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

IN RE: REVIEW OF LUMA'S INITIAL BUDGETS	**CASE NO.: NEPR-MI-2021-0004** **SUBJECT**: **LUMA's Motion Submitting Annual Report for Fiscal Year 2026 and Report on Efficiencies**

MOTION SUBMITTING ANNUAL REPORT FOR FISCAL YEAR 2026 AND REPORT ON EFFICIENCIES

TO THE HONORABLE PUERTO RICO ENERGY BUREAU:

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

1. Annex I, Section VI(B), paragraph 4, of the Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement ("T&D OMA") requires that LUMA prepare interim and unaudited financial statements within one hundred and twenty (120) days after the end of each fiscal year.

2. On May 31, 2021, this Honorable Puerto Rico Energy Bureau of the Public Service Regulatory Board ("Energy Bureau") issued and published a Resolution and Order approving LUMA's Initial Budgets ("May 31st Order").

3. In the May 31st Order, the Energy Bureau listed certain "requirements for LUMA to fulfill during the Interim Period and going forward" including, among others, annual explanations of the differences between accounts expenses and approved budgets and efficiencies and reporting on federal funding activity. *See* May 31st Order, p. 36, paragraphs 1 through 4; *see*

also Resolution and Order of July 16, 2021, at p. 6 (modifying the federal funding reporting requirements stated in the May 31st Resolution and Order) ("July 16th Order").

4. On June 25, 2023, this Energy Bureau issued a Resolution and Order approving LUMA's Annual Budgets for Fiscal Year 2024 (the "June 25th Order"). Regarding annual reporting for FY2024, Attachment I of the June 25th Order provides that LUMA shall maintain detailed accounting of annual expenses for each Fiscal Year and report annually on the use of funds within the budget and explain any differences between accounts expenses and approved budgets. *See June 25th Order*, Attachment I, p. 45. It also requires an annual report on efficiencies. *Id.*

5. For FY2024, the June 25th Order set the time to file the annual report 60 days after the end of the fiscal year. On July 10, 2023, LUMA filed its *Motion for Partial Reconsideration of Resolution and Order of June 25, 2023 on Fiscal Year 2024 System Budgets,* where, amongst other matters, it sought reconsideration of said ruling and requested that the time to file the annual report be maintained at one hundred and twenty (120) days after the end of each fiscal year.

6. On September 22, 2023, this Energy Bureau issued a Resolution and Order ("September 22nd Order") whereby it ruled that "[r]ather than determine the time within which LUMA must file its year-end report as requested in its July 10 Motion for Partial Reconsideration, the Energy Bureau will require LUMA to file in the upcoming Rate Review, a full explanation of the specific reasons it asserts that prevent it from filing a year-end report at an earlier time of the 120-day timeframe LUMA is requesting and is in the T&D OMA." *See* September 22nd Order, p. 7.

7. On June 26, 2024, this Energy Bureau issued a Resolution and Order ("June 26th Order") regarding the FY2025 Annual Budgets. Therein, the Energy Bureau did not alter LUMA's

annual reporting requirements. However, regarding efficiencies, this Energy Bureau did order LUMA "to include in the FY2026 Annual Budget Examination its plan to":

> 1. Continuously assess its performance against its forecasted efficiencies, highlighting both successes and areas needing improvement. This will not only support continuous learning and improvement by LUMA but will also provide valuable data for refining forecasts.
>
> 2. Detail how LUMA has projected potential efficiencies and savings across its operations and include the process for ongoing performance assessments against these forecasts.
>
> 3. Develop, implement, and quantify efficiencies and savings, including but not limited to those identified in the May 31 Resolution.

See June 26th Order, p. 11.

8. On April 15, 2026, this Energy Bureau issued its final order in LUMA's rate review proceeding. *See In re: Puerto Rico Electric Power Rate Review*, Case No. NEPR-AP-2023-0003, Final Rate Order on Electricity Rates, Case No. NEPR-AP-2023-0003 (P.R. Energy Bureau April 15, 2026) ("Final Rate Order"). Therein, the Energy Bureau ordered LUMA to:

> to quantify the dollar impact of the efficiencies associated with (a) the activities discussed in this section, including collections and customer arrears, meter remediation, energy theft mitigation, and third-party pole attachment enforcement; (b) the Advanced Metering Infrastructure implementation program; (c) the loss reduction program; and (d) any other operational efficiencies that produce measurable cost savings or revenue increases.

Id., Chapter Three, Section IX at 198-199. The Energy Bureau further provided that "[t]his quantification reporting shall replace the Efficiencies Reporting section of LUMA's Annual Report and Report on Efficiencies filed annually in Case No. NEPR–MI–2021–0004, In Re: LUMA Initial Budgets and Related Terms of Service." *Id.*

9. The Final Rate Order also maintained the Energy Bureau's budget oversight framework, which includes quarterly financial reporting, including the fourth-quarter report, and "annual efficiency reporting with quantified savings." *Id.*, Chapter Eight, Section XLVIII at 5.

10. LUMA hereby submits a report on financial performance for FY2026, from July 1, 2025 through June 30, 2026 ("FY2026 Annual Report"). *See* Exhibit 1.

11. The FY2026 Annual Report provides information on LUMA's T&D expenditures, including expenditures for each of LUMA's Departments, as well as spending information per each of the Improvement Portfolios, with a breakdown of expenditures for the Operating Budget and each of the Capital Budgets (Federally and Non-federally Funded). *Id*. Relatedly, the FY2026 Annual Report includes information on Improvement Programs. *Id*.

12. Moreover, the FY2026 Annual Report identifies variances in Vegetation Management expenditures, *id.*, and includes information on vegetation clearing by voltage level. *Id*.

13. Furthermore, the FY2026 Annual Report includes data on electrical utility field workers, including those qualified to work on energized lines and an explanation on recruitment and retention efforts. *Id*.

14. Lastly, the FY2026 Annual Report includes a section on efficiencies quantifying, in dollars, the impact of the efficiencies associated with Advanced Metering Infrastructure deployment, meter replacement and remediation, loss reduction and energy theft mitigation, collections and arrears management, and third-party pole attachment enforcement, in compliance with the Final Rate Order. *Id*.

15. The FY2026 Annual Report also includes information on Shared Services, *see* Exhibit 1, information on energy consumption and base revenue forecasts, *id*., and information on revenues collected from third-party attachments. *Id*.

WHEREFORE, LUMA respectfully requests that the Honorable Energy Bureau **take notice** of the aforementioned for all purposes; **accept** LUMA's FY2026 Annual Report; and **deem**

LUMA in compliance with requirements on financial performance and efficiencies reporting for FY2026, including the Final Rate Order.

RESPECTFULLY SUBMITTED.

In Guaynabo, Puerto Rico, on the 28th day of October 2026.

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CERTIFICATE OF SERVICE

I hereby certify that on the 28th day of October 2026, I filed the foregoing motion with the Clerk of the Puerto Rico Energy Bureau through the Energy Bureau's electronic filing system. I further certify that on the same date I served a true and correct copy of the foregoing filing upon all parties of record in this proceeding via the Energy Bureau's electronic filing system, in accordance with the applicable rules and regulations, including:

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In Guaynabo, Puerto Rico, on the 28th day of October 2026.

/s/ Katiuska Bolaños Lugo
Katiuska Bolaños Lugo

Exhibit 1

FY2026 Annual Report

Supporting schedules to be submitted via email

Informe anual de LUMA

para el año fiscal 2026,

que finalizó el 30 de junio de 2026

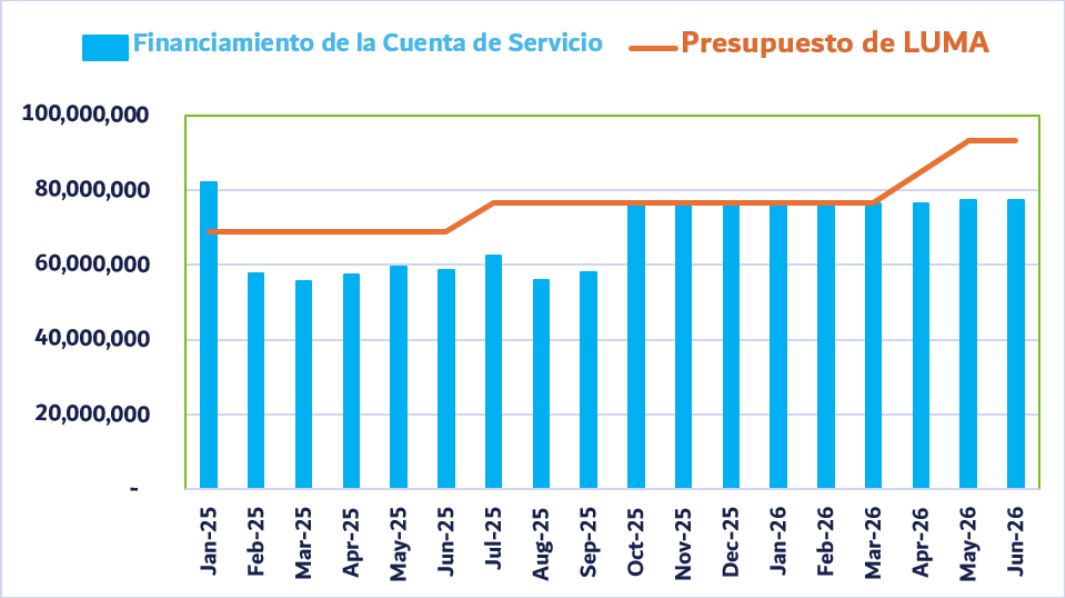
Declaración introductoria

LUMA presenta este Informe Anual correspondiente al año fiscal 2026, en cumplimiento de sus responsabilidades contractuales y regulatorias, para resumir la ejecución financiera, operacional y de capital relacionada con la operación y el mantenimiento del sistema de transmisión y distribución de Puerto Rico durante el período finalizado el 30 de junio de 2026. LUMA continuó enfocando sus esfuerzos en la operación segura y confiable del sistema eléctrico, la respuesta ante emergencias, la estabilización de la red y la resiliencia de la infraestructura. Los logros clave durante el año incluyeron el reemplazo de más de 11,500 postes de distribución dañados o deteriorados y la instalación de más de 920 dispositivos de automatización y protección en las líneas de distribución para fortalecer la confiabilidad de la red.

Durante el año fiscal 2026, varios factores externos influyeron en la ejecución de las actividades operacionales y de inversión. Uno de ellos fue la transición del presupuesto provisional, que permaneció vigente durante la mayor parte del año fiscal, a las asignaciones presupuestarias establecidas en la Orden Final de Tarifas Permanentes emitida por el Negociado de Energía de Puerto Rico (Negociado de Energía) el 15 de abril de 2026. La orden incrementó el presupuesto aprobado en un 24.4%: pasó de aproximadamente $780.2 millones a $970.5 millones, lo que representa un aumento de $190.3 millones. No obstante, dado que solo quedaban dos meses y medio para finalizar el año fiscal, LUMA tuvo un tiempo limitado para ejecutar el alcance adicional aprobado y materializar plenamente las inversiones autorizadas para el año fiscal 2026.

Otro factor fueron las restricciones de liquidez, debido a niveles de financiamiento inferiores a los previstos en el presupuesto aprobado (véase Figura 1). Especialmente, los depósitos realizados por la Autoridad de Energía Eléctrica en las cuentas operacionales y de capital no financiadas federalmente de LUMA fueron aproximadamente $96.3 millones inferiores a los niveles esperados durante los primeros nueve meses del año calendario 2025. Los depósitos recibidos en la Cuenta de Servicio de LUMA permanecieron por debajo de las proyecciones presupuestarias y de los requerimientos establecidos en el Contrato de Operación y Mantenimiento del Sistema de Transmisión y Distribución (T&D OMA, por sus siglas en inglés), lo que afectó la ejecución de determinados proyectos. Por consiguiente, LUMA ajustó la secuencia y el calendario de ejecución de diversas iniciativas, priorizando actividades esenciales para mejorar la confiabilidad del servicio y mantener la integridad del sistema. Estas condiciones requirieron una evaluación continua de los recursos disponibles para atender las necesidades más críticas de la red eléctrica.

