

August 16, 2023

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

Attention: Josue Colón Ortiz

Executive Director

PO BOX 364267

San Juan, Puerto Rico 00936-4267

Re: Notice of PREPA Non-Compliance with Service Accounts Funding – July 2023

LUMA is providing written notice of PREPA's failure to fully fund the Service Accounts by August 14, 2023, as required under Sections 7.5(a)(ii), 7.5(c)(iii), 7.5(d)(ii), 7.5(e)(ii), and 7.5(f)(ii) of the T&D OMA¹, which state Owner shall replenish the Service Accounts no later than the tenth (10th) Business Day of each month in accordance with the funding requirements for each Service Account. Attached is the July Service Accounts Funding notification (LUMA-PREP-T-00604), which was sent on August 8, 2023.

On August 14, 2023, PREPA funded only two-thirds (2/3) of the requisite funding for the Operating Account (Section 7.5(a)(ii)) and Capital Account – Non-Federally Funded (Section 7.5(c)(iii)).

Notably, PREPA partially funded the Purchased Power Account in the amount of \$31,014,000 out of \$98,645,000, less than two-thirds (2/3) of requisite funding as outlined in Section 7.5 (e)(ii) of the T&D OMA. PREPA's funding excludes two months of GenCo O&M expenses (excluding shared services), as required and defined in the PGHOA² and the T&D OMA.

Additionally, PREPA did not fund the Outage Event Reserve Account, in accordance with its requirements under Section 7.5(d)(ii) of the T&D OMA to promptly replenish such account following withdrawals, for which LUMA provided notification to PREPA on February 8, 2023, approximately 189 days ago.

This is the ninth consecutive month in which PREPA has not fully funded one or more of the Service Accounts and thus has failed to comply with its contractual obligations, in breach of the T&D OMA. In each month after PREPA did not fully fund the Service Accounts, LUMA formally notified PREPA of its non-compliance. Despite these notifications, PREPA remains non-compliant with its T&D OMA requirements under Section 7.5 of the T&D OMA. Furthermore, since December 2022, PREPA has also refused to permit or approve funds to be removed from the Capital Account – Federally Funded to reimburse for Capital Costs – Federally Funded actually incurred as permitted in Section 7.5(b)(iv) of the T&D OMA.

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")

² The Puerto Rico PREPA-GenCo-HydroCo Operating Agreement ("PGHOA") executed on June 19, 2023, amongst the Puerto Rico Electric Power Authority ("PREPA"), PREPA Genco LLC ("Genco"), PREPA Hydroco LLC ("Hydroco"), LUMA Energy ServCo, LLC ("LUMA"), and the Puerto Rico Public-Private Partnerships Authority ("P3A")



PREPA's obligation to timely and fully fund the Service Accounts as required by Section 7.5 of the T&D OMA is a material obligation under the T&D OMA. As such, LUMA requests PREPA to discontinue this recurring practice immediately and wholly fund the Operating Account, Capital Account – Non-Federally Funded, Purchased Power Account, and Outage Event Reserve Account without delay. LUMA reserves all rights and remedies under the T&D OMA and applicable law and equity with respect to the subject of this notice.

Sincerely,



Corey Schneider
Chief Financial Officer

C:

Brannen McElmurray, Chief Executive Officer, Genera PR; Brannen@genera-services.com
Fermín Fontanés Gómez, Executive Director, P3A; Fermin.Fontanes@p3.pr.gov
Sheila Torres-Sterling, Chief Legal Counsel, P3A; Sheila.Torres@p3.pr.gov
Gerardo Lorán, Director of Project Monitoring, P3A; Gerardo.loran@p3.pr.gov
Rubén Lugo, Contract Compliance and Control Manager, P3A; Ruben.lugo@p3.pr.gov
Shylene de Jesús Rivera, Deputy Executive Director, P3A; Shylene.dejesus@p3.pr.gov
Robert Mujica, Executive Director, Financial Oversight and Management Board; robert.mujica@promesa.gov
Edison Avilés Deliz, President, PREB; eavilesdeliz@energia.pr.gov
Juan Saca, Chief Executive Officer, LUMA; juan.saca@lumamc.com
Mario Hurtado, Chief Regulatory Officer, LUMA; Mario.Hurtado@lumapr.com
Mike Shaw, Vice President, PREPA Restructuring, LUMA; Mike.Shaw@lumapr.com
Jorge Flores de Jesus, Vice President, General Counsel, LUMA; Jorge.flores@lumapr.com
administrator@p3.pr.gov
pre@promesa.gov