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Fiscal Year 2026

Third Budget Amendment and Reallocation

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Introductory Statement

LUMA submits this Third Budget Amendment to realign the Non-Federally Funded Capital (NFC) Budget for Fiscal Year 2026 (FY2026) so that it accurately reflects the operational conditions, planning assumptions, and expenditures that resulted from the PREB-approved Provisional Budget. LUMA developed its FY2026 operational and capital planning based on the Provisional Budget approved on July 31, 2025, (Rate Order). The Provisional Budget governed all spending and project execution for FY2026 until the Final Rate Order was issued on April 15, 2026. Throughout the vast majority of FY2026, LUMA executed its activities, made procurement decisions, and contractor commitments under funding levels in alignment with the Provisional Budget.

At the time the Rate Order was issued, less than two months before the close of the fiscal year, LUMA had already advanced most of its annual operational plan, committed resources across capital portfolios, and incurred binding obligations necessary to maintain service reliability and support ongoing system modernization. Although LUMA worked to adjust its operations to the funding levels approved in the Rate Order, many adjustments were not feasible because LUMA had already incurred the corresponding actual expenditures by the time the order was issued. The retroactive application of the Rate Order's budget allocations produced differences between authorized funding levels and expenditures that had already been incurred under the Provisional Budget.

This amendment reallocates \$32.0 million across six Program Briefs, supported by the Facilities Development & Implementation program, which held \$41.5 million in available balances resulting from the deferral of certain planned activities into future periods. Importantly, this amendment does not increase the total NFC amount approved in the Rate Order. Rather, it ensures that the FY2026 budget accurately reflects the expenditures incurred throughout FY2026 under the Provisional Budget. LUMA notes that it engaged in a prudent effort to identify available balances to reallocate those funds to programs that incurred expenditures and commitments during FY2026 based on the Provisional Budget.

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1.0 Non-Federally Funded Capital Expenditures

As shown in Table 1, LUMA proposes to reallocate \$32.0 million to six Program Briefs using available funding from the Facilities Development & Implementation Program. As reflected in LUMA's quarterly reports¹, constrained funding conditions experienced during the latter part of FY2025 and the early months of FY2026 required LUMA to prioritize the budget allocations received toward activities necessary to maintain grid operations, support emergency response capabilities, and preserve system reliability. Consequently, certain facilities-related activities were deferred, resulting in available funding within the Facilities Development & Implementation Program. In addition, many of the deferred facilities activities involve material procurement, engineering, and construction efforts that require extended execution timelines. Although the Rate Order allocated \$42.2 million for that Program, the remaining time in the fiscal year was insufficient to execute several of these activities. As a result, funding is available within the Facilities Development & Implementation Program to support the reallocations proposed herein.

Table 1 Summary of Amendment – Non-Federally Funded Capital Expenditures Budget (\$ in thousands)

	FY2026 Non-Federally Funded Capital Expenditures			
	FY2026 Rate Approved Budget ²	FY2026 Proposed Budget ²	Variance (\$)	Variance (%)
Improvement Portfolio				
Customer Experience	\$ 15,302	\$ 26,102	\$ 10,800	70.6%
Distribution	46,989	52,989	6,000	12.8%
Transmission	22,700	24,800	2,100	9.3%
Substations	5,175	18,275	13,100	253.1%
Control Center & Buildings	42,492	10,492	(32,000)	-75.3%
Enabling	38,694	38,694	-	0.0%
Support Services	25,966	25,966	-	0.0%
Subtotal	\$ 197,318	\$ 197,318	\$ (0)	\$ (0)

CUSTOMER EXPERIENCE PORTFOLIO

Meter Replacement & Maintenance – Funds subject to reallocate \$10.8 million

Throughout FY2026, expenditures under the Meter Replacement & Maintenance Program were executed in alignment with the FY2026 Provisional Budget, which established a total allocation of \$12.4 million to support essential metering operations. While the Rate Order did not allocate funding to this Program Brief, actuals and projected expenditures in FY2026 are expected to total approximately \$10.8 million, remaining within the amount approved in the FY2026 Provisional Budget.

¹ See NEPR-MI-2021-0004, *Initial Budgets*, Reports for FY2026 Q1, Q2, and Q3.

² Figures in all tables have been rounded.

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During FY2026, the PREB-approved allocation enabled the completion of more than 28,000 Net Metering meter exchanges, installation of approximately 10,000 new meters to support new customer connections and performing over 3,600 standard meter exchanges to ensure continued billing accuracy and system performance. The program also supported the upgrade and migration of the TWACS AclaraOne automated meter reading platform, including installation of communication boards and auxiliary substation equipment required to support legacy infrastructure and enhance data-collection reliability.

These activities were essential to maintaining billing accuracy, supporting customer growth and interconnections, and facilitating continued participation in the Net Energy Metering program. In addition, the work strengthened metering reliability and supported the transition toward future Advanced Metering Infrastructure deployment, thereby improving operational efficiency and enhancing customer service.

DISTRIBUTION PORTFOLIO

Grid Automation – Funds subject to reallocate \$6.0 million

Throughout FY2026, expenditures under the Grid Automation Program were executed in alignment with the FY2026 Provisional Budget, which allocated \$6.0 million to support distribution automation and feeder-level reliability improvements across the system. While Rate Order did not allocate funding to this Program Brief, actuals and projected expenditures in FY2026 are expected to total approximately \$6.0 million, remaining within the amount approved in the FY2026 Provisional Budget.