Figura 1 – Depósitos de fondos de la Cuenta de Servicio en comparación con el Presupuesto de LUMA



Por último, los cambios en el programa de capital financiado con fondos federales limitaron las actividades de inversión. En particular, la implementación de la Lista Consolidada del Plan de Proyectos de la Estrategia de Adjudicación Acelerada de FEMA[1] (FAASt, por sus siglas en inglés) también afectó el programa de capital financiado con fondos federales. Esta iniciativa redujo el número de proyectos activos de transmisión y distribución de 571 a 282, lo que representa una disminución de aproximadamente el 51%. Esta reducción representó aproximadamente $336.4 millones en proyectos que no estuvieron disponibles para ejecución durante la mayor parte del año fiscal. Aunque posteriormente el Negociado de Energía autorizó la reactivación de obras adicionales, la mayoría permanecía inactiva en el *FEMA Grants Portal* al cierre del año fiscal 2026 y, por consiguiente, no estuvo disponible para su ejecución durante el período. No obstante, LUMA continuó avanzando con los proyectos que permanecieron autorizados y financiados concentrando los recursos en las iniciativas con mayor impacto en la seguridad, la confiabilidad y la resiliencia del sistema eléctrico de Puerto Rico.

Como resultado de las condiciones descritas, los gastos operacionales de transmisión y distribución totalizaron $536.8 millones frente a un presupuesto aprobado de $770.1 millones. Por su parte, los gastos de capital no financiados con fondos federales ascendieron a $124.1 millones, en comparación con un presupuesto aprobado de $199.0 millones; mientras que los gastos de capital financiados con fondos federales alcanzaron $510.8 millones, en comparación a un presupuesto aprobado de $1,207.2 millones. La utilización combinada del presupuesto operacional y del presupuesto de capital no financiado con fondos federales fue del 68.2%.

Las secciones siguientes presentan en detalle los resultados financieros, operacionales y de ejecución de capital del año fiscal 2026, incluidas las medidas que implementó LUMA para gestionar

[1] Agencia Federal para el Manejo de Emergencias

las restricciones de financiamiento, salvaguardar las operaciones esenciales del sistema y, al mismo tiempo, mantener la continuidad del servicio.

Progreso para Puerto Rico durante el año fiscal 2026

Para continuar construyendo un mejor futuro energético para todos los clientes, durante el año fiscal 2026, LUMA:

- reemplazó más de 11,500 postes de distribución rotos o dañados
- reemplazó o reparó más de 11,500 luminarias
- puso en servicio el nuevo sistema de gestión de energía (EMS, por sus siglas en inglés), lo que permitió un control moderno de la red y apoya las futuras capacidades de sistemas avanzados de gestión de la distribución (ADMS, por sus siglas en inglés) y de la infraestructura de medición avanzada (AMI, por sus siglas en inglés)
- instaló más de 920 dispositivos de automatización y protección en las líneas de distribución para mejorar la confiabilidad del sistema
- completó más de 14,500 horas de capacitación en salud y seguridad en el trabajo

LUMA Annual Report

for Fiscal Year 2026,

which ended on June 30, 2026

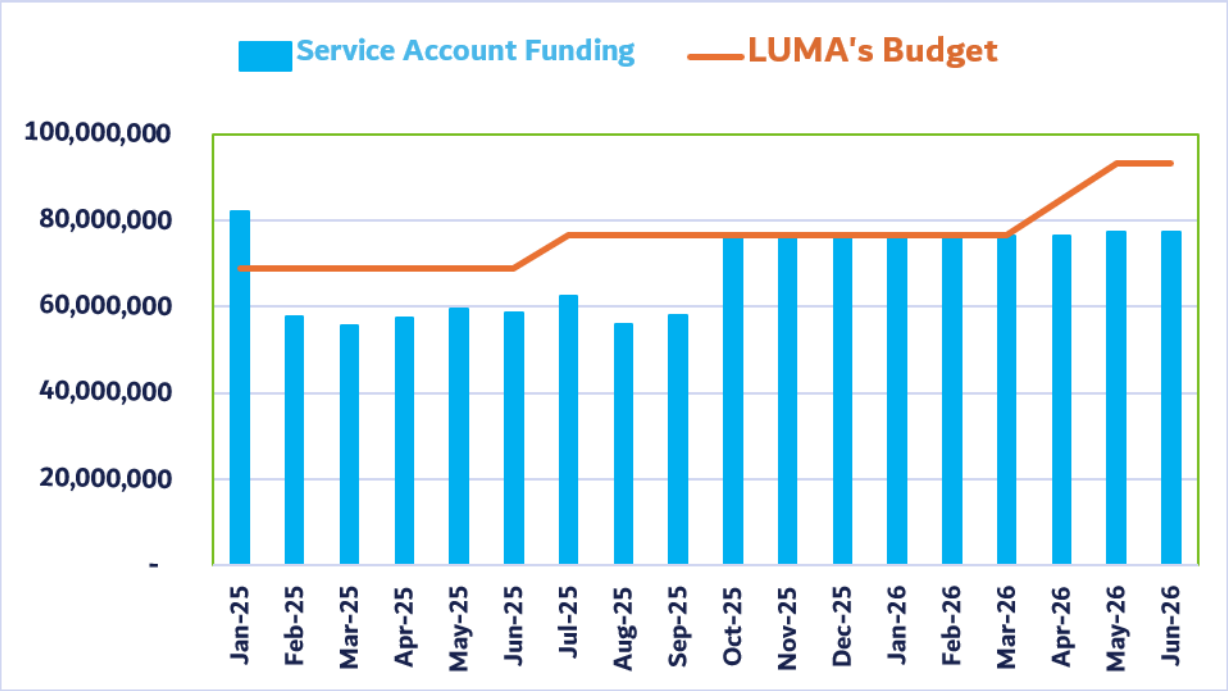
Introductory Statement

LUMA presents this Annual Report for Fiscal Year 2026 (FY2026), in accordance with contractual responsibilities and applicable regulatory requirements, to summarize the financial, operational, and capital execution associated with operating and maintaining Puerto Rico's transmission and distribution system for the period ended June 30, 2026. LUMA remained focused on the safe and reliable operation of the electric system, emergency response, grid stabilization, and the execution of projects designed to improve infrastructure resilience, including the replacement of more than 11,500 damaged or deteriorated distribution poles and the installation of more than 920 distribution automation and protection devices on distribution lines to strengthen system reliability.

During FY2026, several external factors influenced the execution of operational and investment activities. One factor was the transition from the provisional budget, which remained in effect for most of the fiscal year, to the budget allocations established in the Final Rate Order issued by the Puerto Rico Energy Bureau (Energy Bureau) on April 15, 2026. The Final Rate Order increased the approved budget by 24.4%, from approximately $780.2 million to $970.5 million, representing an increase of $190.3 million. However, because only two and a half months remained in the fiscal year, LUMA had limited time to execute the additional approved scope and fully realize the authorized investments for FY2026.

Another factor was liquidity constraints, driven by funding levels below those anticipated in the approved budget (see Figure 1). Specifically, PREPA deposits into LUMA's operating and non-federally funded capital accounts were approximately $96.3 million below expected levels during the first nine months of calendar year 2025. Deposits received in LUMA's Service Account fell below budget projections and the requirements set in the Transmission and Distribution System Operation and Maintenance Agreement (T&D OMA), affecting execution of certain projects. Consequently, LUMA adjusted the sequence and schedule of initiatives, prioritizing essential activities to enhance service reliability and maintain system integrity. These conditions required the ongoing evaluation of available resources to address the electric grid's most critical needs.

Figure 1 – Service Account Funding against LUMA's Budget



Finally, changes in capital project funding precluded investment activities. Notably, implementing the Consolidated Project Plan List under the Federal Emergency Management Agency (FEMA) Award Strategy (FAASt) also affected the federally funded capital program. This initiative reduced active transmission and distribution projects from 571 to 282, a reduction of about 51%. This reduction represents approximately $336.4 million in projects not available for execution for most of the fiscal year. Although the Energy Bureau subsequently authorized the reinstatement of these projects, most remained inactive in FEMA's Grants Portal at the close of FY2026, preventing their execution during the reporting period. Nevertheless, LUMA continued advancing authorized and funded projects, allocating available resources to initiatives that had the greatest impact on the safety, reliability, and resilience of Puerto Rico's electric system.

As a result, T&D operating expenditures totaled $536.8 million, compared to an approved budget of $770.1 million. Non-federally funded capital expenditures totaled $124.1 million, compared to an approved budget of $199.0 million, while federally funded capital expenditures reached $510.8 million, compared to an approved budget of $1.207 billion. Combined utilization of the operating budget and non-federally funded capital budget was 68.2%.

The following sections present the FY2026 financial, operational, and capital execution results in detail, including the actions LUMA implemented to manage funding constraints, safeguard critical system operations, and ensure service continuity.

Progress for Puerto Rico during Fiscal Year 2026

To continue building a better energy future for all its customers, LUMA:

- replaced over 11,500 broken and damaged distribution utility poles
- replaced or repaired over 11,500 streetlights
- commissioned the new energy management system (EMS), enabling modern grid control, supporting future advanced distribution management system (ADMS) and advanced metering infrastructure, and AMI capabilities
- installed over 920 distribution automation and protection devices in the distribution lines to enhance reliability
- completed more than 14,500 training hours in health and safety on the job

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Financial Performance

As of June 30, 2026, LUMA had utilized 68.2% of the annual operational and non-federally funded capital budget approved by the Puerto Rico Energy Bureau (Energy Bureau) on April 15, 2026. This level of execution reflects the lasting constraints of the Puerto Rico Electric Power Authority's (PREPA) funding shortfalls between February and October 2025, as well as the cumulative underfunding in LUMA's Service Account under T&D OMA. Although the April 15, 2026, Final Rate Order[2] increased the approved FY2026 budget by 24.4%, it was issued with only two and a half months remaining in the fiscal year, structurally limiting LUMA's ability to ramp up incremental spending. This execution cap worsened when PREPA underfunded LUMA's Service Account in May and June 2026, restricting access to the liquidity needed to deploy the expanded expenditures authorized in the revised FY2026 Annual Budget.

Summary of FY2026 Spending

($ million)

	FY2026 Budget[3,5]	FY2026 Actuals[5]	Variance ($)[5]	Variance (%)
Transmission & Distribution				
Operating Expenditures	$ 770.1	$ 536.8	$ 233.3	
Non-Federally Funded Capital Expenditures	$ 198.8	$ 124.1	$ 74.7	
Subtotal[4]	**$ 968.9**	**$ 660.9**	**$ 308.0**	**32%**
Federally Funded Expenditures[6]	**$ 1,207.2**	**$ 510.9**	**$ 696.3**	**58%**

Energy Consumption and Base Revenue

The following table outlines the total consumption and base revenue forecasted amounts compared to quarter- and year-to-date actuals:

	FY2026 Forecast	FY2026 Actuals	Variance
Total Consumption (GWh)	16,022	16,255	233
Base Revenue (millions)[7,8]	$ 1,160	$ 1,112	$ (48)

[2] In re: Puerto Rico Electric Power Rate Review, Case No. NEPR-AP-2023-0003, Final Rate Order on Electricity Rates, Case No. NEPR-AP-2023-0003 (P.R. Energy Bureau April 15, 2026).
[3] Numbers in this report reflect Energy Bureau's April 15, 2026, Final Rate Order.
[4] Budget figures above include the reserve for excess expenditures.
[5] Figures on all tables are rounded.
[6] Federally funded expenditures include capital, general, and administrative charges.
[7] Base revenue does not include revenue billed for fuel adjustment, purchased power, contributions in lieu of taxes, or subsidies.
[8] The billing system has not reflected the credits issued to net metering customers as deductions.

