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

IN RE: REVIEW OF LUMA'S INITIAL BUDGETS	**CASE NO.**: NEPR-MI-2021-0004

PREPA'S MOTION FOR PARTIAL AMENDMENT TO THE FY2027 APPROVED BUDGET[1]

TO THE HONORABLE ENERGY BUREAU:

COMES NOW the Puerto Rico Electric Power Authority ("PREPA"), through its undersigned counsel and, very respectfully, **STATES AND PRAYS** as follows:

I. INTRODUCTION

1. PREPA seeks a limited amendment to discrete portions of its Fiscal Year ("FY") 2027 budget, as approved by the Energy Bureau of the Puerto Rico Public Service Regulatory Board ("Energy Bureau") in the *Final Resolution and Order on Electricity Rates* ("Rate Order"), issued on April 15, 2026, in Case No. NEPR-AP-2023-0003 ("2026 Rate Case"), and subsequently certified by the Financial Oversight and Management Board for Puerto Rico ("FOMB") pursuant to the *Puerto Rico Oversight, Management, and Economic Stability Act*, Pub. L. No. 114-187, 130 Stat. 549 (2016), 48 U.S.C. §§ 2101–2241 ("PROMESA"), on June 26, 2026. PREPA also requests correction or clarification of an internal inconsistency in the Rate Order concerning its FY2027 Information Technology Maintenance and Corporate Services allocation.

[1] The arguments and requests presented herein are made without waiving, limiting, or otherwise prejudicing any of PREPA's rights, claims, objections, or arguments asserted in its Petition for Administrative Review filed on August 27, 2026, before the Puerto Rico Court of Appeals in Case No. TA2026RA00492, through which PREPA seeks partial review of the Rate Order. Nothing in this Motion shall be construed as PREPA's acquiescence to the determinations challenged in that proceeding or as a waiver of any relief requested therein.

2. PREPA respectfully requests that the Energy Bureau allocate **$9,659,705** from the remaining unallocated balance of $27,419,653 in FY2026 Reconciliation Amount funds to support the limited amendments to PREPA's FY2027 budget requested herein.[2] Such an allocation would provide an existing source of funding for the requested amendments without requiring a rate increase from ratepayers and would help ensure that PREPA's essential responsibilities relating to corporate, legal, regulatory, financial, audit, cybersecurity, hydroelectric operations, and its restructuring obligations under PROMESA remain funded throughout FY2027. PREPA emphasizes that it is not seeking an increase in customer rates, but rather a limited adjustment to its FY2027 budget intended to restore funding for certain budget categories to the levels previously approved and certified by the Financial Oversight and Management Board ("FOMB") under PREPA's Fourth Amendment to PREPA's FY2026 Certified Budget ("Fourth Revised FY2026 PREPA Budget").[3] The requested adjustments reflect PREPA's existing and ongoing obligations and responsibilities, which continue into FY2027 and require adequate funding to ensure the uninterrupted performance of its essential functions.

3. The insufficiency of PREPA's historically approved budgets is not a newly asserted concern. During the 2026 Rate Case, PREPA submitted sworn written testimony expressly establishing that the budgets approved by the Energy Bureau in prior fiscal years had been materially insufficient to enable PREPA to discharge its

[2] *See Resolutions and Orders* issued on June 15, October 1 and 15, 2026, and November 6, 2026, in the above-captioned case.

[3] True and exact copy of the Fourth Revised FY2026 PREPA Budget is available at: https://drive.google.com/file/d/1DGMTvrh-YVKTrvBadj9XI8YjKqWJXcsm/view.

statutory, regulatory, and operational responsibilities.[4] Specifically, PREPA's then Executive Director, Eng. Mary Carmen Zapata-Acosta, testified that the budget reductions imposed following the transition of transmission, distribution, and thermal generation operations to private operators failed to account adequately for PREPA's continuing, nondelegable responsibilities, including the maintenance of hydroelectric facilities, regulatory and environmental compliance, federal grant administration, and the stewardship of critical infrastructure.[5] She further explained that these funding constraints had impaired PREPA's ability to adequately maintain its facilities, perform necessary compliance activities, undertake proactive maintenance, and implement comprehensive long-term operational plans.[6]

4. PREPA's sworn responses to requests for information further substantiated these deficiencies by identifying specific financial, technological, security, and operational consequences of its limited resources. In particular, PREPA identified deficiencies in financial management and internal controls, delays and risks associated with financial audits, cybersecurity vulnerabilities and inadequate technical support for critical information technology systems, insufficient security coverage for corporate facilities and assets, and maintenance and safety deficiencies affecting its hydroelectric infrastructure.[7] PREPA also presented sworn evidence establishing that it had incurred unbudgeted external consulting expenses to correct material errors and deficiencies in the unaudited financial statements

[4] *See* Direct Written Testimony of Eng. Mary Carmen Zapata-Acosta, June 2025, at p. 4, Question No. 5, lines 8–14.
[5] *See id.*, at p. 7, Question No. 9, lines 1–20.
[6] *See id.*, at pp. 7–8, Questions Nos. 9–10.
[7] *See* PREPA Response to ROI LUMA-of-PREPA-NONPHYS_OPS-109, at pp. 3–5, Response (d), and pp. 7–8, Response (h).

prepared by LUMA Energy, LLC and LUMA Energy ServCo, LLC (jointly, "LUMA"), its Shared Services provider, while identifying substantial anticipated expenditures for external audit services and related financial compliance obligations.[8] Thus, the evidentiary record developed during the 2026 Rate Case demonstrated that PREPA's historical budgetary constraints had tangible consequences for its financial reporting, information technology infrastructure, corporate security, hydroelectric maintenance, and regulatory compliance functions, and had at times effectively rendered it non-operational.[9]

5. Nevertheless, the budgets the Energy Bureau approved in the Rate Order imposed additional reductions to PREPA's funding, even with the inclusion of a $4 million litigation reserve. Those additional reductions have further impaired PREPA's ability to operate and to fulfill its statutory responsibilities, protect public assets, comply with regulatory and judicial obligations, administer federal funds, preserve critical institutional capacity, and maintain the fiscal integrity of the public corporation.

