bureau.

LUMA is proposing to execute the Workforce Management System project within the FY2026 approved scope during FY2027 using FY2026 reconciliation funds, which is the mechanism the Rate Order created for such circumstances. This approach does not modify the approved FY2027 budget, does not introduce new FY2027 spending beyond what was already approved for FY2026, and ensures that the project is carried out using revenues authorized for it in FY2026 but unavailable during that period.

Joint Reconciliation Plan ROI

NEPR-MI-2021-0004

Response: ROI-LUMA-MI-2021-0004-20260527-PREB-007

SUBJECT

32 approved projects

REQUEST

For each of the 32 approved projects, confirm whether the project also receives funding in the approved FY2027 base-rate revenue requirement, and explain how duplicate recovery is avoided where a project is funded both in FY2027 base rates and through the FY2026 reconciliation amount.

RESPONSE

Of the 32 approved projects included in the reconciliation plan, nine projects (FMS- Furniture and Small Projects Arecibo Region, FMS- Furniture and Small Projects Caguas Region, Hormigueros Contact Cent NME, VDI For Azure Virtual Desktop, Starlink Satellite Enterprise Hardware, OSI (Aveva) PI Hardware Replacement, Vulnerability Discovery (OT), Cloud-based external attack surface management (EASM) solutions, and Network Detection & Response (NDR) - Next Generation IDS) did not receive funding under the approved FY2027 budget. For those projects, the FY2026 reconciliation amount provides the funding needed to pursue activities approved for FY2026 but not executed within that fiscal year.

The remaining projects are reflected in the approved FY2027 budget. However, inclusion in both the FY2027 budget and the FY2026 reconciliation amount does not result in duplicate recovery. In all cases, the approved FY2027 funding supports activities different from those included in the reconciliation request. The reconciliation amount is intended to fund activities that were not executed in FY2026, while the FY2027 budget supports future activities planned for FY2027.

Duplicate recovery is avoided because the reconciliation mechanism is not intended to recover costs a second time, but rather to recover revenues associated with approved FY2026 activities that were not executed during that fiscal year. The reconciliation amount enables completion of work that was not executed in FY2026 work, while the FY2027 approved budget supports activities planned for FY2027, thereby ensuring continuity of necessary work without resulting in duplicate recovery from customers.

Joint Reconciliation Plan ROI

NEPR-MI-2021-0004

Response: ROI-LUMA-MI-2021-0004-20260527-PREB-008

SUBJECT

Distribution System Improvement (DER)

REQUEST

Distribution System Improvement (DER) -$4.00 million:

a. Explain how the $4.00 million figure is derived, including how many of the 335 identified transformers and 158 feeders the $4.00 million will address and the unit cost applied.

b. Reconcile the $4.00 million request with the unit costs in Attachment 1 (planned replacement of approximately $8,395 per transformer).

c. The Rate Order noted the position that DER-driven distribution capital may be subject to cost responsibility borne by interconnecting project proponents under Act 114-2007 and stated that load-driven DER upgrades remain "subject to the cost responsibility determination for DER-related expenditures addressed separately in this Order." Explain how funding the DER project through the reconciliation amount, which is collected from all customers, is consistent with that cost-responsibility framework.

RESPONSE

a. The estimated $4.00 million request is intended to address the replacement of the 335 identified transformers. For purposes of developing the estimate, approximately 60% of the identified units are overhead transformers that may require pole replacement due to pole condition or transformer weight relative to the required capacity. Approximately 25% are overhead transformers not expected to require pole replacement, and the remaining 15% are pad-mounted transformers. These three groups have materially different replacement costs due to differences in equipment requirements, accessibility, and installation complexity.

   Applying an average replacement cost of approximately $13,180 per overhead transformer requiring pole replacement to roughly 201 units results in an estimated cost of approximately $2.65 million. Applying an average cost of approximately $8,395 per overhead transformer not requiring pole replacement to approximately 84 units results in an estimated cost of approximately $0.70 million. Finally, applying an average replacement cost of approximately $7,275 per pad-mounted transformer to approximately 50 units results in an estimated cost of approximately $0.37 million. Combined, these amounts yield an estimated cost of approximately $3.71 million.