Transmission and Distribution Operating Expenditures

($ million)

	FY2026 Budget[3,5]	FY2026 Actuals[5]	Variance ($)[5]	Variance (%)
Labor				
Salaries, Wages and Benefits	335.8	273.7	62.1	
Total Labor	**$ 335.8**	**$ 273.7**	**$ 62.1**	**18%**
Non-Labor				
Materials & Supplies	33.5	18.7	14.8	
Transportation, Per Diem, and Mileage	16.5	11.0	5.5	
Property & Casualty Insurance	18.1	17.9	0.2	
Security	7.5	6.4	1.1	
IT Service Agreements	47.6	32.1	15.5	
Utilities & Rents	19.1	9.1	10.0	
Legal Services	12.3	12.0	0.3	
Communications Expenses	1.9	0.2	1.7	
Professional & Technical Outsourced Services	139.6	105.7	33.9	
Vegetation Management	125.0	47.7	77.3	
Other Miscellaneous Expenses	6.9	2.3	4.6	
Total Non-Labor / Other Operating Expense	**$ 428.0**	**$ 263.1**	**$ 164.9**	**39%**
Subtotal	**$ 763.8**	**$ 536.8**	**$ 227.0**	**30%**
Reserve for Excess Expenditures	6.3	-	6.3	
Total Operating Expenditures	**$ 770.1**	**$ 536.8**	**$ 233.3**	**30%**

Operating Expenditures by Department

Customer Experience Operational Expenditures

LUMA's Customer Experience Department remains central to the mission of delivering reliable, resilient, safe, and sustainable power delivery solutions. By executing standardized communication protocols and complying with established billing and collection practices, LUMA has systematically improved customer service efficiency and introduced proactive, customer-centric operational solutions.

($ million)

	FY2026 Budget[3,5]	FY2026 Actuals[5]	Variance ($)[5]	Variance (%)
Labor				
Salaries, Wages and Benefits	45.6	41.9	3.7	
Total Labor	**$ 45.6**	**$ 41.9**	**$ 3.7**	**8%**
Non-Labor				
Materials & Supplies	0.3	0.1	0.2	
Transportation, Per Diem, and Mileage	0.4	0.3	0.1	
Property & Casualty Insurance	-	-	-	
Security	-	-	-	
IT Service Agreements	-	0.9	(0.9)	
Utilities & Rents	0.2	0.1	0.1	
Legal Services	-	-	-	
Communications Expenses	-	-	-	
Professional & Technical Outsourced Services	46.4	42.8	3.6	
Vegetation Management	-	-	-	
Other Miscellaneous Expenses	0.1	0.1	-	
Total Non-Labor / Other Operating Expense	**$ 47.4**	**$ 44.3**	**$ 3.1**	**7%**
Total Operating Expense	**$ 93.0**	**$ 86.2**	**$ 6.8**	**7%**

Key activities accomplished during FY2026:

- Managed more than 1,967 million outbound calls, secured over 53,737 payment agreements, and recovered over $342.6 million in past-due balances out of $375.1 million, improving LUMA's overall collection efficiency to 91.3%
- Strengthened revenue protection by executing over 20,487 non-payment service disconnections, issuing more than 61,387 thirty-day prior notices, and sending over 99,799 overdue payment reminders to drive compliance
- Served 2,087 million customers in regional Customer Experience offices with an average 11-minute wait time and answered 1,767 million calls with an average six-minute handling time
- Supported 61 community events across several municipalities to educate the public on field-based operations and ongoing projects aimed at minimizing outages

The $6.8 million year-to-date variance in Customer Experience operating expenditure is primarily attributable to lower spending on Salaries, Wages, and Benefits, as well as reduced spending on Professional and Technical Services. Labor-related variance resulted from delays in planned hiring, while liquidity constraints earlier in the fiscal year deferred certain Customer Care and Billing (CC&B) initiatives. As liquidity improved, Customer Experience increased overtime and professional services to support CC&B configuration and payment processing functions, as well as other operational priorities. Although spending increased during the latter part of the fiscal year, overall expenditures remained below budget, resulting in the reported year-to-date variance.

Operations Operating Expenditures

LUMA's Operations Department oversees and manages the day-to-day operations of the T&D infrastructure, which is critical to providing safe and reliable electric service to all 1.5 million customers. Overall, LUMA's highest priority is the safety of its customers and its workforce, while addressing maintenance and repairs to improve overall reliability and resiliency.

($ million)

	FY2026 Budget[3,5]	FY2026 Actuals[5]	Variance ($)[5]	Variance (%)
Labor				
Salaries, Wages and Benefits	168.2	134.8	33.4	
Total Labor	**$ 168.2**	**$ 134.8**	**$ 33.4**	**20%**
Non-Labor				
Materials & Supplies	14.5	12.3	2.2	
Transportation, Per Diem, and Mileage	6.0	7.0	(1.0)	
Property & Casualty Insurance	-	-	-	
Security	-	-	-	
IT Service Agreements	1.1	-	1.1	
Utilities & Rents	1.7	1.0	0.7	
Legal Services	1.6	0.1	1.5	
Communications Expenses	-	0.1	(0.1)	
Professional & Technical Outsourced Services	36.9	31.1	5.8	
Vegetation Management	125.0	47.7	77.3	
Other Miscellaneous Expense	0.1	0.6	(0.5)	
Total Non-Labor / Other Operating Expense	**$ 186.9**	**$ 99.9**	**$ 87.0**	**47%**
Total Operating Expense	**$ 355.1**	**$ 234.7**	**$ 120.4**	**34%**

Key activities accomplished during FY2026:

- Replaced ninety-six 38 kV, sixteen 115 kV, and one 230 kV structures to enhance service reliability and maintain system integrity
- Managed vegetation along 494 miles of distribution lines and 889 miles of 38 kV, 115 kV, and 230 kV transmission lines
- Upgraded insulated hardware across one thousand two hundred fifty-eight 38 kV, two hundred sixty-one 115 kV, and one hundred fifty-two 230 kV line structures
- Replaced switches on one hundred forty-three 38 kV, thirteen 115 kV, and five 230 kV transmission lines
- Completed 468 metering system inspections for 38 kV accounts to verify meter programming, accuracy, and wiring, while recycling and reinstating 51,165 meters into inventory
- Performed 2,020 preventive maintenance tasks in substations, including thermography inspections, battery bank checks, breaker testing, and transformer inspections, while completing 361 corrective maintenance tasks to repair hot spots, bus support, oil leaks, switches, and breakers

The $120.4 million year-to-date variance in Operations' operating expenditures primarily reflects the timing of the FY2026 budget approval and the limited period available to execute the expanded scope. Operations' budget increased from $254.5 million under the Provisional Budget to $355.1 million under the Final Rate Order, with the largest increases allocated to Labor, Professional and Technical Services, and Vegetation Management. The Final Rate Order was issued with only two and a half months remaining in the fiscal year, limiting the ability to fully execute the additional approved

scope. This was particularly evident in Vegetation Management, where cash constraints halted activities earlier in the fiscal year; despite subsequent efforts to accelerate work, the compressed timeline prevented full implementation of planned FY2026 initiatives. The resulting variance therefore primarily reflects the timing of the increased budget and the resulting execution limitations, rather than a reduction in the underlying operational requirements.

LUMA Electrical Utility Field Workers

The FY2026 budget projected 1,651 full-time electrical utility field workers; LUMA filled 1,125 positions, demonstrating progress in strengthening field workforce despite ongoing financial constraints and competitive industry conditions. Throughout the fiscal year, LUMA advanced targeted retention strategies and sustained a strong talent pipeline by continuing to recruit journeyman lineworkers and develop Apprenticeship and Substation Technician Program candidates. Additionally, LUMA supplemented specialized capacity by leveraging contractor crews when needed to ensure uninterrupted execution of critical field tasks. Together, these efforts reinforced LUMA's commitment to building, engaging, and retaining a skilled workforce capable of supporting reliable utility operations and long-term organizational growth.

Electrical Utility Field Worker Type	Electrical Utility Field Worker as of June 30, 2026[11]
Utility electrician	104
Apprentice underground technician	8
Underground Technician	7
Apprentice substation technician[10]	82
Substation technician[9]	60
Senior substation technician[9]	18
Meter technicians	27
Low-voltage technician	106
Foreman[9]	106
Foreman - low voltage	30
Apprentice lineworker, 1st period	16
Apprentice lineworker, 2nd period	7
Apprentice lineworker, 3rd period	21
Apprentice lineworker, 4th period[10]	24
Apprentice lineworker, 5th period[10]	21
Apprentice lineworker, 6th period[10]	26
Apprentice lineworker, 7th period[10]	95
Journeyman lineworker[9]	367

[9] These electrical utility field workers are qualified to work on energized lines.
[10] These electrical utility field workers are qualified to work on energized lines, either independently or under the supervision of a journeyperson lineworker or journeyperson substation technician.
[11] The figures reflect the full-time employees and exclude ground people, operators, and laborers who support electrical utility field workers.

Utility Transformation Operating Expenditures

LUMA's Utility Transformation Department provides the technical, engineering, and programmatic framework required to deliver safe, reliable, resilient, and clean energy service to its 1.5 million customers. The department supports key initiatives outlined in the System Remediation Plan and focuses on the long-term vision outlined in the Integrated Resource Plan.

($ million)

	FY2026 Budget[3,5]	FY2026 Actuals[5]	Variance ($)[5]	Variance (%)
Labor				
Salaries, Wages and Benefits	30.5	33.3	(2.8)	
Total Labor	**$ 30.5**	**$ 33.3**	**$ (2.8)**	**-9%**
Non-Labor				
Materials & Supplies	1.8	1.3	0.5	
Transportation, Per Diem, and Mileage	2.8	1.5	1.3	
Property & Casualty Insurance	-	-	-	
Security	-	-	-	
IT Service Agreements	0.2	-	0.2	
Utilities & Rents	6.4	0.9	5.5	
Legal Services	1.0	1.0	-	
Communications Expenses	-	-	-	
Professional & Technical Outsourced Services	8.7	5.0	3.7	
Vegetation Management	-	-	-	
Other Miscellaneous Expenses	0.1	0.2	(0.1)	
Total Non-Labor / Other Operating Expense	**$ 21.0**	**$ 9.9**	**$ 11.1**	**53%**
Total Operating Expense	**$ 51.5**	**$ 43.2**	**$ 8.3**	**16%**

Key activities accomplished during FY2026:

- Conducted regional reliability reviews and field improvements, including inspections across 40 worst-performing feeders, hotspots identification and correction, multiple recloser restorations, installation of 93 overhead fault current indicators, and targeted event analyses supporting operations
- Strengthened the geographic information system and network model with more than 141,600 feature updates, meter digitization and transformer linkage, integration of distributed generation, automation of data workflows, regular map refreshes, and more than 500 ticketed requests processed within the T&D system, ensuring more accurate, reliable, and operationally actionable representation of the electric system
- Issued more than 15,600 notifications to ensure the proper transfer of telecommunications cables to newly replaced utility poles, while also processing 28 applications for new telecommunications infrastructures to attach to more than 1,800 poles

The $8.3 million year-to-date variance in Utility Transformation operating expenditures primarily reflects the timing of the FY2026 budget approval and the limited period available to execute the expanded scope. Utility Transformation's budget increased from $37.9 million under the Provisional Budget to $51.5 million under the Final Rate Order. The Final Rate Order was issued with only two and a half months remaining in the fiscal year, limiting the ability to fully execute the additional approved scope and contributing to favorable variances across Utilities and Rent, as well as Professional and Technical Outsourced Services. In addition, cash constraints earlier in the fiscal year delayed certain planned activities, including field training, onboarding, and vendor-supported services. Lower volumes of third-party pole attachment applications also reduced associated

processing and vendor-supported work. The resulting variance primarily reflects the timing of the increased budget and execution limitations during the remaining period, rather than a reduction in Utility Transformation's underlying operational requirements. Salaries, Wages and Benefits are due primarily because LUMA reclassified labor costs from FEMA-reimbursable activities to operation and maintenance (O&M) expenses after determining those costs were not eligible for reimbursement. As a result, this variance reflects the accounting reclassification rather than higher-than-planned labor activity.

Support Services Operating Expenditures

LUMA's Support Services functions enable the entire enterprise to deliver the electric service. These functions include safety, physical security, emergency management, information technology and operations technology (IT/OT), environmental, legal, procurement, regulatory, finance, and other areas essential to LUMA's success in meeting its mission and achieving its key goals.