6. The requested increases are modest in relation to the System's overall budget and are directed exclusively to essential functions that remain PREPA's legal responsibility, notwithstanding the operation of the transmission and distribution system by LUMA, and the thermal generation fleet by Genera PR, LLC ("Genera").

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[8] *See* PREPA Response to ROI LUMA-of-PREPA-FIN-29, at pp. 1–3.

[9] *See* Direct Written Testimony of Eng. Mary Carmen Zapata-Acosta, June 2025, at pp. 4, 7–8; PREPA Response to ROI LUMA-of-PREPA-NONPHYS_OPS-109, at pp. 3–8; PREPA Response to ROI LUMA-of-PREPA-FIN-29, at pp. 1–3. *See also* Evidentiary Hearing Transcript, December 4, 2025, Case No. NEPR-AP-2023-0003, at pp. 33:1–25, 34:1–19, 160:4–24, 161:1–25, and 162:1–16 (testimony of Eng. Mary C. Zapata-Acosta, PREPA's Executive Director). Eng. Zapata testified that PREPA lacked the personnel and funding necessary to fulfill its legal, regulatory, and operational responsibilities. She expressly stated that "no estamos operacionales con lo que tenemos" and further explained that PREPA lacked sufficient personnel to operate certain hydroelectric generating units, perform necessary maintenance, and carry out essential administrative functions.

The requested amendment seeks to restore funding for these functions to the levels authorized under PREPA's approved FY2026 budget, as memorialized in the Fourth Revised FY2026 PREPA Budget. Although PREPA demonstrated during the Rate Case that even those funding levels were insufficient to satisfy its actual and already modest operational needs, they nonetheless provide a more adequate and workable level of funding than the substantially reduced amounts included in PREPA's approved and certified FY2027 budget. Restoring funding to those levels would partially address the operational deficiencies identified during the Rate Case and provide PREPA with essential resources to discharge its remaining statutory, regulatory, and legal obligations. Most importantly, the requested amendment can be funded without any increase in customer rates.

7. Separately, PREPA requests that the Energy Bureau clarify or correct an internal inconsistency in the Rate Order concerning the FY2027 Information Technology ("IT") Maintenance and Corporate Services allocation. Specifically, although the Energy Bureau expressly approved an allocation of $1.570 million for FY2027 in Chapter Six of the Rate Order, the summary of approvals in Chapter Five reflects an allocation of only $594,000 for the same budget item. Accordingly, PREPA respectfully requests that the Energy Bureau clarify or correct this discrepancy and confirm that the approved FY2027 allocation is $1.570 million, consistent with its express determination in Chapter Six. This request does not seek an additional budget increase, but rather clarification or correction of the Rate Order to accurately reflect the amount already approved by the Energy Bureau. Alternatively, in the event the Energy Bureau determines that the $1.570 million allocation expressly approved in

Chapter Six of the Rate Order was erroneous, PREPA respectfully requests an increase of $976,000 in its FY2027 IT Maintenance and Corporate Services budget, from $594,000 to $1.570 million, to ensure adequate funding for its essential IT functions and related corporate responsibilities.

8. Finally, PREPA respectfully requests authorization to carry forward into FY2027 the unused balance of $3.149 million from the $4.0 million litigation reserve previously approved for FY2026, which could not reasonably be utilized before the close of that fiscal year due to the timing of the issuance of the Rate Order. The requested carryover would preserve the availability of previously approved funds without requiring an increase in customer rates.

9. Accordingly, the requested relief fully advances the Energy Bureau's longstanding stated objective of ensuring the continued operational, financial, and institutional stability of PREPA while simultaneously protecting ratepayers.

II. PROCEDURAL BACKGROUND

10. On April 15, 2026, the Energy Bureau issued its *Final Resolution and Order on Electricity Rates* (previously defined as "Rate Order"), in Case No. NEPR-AP-2023-0003, whereby it established the permanent base rates for FY2026, 2027 and 2028, and approved the operating budgets for LUMA, Genera, and PREPA for the corresponding rate period. Per the Rate Order, the FY26 Reconciliation Amount was $98,747,153.

11. On June 15, 2026, the Energy Bureau issued a *Resolution and Order* partially amending the FY2027 budget to establish contingency reserve accounts for LUMA, Genera, and PREPA, funded through a portion of the FY2026 Reconciliation

Amount. Following the establishment of the contingency reserve accounts authorized therein, the Energy Bureau determined that a balance of $37,747,153 of the FY26 Reconciliation Amount remained unallocated.

12. On June 26, 2026, the FOMB certified PREPA's FY2027 budget pursuant to Sections 202(c)(2) and 202(e)(4) of PROMESA, substantially incorporating the allocations approved by the Energy Bureau in the Rate Order.

13. On October 1, 2026, the Energy Bureau issued a *Resolution and Order* in this case ("October 1 Resolution"), whereby it approved an amendment to Genera´s FY2027 Budget to allocate $6,050,000 from the unallocated FY2026 Reconciliation Amount for the restoration of TM2500 Units 3 and 4 at the Palo Seco Power Plant. The Energy Bureau authorized Genera to charge the restoration costs against this allocation, subject to the conditions established in the October 1 Resolution. Following this allocation, the remaining unallocated balance of the FY2026 Reconciliation Amount was $31,697,153.

