

March 16, 2022

To: Puerto Rico Electric Power Authority ("PREPA")

Attention: Nelson Morales

Chief Financial Officer

PO BOX 364267

San Juan, Puerto Rico 00936-4267

Re: Response to PREPA on Letter Regarding Service Account Funding

LUMA Energy Servco LLC ("LUMA") is formally responding to the letter sent by the Puerto Rico Electric Power Authority ("PREPA") regarding "Service Account Funding," sent to LUMA on March 7, 2023. In this letter, PREPA states that "PREPA hereby rejects all explicit or implicit allegations of non-compliance" with regard to the funding of the Service Accounts, as required under Sections 7.5(a)(ii), 7.5(b)(iii), 7.5(c)(iii), 7.5(e)(ii) of the T&D OMA.¹ PREPA references Section 14.3(f) of the T&D OMA as justification for PREPA's failure to fully fund the Service Accounts due to "PREPA management's decision... to maintain sufficient liquidity".

LUMA is deeply concerned by PREPA's disregard of its obligations under the T&D OMA. PREPA's actions have resulted in PREPA failing to comply with Sections 7.5(a)(ii) [with respect to the Operating Account], 7.5(c)(iii) [with respect to the Capital Account - Non-Federally Funded], and 7.5(e)(ii) [with respect to the Generation Expenditures Accounts] of the T&D OMA, which require Owner to replenish the Service Accounts no later than the tenth (10th) Business Day of each month in accordance with the funding requirements set forth in each of the foregoing sections for the applicable Service Account. PREPA has not fully replenished these Service Accounts in accordance with the requirements of Sections 7.5(a)(ii), 7.5(c)(iii) and 7.5(e)(ii) since December 14, 2022.

Accordingly, PREPA has failed to comply with its contractual obligations and is in breach of the T&D OMA. For the avoidance of doubt, LUMA does not agree that PREPA has avoided the occurrence of an Owner Event of Default, and in any event, the alleged avoidance of an Owner Event of Default is not equivalent to compliance with the terms of the T&D OMA. PREPA's obligation to timely and fully fund the Service Accounts when and as required by Section 7.5 of the T&D OMA is a material obligation under the T&D OMA, and one which PREPA has itself admitted it is willfully and persistently breaching as "PREPA management's decision." Furthermore, the fact that PREPA recently requested an increase to the Generation Budget for this year resulting from excess cash on hand illustrates management's wanton disregard for their obligations under the T&D OMA and that these actions reflect a management choice to not fund the Service Accounts.

In each month after PREPA did not fully fund the Service Accounts, LUMA formally notified PREPA of its non-compliance. PREPA did not take any action to fully fund the Service Accounts following each

¹ The Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement ("T&D OMA") executed on June 22, 2020, amongst the Puerto Rico Electric Power Authority ("PREPA"), the Puerto Rico Public-Private Partnerships Authority ("P3A") and LUMA Energy, LLC and LUMA Energy ServCo, LLC (collectively, "LUMA").



of these letters of non-compliance and remains non-compliant with its T&D OMA requirements under Section 7.5 of the T&D OMA.

LUMA expects PREPA to comply with its obligations under the T&D OMA and replenish the Service Accounts in full immediately upon receipt of this letter. LUMA reserves all rights and remedies with respect to the subject of this letter under the T&D OMA and applicable law and equity.

Sincerely,



Corey Schneider
Chief Financial Officer

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