   The balance between the calculated estimate and the $4.00 million request reflects the variability associated with actual field conditions and work execution. Replacement durations and costs

increase when transformers are located in difficult-to-access areas, including backyards or locations requiring specialized access methods, or when additional work is required to safely perform the replacement. Accordingly, the $4.00 million request incorporates these expected variations.

b. See updated Attachment 1 for details.

TRANSFORMER TYPE	QTY	COST	TOTAL	COMMENTS
Overhead with pole replacement	201	$ 13,180.00	$ 2,649,180.00	Overhead labor plus pole plus materials
Overhead without pole replacement	84	$ 8,395.00	$ 705,180.00	Overhead labor plus materials
Pad Mounted	50	$ 7,275.00	$ 363,750.00	Includes labor, and materials
		TOTAL EST.	**$ 3,718,110.00**	

c. The current regulatory framework under Joint Resolution 5 from January 7, 2026, prohibits LUMA from charging DER proponents for interconnection studies or network upgrades. Although LUMA has formally submitted proposals[1] to the Energy Bureau regarding enforcement of a cost-responsibility mechanism for DER-related system improvements, the Energy Bureau has not yet ruled on this petition. Likewise, the Energy Bureau is currently undergoing the rulemaking process to approve new DER interconnection regulation[2]. As a result, LUMA currently has no regulatory mechanism to assign these costs to individual proponents nor means for recovery of such amounts. This challenge is further compounded by the April 2026 Rate Order, which did not approve funding for DER-related activities despite the growing operational strain associated with increased DER penetration. Given these constraints, it is clear that —although there is a pressing current need to fund DER driven investments— any future treatment of these costs remains subject to Energy Bureau decisions regarding the issues highlighted above. Thus, at present, no cost-assignment mechanism exists, notwithstanding the Rate Order's direction that cost causers should bear these costs.

Importantly, if a recurring funding mechanism is established in the future, LUMA would be able to evaluate a reconciliation mechanism so that customers ultimately receive the benefit of those recoveries.

[1] *See* Motion Submitting Outstanding Responses in Further Compliance with Bench Order Issued at the Compliance Hearing Held on May 6, 2024 from June 11, 2024.

[2] *See* NEPR-MI-2019-0009 - Interconnection Regulations

Joint Reconciliation Plan ROI

NEPR-MI-2021-0004

Response: ROI-LUMA-MI-2021-0004-20260527-PREB-009

SUBJECT

Out of Service Vacuum Switches

REQUEST

Out of Service Vacuum Switches -$1.32 million:

a. Provide the complete cost basis for the $1.32 million, including the per-switch cost for the 24 switches identified in Attachment 2 and the supporting workpapers.

b. Explain why Attachment 2 contains no cost information and provide the cost detail relied upon.

c. Confirm that the vacuum switch scope falls within PBUT6 and explain how reconciliation funding for that scope is consistent with the exclusion of PBUT6 from base rates.

RESPONSE

a. The estimated switch cost is approximately $54,013, which accounts for all necessary materials and labor. Attachment 2 is being updated to include a separate cost breakdown for vacuum switches, alongside the existing priority list.

b. Please see the updated version of Attachment 2.

c. Yes. The proposed vacuum switch scope is consistent with the type of activities previously included within PBUT6. As described in the Rate Case, PBUT6 contemplated restoring out-of-service distribution assets, including vacuum switches, to return the system to its intended operating configuration and to improve fault isolation and service restoration capabilities.

The fact that PBUT6 projects were excluded from base rates does not preclude consideration of these activities through the reconciliation process. As discussed in response to *ROI-LUMA-MI-2021-0004-20260527-PREB-001*, these projects are not included on the Consolidated List, none are included in Attachments A, B, or C previously submitted by LUMA, and none were rated “high” in LUMA’s hopefulness matrix. Consequently, the Working Capital Advance, Federally-Funded Capital Improvements Accounts (FFCIA), and HUD cost-share funds mechanisms identified in the Rate Order are not applicable because they are intended to support projects in the federal pipeline. LUMA’s request is based on the Category Three provisions of the Rate Order, which recognize that projects without a demonstrated federal funding pathway may be supported through NFC funding where the operator demonstrates that the project is necessary to provide safe and reliable service and that the proposed cost is reasonable. The request reflects LUMA’s

application of the Category Three framework established in the Rate Order to address identified corrective maintenance needs to maintain safe and reliable service, whose costs are reasonable.