14. On October 15, 2026, the Energy Bureau issued a Resolution and Order in Case No. NEPR-MI-2021-0004 ("October 15 Resolution"), whereby it authorized an additional allocation of $262,500 from the unallocated FY2026 Reconciliation Amount to LUMA's FY2027 Budget for two projects within its Customer Experience portfolio: (i) $131,250 for the modernization of its Contact Center Platform (IVR); and (ii) $131,250 for the redesign of the "Mi LUMA" website.

15. On November 6, 2026, the Energy Bureau issued a *Resolution and Order* in Case No. NEPR-MI-2021-0004 ("November 6 Resolution"), whereby it approved an amendment to Genera's FY2027 budget and authorized an additional

allocation of $4,015,000 from the unallocated FY2026 Reconciliation Amount for Consent Decree-mandated environmental outages at (i) Costa Sur Unit 5 ($1,825,000); and (ii) Palo Seco Unit 4 ($2,190,000). The Energy Bureau determined that this allocation constituted an advance, subject to reconciliation against available funds in Genera's approved Environmental Department budget and any subsequent federal reimbursements or grant funding.

16. Consequently, after accounting for the allocations authorized through the October 1 Resolution, the October 15 Resolution, and the November 6 Resolution, the remaining unallocated balance of the FY2026 Reconciliation Amount was reduced to **$27,419,653**.

III. Requested Amendments to PREPA HoldCo's FY2027 Budget

17. The Energy Bureau has expressly recognized that, notwithstanding the operational responsibilities transferred to LUMA and Genera, PREPA retains nondelegable functions and continues to bear substantial corporate, regulatory, and financial responsibilities. Specifically, in the Rate Order, the Energy Bureau acknowledged that PREPA remains the owner of the electric system's assets, the owner and operator of multiple water assets, the debtor in the Title III proceedings, the subrecipient of federal funding, a regulated public utility subject to the Energy Bureau's jurisdiction as well as other local and federal bodies, and the entity responsible for numerous corporate functions that were neither transferred nor

delegated under the respective operation and maintenance agreements with the private operators LUMA and Genera. [10]

18. HoldCo continues to perform critical functions that are indispensable to the governance, financial integrity, legal compliance, and operational continuity of PREPA. These responsibilities include, among others, financial reporting, external audits, cybersecurity, corporate security, legal support, procurement, administration of federal funds, corporate governance, management of water assets, and compliance with numerous state and federal regulatory requirements.

19. During the evidentiary hearings in the 2026 Rate Case, PREPA presented extensive testimony establishing that HoldCo's requested resources were necessary to restore the minimum institutional capacity required for PREPA to discharge its continuing responsibilities effectively. PREPA further demonstrated that these resources were not intended to recreate its former operational structure or duplicate functions performed by LUMA or Genera, but instead to enable PREPA to fulfill the legal and institutional obligations that remain exclusively within its responsibility.

20. The limited budget adjustments requested herein therefore do not represent new initiatives or discretionary expenditures. Instead, they reflect the minimum level of funding necessary to preserve PREPA's institutional capacity and to avoid significantly greater financial and operational risks during FY2027.

A. Shared Services Agreement and Request to Correct the IT Maintenance and Corporate Services Allocation

[10] *See Final Resolution and Order on Electricity Rates*, Case No. NEPR-AP-2023-0003, April 15, 2026, Chapter Six, Part XLI, subsection 3, at p. 38 of 39; *see also id.*, Chapter Eight, at p. 39 of 43, Finding No. 12.

21. The Shared Services Unbundling Plan has not yet been effectuated. Until that process is completed and PREPA is able to assume or independently procure the functions currently provided through the Shared Services arrangement, those services remain necessary to support PREPA's administrative, financial, and operational functions. As such, PREPA requests an increase of **$347,000** in the Shared Services Agreement budget from $3.458 million to $3.805 million.

22. The requested increase would restore the Shared Services Agreement budget to the $3.805 million funding level approved by the Energy Bureau and certified by the FOMB in the Fourth Revised FY2026 PREPA Budget and would reflect the actual cost of maintaining those services during the transition period. The requested increase would not expand PREPA's organizational structure or fund new services. Rather, it would restore funding for existing and necessary services to a level that was previously approved and has actually been used by PREPA to cover those needs.

23. Separate from the Shared Services Agreement budget, in the Rate Order, the Energy Bureau expressly approved PREPA's IT maintenance and corporate services budget in the amount of $1.570 million for FY2027.[11] Specifically, the Energy Bureau approved $4.71 million for these services over the three-year rate period, consisting of $1.531 million for FY2026, $1.570 million for FY2027, and $1.610 million for FY2028. Notwithstanding this express determination, Item 22 of the summary of approvals in Chapter Five reflects an FY2027 allocation of only $594,000. PREPA respectfully submits that the reference to $594,000 constitutes an error in the summary

[11] *See* Rate Order, Chapter Six, Section XLI, Part 4, p. 52-53.

of approvals that is inconsistent with the Energy Bureau's express determination in Chapter Six. Accordingly, PREPA requests that the Energy Bureau clarify this error and confirm that the approved FY2027 budget for PREPA's IT maintenance and corporate services is $1.570 million, as expressly established in Chapter Six of the Rate Order.