During FY2026, the PREB-approved allocation supported the installation of approximately 153 circuit fault indicators, 48 fuse cutouts, 296 fuse optimizations, 37 three-phase reclosers, and 119 single-phase reclosers, significantly improving fault detection, isolation, and overall system visibility. The program also supported deployment of communication radio kits and activation of remote visibility for multiple reclosers across the island, strengthening real-time monitoring capabilities.

These investments improved LUMA's ability to identify and isolate faults more quickly, reducing the extent and duration of customer interruptions. The deployment of automated devices and enhanced visibility capabilities also strengthen operational flexibility and restoration response.

TRANSMISSION PORTFOLIO

OT Telecom System & Network – Funds subject to reallocate \$2.1 million

Throughout FY2026, expenditures under the OT Telecom System & Network Program were incurred in alignment with the FY2026 Provisional Budget, which established a total allocation of \$1.4 million to support telecommunications infrastructure. Consistent with its ongoing oversight of capital execution, LUMA identified the need for additional funding associated with planned activities undertaken during FY2026 and included the program in its March 25, 2026, Budget Amendment filing. Based on actuals and forecasted spending, the program is projected to finalize FY2026 at approximately \$3.5 million.

During FY2026, the PREB-approved allocation supported the expansion of the Land Mobile Radio (LMR) system, the restoration of optical ground wire (OPGW) fiber across critical corridors which included 48-strand segments with 96-strand fiber between Maunabo and Juan Martín, and the installation of approximately 14,000 feet of OPGW between Candelarias and Hato Tejas and 16,000 feet of OPGW between Dorado and Bayamón.

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These efforts strengthen communications resiliency, improve data transmission supporting grid operations, and reduce the risk of communication-related failures that could affect outage response and system dispatch.

SUBSTATION PORTFOLIO

Substation Rebuilds – Funds subject to reallocate \$0.8 million

Throughout FY2026, expenditures under the Substation Rebuild Program were executed in alignment with the FY2026 Provisional Budget, which allocated \$3.8 million to support the modernization of substations across the system. While the Rate Order did not allocate funding to this Program Brief, actuals and projected expenditures are expected to total approximately \$0.8 million, remaining within the amount approved in the FY2026 Provisional Budget.

During FY2026, the PREB-approved allocation supported continued progress across multiple sites. At Río Grande and Cataño substations, work advanced through construction milestones, including site regrading, drainage and grounding improvements, transformer-related civil works, GIS building structures, and critical feeder and protection-system cutovers. Early-phase civil activities also progressed at the Vieques and Culebra substations, with geotextile installation, gravel placement, fencing, and driveway repairs preparing both sites for subsequent construction.

Collectively, these investments advance substation infrastructure. By addressing physical vulnerabilities and supporting the modernization of aging facilities, the program contributes to the long-term reliability and stability of Puerto Rico's electric system.

Substation Reliability – Funds subject to reallocate \$11.6 million

Throughout FY2026, expenditures under the Substation Reliability Program were executed in alignment with the FY2026 Provisional Budget, which allocated \$24.5 million to the replacement and modernization of aging substation infrastructure. While the Rate Order allocated \$4.9 million to this Program Brief, based on actuals and forecasted spending, the program is projected to finalize the fiscal year at approximately \$16.4 million, remaining below the amount approved in the FY2026 Provisional Budget.

During FY2026, the PREB-approved allocation enabled progress across engineering, construction, and asset-replacement activities essential to maintaining system stability. The program enabled completion of substation assessments, functional specifications, and construction packages, while addressing critical measurement data gaps to improve system visibility. In addition, funding supported the installation and replacement of key substation components, including distribution and transmission relays, under-frequency load shedding devices, load tap changers, battery banks, digital fault recorders, remote terminal units, power transformers, and transmission breakers.

These investments are essential to maintaining the health and performance of aging substation assets, improving operational flexibility, and reducing the risk of equipment failures and prolonged outages.

Substation Physical Security – Funds subject to reallocate \$0.70 million

Throughout FY2026, expenditures under the Substation Physical Security Program were executed in alignment with the FY2026 Provisional Budget, which established a total allocation of \$0.2 million to support physical security enhancements at critical substations. Consistent with its ongoing oversight of capital execution, LUMA identified the need for additional funding associated with planned activities

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undertaken during FY2026 and included the program in its March 25, 2026, Budget Amendment filing. Based on actuals and forecasted spending, the Program is projected to finalize the fiscal year at approximately \$0.9 million.

During FY2026, the PREB-approved allocation enabled the replacement of obsolete cameras and ancillary equipment, reducing reliance on private security guards, and lowering long-term maintenance and emergency-replacement costs. Engineering and procurement activities progressed for multiple substations, and material deliveries supported the deployment of upgraded security systems.

These improvements enhance real-time monitoring capabilities and improve situational awareness for field personnel. The program strengthens the protection of critical transmission and distribution infrastructure, improves operational resiliency, and supports the safe and reliable operation of key grid facilities.