

February 27, 2024

To: Puerto Rico Electric Power Authority ("PREPA")  
Attention: Josué Colón Ortiz  
Executive Director  
PO BOX 364267  
San Juan, Puerto Rico 00936-4267

**Re: PREPA Service Account Funding Letter Response**

LUMA is in receipt of PREPA's letter dated January 26, 2024 ("January Letter"), which makes several misleading statements related to PREPA's compliance with the Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement ("T&D OMA")<sup>1</sup>. To effectively transform the Puerto Rico Electrical System, it is essential that PREPA and LUMA cooperate and comply with the T&D OMA. This includes PREPA's responsibility to timely fund the Service Accounts in full each month, in accordance with Section 7.5 of the T&D OMA and Section 3.3 of the PGHOA<sup>2</sup>.

In the January Letter, PREPA states it is "compliant with Section 14.3(f)2 of the T&D OMA and, therefore, no default event has occurred", and claims, "[PREPA's] decision during the past months to fund two-thirds (2/3) of the sums notified by LUMA for the T&D Service Accounts has been a necessary measure to maintain sufficient liquidity under HoldCo." These statements are misleading and demonstrate a willful misunderstanding of PREPA's Service Account funding obligations under Section 7.5 of the T&D OMA. As communicated by LUMA to PREPA on multiple occasions, PREPA's alleged avoidance of an Owner Event of Default does not equate to compliance with its Service Account Funding requirements under the T&D OMA. Furthermore, on January 12, 2024, and February 14, 2024, PREPA did not provide any funding for the Outage Event Reserve Account, in breach of Section 7.5(d)(iii), which is an Event of Default per Section 14.3(f). Notwithstanding, nothing hereto should be interpreted as a formal notice of Event of Default.

PREPA's Service Accounts funding requirements under Section 7.5 of the T&D OMA are material obligations, and PREPA has admitted it is willfully and persistently breaching this requirement as "PREPA management's decision." Since PREPA began repeatedly underfunding the Service Accounts in December 2022, LUMA has formally issued fourteen (14) Notices of PREPA Non-

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<sup>1</sup> The Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement ("T&D OMA") executed on June 22, 2020 by and among PREPA, the Puerto Rico Public-Private Partnerships Authority ("P3A") and LUMA Energy, LLC and LUMA Energy ServCo, LLC (collectively, "LUMA")

<sup>2</sup> 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")

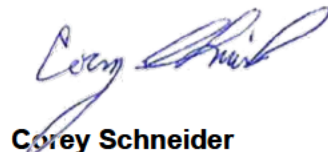


Compliance with Service Account Funding<sup>3</sup> and written multiple letters<sup>4</sup> regarding PREPA's non-compliance with this T&D OMA obligations. LUMA rejects any attempts by PREPA to create a false narrative on this important topic, including any attempts by PREPA in the January Letter to shift blame on other parties, and urges PREPA to take immediate corrective action to ensure compliance with its T&D OMA responsibilities. PREPA's responsibility to meet its contractual obligations in Section 7.5 of the T&D OMA is not conditioned on the actions of LUMA or issues such as Federal Funding reimbursement.

Nothing contained in this letter shall constitute a waiver or relinquishment by LUMA of any rights and remedies provided by the T&D OMA, the PGHOA, and Applicable law. LUMA reserves all rights and remedies under the T&D OMA, the PGHOA, and applicable law and equity, including but not limited to, pursuing legal action, with respect to the subject of this letter.

Finally, as a reminder, all formal communications must be sent to LUMA in alignment with the established Communication Protocol, as updated on January 11, 2024 (LUMA-PREP-T-00681), attached for reference.

Sincerely,



**Corey Schneider**  
Chief Financial Officer

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<sup>3</sup> Reference the "Notice of PREPA Non-Compliance with Service Account Funding" letters sent from LUMA to PREPA on December 16, 2022 (#LUMA-PREP-T-00435), January 18, 2023 (#LUMA-PREP-T-00440), February 15, 2022 (#LUMA-PREP-T-00472), March 16, 2023 (#LUMA-PREP-T-00488), April 18, 2023 (#LUMA-PREP-T-00509), May 18, 2023 (#LUMA-PREP-T-00543), June 16, 2023 (#LUMA-PREP-T-00574), July 20, 2023 (#LUMA-PREP-T-00595), August 16, 2023 (#LUMA-PREP-T-00606), September 18, 2023 (#LUMA-PREP-T-00617), October 17, 2023 (#LUMA-PREP-T-00634), November 16, 2023, (#LUMA-PREP-T-00649), December 18, 2023 (#LUMA-PREP-T-00671), January 17, 2024 (#LUMA-PREP-T-00683), and February 14, 2024 (#LUMA-PREP-T-00695)

<sup>4</sup> Reference letters sent from LUMA to PREPA on March 16, 2023 titled "Response to PREPA on Letter Regarding Service Account Funding" (#LUMA-PREP-T-00487), April 26, 2023 titled "Response to PREPA's March 23, 2023 Letter Regarding Service Account Funding" (#LUMA-PREP-T-00514), and July 21, 2023 titled "Escalation of Urgent PREPA Open Issues" (#LUMA-PREP-T-00591)