24. The Energy Bureau's express approval of $1.570 million for FY2027 recognizes PREPA's continuing responsibility to maintain its own IT systems and hardware, software licenses, technical support, cybersecurity protections, and related infrastructure necessary for financial reporting, records management, regulatory compliance, procurement, contract administration, and federal grant administration. These functions remain necessary irrespective of the existing Shared Services arrangement and are expressly contemplated by the IT maintenance and corporate services budget approved in Chapter Six of the Rate Order.

25. PREPA further emphasizes that its independent IT Maintenance and Corporate Services requirements are distinct from the services funded through its Shared Services Agreement allocation. In the Rate Order, the Energy Bureau recognized that PREPA was implementing a Shared Services Unbundling Plan, which it understood to be funded through a $4 million allocation from the Puerto Rico Fiscal Agency and Financial Advisory Authority ("AAFAF") for the deployment of an Enterprise Resource Planning ("ERP") system and the engagement of a Business Process Outsourcing ("BPO") provider.[12] However, although PREPA had anticipated receiving those funds, the contemplated funding arrangement has not materialized. The prior memorandum of understanding between PREPA and AAFAF expired

[12] *See* Rate Order, Chapter Five, Part XX, subsection B; *see also id.*, Chapter Eight, at p. 36, Finding No. 8.

without disbursement, and the proposed replacement agreement remains under evaluation and has not been executed. Consequently, PREPA has neither received nor benefited from the contemplated $4 million, whether through direct disbursements or payments to third-party providers, and the Shared Services Unbundling Plan has not been completed. Accordingly, the AAFAF funding contemplated in the Rate Order does not presently constitute an available source of funding for PREPA's FY2027 operations and cannot reasonably be relied upon to offset or otherwise reduce the separate IT Maintenance and Corporate Services allocation expressly approved by the Energy Bureau in the Rate Order.

26. Alternatively, in the event the Energy Bureau determines that the $1.570 million allocation for FY2027 expressly approved in Chapter Six of the Rate Order was erroneous, and that the $594,000 allocation reflected in Chapter Five constitutes the approved FY2027 budget for IT Maintenance and Corporate Services, PREPA respectfully requests an increase of $976,000, from $594,000 to $1.570 million, for this budget line item. Such an increase is necessary to ensure that PREPA has adequate funding to maintain its independent IT infrastructure, cybersecurity protections, and related corporate services, as discussed above. The requested increase would not fund new initiatives or duplicate services provided under the Shared Services Agreement, but rather would provide the resources necessary for PREPA to discharge its existing statutory, regulatory, and operational responsibilities. PREPA further requests that, should the Energy Bureau grant this alternative relief, the additional $976,000 be allocated from the remaining unallocated FY2026 Reconciliation

Amount, consistent with the funding mechanism proposed herein for the other requested budget amendments.

B. External Audit Services

27. PREPA respectfully requests that its FY2027 External Audit Services budget be increased by **$246,000**, from $1.1 million to $1.346 million, to cover the contractual obligations for which PREPA is directly responsible during FY2027. Specifically, PREPA is responsible for funding the contracts with Cavanaugh Macdonald Consulting, LLC, in the amount of $90,000, and Galíndez, LLC, in the amount of $1,256,000, representing a combined contractual obligation of $1,346,000. The requested increase is therefore necessary to ensure sufficient funding to satisfy these contractual obligations. The remaining costs associated with PREPA's External Audit Services are being covered by the Puerto Rico Public-Private Partnerships Authority ("P3A") through payments funded by the Puerto Rico Department of the Treasury. Accordingly, the requested increase is limited to the contractual obligations payable directly by PREPA and does not include the costs covered by P3A.

28. In the Rate Order, the Energy Bureau concluded that PREPA's external audit obligations arise principally from its status as a debtor under Title III of PROMESA and, on that basis, limited the External Audit Services allocation to $1.1 million annually to avoid potential duplication with the "PREPA Restructuring & Title III" and "FOMB Advisor Costs allocated to PREPA" budget lines. PREPA respectfully submits that this conclusion does not accurately reflect the nature or independent legal basis of its external audit obligations. The preparation and issuance of audited financial statements is not a responsibility created by PREPA's Title III proceedings. Rather, it is

an ongoing legal, financial, and regulatory obligation arising from PREPA's status as a public corporation and regulated electric utility, which exists independently of, and will continue beyond, its restructuring proceedings.

29. Specifically, Section 4.02 of Energy Bureau Regulation 8701 requires PREPA, as an electric service company, to submit audited financial statements to the Energy Bureau. Those statements are also necessary for PREPA to satisfy its obligations under PROMESA, the Title III proceedings, the Fiscal Plan, applicable accounting standards, federal funding requirements, and numerous contractual commitments.

30. Audited financial statements are indispensable to maintaining transparency and accountability before the Energy Bureau, the FOMB, other federal agencies, creditors, bondholders, and the courts supervising PREPA's restructuring process. Their timely completion also affects the Commonwealth's ability to prepare and issue its consolidated audited financial statements. Accordingly, inadequate funding for external audit services would not merely delay an internal administrative process; it would materially impair PREPA's ability to comply with legal and regulatory obligations that remain exclusively its own, and the Commonwealth's ability to prepare and issue its consolidated audited financial statements.

31. PREPA presented substantial evidence during the 2026 Rate Case demonstrating that the cost of external audit services has increased because of the complexity of PREPA's financial structure, its ongoing restructuring proceedings, the need to coordinate with multiple operators and governmental entities, and the additional work required to address deficiencies identified in prior audit processes.