($ million)

	FY2026 Budget[3,5]	FY2026 Actuals[5]	Variance ($)[5]	Variance (%)
Labor				
Salaries, Wages and Benefits	91.5	63.7	27.8	
Total Labor	**$ 91.5**	**$ 63.7**	**$ 27.8**	**30%**
Non-Labor				
Materials & Supplies	16.9	5.0	11.9	
Transportation, Per Diem, and Mileage	7.3	2.2	5.1	
Property & Casualty Insurance	18.1	17.9	0.2	
Security	7.5	6.4	1.1	
IT Service Agreements	46.3	31.2	15.1	
Utilities & Rents	10.8	7.1	3.7	
Legal Services	9.7	10.9	(1.2)	
Communications Expenses	1.9	0.1	1.8	
Professional & Technical Outsourced Services	47.6	26.8	20.8	
Vegetation Management	-	-	-	
Other Miscellaneous Expenses	6.6	1.4	5.2	
Total Non-Labor / Other Operating Expense	**$ 172.7**	**$ 109.0**	**$ 63.7**	**37%**
Total Operating Expense	**$ 264.2**	**$ 172.7**	**$ 91.5**	**35%**

Key activities accomplished during FY2026

- Conducted more than 100 safety talks, impacting more than 2,870 participants across communities, municipalities, and private sector to strengthen awareness and preparedness on key public safety topics
- Completed the installation of closed-circuit television (CCTV) systems at more than a dozen high-priority locations spanning substations (Isla Grande, Covadonga, La Muda, CREA, Naranjito, Río Bayamón, Vega Baja), technical centers, and warehouses (Vega Baja, Minillas, Aguadilla, San Germán, Canóvanas)
- Completed the installation of electronic access control systems at the Caguas, Aguadilla, San Germán, and Canóvanas Técnica centers and warehouses
- Integrated a pilot program for iLocks and ProWatch software to monitor padlock entries, securing substation equipment and facilities
- Managed logistics for the receipt and delivery of 13 transformers to substations across the island, including a 500,000-pound (500-megavolt-amperes) transformer delivered to the Sabana Llana substation
- Delivered more than 14, 500 hours of health, safety, and technical training to all employees to ensure compliance with industry standards

The $91.5 million year-to-date variance in Support Services operating expenditures primarily reflects the timing of the FY2026 budget approval and the limited period available to execute the expanded scope. Support Services' budget increased from $202.1 million under the Provisional Budget to $264.3 million under the Final Rate Order, with the additional funding approved with only two and a

half months remaining in the fiscal year. The compressed execution period limited the ability to fully implement the expanded scope, leading to variances across Salaries, Wages, and Benefits; Materials and Supplies; IT Service Agreements; Professional and Technical Services; and Other Miscellaneous Expenses. Earlier in the fiscal year, the organization also deferred certain Support Services activities to prioritize available resources for critical operational and reliability needs. This contributed to lower staffing levels, deferred outsourced services, and postponed planned activities. The variance also reflects the reconciliation associated with the time-recording enhancement, which shifted vehicle usage and related labor costs to the corresponding projects and operating departments where the work was performed, as well as lower bank charges and tax-related expenses. The resulting variance primarily reflects the timing of the increased budget, execution limitations, and accounting realignments rather than a reduction in Support Services' underlying operational requirements.

FY2026 Improvement Programs

LUMA's Improvement Programs address operational gaps identified before operations began. Programs are designed to bring the utility's operations and assets up to a minimum industry standard as part of the System Remediation Plan. The following section outlines each program's key activities completed and explains year-to-date spending variances. Unless otherwise noted, LUMA expects to achieve all program milestones as planned.

Programs Remediated in FY2026:

Critical Energy Management System Upgrades

- This program replaces the outdated Energy Management System and introduces new technologies to ensure safe and reliable grid operations. It implements an Advanced Distribution Management System (ADMS) and builds capabilities for energy management, load and generation balancing, and operating reserves. It also supports efficient integration of renewable energy, battery storage, demand response, economic dispatch, and unit commitment, and defines microgrids' role under the Integrated Resource Plan.
- LUMA relied on an obsolete, unsupported EMS from the 1990s with limited expertise to maintain it, no defined processes for EMS or ADMS operations, and systems incapable of supporting growing renewable integration. This created significant operational, reliability, and safety risks, including the potential for widespread outages if the system failed.
- Now, the program is implementing a modern, vendor-supported EMS, establishing formal processes for EMS and future ADMS operations, and deploying technologies that enable system balancing, renewable integration, and compliance with operational standards, significantly improving system reliability, resilience, and operational readiness.

Lands & Permit Processes and Management

- Through this program, LUMA implements new systems, procedures, and training programs to ensure compliant land management and permitting practices, support federal funding requirements, improve record-keeping and landowner relations, and align with evolving regulatory obligations.
- Before LUMA began this program, land management and permitting practices lacked formal processes, relied heavily on worker experience, and had no quality management system, resulting in insufficient documentation, unclear procedures, unresolved land disputes, high litigation costs, and significant risks of non-compliance with federal, environmental, and permitting requirements.
- Now, the program is establishing standardized permitting and land-management processes, building organizational understanding of regulatory requirements, developing required procedures and notifications, and creating systems to obtain and document necessary approvals, strengthening compliance, reducing operational and legal risks, and advancing toward a fully completed state.

Public Safety Program

- This program develops and implements an organizational public-safety strategy that educates the public on electrical hazards, provides training and outreach materials, establishes a comprehensive communications plan, and maintains ongoing efforts to reduce public safety incidents around electric equipment and infrastructure.

- Before LUMA initiated this program, the organization lacked a public safety strategy, had limited tracking of public safety incidents, and had no structured approach for communications, awareness, or coordinated mitigation efforts, leaving significant gaps in preventing and responding to safety risks involving the public.
- Now, LUMA has established a comprehensive public safety program with defined policies, incident tracking, stakeholder-aligned strategies, and community education efforts, strengthening organizational readiness, improving public awareness, and reducing the frequency and severity of safety incidents.

Programs Completed in FY2026:

Electric Vehicles Implementation Support

- This program involved developing and implementing new electric vehicle (EV) initiatives in compliance with regulatory requirements. These efforts supported a coordinated, well-informed transition to EV adoption, guided by the Puerto Rico Electric Vehicle Adoption Plan (PR-EVAP), which outlined near and mid-term actions and a roadmap for future growth.
- The program originated from an Energy Bureau order establishing directives for initiating EV infrastructure deployment and setting principles for the development of plans, regulations, and procedures for the EV energy sector in Puerto Rico.
- Since the program's commencement, LUMA has completed all PR-EVAP-required activities, resulting in new EV rates, customer service enhancements, and educational resources. LUMA also collected technical data and carried out research, planning, and program development to support EV adoption. These efforts included customer education and assistance, stakeholder engagement, grid infrastructure planning, EV rate options, workforce preparation, and support for charging infrastructure deployment. The conclusion of the PBRE7 program does not affect the continuation of EV development efforts under the PR-EVAP, which remain fully active and reported under Docket NEPR-MI-2021-0013.

HSEQ and Technical Training

- This program provided employees with health, safety, environmental, and technical training. Through LUMA College, employees received foundational technical training from internal subject matter experts and external training providers, enabling them to develop the skills and qualifications necessary to perform their work safely, efficiently, and in compliance with applicable standards.
- Before LUMA commenced operations, the health, safety and environmental (HSE) training provided to employees was minimal, and many safety processes were not compliant with Occupational Safety and Health Administration (OSHA) requirements, with unclear expectations and requirements for employees, and an undertrained workforce.
- Now, standardized safe-work processes are in place, employees are trained to work safely and efficiently, and engagement and safety awareness have increased. This has reduced incidents and OSHA recordable rates, improved data reporting and analysis to identify leading indicators, supported ongoing HSEQ campaigns, and provided continuous access to enhanced technical training programs.

Federal Funding Factors Impacting FY2026 Actual Expenditures

In August 2025, the Energy Bureau recognized that PREPA's FEMA FAASt Consolidated Project Plan List reduced the number of active T&D projects from 571 to 282. This reduction significantly affected the project portfolio available for execution during FY2026 and altered the assumptions underlying the federally funded capital budget approved for the fiscal year. As discussed in LUMA's First Budget Amendment (October 2025)[12] and Second Budget Amendment (March 2026)[13], implementation of the Energy Bureau-approved FAASt Consolidated Project Plan List created a disconnect between the federally funded capital budget approved for FY2026 and the projects that remained active and available for execution during the fiscal year. As a result, the federally funded capital budget assumptions approved for FY2026 no longer reflected the volume of projects available for execution during the fiscal year, contributing to federal capital expenditures below the approved budget.

Following extensive stakeholder discussions, the Energy Bureau approved Attachment A, as modified, on June 18, 2026, authorizing 101 additional T&D projects representing approximately $1.5 billion in federal funding to advance through FEMA's FAASt process. While this action expanded the portfolio of projects approved for reactivation, most had not been reactivated in FEMA's Grants Portal by the end of FY2026 and therefore remained unavailable for execution during the fiscal year. As a result, the limited number of projects available for implementation constrained federally funded capital expenditures in FY2026. Consequently, actual federal capital expenditures reflected both the reduction in active projects resulting from the FAASt Consolidated Project Plan List and the timing of additional projects authorized by the Energy Bureau and reactivated during FY2026. Based on the projects that remained inactive after implementing the FAASt Consolidated Project Plan List, approximately $336.4 million in federally funded capital spending in the FY2026 budget was not available for execution.

Separately, on September 30, 2025, PREPA received approval from the United States Department of Energy (DOE) for a grant supporting projects to be executed by Genera PR, LLC and LUMA on behalf of PREPA. LUMA's share of the grant totaled approximately $128.5 million, including approximately $45.3 million[14] associated with FY2026 activities. In addition to accelerating critical resilience-focused investments, the grant modified the funding strategy for certain projects that would otherwise have relied on non-federally funded capital expenditures, affecting both federally funded and non-federally funded capital execution during the fiscal year.

[12] LUMA, *Motion Submitting Amendment to Fiscal Year 2026 T&D Provisional Budget*, *In Re: Review of LUMA's Initial Budgets*, Case No. NEPR-MI-2021-0004 (P.R. Energy Bureau Oct. 10, 2025).
[13] LUMA, *Motion to Submit Fiscal Year 2026 Second Provisional Budget Amendment*, *In Re: Review of LUMA's Initial Budgets*, Case No. NEPR-MI-2021-0004 (P.R. Energy Bureau Mar. 25, 2025).
[14] *Id*.

Improvement Portfolio Summary

($ million)

Portfolio	FY2026 Budget[5]	FY2026 Actuals[5]	Variance ($)[5]	Variance (%)
Customer Experience	384.3	223.7	160.5	42%
Distribution	326.9	133.3	193.6	59%
Transmission	138.6	34.7	103.9	75%
Substation	137.6	127.4	10.2	7%
Control Center & Buildings	40.9	13.8	27.1	66%
Enabling	468.8	139.1	329.6	70%
Support Services	46.9	6.0	40.9	87%
Priority Stabilization Plan	0.0	20.2	-20.2	0%
Total	**$ 1,543.9**	**$ 698.3**	**$ 845.6**	**55%**

Capital Expenditure by Funding

Transmission & Distribution Capital Expenditures – Federally Funded

($ million)

Improvement Portfolio	FY2026 Budget[5]	FY2026 Actuals[5]	Variance ($)[5]	Variance (%)
Customer Experience	351.6	203.0	148.5	
Distribution	273.9	77.8	196.2	
Transmission	113.8	19.4	94.4	
Substations	119.0	110.4	8.5	
Control Center & Buildings	28.9	12.9	16.0	
Enabling	278.6	73.5	205.1	
Support Services	17.7	0.9	16.9	
Priority Stabilization Plan	-	12.9	(12.9)	
Subtotal	**$ 1,183.5**	**$ 510.9**	**$ 672.6**	**57%**
Other				
Reserve for Excess Expenditures	23.7	-	23.7	
Total Capital Expenditures	**$ 1,207.2**	**$ 510.9**	**$ 696.3**	**58%**

Transmission & Distribution Capital Expenditures – Non-Federally Funded

($ million)

Improvement Portfolio	FY2026 Budget[5]	FY2026 Actuals[5]	Variance ($)[5]	Variance (%)
Customer Experience	25.9	19.6	6.3	
Distribution	53.0	55.5	(2.5)	
Transmission	24.8	15.3	9.5	
Substations	18.3	16.6	1.7	
Control Center & Buildings	10.5	0.7	9.8	
Enabling	38.7	5.3	33.4	
Support Services	26.0	4.0	22.0	
Priority Stabilization Plan	-	7.2	(7.2)	
Subtotal	**197.1**	**$ 124.1**	**$ 73.0**	**37%**
Other				
Reserve for Excess Expenditures	1.6	-	1.6	
Total Capital Expenditures	**$ 198.8**	**$ 124.1**	**$ 74.7**	**38%**

Customer Experience Improvement Portfolio Summary

The **Customer Experience Improvement Portfolio** focuses on enhancing customer experience through the Distribution Streetlighting and Advanced Metering Infrastructure Implementation programs.