The installation of these switches throughout the feeder system provides significant benefits by enabling key operational activities, such as opening, closing, and transferring loads under various 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 capability, has limited ability to isolate 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.

Joint Reconciliation Plan ROI

NEPR-MI-2021-0004

Response: ROI-LUMA-MI-2021-0004-20260527-PREB-010

SUBJECT

Line 16800

REQUEST

Line 16800 -$4.10 million:

a. State the FEMA eligibility status of Line 16800, including whether it is the subject of a FEMA Project Worksheet, and explain how reconciliation funding is consistent with the exclusion of PBUT33 from base rates.

b. Provide the citation to the FY2026 Second Budget Amendment and Reallocation in which the deferral of Line 16800 from FY2026 to FY2027 was proposed.

RESPONSE

a. Line 16800 is not currently included on the Federal Consolidated Project List, and it is not included in Attachments A, B, or C previously submitted by LUMA. As such, this line is not the subject of a FEMA Project Worksheet. In addition, LUMA's current Section 428 allocation is fully allocated, as explained in part of *ROI-LUMA-MI-2021-0004-20260527-PREB-001*. Consistent with the Rate Order, any future FEMA federal funding allocation that may become available is expected to prioritize inactive projects with incurred costs. Accordingly, no FEMA funding capacity is currently available to support restoration of Line 16800. LUMA evaluated submitting this line within the existing DOE grant; however, the project's completion timeline did not meet the grant's time requirements. All work must be completed by December 2026, and this line is currently expected to be completed by June 2027, which exceeds the DOE's allowable timeframe. The urgency to execute this project and restore service to line drives this request for use of ratepayer funding and aligns with the procurement of specialized underground cable-pulling equipment, currently expected for December 2026.

   The fact that Line 16800 within PBUT33 was excluded from base rates does not preclude consideration of these activities through the reconciliation process. LUMA's request is based on the Category Three provisions of the Rate Order, which recognize that projects without a demonstrated federal funding pathway may be supported through NFC funding where the operator demonstrates that the project is necessary to provide safe and reliable service and that the proposed cost is reasonable. The request does not seek to reverse the Energy Bureau's prior determination regarding PBUT33. Rather, it reflects LUMA's application of the Category Three framework established in the

Rate Order to address identified corrective maintenance needs that are necessary to maintain safe and reliable service, whose costs are reasonable.

b. This project was included in the FY2026 Second Budget Amendment and Reallocation, specifically in Section 2.1, requesting project funding to be reallocated in FY2026 due to procurement timing requirements for the specialized underground cable pulling equipment, currently expected for December 2026.

Joint Reconciliation Plan ROI

NEPR-MI-2021-0004

Response: ROI-LUMA-MI-2021-0004-20260527-PREB-011

SUBJECT

Transformers On-site Preparation Costs

REQUEST

Transformers On-site Preparation Costs -$15.46 million:

a. Identify, for each of the 28 transformers, whether it is associated with a project currently active in the FEMA execution pipeline, and provide the status of LUMA's stated plan to submit revised FEMA scopes incorporating the on-site preparation activities.

b. Explain why the on-site preservation and testing costs cannot be funded through the non-ratepayer liquidity tools or the Section 6.25(d) mechanism identified in the Order for PBUT7, and why reconciliation funding is proposed instead.

c. Identify the "SPARE" transformer line item in Attachment 3 and the substation to which it will be assigned.

RESPONSE

a. The table below identifies, for each of the 28 transformers, whether it is associated with a project currently active in the FEMA execution pipeline. For the projects identified as “Yes,” LUMA intends to seek reimbursement from FEMA for the on-site preparation activities and, during FY2027, plans to submit revised scopes incorporating these activities. For the projects identified as “No,” the associated projects are not currently active in the FEMA execution pipeline and were included in Attachment C submitted by LUMA to the Energy Bureau for consideration as part of future project activations. If approved by the Energy Bureau, these projects would subsequently be formulated and presented to PREPA for further activation through the FEMA process. However, the activation and approval process could require as long as several months to complete. Because transformer deliveries are scheduled to begin in July 2026, waiting for completion of the activation process would not provide a timely mechanism to fund the on-site preparation activities required upon arrival of the equipment. Accordingly, these activities must be performed before any potential future federal activation can be completed in order to preserve asset conditions and maintain the transformers in a ready-for-installation state and maintain warranty.