32. The requested funding does not duplicate amounts included in the "PREPA Restructuring & Title III" or "FOMB Advisor Costs allocated to PREPA" budget lines. The administrative record in the 2026 Rate Case established that the "PREPA Restructuring & Title III" line funds external consultants O'Melveny & Myers LLP; Ankura Consulting Group, LLC; and González & Martínez Law Offices, P.S.C., and contains no allocation for KPMG or PREPA's external audit services. Likewise, the "FOMB Advisor Costs allocated to PREPA" does not include or cover PREPA's external advisors' fees. PREPA's External Audit Services budget therefore funds a distinct and independently required function that is not funded through either of those budget line items.

33. The requested increase does not purport to fund PREPA's full External Audit Services requirements. As demonstrated during the 2026 Rate Case, PREPA's documented external audit needs for the rate period amount to $5.486 million for FY2026, $7.886 million for FY2027, and $5.486 million for FY2028. Thus, although PREPA demonstrated a need for $7.886 million in FY2027, it is requesting an increase of $246,000, from $1.1 million to $1.346 million, through this budget amendment.

34. The $246,000 requested is limited to the portion of PREPA's external audit costs that is not currently covered by the P3A and for which funding is transferred to PREPA by the Puerto Rico Department of the Treasury as an exceptional measure. Accordingly, PREPA is not seeking full funding for the external audit needs established in the 2026 Rate Case. Rather, it requests only the funding necessary to cover those external audit expenses for which it remains directly responsible and which are not covered by the P3A through payments made by the Puerto Rico Department of the Treasury.

C. Corporate Security

35. PREPA requests that HoldCo's Physical Security budget be increased by **$804,000** from $797,000 to $1.601 million. Corporate security remains an essential and nondelegable PREPA responsibility. Although LUMA and Genera operate significant portions of the electric system, the transfer of operational responsibilities to those entities did not eliminate PREPA's ownership of, responsibility for, or exposure arising from the properties and assets that remain under its control.

36. PREPA continues to own and maintain numerous facilities, administrative offices, warehouses, records repositories, and other properties that require continuous security protection. Adequate funding is necessary to provide basic guard services, access control, surveillance, incident response, and protection for PREPA's employees, visitors, physical assets, equipment, and official records. A security failure at any of these locations could expose PREPA to property loss, unauthorized access, damage to public assets, disruption of essential corporate functions, and potential liability.

37. The requested increase is not an attempt to reinstate the full multi-year Physical Security budget proposed by PREPA during the 2026 Rate Case or to relitigate that proposal. PREPA seeks only to restore the FY2027 Security budget to $1.601 million, that is, the same funding level approved and certified for this purpose under the Fourth Revised FY2026 PREPA Budget.

38. The requested amount is therefore neither speculative nor an expansion beyond a previously authorized funding level. The Energy Bureau has already determined that this level of funding was appropriate, and PREPA has actual

operating experience under that budget. That experience demonstrates that $1.601 million provides a workable, although minimal, level of funding with which PREPA can cover its basic security requirements.

39. By contrast, the currently approved FY2027 allocation of $797,000 represents a reduction of approximately one-half from that previously authorized level. Such a reduction materially constrains PREPA's ability to provide continuous and adequate protection across the facilities and properties that remain under its custody and responsibility. PREPA stresses that the fact that LUMA and Genera maintain security for the facilities they operate does not provide security coverage for PREPA's separate corporate and non-operational properties and does not discharge PREPA's independent duty to safeguard those assets.

40. Accordingly, the requested increase to $1.601 million is a measured and prudent request intended to preserve only the minimum resources necessary for PREPA to meet its continuing, most basic, security responsibilities. Restoring the budget to the level previously approved by the Energy Bureau, certified by the FOMB under the Fourth Revised FY2026 PREPA Budget, and used by PREPA in actual operations would provide reasonable protection for public assets without reinstating the broader funding requested during the 2026 Rate Case.

IV. Requested Amendments to PREPA HydroCo FY2027 Budget

41. PREPA requests that HydroCo's total Operating and Maintenance budget be increased by **$829,000** from $11.025 million to approximately $11.854 million. Unlike HoldCo, HydroCo continues to perform direct operational functions. PREPA remains responsible for operating and maintaining its hydroelectric generation

facilities and water-management infrastructure, including the personnel, materials, security, environmental compliance, equipment, repairs, technical services, and administrative support necessary to preserve those assets and maintain safe and reliable operations.

42. The budget projections submitted by PREPA during the 2026 Rate Case demonstrate that HydroCo's actual funding requirements substantially exceed both the amount approved in the Rate Order and the amount requested through this amendment.

43. For FY2027, PREPA projected approximately $7.335 million in labor operating expenses, $6.574 million in non-labor operating expenses, $5.969 million in Necessary Maintenance Expenses, and $2.305 million for the Shared Services Agreement, for total projected Operating and Maintenance expenses of approximately $22.183 million.

44. Against that documented need, the requested increase is exceptionally limited. PREPA seeks an increase of only approximately $829,000, or 7.5%, over the currently approved $11.025 million allocation. The resulting $11.854 million budget would cover only approximately 53% of the FY2027 need documented by PREPA during the 2026 Rate Case. PREPA is therefore not seeking to reinstate its full Rate Case proposal or to obtain funding for every identified HydroCo requirement.

45. The requested amount is also approximately $1.785 million below the $13.639 million HydroCo Operating and Maintenance budget approved and certified under the Fourth Revised FY2026 PREPA Budget. The request consequently does not seek even a complete restoration to the prior certified funding level. It seeks

only a partial correction of the reductions imposed for FY2027 so that HydroCo has minimally adequate resources to continue performing the operational and maintenance responsibilities that remain directly assigned to PREPA, without seeking a rate increase.