($ million)

Program	FY2026 Budget[5]	FY2026 Actuals[5]	Variance ($)[5]	Variance (%)
Distribution Streetlighting	**$ 203.6**	**$ 88.8**	**$ 114.8**	
Federally Funded	203.6	88.4		
Non-Federally Funded	-	0.4		
OpEx	-	0.0		
SRP	-	-		
AMI Implementation Program	**$ 148.0**	**$ 116.1**	**$ 31.9**	
Federally Funded	148.0	114.6		
Non-Federally Funded	-	1.5		
OpEx	-	0.0		
SRP	-	-		
Programs <5% of Portfolio Total	**$ 32.7**	**$ 18.8**	**$ 13.9**	
Federally Funded	-	0.0		
Non-Federally Funded	25.9	17.7		
OpEx	6.8	1.1		
SRP	-	-		
Total	**$ 384.3**	**$ 223.7**	**$ 160.5**	**42%**

The **Distribution Streetlighting** program focuses on upgrading and replacing hazardous or outdated distribution streetlights, prioritizing the most critical to the network. The program scope includes installing new LED lights, updating Geographic Information System (GIS) data for streetlight assets, and auditing billing records for approximately 500,000 streetlights.

Key FY2026 activities included repairing more than 11,500 streetlights and replacing over 8,800 utility poles across the municipalities of Adjuntas, Aguada, Aguadilla, Aibonito, Añasco, Arroyo, Barranquitas, Bayamón, Caguas, Ceiba, Cidra, Coamo, Comerío, Corozal, Dorado, Florida, Guánica, Guaynabo, Gurabo, Hatillo, Jayuya, Lajas, Las Marías, Las Piedras, Luquillo, Manatí, Maunabo, Mayagüez, Morovis, Naguabo, Naranjito, Orocovis, Ponce, Rincón, Salinas, San Germán, Toa Baja and Vega Alta. The team also advanced GIS updates and field assessments required to support long-term streetlighting modernization. The year-to-date variance is due to delays in project obligations.

The **Advanced Metering Infrastructure Implementation** program establishes two-way communication capabilities that enable remote meter reading, real-time alerts and analytics, and advanced reporting and control functions. The program delivers a broad range of functionalities, including enabling the identification, response, and resolution of service interruptions more efficiently, reducing estimated bills through daily automated meter reads, providing customers with monthly bills that reflect actual energy usage, and supporting the growth of renewable energy by enabling smart grid technologies that help facilitate the integration of renewable sources, including solar and energy battery storage systems. The program will deploy about 1.5 million smart meters, build a digital communications network, and integrate a head-end and a meter data management system.

Key FY2026 activities included completing more than 191,000 meter exchanges, installing over 310 network devices, and conducting more than 660 network site surveys across the island. The team

advanced system integration activities by completing CC&B integration with both the Itron head-end and Itron Operations Optimizer. The program replaced legacy Echelon meters with advanced metering infrastructure (AMI) meters, deploying more than 31,000 units throughout the year. The year-to-date variance is due to the timing of obligations relative to the annual budget. Although expenditures were lower than budgeted, the organization completed more meter installations than forecasted.

Distribution Improvement Portfolio Summary

The **Distribution Improvement Portfolio** focuses on enhancing the distribution system through the Grid Automation, Distribution Line Rebuild, and Distribution Pole & Conductor Repair programs.

($ million)

Program	FY2026 Budget[5]	FY2026 Actuals[5]	Variance ($)[5]	Variance (%)
Distribution Line Rebuild	**$ 118.1**	**$ 14.7**	**$ 103.4**	
Federally Funded	111.1	13.0		
Non-Federally Funded	7.0	1.6		
OpEx	-	0.0		
SRP	-	-		
Grid Automation	**$ 96.0**	**$ 32.7**	**$ 63.3**	
Federally Funded	90.0	20.3		
Non-Federally Funded	6.0	12.4		
OpEx	-	0.0		
SRP	-	-		
Distribution Pole & Conductor Repair	**$ 101.2**	**$ 85.8**	**$ 15.5**	
Federally Funded	61.2	45.0		
Non-Federally Funded	40.0	40.8		
OpEx	-	0.0		
SRP	-	-		
Programs <5% of Portfolio Total	**$ 11.6**	**$ 0.2**	**$ 11.4**	
Federally Funded	11.6	(0.5)		
Non-Federally Funded	-	0.7		
OpEx	-	-		
SRP	-	-		
Total	**$ 326.9**	**$ 133.3**	**$ 193.6**	**59%**

The **Distribution Line Rebuild** program replaces overhead and underground distribution lines to improve system reliability and resiliency. It restores out-of-service circuits, completes previously abandoned circuit construction, performs voltage conversions to improve distribution capacity, constructs new distribution line extensions to serve additional customers, and installs underground cable or tree wire to enhance service for critical customers.

Key FY2026 activities included advancing pre-construction and engineering efforts for five of the six FEMA-obligated priority feeders, including completing design packages, refining scopes of work, and preparing issue-for-bid packages for upcoming construction. During this period, the feeders that advanced pre-construction activities were 3502-02, 1529-15, 1303-02, 8101-02, and 1620-02. The team finalized construction plans for multiple feeders and updated execution schedules to reflect resource availability and FEMA's project prioritization process. The year-to-date variance is due to a pause in architecture and engineering work pending resolution of project prioritization and reactivation of FEMA's FAASt numbers.

The **Grid Automation** program primarily focuses on deploying equipment to enhance and modernize distribution and transmission automation. It includes installing automated switchgear on both distribution and transmission feeders and deploying communicating fault sensors on distribution feeders to improve overall system reliability. In the long term, the program aims to address power quality issues, improve load balancing, optimize volt-ampere reactive power, and conserve voltage, ultimately minimizing power-delivery costs for consumers and enhancing overall customer satisfaction.

Key FY2026 activities included installing 93 circuit fault indicators, 48 fuse cut-outs, and 296 fuse reanimations, and deploying 116 three-phase reclosers and 129 single-phase reclosers across multiple feeders. Throughout the year, the team improved system visibility by installing communication devices on 78 additional reclosers, enabling faster operational response and remote monitoring. Under the DOE grant, 30 three-phase reclosers were commissioned and integrated, with one fully integrated into the supervisory control and data acquisition system. These efforts supported automating all fourteen priority feeders and enabled the expansion of automation opportunities to additional feeders within the same budget. The year-to-date variance is due to delays in funding obligations, which have extended procurement and construction timelines.

The **Distribution Pole and Conductor Repair** program focuses on mitigating safety hazards associated with distribution poles, equipment, and conductors that require repair or replacement. A comprehensive assessment of the distribution system and engineering analyses informs major repairs and replacements, prioritizing actions based on pole criticality and emergent repair needs. This process addresses high-priority poles and associated safety hazards, including replacing damaged equipment, conductors, and hardware.

Key FY2026 activities included installing more than 2,600 poles and completing conductor repair work across numerous municipalities, including Aguada, Aibonito, Barceloneta, Barranquitas, Cabo Rojo, Canóvanas, Ciales, Coamo, Corozal, Fajardo, Hatillo, Humacao, Isabela, Juncos, Lajas, Lares, Las Marías, Las Piedras, Manatí, Mayagüez, Naguabo, Naranjito, Orocovis, Río Grande, Sabana Grande, Salinas, San Germán, San Juan, San Lorenzo, and San Sebastián. The year-to-date variance is due to the reallocation of costs from FEMA-reimbursable activities to O&M expenses after determining the costs were not eligible for reimbursement. As a result, the variance reflects this accounting reallocation rather than lower-than-planned program activity.

Transmission Improvement Portfolio Summary

The **Transmission Improvement Portfolio** focuses on improving system recovery, resilience, and transformation through the Transmission Line Rebuild, OT Telecom Systems and Networks, and Transmission Priority Pole Replacements programs.

($ million)

Program	FY2026 Budget[5]	FY2026 Actuals[5]	Variance ($)[5]	Variance (%)
Transmission Line Rebuild	**$ 68.7**	**$ 16.2**	**$ 52.5**	
Federally Funded	66.7	16.9		
Non-Federally Funded	2.0	(0.6)		
OpEx	-	0.0		
SRP	-	-		
Transmission Priority Pole Replacements	**$ 42.0**	**$ 6.9**	**$ 35.1**	
Federally Funded	21.3	(6.3)		
Non-Federally Funded	20.7	13.2		
OpEx	-	0.0		
SRP	-	-		
OT Telecom Systems & Network	**$ 25.0**	**$ 11.5**	**$ 13.4**	
Federally Funded	22.9	8.8		
Non-Federally Funded	2.1	2.8		
OpEx	-	0.0		
SRP	-	-		
Programs <5% of Portfolio Total	**$ 2.9**	**$ 0.1**	**$ 2.8**	
Federally Funded	2.9	0.1		
Non-Federally Funded	-	(0.0)		
OpEx	-	-		
SRP	-	-		
Total	**$ 138.6**	**$ 34.7**	**$ 103.9**	**75%**

The **Transmission Line Rebuild** program focuses on rebuilding, hardening, and upgrading transmission infrastructure at 230 kV, 115 kV, and 38 kV.

Key activities in FY2026 included replacing 34 poles, nine switches, and more than 500 hardware and insulation components; repairing 25 switches; restoring multiple transmission lines that had remained out of service since Hurricane María, including TL13600, TL4500, TL12600, and TL13100; completing major reconstruction work on TL12600 with new poles, repaired spans, vegetation clearing, and hardware replacements; and advancing engineering work across several lines, achieving 90% design completion for TL9500 and TL8200 while progressing designs for TL100/200, TL9100, TL13600, and TL2100. The year-to-date variance is due to a pause in architecture and engineering work pending resolution of project prioritization and reactivation of FEMA's FAASt numbers.

The **Transmission Priority Pole Replacement** program includes replacing damaged overhead transmission poles, towers, and associated hardware and conductors.

Key FY2026 activities included replacing more than 780 insulation and hardware components, completing 38 switch repairs, executing 36 switch replacements, performing over 110 pole replacements, and completing 12 critical repairs alongside one new structure installation across transmission corridors. These efforts addressed emergency conditions and priority deficiencies identified through systemwide inspections, stabilizing critical transmission assets and strengthening overall grid reliability. The year-to-date variance is due to the reallocation of costs from FEMA-

reimbursable activities to O&M expenses after determining the costs were not eligible for reimbursement. As a result, the variance reflects this accounting reallocation rather than lower-than-planned program activity.

The **OT Telecom Systems & Network** program supports investments to modernize telecommunications infrastructure to enhance data transport, emergency communications, and centralized control across transmission, distribution, and substations.

Key FY2026 activities included advancing engineering designs, procurement, and construction across multiple telecommunications infrastructure projects. The team completed scope-of-work development and progressed architecture and engineering designs for Transport Network Groups 1 and 2, covering more than 80 project sites. Milestones included completing 60% of the design package for the Telecommunications Infrastructure Tower at Cerro Punta, advancing access-road and tower-structure designs, and finalizing design packages for Infrastructure Group B tower sites. Construction also progressed on federally funded DOE projects, including optical ground wire, Internet Protocol Control Network, and generator installations, which were completed on time and entered the close-out phase. Additional work included installing more than 14,000 feet of optical ground wire, replacing terminal units, and supporting supervisory control and data acquisition communication design packages across several transmission locations. The year-to-date variance is due to a pause in architecture and engineering work pending resolution of project prioritization and reactivation of FEMA's FAASt numbers.