Description	Substation	Active in FEMA Execution Pipeline? (Yes/No)
38/8.32, 14 MVA	AGUAS BUENAS SECT	No
38/13.2-4.16, 22 MVA	CACHETE	Yes, but not obligated
115/13.2 kV, 44.8 MVA	CACHETE	Yes, but not obligated
115/13.2 kV, 44.8 MVA	CACHETE	Yes, but not obligated
38/13.2-4.16, 22 MVA	CAPARRA SECT	Yes, but not obligated
115/8.32-4.16 kV, 14 MVA	CIALES	Yes, but not obligated
38/13.2-4.16, 22 MVA	CRUCE DAVILA	No
38/8.32-4.16, 14 MVA	CULEBRA	Yes, but not obligated
38/13.2-4.16, 22 MVA	GUAYNABO SECT	Yes, but not obligated
115/38 kV, 168 MVA	JOBOS TC	Yes, but not obligated
115/38 kV, 168 MVA	JOBOS TC	Yes, but not obligated
115/13.2 kV, 44.8 MVA	JUNCOS TC	No
38/13.2-4.16, 22 MVA	JUNCOS TC	No
38/13.2 kV, 33 MVA	LA RAMBLA SECT	No
38/8.32, 14 MVA	LAS PIEDRAS SECT	No
38/13.2-4.16, 22 MVA	LLORENS TORRES SECT	Yes, but not obligated
38/13.2-4.16, 22 MVA	PENUELAS	No
38/13.2 kV, 33 MVA	PUERTO DEL REY	No
115/8.32-4.16 kV, 14 MVA	QUEBRADA NEGRITO	No
38/13.2 kV, 33 MVA	RIO GRANDE ESTATES	Yes, but needs amendment
38/13.2-4.16, 22 MVA	SABANA GRANDE	No
38/13.2-4.16, 22 MVA	SALINAS RURAL	No
115/38/13.2 kV, 3-Winding	SPARE	No
38/13.2 kV, 33 MVA	VEREDAS SECT	No
115/13.2 kV, 44.8 MVA	VIADUCTO TC	Yes, but not obligated
115/38 kV, 112 MVA	VIADUCTO TC	Yes, but not obligated
38/8.32-4.16, 14 MVA	VIEQUES	Yes, but not obligated
115/13.2 kV, 44.8 MVA	VILLA BETINA	Yes, but not obligated

b. Refer to *ROI-LUMA-MI-2021-0004-20260527-PREB-002*.

c. The spare transformer is a 115/38/13.2 kV 150 MVA 3-winding transformer. There are three 3-winding transformers operating in the system that have no direct installed back-up transformer for redundancy and have limited ability to transfer their loads elsewhere, which means that a failure in any of these transformers would directly impact on their customers in an extended outage. This spare transformer will mitigate this risk for any of the three sites, which are Berwind TC, Manatí TC, and Caguas TC. Although this transformer would serve as a spare for all three sites, the primary target site for this spare transformer is Berwind TC.

Joint Reconciliation Plan ROI

NEPR-MI-2021-0004

Response: ROI-LUMA-MI-2021-0004-20260527-PREB-012

SUBJECT

Covadonga Temporary Repair

REQUEST

Covadonga Temporary Repair -$5.00 million:

a. Identify any provision of the Rate Order, or any approved FY2026 or FY2027 budget, in which this project or its scope was approved or identified.

b. Provide the complete cost basis and supporting workpapers for the $5.00 million estimate.

RESPONSE

Subsequent to the submission of the Joint Reconciliation Plan, LUMA engaged in discussions with the U.S. Department of Energy regarding potential funding opportunities for the Covadonga Substation temporary repair project. As part of these efforts, LUMA developed a Statement of Project Objectives that reflects the same scope as the reconciliation request and provided it to PREPA and the Department of Energy for consideration under the applicable funding mechanism. In light of these ongoing efforts and the existence of a potential alternative funding source, LUMA is withdrawing the Covadonga temporary repair project from the Joint Reconciliation Plan. This withdrawal does not reflect a change in the project's operational need, which remains necessary to address the existing reliability and operational risks associated with the substation's current temporary configuration.