46. The current $11.025 million allocation leaves insufficient funding for essential HydroCo functions. Evidence submitted in the 2026 Rate Case reflects material needs involving plant and water-system personnel, physical security, environmental compliance, materials and supplies, equipment inspections and repairs, outsourced technical services, maintenance projects, and the Shared Services necessary to support HydroCo's operations. Deferring or underfunding these functions increases the risk of equipment deterioration, operational interruptions, regulatory noncompliance, and higher corrective-maintenance costs in subsequent periods.

47. Accordingly, the requested increase to approximately $11.854 million is reasonable, necessary, and substantially below HydroCo's documented need. It provides only a limited portion of the resources required to preserve PREPA's hydroelectric and water-management assets and maintain basic operations, while remaining well below both PREPA's FY2027 projections and the funding level previously authorized under the Fourth Revised FY2026 PREPA Budget.

48. The specific budgetary increases requested are the following.

A. Shared Services Agreement

49. PREPA requests a limited increase in HydroCo's Shared Services Agreement budget of **$232,000**, from $2.305 million to $2.537 million. HydroCo relies

extensively upon centralized corporate services provided by HoldCo, including procurement support, financial management, legal services, information technology, human resources, contract administration, regulatory compliance, and other institutional functions that are not economically practical to duplicate within HydroCo itself. The requested $232,000 increase corresponds to the amount approved and certified for HydroCo's Shared Services Agreement under the Fourth Revised FY2026 PREPA Budget and therefore seeks only to restore funding to that previously authorized level.

50. The requested increase therefore reflects the actual cost of providing these shared services and promotes efficient administration by avoiding duplication of personnel and resources.

B. Maintenance Projects

51. PREPA further requests an increase in HydroCo's Maintenance Projects budget of **$204,000**, from approximately $1.030 million to approximately $1.234 million. Preventive maintenance remains one of the most cost-effective means of preserving the long-term reliability of hydroelectric infrastructure. The requested increase would provide HydroCo with the additional funding necessary to acquire the materials and supplies required to perform essential preventive-maintenance work.

52. Adequate personnel alone cannot ensure the proper maintenance of HydroCo's facilities if PREPA lacks the funding to purchase the materials necessary to perform that work. Deferred maintenance frequently results in substantially higher

repair costs, extended outages, accelerated deterioration of critical equipment, and increased risks to public safety.

53. The requested increase is therefore intended to provide the materials necessary to carry out preventive maintenance, preserve existing infrastructure, reduce future repair and capital costs, and ensure continued compliance with applicable engineering and environmental requirements. The requested adjustment represents prudent utility management and is entirely consistent with the Energy Bureau's longstanding policy of encouraging preventive maintenance as a means of protecting system reliability.

C. Security

54. PREPA requests an increase to HydroCo's Security budget of **$393,000**, from $1.712 million to $2.105 million, the same funding level certified for this purpose under the Fourth Revised FY2026 PREPA Budget. The requested amendment therefore does not seek a new or unprecedented level of funding; it seeks only to restore HydroCo's Security budget to a level that both the Energy Bureau and the FOMB previously reviewed and approved as appropriate for PREPA's security needs.

55. Hydroelectric facilities constitute critical infrastructure whose protection is essential to the reliable operation of Puerto Rico's electric system. These facilities include or are connected to dams, reservoirs, generating equipment, control systems, substations, mechanical equipment, and other PREPA assets that require continuous protection against unauthorized access, vandalism, theft, sabotage, and other security threats. Additionally, because many of HydroCo's assets are located in remote areas, the Security budget provides the minimum personnel and

infrastructure necessary to protect the PREPA employees assigned to work at those locations and to support their safe and continuous operation.

56. The requested increase reflects PREPA's continuing responsibility to safeguard these public assets and minimize operational risks that could compromise public safety, expose PREPA to liability or interrupt hydroelectric generation. Restoring the Security budget to the level certified under the Fourth Revised FY2026 PREPA Budget represents a measured request for previously recognized security needs, rather than an expansion of HydroCo's security operations.

V. PREPA'S RESTRUCTURING & TITLE III BUDGET

57. On May 5, 2026, PREPA filed a Motion in Compliance with Resolution and Order on Electricity Rates ("May 5 Motion"), in the 2026 Rate Case docket, whereby it submitted the Non-Duplication Certification required by the Rate Order and requested approval of the full amounts included in its revenue requirement for the PREPA Restructuring & Title III budget line item. The Energy Bureau has not yet ruled on the May 5 Motion. To avoid unnecessary repetition, PREPA incorporates herein by reference the arguments and supporting evidence presented therein.

58. PREPA respectfully requests that the Energy Bureau increase the FY2027 allocation for PREPA Restructuring & Title III by **$7,433,705** and approve the full requested amount of $11.150 million. The Rate Order conditionally approved only $3.717 million for FY2027, one-third of the $11.150 million requested by PREPA. This request does not involve a new initiative or discretionary spending; it seeks the funding necessary for PREPA's continuing participation in its restructuring

proceedings, involving over $9 billion in debt principal, and compliance with its obligations under PROMESA, including the certified Fiscal Plan.