Substations Improvement Portfolio Summary

The **Substation Improvement Portfolio** aims to enhance system resiliency and safety by rebuilding, hardening, and modernizing substations through the Substation Rebuilds and Substation Reliability programs.

($ million)

Program	FY2026 Budget[5]	FY2026 Actuals[5]	Variance ($)[5]	Variance (%)
Substation Rebuilds	**$ 89.8**	**$ 75.4**	**$ 14.4**	
Federally Funded	89.0	73.9		
Non-Federally Funded	0.8	1.4		
OpEx	-	0.0		
SRP	-	-		
Substation Reliability	**$ 42.3**	**$ 46.4**	**$ (4.0)**	
Federally Funded	25.8	32.0		
Non-Federally Funded	16.5	14.1		
OpEx	-	0.2		
SRP	-	-		
Programs <5% of Portfolio Total	**$ 5.5**	**$ 5.7**	**$ (0.2)**	
Federally Funded	4.1	4.5		
Non-Federally Funded	1.0	1.1		
OpEx	0.4	0.1		
SRP	-	-		
Total	**$ 137.6**	**$ 127.4**	**$ 10.2**	**7%**

The **Substation Rebuilds** program focuses on upgrading transmission and distribution substations to improve electric grid reliability.

Key activities in FY2026 included major progress in rebuilding and modernizing critical substations such as Río Grande, Cataño, Costa Sur, Centro Médico, Vieques, and Culebra. Significant work advanced across civil, electrical, and protection systems, including construction of elevated transformer pads and gas-insulated switchgear buildings to mitigate flood risk, extensive breaker replacements, and energization of essential equipment such as new transformers, generator circuit breakers, and key transmission breakers. The team also transported one transformer to Mora TC and two to Centro Médico Sect 1317 and 1359 to support system stabilization, completed foundational civil work for upcoming transformer installations, and advanced engineering, design, procurement, and construction across multiple transmission-class substations. The year-to-date variance is due to delays in activities supporting substation rebuild and transformer re-energization.

The **Substation Reliability** program focuses on upgrading and reinforcing aging infrastructure to enhance system reliability.

Key FY2026 activities delivered substantial reliability gains through targeted replacement of high-risk substation and transmission assets, including power transformers, protection relays, load tap changers, under-frequency load-shedding units, battery banks, digital fault recorders, and transmission breakers. LUMA has successfully replaced eighteen priority out-of-service transformers, marking a major milestone in restoring critical system redundancy and strengthening grid resilience. The completed replacements include Cañas TC 5018, Conquistador 1204, Venezuela Sect 1348, Sabana Llana TC 1646, Aguada 7201, Bayamón TC Auto, Santa Isabel TC 115/38kV, Hato Rey TC 1420, Monacillos TC 1346, Caguas TC Bank 2, Monacillos TC Bank 1, Monacillos TC Bank 3, Yahuecas 8203, Fajardo No. 2 2002, Isla Grande TC Bank 2, Bayamón TC Bank 1, Sabana Llana TC

Auto 2, and Hogar Crea 1717. Additional progress included completing comprehensive substation assessments and developing construction and technical packages that enhance system visibility, reinforce protection schemes, and position the system for continued modernization in future phases. The year-to-date variance is due to DOE-funded work being prioritized and executed during the year.

Control Center and Buildings Improvement Portfolio Summary

The **Control Center and Buildings Improvement Portfolio** focuses on building the infrastructure required to deliver reliable, cost-effective energy while meeting applicable regulations through the Facilities Development & Implementation, Critical Energy Management System Upgrades, and Control Center Construction & Refurbishment programs.

($ million)

Program	FY2026 Budget[5]	FY2026 Actuals[5]	Variance ($)[5]	Variance (%)
Facilities Development & Implementation	**$ 22.2**	**$ 0.9**	**$ 21.3**	
Federally Funded	11.0	(0.1)		
Non-Federally Funded	10.2	0.8		
OpEx	1.0	0.1		
SRP	-	-		
Critical Energy Management System Upgrades	**$ 12.6**	**$ 11.0**	**$ 1.7**	
Federally Funded	12.2	11.1		
Non-Federally Funded	-	(0.1)		
OpEx	0.5	0.0		
SRP	-	-		
Control Center Construction & Refurbishment	**$ 5.7**	**$ 1.7**	**$ 4.0**	
Federally Funded	5.7	1.9		
Non-Federally Funded	-	(0.2)		
OpEx	-	-		
SRP	-	-		
Programs <5% of Portfolio Total	**$ 0.3**	**$ 0.2**	**$ 0.2**	
Federally Funded	0.0	-		
Non-Federally Funded	0.3	0.2		
OpEx	-	-		
SRP	-	-		
Total	**$ 40.9**	**$ 13.8**	**$ 27.1**	**66%**

The **Facilities Development & Implementation** program focuses on construction and remediation efforts for facilities and real property.

Key FY2026 activities included strengthening critical facility reliability by installing an emergency power connection at the Monacillo complex, advancing roof and air-handling upgrades, and completing major security improvements at the Santurce Complex. The team resolved essential operational issues, including repairing the Sabana Llana water supply line and addressing the Palo Seco sewage system. The team also completed significant capital work, including the Durotex Roof Repair; initial construction and relocation efforts for the Santurce and Hormigueros call centers; the first phase of the Caguas Retaining Wall project; and waste decommissioning at the Santurce Complex parking lot. The year-to-date variance primarily reflects LUMA's prioritization of critical grid operations activities over other capital initiatives earlier in the fiscal year in response to cash constraints, combined with the increase in approved funding under the April 15, 2026, Final Rate Order; however, the limited time remaining in the fiscal year was insufficient to undertake the additional scope.

The **Critical Energy Management System Upgrades** program aims to replace obsolete, unsupported energy management systems and introduces new technologies to ensure the safe, reliable operation of the electric grid.

Key FY2026 activities included advancing major system readiness efforts for the new Energy Management System (EMS) by completing extensive database updates, near-complete remote terminal unit point-to-point testing and fully integrating EMS equipment at Monacillo and Santurce. The program finalized fiber network buildout, upgraded remote terminal units and communication servers, deployed operator workstations, and completed operator training and application verification. The year concluded with full EMS commissioning, including successful failover testing and the final cutover to the new system, now operating with the primary EMS at La Torre Control Center and the backup system at the Santurce Complex. The year-to-date variance relates to a shift in project milestones that required deferring the start of system upgrade activities. The milestone to begin integrating the system with Genera was completed as scheduled, and the program achieved its remediated state after the EMS was placed into service in April 2026.

The **Control Center Construction & Refurbishment** program focuses on constructing and upgrading facilities to house the primary and backup control centers, as well as all ancillary support services.

Key FY2026 activities included maintaining active engagement in the FEMA and State Historic Preservation Office (SHPO) Section 106 consultation process. Collaborated closely with PREPA to address historic district findings for the Monacillo campus, presented consultation updates to DOE representatives, and submitted formal comments on PREPA's draft Memorandum of Agreement (MOA). After FEMA and the local SHPO determined that certain buildings were historic, including the Monacillos campus as a historic district, PREPA refused to sign the MOA that LUMA was ready to sign in 2024, after a consultant validated the SHPO's conclusion. Although LUMA has accepted PREPA's proposed amendments to the MOA, PREPA continues to seek a designation change from the SHPO. This process is unlikely to succeed and can only be appealed to federal authorities in Washington, D.C. LUMA opposes pursuing such an appeal because it would cause significant operational delays. The year-to-date variance is due to reduced activity while awaiting resolution of the disagreement over the Section 106 consultation. FEMA Section 106 delays will prevent meeting milestones for determining the location of the secondary control center, relocating operations, and beginning construction.

Enabling Improvement Portfolio Summary

The **Enabling Improvement Portfolio** focuses on safety and operational excellence. It comprises Vegetation Management, Microgrids, Phasor Measurement Units, Battery Energy Storage Installations and Integration, T&D Fleet, Compliance and Studies, and Asset Data Integrity programs.

($ million)

Program	FY2026 Budget[5]	FY2026 Actuals[5]	Variance ($)[5]	Variance (%)
Vegetation Management and Capital Clearing Implementation	**$ 283.2**	**$ 78.4**	**$ 204.7**	
Federally Funded	158.2	30.8		
Non-Federally Funded	-	(0.0)		
OpEx	125.0	47.7		
SRP	-	-		
Microgrid, Phasor Measurement Units (PMU), and Battery Energy Storage Installations and Integration	**$ 70.0**	**$ 2.9**	**$ 67.1**	
Federally Funded	70.0	2.4		
Non-Federally Funded	-	0.5		
OpEx	-	-		
SRP	-	-		
Compliance & Studies	**$ 32.8**	**$ 15.5**	**$ 17.3**	
Federally Funded	28.3	18.8		
Non-Federally Funded	4.5	(3.3)		
OpEx	-	0.0		
SRP	-	-		
T&D Fleet	**$ 47.7**	**$ 22.8**	**$ 25.0**	
Federally Funded	-	-		
Non-Federally Funded	23.7	10.2		
OpEx	24.0	12.6		
SRP	-	-		
Asset Data Integrity	**$ 24.6**	**$ (0.3)**	**$ 24.8**	
Federally Funded	21.8	-		
Non-Federally Funded	2.8	(0.3)		
OpEx	-	-		
SRP	-	-		
Programs <5% of Portfolio Total[15]	**$ 10.5**	**$ 19.8**	**$ (9.3)**	
Federally Funded	0.3	21.5		
Non-Federally Funded	7.7	(1.8)		
OpEx	2.5	0.1		
SRP	-	-		
Total	**$ 468.8**	**$ 139.1**	**$ 329.6**	**70%**

The **Vegetation Management and Capital Clearing Implementation** program focuses on mitigating immediate vegetation hazards in critical areas and maintaining cleared rights-of-way to standard widths.

[15] The net credit within the programs with less than 5% of the total Enabling Portfolio is primarily due to the Emergency Response Preparedness Program, with expenditures previously classified as non-federally funded capital. The program was later reclassified as O&M because the WebEOC system implementation and integration costs are operational in nature.

Key FY2026 activities included completing the assessment, trimming, and removal of vegetation along 495 miles of distribution lines and 901 miles of transmission lines under the vegetation maintenance program. As part of the federally funded vegetation safety and reliability initiative, LUMA assessed and cleared 492 miles of vegetation along distribution and transmission lines. A major development late in the year was the decision for the U.S. Army Corps of Engineers (USACE), though PREPA via a Memorandum of Agreement, to take on vegetation clearing for the 115 kV and 230 kV system, leading LUMA to halt planning work on the seven projects (123.7 obligated miles) assigned to USACE. The year-to-date variance is due to delays in fund obligations combined with the increase in approved funding under the April 15, 2026 Final Rate Order; however, the limited time remaining in the fiscal year was insufficient to undertake the additional scope. Nonetheless, FEMA obligated funds for 12 projects on March 1, 2026, and 10 additional projects in Q4, allowing for a gradual ramp-up in Q4 FY2026.

LUMA Quarterly Vegetation Management by Voltage Level

Voltage	FY2026 YTD Miles			FY2026 YTD Acres[16]		
	Federally Funded Clearing[17]	OpEx Maintenance	Total Miles	Federally Funded Clearing[17]	OpEx Maintenance	Total Acres
Distribution	476	495	971	576	600	1,176
38 kV	1	140	142	9	850	858
115 kV	15	507	522	179	6,146	6,325
230 kV	0	254	254	0	3,079	3,079
Total	**492**	**1,396**	**1,888**	**764**	**10,675**	**11,439**

The **Microgrid, Phasor Measurement Units, and Battery Energy Storage Installations and Integration** program supports projects that enhance system reliability and resilience, restore functionality, and mitigate safety hazards.

