

September 18, 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 – August 2023

LUMA is providing written notice of PREPA's failure to fully fund the Service Accounts by September 15, 2023, as required under 7.5(d)(ii), 7.5(e)(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 August Service Accounts Funding notification (LUMA-PREP-T-00616), which was sent on September 11, 2023. Additionally, LUMA acknowledges receipt of PREPA's letter sent to LUMA on August 30, 2023 ("August 30 Letter") and provides the following response.

On September 15, 2023, PREPA fully funded the requisite funding for the Operating Account (Section 7.5(a)(ii)), Capital Account – Federally Funded Section 7.5(b)(iii), and Capital Account – Non-Federally Funded (Section 7.5(c)(iii)).

However, PREPA only partially funded the Purchased Power Account in the amount of \$36,25,000, less than two-thirds (2/3) of the \$88,379,000 required per 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 T&D OMA. In PREPA's August 30 Letter, it states that PREPA is underfunding the Purchased Power Account because it believes LUMA's funding request "double counts over \$52 million of funds already included in the GenCo Operating Account funded by PREPA in accordance with the LGA OMA"² and in the September 15 Funding, PREPA wrote "funding excludes \$52.14 M(\$440.4M/12*2) related to two months of reserve GenCo O&M Expenses, excluding shared services." LUMA reminds PREPA that Section 7.5(e)(ii) of the T&D OMA states that "Owner shall replenish the Purchased Power Account so as to maintain a funding level equal to sum of anticipated, applicable Generation Pass-Through Expenditures for the subsequent two (2) months, subject to Section 7.8 under the Generation Budget or the relevant Default Budget then in effect..." Additionally, LUMA reminds PREPA that its T&D OMA obligations stand irrespective of obligations under any other agreement. All amounts used in the calculations of the refunding requirements have been approved by the Puerto Rico Electric Bureau ("PREB") and or the Financial Oversight and Management Board ("FOMB"), in their respective Approved Budget.

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 Thermal Generation Facilities Operation and Maintenance Agreement ("LGA OMA") executed on January 24, 2023 by and among the Puerto Rico Electric Power Authority ("PREPA"), the Puerto Rico Public-Private Partnerships Authority ("P3A"), and Genera PR LLC ("Genera")

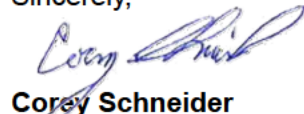


Additionally, PREPA did not fund the Outage Event Reserve Account, in accordance with its requirements under Section 7.5(d)(ii) of the T&D OMA, to promptly replenish such account following withdrawals, for which LUMA provided notification to PREPA on February 8, 2023, approximately 222 days ago. While in its August 30 Letter PREPA claims it does not have "recurrent revenue source to replenish this account," LUMA reminds PREPA that the T&D OMA does not permit PREPA to withhold this funding for any reason. This provision was specifically agreed to among the Parties to the T&D OMA to mitigate potential cash flow issues during Outage Events and support LUMA's requirement to promptly respond to Outage Events to mitigate impacts to T&D customers.

This is the tenth 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.

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

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