59. As explained in the May 5 Motion, PREPA's Title III professionals perform necessary functions that do not duplicate the work of the FOMB's advisors. The distinction rests on the responsibilities served, not merely on the identity of the instructing party. The FOMB's advisors act at the direction of the FOMB, while PREPA's professionals act at the direction of PREPA, AAFAF, and the Governor's Office – and support FOMB and its advisors as/when necessary for compliance with PROMESA and Puerto Rico public policy. PREPA's advisors provide the operational and financial knowledge, analysis, transactional and procurement support, and independent representation necessary to protect and support PREPA's statutory obligations, the elected Government's public-policy positions, AAFAF's role as the government's fiscal agent, the Energy Bureau's ratemaking authority, and, ultimately, PREPA's ratepayers. In the case of PREPA's financial and restructuring advisor, that work includes assisting PREPA with PROMESA compliance; budget development and amendment; fiscal plan development for submission to the FOMB in representation of PREPA and the Governor of Puerto Rico; liquidity monitoring (including coordination and consolidation between LUMA and Genera), forecasting and reporting; litigation and expert financial and operational support to counsel for PREPA, the FOMB, and AAFAF in connection with PREPA's Title III restructuring proceedings. Professional services also include assisting PREPA on related compliance matters before the Energy Bureau. In sum, coordination with the FOMB's advisors does not eliminate PREPA's need for advice addressing its own financial

information, continuing responsibilities, and institutional interests. As the May 5 Motion explains, the O'Melveny and Ankura engagements are separate from, and not included in, the FOMB Advisor costs.

60. Further, the services rendered by PREPA's Title III professionals are subject to multiple safeguards against unnecessary or duplicative expenditures. PREPA reviews and directs the work of its professionals and scrutinizes their invoices, which are subject to a 10% withholding in fees pending final review and approval by the Title III Court; the applicable engagements and budgets are reviewed through the governmental and FOMB approval annual processes; and the Title III Court, assisted by its court-appointed fee examiner, independently reviews professional fees under PROMESA Section 316. That provision expressly authorizes PREPA, as debtor, to retain its own professionals while prohibiting compensation for unnecessary duplication of services. The admitted record in the 2026 Rate Case therefore supports separate representation and contains established mechanisms for preventing duplicate charges.

61. The FY2027 projection assumed progress toward confirmation of a plan of adjustment and the eventual wind-down of PREPA's Title III case. The $11.150 million requested for FY2027 is itself a substantially reduced amount compared to prior fiscal years. It represents a significant reduction of approximately 40%from the $18.700 million requested and approved for FY2026 and from the higher funding levels approved in prior budgets. As explained in the May 5 Motion, however, the milestones that would permit a meaningful reduction in professional services have not occurred, and subsequent developments have further demonstrated that the

restructuring proceedings remain active and continue to evolve, rather than wind down.

62. PREPA continues to face substantial restructuring-related work, including renewed bondholder litigation and discovery, mediation and negotiations, creditor and court reporting, PROMESA compliance, fiscal-plan development and liquidity reporting, plan-of-adjustment matters, and three governmental appeals that may materially affect the course and outcome of PREPA's restructuring. Because bondholders seek recoveries that would ultimately be borne by PREPA's ratepayers, PREPA's effective participation through its own professionals constitutes an essential ratepayer-protection function.

63. Keeping the FY2027 allocation at $3.717 million would prevent PREPA from participating capably in these proceedings and matters – including effectively responding to FOMB requests for support in the Title III proceedings - and would expose PREPA and ratepayers to increased litigation risk, delays, and potentially greater restructuring costs. Accordingly, PREPA respectfully requests that the Energy Bureau approve the full $11.150 million requested for PREPA Restructuring & Title III for FY2027.

VI. Request to Carry Over the FY2026 Litigation Reserve

64. During the 2026 Rate Case, the Energy Bureau expressly determined that establishing a dedicated reserve for the resolution of PREPA's legacy civil litigation was economically prudent. Consistent with that determination, the Rate Order approved $4 million for FY2026 under the HoldCo General Civil Cases Settlement and Judgments line item. The Energy Bureau recognized that access to dedicated

settlement funding would allow PREPA to negotiate and resolve appropriate claims when favorable terms became available, reduce its backlog of legacy civil cases, avoid mounting legal expenses and adverse judgments, and minimize PREPA's long-term financial exposure.

65. The Rate Order, however, was issued on April 15, 2026, less than three (3) months before the close of FY2026. That limited period did not provide PREPA with sufficient time to complete pending settlement negotiations, secure all required governmental approvals, execute the corresponding settlement agreements, and disburse the approved funds before the fiscal year ended. PREPA's inability to utilize the full reserve during FY2026 therefore resulted from the timing of the regulatory and settlement-approval processes, rather than from any absence of legitimate litigation needs or suitable claims for resolution.

66. Moreover, PREPA continued administering its pending civil litigation and undertaking settlement-related commitments in reasonable reliance on the Energy Bureau's determination that dedicated funding was necessary and prudent. The underlying claims did not expire at the close of FY2026, nor did PREPA's potential liability or the economic benefit of resolving appropriate cases on favorable terms. The need that supported the Energy Bureau's original approval therefore remains in FY2027.

67. Under these circumstances, allowing the unused FY2026 reserve to lapse would frustrate the purpose of the Energy Bureau's original determination for reasons unrelated to the prudence of the expenditures. It would also deprive PREPA of the liquidity that the Energy Bureau determined was necessary to resolve legacy litigation

efficiently, potentially forcing PREPA to prolong cases, incur additional legal expenses, and assume the risk of less favorable judgments or settlements.

68. Accordingly, PREPA respectfully requests that the Energy Bureau authorize the carryover of the unused balance of the FY2026 HoldCo General Civil Cases Settlement and Judgments reserve of $3.149 million into FY2027, exclusively for the purpose for which it was originally approved. Such relief would not increase customer rates or expand the authorized use of the funds. Any drawdown would remain subject to the notification and supporting-documentation requirements established in the Rate Order. The requested carryover would preserve the Energy Bureau's original determination, maintain the applicable oversight safeguards, and promote the efficient resolution of PREPA's pending civil litigation.