Key FY2026 activities focused on advancing the design and preliminary studies for the Vieques and Culebra microgrids. Despite slowed progress due to federal coordination and temporary pauses in FEMA's information requests, LUMA continued developing the 60% microgrid design, completed site selection, finalized the glare study, and advanced geotechnical work. The team received project proposals and is evaluating them. The 25 MW battery energy storage system initiatives remained on hold pending alignment with PREPA and FEMA on scope and cost allocation. The year-to-date variance is due to a pause in architecture and engineering work pending resolution of project prioritization and reactivation of FEMA's FAASt numbers.

The **Compliance & Studies** program supports transmission and distribution planning, protection studies, and developing hosting capacity data—the amount of distributed energy resources that can be accommodated on the distribution system—for public and internal use.

Key FY2026 activities included completing island-wide distribution area planning covering more than 1,100 circuits and 340 substation transformers, finalizing the Integrated Resource Plan T&D Plan and Preferred Resource Plan assessments, and advancing wide-area protection, standards development, and asset management work. The team also supported planning for major substation rebuilds and

[16] To calculate acres from miles, the methodology converts the miles to feet by multiplying by 5,280. The calculation assumes a specific right-of-way width for each voltage level: distribution = 10 ft, 38 kV = 25 ft, and 115 and 230 kV = 100 ft. Multiplying the linear feet by the right-of-way width gives the completed square feet, which the team then divides by 43,560 to get the final acreage.

[17] For federally funded miles and acres, the figure includes both completed work and miles assessed as clear spans.

prepared for incoming transformer installations. Toward the end of the fiscal year, planning capabilities were significantly strengthened through the development of an enhanced T&D planning initiative, integrating the Comprehensive Transmission Plan, expanding analysis to the 38 kV level, incorporating new reliability and customer-driven needs, evaluating funding for distributed energy resource-related upgrades identified in over 218 cluster studies, and improving distribution system performance through load transfer and voltage regulation studies. The year-to-date variance is due to a pause in architecture and engineering work pending resolution of project prioritization and reactivation of FEMA's FAASt numbers.

The **T&D Fleet** program focuses on upgrading the existing fleet of vehicles, aircraft, and equipment to meet industry standards. It focuses on initiating and improving data collection, asset repair, and maintenance processes.

Key FY2026 activities included completing 1,039 Department of Transportation inspections and 440 American National Standards Institute vehicle compliance inspections. Additionally, targeted training was provided on cardiopulmonary resuscitation to 10 mechanics and eight employees, fire extinguisher use and handling to seven mechanics, underground storage tank to one mechanic, commercial operator license to three mechanics, forklift certification to 18 employees, cardiopulmonary resuscitation, automated external defibrillator, and first aid to 11 employees, used oil to 22 employees, security management audit to 22 employees, hazardous materials to one mechanic, road intervention to 80-100 employees, driver vehicle inspection report to 73 employees, *Negociado de Transporte y Servicio Público* digital platform to 80 employees, and safety rodeo to 150 employees. The year-to-date variance reflects increased approved funding under the April 15, 2026 Final Rate Order, including additional funding for the Drone Program and Aviation. However, the remaining time in the fiscal year was insufficient to execute the additional scope.

The **Asset Data Integrity program** ensures the accuracy of key asset data, supporting effective modeling, operations, and planning of the transmission and distribution system.

Key FY2026 activities included configuring core Computerized Maintenance Management System capabilities in Asset Suite to support work management for Substation Protection & Control, Apparatus, and Transmission Operations. The team fully configured and loaded telecom equipment into the system and deployed initial analytics for equipment, work orders, and work requests, improving operational visibility. Additionally, it completed digital tagging of T&D structures in the Geographic Information System, ordered tagging materials, and finalized tagging standards to launch the Asset Tagging program. The year-to-date variance is due to the exclusion of federally funded projects from the Program.

Support Services Improvement Portfolio Summary

The **Support Services Improvement Portfolio** supports the utility's overall operational success through programs including IT OT Asset Management, IT OT Collaboration and Analytics, IT OT Cyber Security, Critical Financial Systems, IT OT Enablement, Critical Financial Controls, and Updates to Third-Party Use, Audit, Contract, and Billing Procedures.

($ million)

Program	FY2026 Budget[5]	FY2026 Actuals[5]	Variance ($)[5]	Variance (%)
IT OT Asset Management	**$ 27.1**	**$ 4.3**	**$ 22.8**	
Federally Funded	17.4	0.1		
Non-Federally Funded	9.7	4.2		
OpEx	-	-		
SRP	-	-		
IT OT Enablement Program	**$ 6.1**	**$ 0.6**	**$ 5.5**	
Federally Funded	-	-		
Non-Federally Funded	6.1	0.6		
OpEx	-	0		
SRP	-	-		
IT OT Collaboration & Analytics	**$ 4.8**	**$ -**	**$ 4.8**	
Federally Funded	-	-		
Non-Federally Funded	4.8	-		
OpEx	-	-		
SRP		-		
IT OT Cybersecurity Program	**$ 3.5**	**$ 0.0**	**$ 3.5**	
Federally Funded	0.3	-		
Non-Federally Funded	3.2	0.1		
OpEx	-	(0.0)		
SRP				
Critical Financial Systems	**$ 2.4**	**$ (0.8)**	**$ 3.2**	
Federally Funded	-	-		
Non-Federally Funded	2.2	(0.9)		
OpEx	0.2	0.1		
SRP	-	-		
Update to Third Party Use, Audit, Contract and Billing Procedures	**$ -**	**$ 1.2**	**$ (1.2)**	
Federally Funded	-	0.8		
Non-Federally Funded	-	-		
OpEx	-	0.4		
SRP	-	-		
Programs <5% of Portfolio Total	**$ 3.0**	**$ 0.7**	**$ 2.3**	
Federally Funded	-	-		
Non-Federally Funded	-	-		
OpEx	3.0	0.7		
SRP	-	-		
Total	**$ 46.9**	**$ 6.0**	**$ 40.9**	**87%**

The **IT OT Asset Management** program introduced industry-standard procedures for IT and OT assets. It continues to assess the application and infrastructure portfolio while providing necessary system upgrades to ensure secure business operations, continuity, and improved customer

responsiveness. The program also encompasses developing a new backup data center to enhance the reliability and resilience of technology systems.

Key FY2026 activities included advancing critical system integrations across Workforce Management, WebEOC, Crisis Track, and Service Suite while expanding platform configurations and completing corrective maintenance demonstrations for protection and control functions. The program delivered major resiliency upgrades by executing Hardware Legacy Phase 2 procurement, replacing end-of-life equipment at the Disaster Recovery Center, implementing WebEOC for enhanced inter-agency coordination, completing cloud migrations, and deploying a new Virtual Desktop Infrastructure in Azure. By year-end, the team made substantial progress in integrating Asset Suite and Service Suite, advancing EMS configuration, completing 80% of the hardware replacement program, and delivering a fully functional Disaster Recovery site with expanded storage and computing capacity. The year-to-date variance is due to a pause in architecture and engineering work pending resolution of project prioritization and reactivation of FEMA's FAASt numbers. Cash constraints delayed the procurement and commissioning of the aging infrastructure milestone scheduled for FY2026. The workforce management solution started; however, cash constraints and vendor support delayed progress.

The **IT OT Enablement** program will implement capabilities to deliver and maintain IT/OT services and systems, enabling LUMA employees to operate in accordance with industry best practices, ensure systems compliance, and standardize processes and tools.

Key FY2026 activities were limited, as the quarter included no major implementation activities. The year-to-date variance primarily reflects LUMA's prioritization of critical grid operations activities over nonessential capital initiatives earlier in the fiscal year in response to cash constraints, combined with the increase in approved funding under the April 15, 2026, Final Rate Order; however, the limited time remaining in the fiscal year was insufficient to undertake the additional scope. Because of earlier prioritization this year, the FY2026 milestone to create a framework to align corporate objectives with the finance and operations teams' risk assessments was delayed.

The **IT OT Collaboration & Analytics** program improves collaboration and data-driven decision-making by consolidating IT/OT solutions, strengthening data governance, and modernizing core systems. It also boosts efficiency through automation, centralizes performance metrics, and sets a target architecture roadmap for long-term operational excellence.

Key FY2026 activities were limited, as the quarter included no major implementation activities. The year-to-date variance primarily reflects LUMA's prioritization of critical grid operations activities over nonessential capital initiatives earlier in the fiscal year in response to cash constraints, combined with the increase in approved funding under the April 15, 2026, Final Rate Order; however, the limited time remaining in the fiscal year was insufficient to undertake the additional scope.

The **IT OT Cybersecurity** program strengthens governance, threat detection, and incident response across the T&D system to reduce risks like breaches and ransomware.

Key FY2026 activities included starting the Microsoft Purview auto-labeling pilot to better identify and protect sensitive files stored in SharePoint, creating the foundation for future Data Loss Prevention controls. LUMA also improved its OT security by confirming that a new network segmentation model using Virtual Local Area Networks and certificate-based authentication works reliably for both WiFi and wired Local Area Network connections. The team strengthened overall cybersecurity by fully encrypting company devices, deploying modern Endpoint Detection and Response/Extended Detection and Response tools with Center for Internet Security-aligned security settings, and completing a full review of the Microsoft Azure cloud environment. Additionally, LUMA enabled its first Cloud Access Security Broker capabilities through Microsoft Defender for Cloud Apps, allowing Cloud

Discovery to identify and monitor shadow IT activity across the organization. The year-to-date variance primarily reflects LUMA's prioritization of critical grid operations activities over nonessential capital initiatives earlier in the fiscal year in response to cash constraints, combined with the increase in approved funding under the April 15, 2026, Final Rate Order; however, the limited time remaining in the fiscal year was insufficient to undertake the additional scope.

The **Critical Financial Systems** program covers technology projects across financial, risk, and supply chain management.

Key FY2026 activities were limited, as the quarter included no major implementation activities. The year-to-date variance primarily reflects LUMA's prioritization of critical grid operations activities over nonessential capital initiatives earlier in the fiscal year in response to cash constraints, combined with the increase in approved funding under the April 15, 2026, Final Rate Order; however, the limited time remaining in the fiscal year was insufficient to undertake the additional scope.

A change in strategy delayed the risk management system assessment and the 1st-phase Services procurement migration from Asset Suite to Oracle EBS, a milestone scheduled for FY2026.

The **Update to Third-Party Use, Audit, Contract, and Billing Procedures** program focuses on updating procedures for third-party use of land and infrastructure, as well as audits, contracts, and billing.

Key FY2026 activities included completing technical assessments of more than 5,000 poles and issuing over 15,600 transfer notifications, directly reducing structural loading that contributes to pole failures and maintenance hazards. The team strengthened oversight and enforcement by supporting audit activities and coordinating with the Puerto Rico Telecommunications Bureau, FOMB, and OMB to align on inventory needs and funding discussions for an island-wide TPA initiative. It also reviewed 74 third-party applications tied to upcoming system builds and processed emergency notifications to ensure attachment activity complies with updated standards. Progress under the Utility Pole Abatement Program further advanced the identification and documentation of abandoned and unsafe attachments, driving corrective actions that improve pole integrity, reduce outage risk, and create safer working conditions for field crews. The year-to-date variance is primarily due to coordination with telecommunications companies for upcoming distribution systems.

Priority Stabilization Plan Portfolio Summary

($ million)

Program	FY2026 Budget[5]	FY2026 Actuals[5]	Variance ($)[5]	Variance (%)
Priority Stabilization Plan	**$ -**	**$ 20.2**	**$ (20.2)**	
Federally Funded	-	12.9	-	
Non-Federally Funded	-	7.2	(7.2)	
OpEx	-	0.1	-	
SRP	-	-	-	
Total	**$ -**	**$ 20.2**	**$ (20.2)**	**0%**

The **Priority Stabilization Plan** portfolio encompasses a subset of initiatives approved under the Electric System Priority Stabilization Two-Year Plan[18].