VII. The Requested Amendment can be Funded Through Existing Budgetary Resources Without an Increase in Rates

69. In sum, PREPA requests the following limited amendments to its FY2027 budget: (i) an increase of approximately **$1.397** million for the HoldCo budget, which would increase the aggregate funding for those items from approximately $5.355 million to $6.752 million; (ii) an increase of approximately **$829,000** for HydroCo, which would increase its total Operating and Maintenance budget from approximately $11.025 million to $11.854 million; and (iii) an increase of approximately **$7,433,705** for PREPA Restructuring & Title III, which would increase that allocation from approximately $3.717 million to the full $11.150 million requested and supported during the 2026 Rate Case.

70. Separately, PREPA requests that the Energy Bureau clarify the discrepancy in the Rate Order concerning the FY2027 allocation for IT Maintenance

and Corporate Services, by confirming that the approved amount is $1.570 million, as expressly established in Chapter Six, Section XLI, subsection 4, rather than the $594,000 reflected under the "IT Service Agreements" line item in the Chapter Five budget summary, and correct any affected budget schedules accordingly. This request does not seek an additional budget increase, but rather correction of an inconsistency between the express determination in Chapter Six and the summary of approvals in Chapter Five of the Rate Order.

71. Accordingly, the requested HoldCo, HydroCo, and PREPA Restructuring & Title III budget increases total approximately **$9,659,705**, exclusive of the requested clarification or correction of the IT Maintenance and Corporate Services allocation.

72. PREPA separately requests authorization to carry over into FY2027 the unused balance of the $4 million FY2026 HoldCo General Civil Cases Settlement and Judgments reserve.

73. PREPA respectfully requests that the Energy Bureau draw the **$9,659,705** necessary to fund the requested HoldCo, HydroCo, and PREPA Restructuring & Title III increases from the remaining $27,419,653 unallocated portion of the FY2026 Reconciliation Amount. This funding approach would permit the requested amendment to be fully funded from existing revenues, without increasing PREPA's approved revenue requirement, imposing any additional charge on customers, or requiring an increase in electricity rates.

74. The requested allocation would place existing funds where they are presently needed to sustain PREPA's essential corporate, operational, security, audit, technological, hydroelectric, litigation, and restructuring obligations and services. It

would also partially restore funding to previously approved levels. Alternatively, if the Energy Bureau determines that the $1.570 million allocation for FY2027 expressly approved in Chapter Six of the Rate Order was erroneous and that the approved allocation is instead $594,000, PREPA respectfully requests an additional increase of $976,000 in its FY2027 IT Maintenance and Corporate Services budget, from $594,000 to $1.570 million, to ensure adequate funding for its existing IT infrastructure, cybersecurity protections, and related corporate services. If granted, this alternative request would increase the total FY2027 budget amendments sought herein from $9,659,705 to $10,635,705. PREPA respectfully requests that the additional $976,000 also be funded from the remaining unallocated FY2026 Reconciliation Amount, consistent with the funding mechanism described above, without increasing PREPA's approved revenue requirement or electricity rates.

WHEREFORE, PREPA respectfully requests that the Energy Bureau: (i) **GRANT** this Motion; (ii) **AMEND** PREPA's FY2027 Budget to approve an aggregate increase of approximately $1.397 million for the HoldCo budget items identified herein, an increase of approximately $829,000 for the HydroCo budget items identified herein, and an increase of $7,433,705 for the PREPA Restructuring & Title III budget line item; (iii) **ALLOCATE AND DRAW** the resulting $9,659,705 in FY2027 budget increases from the remaining $27,419,653 unallocated portion of the FY2026 Reconciliation Amount; (iv) **CLARIFY OR CORRECT** the FY2027 IT Maintenance and Corporate Services allocation to reflect the $1.570 million expressly approved in Chapter Six of the Rate Order, rather than the $594,000 reflected in the Chapter Five summary, and correct any affected budget schedules accordingly; (v) **ALTERNATIVELY**, in the event the Energy

Bureau determines that the $1.570 million allocation expressly approved in Chapter Six was erroneous and that the approved FY2027 allocation is $594,000, **APPROVE** an additional increase of $976,000 in PREPA's FY2027 IT Maintenance and Corporate Services budget, from $594,000 to $1.570 million, and **ALLOCATE AND DRAW** the resulting total of $10,635,705 in requested FY2027 budget increases from the remaining unallocated FY2026 Reconciliation Amount; and (vi) **AUTHORIZE** the carryover into FY2027 of the $3.149 million unused balance of the FY2026 HoldCo General Civil Cases Settlement and Judgments reserve, subject to the conditions established in the Rate Order.

RESPECTFULLY SUBMITTED.

In San Juan, Puerto Rico, on the 11th day of November 2026.

CERTIFICATE OF FILING AND SERVICE: It is hereby certified that this document was filed with the Office of the Clerk of the Energy Bureau through its electronic filing system, available at https://radicacion.energia.pr.gov/login. It is further certified that a file-stamped copy of the foregoing document was served upon the parties in the above-captioned proceeding at the following email addresses: LUMA Energy, LLC and LUMA Energy ServCo, LLC, through Margarita Mercado, margarita.mercado@us.dlapiper.com; Yahaira de la Rosa, Yahaira.delarosa@us.dlapiper.com; Jan Albino Lopez, jan.albinolopez@us.dlapiper.com; Katiuska Bolanos Lugo, katiuska.bolanos-lugo@us.dlapiper.com; RegulatoryPREBOrders@lumapr.com; Genera PR LLC through: Ricardo Pallens, ricardo.pallens@genera-pr.com; Jorge Fernández Reboredo, jfr@sbgblaw.com and jfernandez@ecija.com; Ernesto Ramos

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