Key FY2026 activities included energizing several major transformers and transmission lines, such as Monacillos TC banks, Bayamón TC 115/38 kV, Sabana Llana Autotransformer 2, and key segments of TL9100 and TL2100, significantly improving system stability. Critical transmission line work advanced across multiple corridors, including pole, insulator, and hardware replacements, aerial construction using helicopters, and accelerated hardening projects completed ahead of schedule. Additional high-value progress included relay replacements, hotspot and jumper repairs, and completing key construction milestones on lines such as 10700, 1700, 3000, 3100, 3200, 3600, and the 800 COMSAT–Cidra project, collectively strengthening grid reliability across the island. The year-to-date variance is driven by additional scope and funding available under the DOE grant, which is not reflected in the Federally-Funded Budget.

[18] For more details, refer to Case No. NEPR-MI-2024-0005.

Efficiencies Reporting

LUMA remains committed to continuously improving the performance of the T&D System and delivering safe, reliable, and efficient service. Since FY2022, LUMA has advanced multiple operational initiatives to improve revenue protection, reduce system costs, and use available resources more effectively. Consistent with this commitment and pursuant to the Final Rate Order issued on April 15, 2026, the Energy Bureau ordered LUMA to quantify the dollar impact of the efficiencies associated with (a) the activities discussed in Chapter Three of the Final Rate Order, including collections and customer arrears, meter remediation, energy theft mitigation, and third-party pole attachment enforcement; (b) the Advanced Metering Infrastructure implementation program; (c) the loss reduction program[19]; and (d) any other operational efficiencies that produce measurable cost savings or revenue increases.

These initiatives enable LUMA to operate more cost-effectively, improve financial sustainability, and maximize resource utilization. However, identifying and quantifying these efficiencies does not, in itself, constitute a reduction to or offset against the approved O&M budget. Instead, these efficiencies reflect the operational and financial benefits the initiatives deliver. Accordingly, this report quantifies their measurable impacts without presuming they translate directly into reductions in approved O&M funding or customer rates.

Quantified Operational Efficiencies and Revenue Enhancements

Consistent with the Energy Bureau's directive to quantify the economic impact of operational efficiencies, LUMA evaluated the measurable benefits of AMI deployment, meter remediation activities, loss reduction initiatives, energy theft mitigation, and collections and arrears management efforts. During FY2026, these initiatives generated measurable cost reductions and revenue gains through fewer field activities, lower technology support costs, improved detection of energy irregularities, and stronger collections performance.

Advanced Metering Infrastructure (AMI)

The AMI rollout remains in its early stages, with approximately 200,000 smart meters installed as of June 30, 2026. At this stage, realized efficiencies align with the program's expected progression. Meter replacement and remote service capabilities drive early operational gains, followed by broader, system-level benefits as the communications network expands. The operational efficiencies identified include:

- **Echelon Meter Replacement -** Echelon meters operating on the Echelon Corporation's Networked Energy Services (NES) platform have been targeted for replacement because the supporting infrastructure no longer receives ongoing vendor support and would otherwise require infrastructure upgrades to maintain meter communications. Approximately 20,000 Echelon meters were installed at the beginning of the AMI deployment. As of June 30, 2026, approximately 6,600 remained in service due to targeted replacement efforts focused on the San Juan and Caguas regions. The primary quantifiable efficiency from this initiative is reduced licensing costs. During FY2026, LUMA reduced average monthly licensing expenses by approximately $1,500, resulting in annual savings of approximately $18,300.

[19] The scope of the Loss Recovery Program is limited to the identification, investigation, and reduction of energy theft and other non-technical losses (NTLs).

- **Reduction in Manual Meter Reading Activities -** Since assuming operation of the T&D system, LUMA has manually read certain meters that either failed or lacked the communications technology required for remote reading. As the AMI communications network expands, LUMA is replacing these meters with AMI-enabled devices. During FY2026, LUMA replaced 615 meters that previously required manual readings. These replacements reduced the need for monthly field visits to obtain meter reads and generated approximately $33,120 in avoided truck-roll costs during FY2026.
- **Remote Connect and Disconnect Capabilities -** Remote connect and disconnect functionality is an additional benefit of AMI deployment. While the number of AMI-enabled meters remains relatively limited, the population continues to increase as deployment progresses. Before AMI implementation, only about 25% of installed meters, primarily through legacy NES and TWACS systems, had remote connect and disconnect functionality. During FY2026, LUMA completed 4,822 service connections and disconnections remotely at locations that previously lacked this capability, resulting in approximately $260,000 in operational efficiencies. These efficiencies represent avoided field activities associated with individual service orders. As AMI deployment expands, additional efficiencies are expected to increase, particularly in locations with recurring service connection and disconnection activity.

Meter Replacement and Remediation

The meter replacement and remediation program under PBUT17 addresses, among other objectives, replacing failed meters and installing bi-directional meters required to support net metering interconnection requests. While AMI deployment addresses a significant portion of meter replacement needs within deployment areas, legacy metering technology remains necessary in areas where communications infrastructure is not yet available.

LUMA has also realized operational efficiencies by fulfilling certain net metering interconnection requirements through the installation of AMI meters, avoiding the need to install replacement legacy bi-directional meters.

Loss Reduction and Energy Theft Mitigation

Loss reduction and energy theft mitigation activities at LUMA encompass both standalone initiatives and efforts integrated with the deployment and operation of AMI. The AMI deployment provides a significant opportunity to identify, investigate, and remediate energy irregularities across Puerto Rico. In parallel, LUMA continues to perform independent activities to detect, investigate, and resolve cases involving meter tampering and suspected energy theft. While AMI deployment enhances the efficiency of these efforts, the underlying processes for identifying and addressing energy irregularities remain generally consistent with those used in prior years. During FY2026, the AMI deployment contributed to the identification and resolution of 108 energy irregularity cases, resulting in associated billed revenue of $819,590.

As AMI deployment continues, AMI meters and supporting technologies, including Itron UIQ and Itron Operations Optimizer Advanced, are being implemented to improve operational efficiencies and, more importantly, enhance the timeliness and accuracy of energy irregularity detection. These capabilities are expected to reduce non-technical losses associated with meter tampering and unauthorized energy consumption. Results to date reflect the initial phase of AMI deployment during FY2026, with additional benefits and more detection opportunities expected as deployment expands in future years.

In addition to AMI deployment activities, LUMA resolved 353 energy irregularity cases during FY2026 that were not associated with AMI deployment, resulting in billed revenue of $2,405,170.

Collectively, these efforts contribute to the objectives of LUMA's Loss Reduction Plan and support ongoing initiatives to mitigate energy theft and reduce non-technical losses across Puerto Rico.

Collections and Arrears Management

LUMA remains focused on collections and reducing arrears. A key focus area in FY2026 was the ongoing reduction of the residential arrears threshold that qualifies customers for service disconnection. Given the high volume of accounts involved and the necessary field visits, LUMA implemented this reduction through a phased, methodical approach. Managing finite resources across field operations, customer experience contact centers, and regional offices is critical to ensure service disconnections and subsequent reconnections are completed in a timely manner.

Timely disconnections for non-payment support regulatory compliance and reinforce customer expectations that, once notifications are issued and payment arrangements are not made, the disconnection process will be carried out as communicated. Equally important, this approach helps ensure that customers disconnected for non-payment can be reconnected promptly once they complete the necessary payment arrangements.

LUMA made significant progress in reducing residential customer arrears thresholds during FY2026. These efforts, along with continuing collections activities, resulted in approximately $140 million in collections above prior periods. This amount reflects collections attributable specifically to customers affected by these initiatives and is not normalized for rate changes or other factors that may influence payment behavior. For example, increases in customer bills due to the Provisional Rate may have impacted customer payment behavior. LUMA continues to reduce the threshold for Residential customer class arrears while continuing daily efforts to communicate and address customer arrears management through disconnections for nonpayment for existing eligible customers. This effort remains ongoing and is expected to continue until residential severance thresholds are more closely aligned with those used by comparable electric utilities. These efforts ultimately contribute to a reduction in Days Sales Outstanding (DSO) and Bad Debt Expense.

Third Party Attachments (TPA)

During FY2026, LUMA continued implementing initiatives to improve administration, compliance, and cost recovery for the TPA program. Key efforts included developing a standardized Pole Attachment Agreement, implementing a revised application fee structure aligned with actual processing costs, increasing use of internal engineering resources, and enforcing actions addressing unauthorized attachments on PREPA utility poles. These initiatives were designed to improve operational efficiency, promote consistency across attachment agreements, and strengthen oversight of third-party use of utility infrastructure.

As part of these efforts, LUMA introduced a standardized Pole Attachment Agreement for telecommunications carriers and other attaching entities. Before this initiative, agreements varied in terms and rate structures, increasing administrative complexity. Adopting this uniform framework streamlined contract administration, strengthened enforcement, and improved consistency in managing third-party occupancy of utility poles. During the reporting period, no carriers executed or transitioned to the standardized agreement; only the Municipality of Cabo Rojo did. LUMA also implemented modifications to the TPA application process and application fee structure to better align fees with the level of effort required to evaluate requests. In parallel, LUMA continued implementing a structured billing and collection framework for TPA accounts, including annual invoicing, inventory

reconciliation, and compliance tracking activities intended to improve recovery of outstanding balances and strengthen long-term revenue optimization.

In addition, LUMA continued conducting audits and compliance reviews to identify and address unauthorized attachments. Enforcement actions included issuance of notices, compliance demands, and billing adjustments for unauthorized use of PREPA infrastructure. These efforts strengthened asset management controls and helped recover revenue from third-party occupancy of utility poles.

Overall, the TPA program began generating operational and financial benefits through enhanced third-party pole attachment enforcement, process standardization, improved compliance oversight, and increased cost recovery. Total estimated benefits for Fiscal Year 2026 include approximately $3,646,005 in collections from annual rental fees and unauthorized attachment enforcement, stronger billing controls, standardized agreements and application procedures, and continued deployment of compliance initiatives to improve revenue recovery, asset management, and safety oversight of PREPA infrastructure. Recurring revenues from newly formalized attachment agreements are expected.

FY2026 Efficiencies Summary Impact:

The measurable impacts identified for FY2026 include:

- Approximately $311,000 in quantified operational efficiencies associated with AMI deployment
- Operational efficiencies achieved through meter replacement and remediation activities, including the use of AMI-enabled meters to support net metering interconnections and modernize legacy metering infrastructure
- Approximately $819,500 in billed revenue associated with the AMI deployment, which contributed to the identification and resolution of 108 energy irregularity cases
- Approximately $2.4 million in energy irregularity cases detected through non-AMI deployment activities
- Approximately $140 million in collections associated with the arrears' reduction initiatives
- Approximately $3,646,005 associated with the TPA program.

These results demonstrate the tangible operational and financial benefits generated through LUMA's ongoing modernization, revenue recovery, and loss reduction initiatives during FY2026.

FY2026 Shared Services

Shared Services Summary

($ million)

	FY2026 Budget[5]	FY2026 Actuals[5]	Variance ($)[5]	Variance (%)
Labor	0.4	1.0	(0.6)	
Property & Casualty Insurance [19]	1.3	1.4	(0.1)	
IT Service Agreements	0.9	1.2	(0.3)	
Legal Services	-	(2.5)	2.5	
Professional & Technical Outsourced Services	-	0.3	(0.3)	
Other	-	0.2	(0.2)	
Shared Services Total	**$ 2.6**	**$ 1.6**	**$ 1.0**	**38%**

The $1.0 million favorable variance in Shared Services is primarily driven by prior-period adjustments that reclassified legal expenses related to interim costs out of Shared Services.

The financial information provided in this report has not been audited and should not be used for any purpose other than the report itself. Limitations, a lack of integration across PREPA's financial and related systems, and identified pre-existing control gaps may also affect the overall accuracy of the reported results.

[20] Property & Casualty Insurance Shared Services budget was reduced from $61.9 million to $1.3 million as Genera and PREPA are recording their share of Property & Casualty Insurance in their accounting books and reporting their actuals compared to their Shared Services budget allocation during FY2026. The remaining budget and actuals are limited to policies related to PREPA that have yet to be renewed under the new methodology. These policies are expected to renew in July 2027 therefore no budget and actuals will be reported in FY2027 for Property & Casualty Insurance.