

July 2, 2024

To: Puerto Rico Public-Private Partnerships Authority ("P3A")

Attention: Fermín E. Fontanés Gómez, Esq.

Executive Director

Roberto Sanchez Vilella (Minillas) Government Center

De Diego Ave. Parada 22,

San Juan, PR 00907

Re: P3A Letter Related to Federally Funded Projects and Operating Account Management

On October 25, 2023, the P3A requested LUMA provide information related to its Federally Funded capital expenditures program, the process for requesting and receiving FEMA reimbursement, including the number of reimbursement requests submitted to date, and information related to Hurricane Fiona expenditures ("October Letter").

On November 1, 2023, representatives from P3A, the Central Office for Recovery, Reconstruction and Resiliency ("COR3"), the Governor's office, and LUMA held a meeting in which many of the items listed in the October Letter were discussed. Additional meetings were held in November 2023, December 2023, and January 2024.

On January 24, 2024, LUMA sent a letter to the P3A (LUMA-P3A-T-01116) ("January Letter") reiterating its position regarding the P3A's October Letter and providing additional information related to the Federally Funded Capital Expenditure and request for reimbursements ("RFR") processes.

On April 18, 2024, the P3A sent a letter in response to LUMA's January Letter ("April Letter") stating that the procedures described by LUMA in the October letter were inconsistent with the procedures as described by COR3.

In response to the P3A's April Letter, LUMA is hereby providing further clarifications regarding the procedures in place to request federal funding RFRs, which LUMA understands are compliant with the applicable processes and procedures established by FEMA and COR3.

I. Timing of Federal Funding Reimbursement

In its January Letter, LUMA provided an overview of the process it follows to request and receive federal funding reimbursement in line with COR3 – Chapter 7. LUMA explained how it complied with its obligations under COR3 – Chapter 7 and reiterated its commitment to diligently comply with any other applicable requirements established by FEMA and COR3. Although we consider the RFR processes currently in place to be sufficient, LUMA is continuously optimizing its internal procedures to maximize results and expedite the disbursement of federal funds. To ensure there are no gaps between LUMA's understanding of its obligations and responsibilities and the expectations of COR3 and the P3A, LUMA respectfully request the P3A join the regular weekly meetings between COR3 and



LUMA representatives to ensure any additional improvements are discussed openly and collaboratively amongst the parties.

II. Service Account Funds Available for Capital Costs

In a meeting with the P3A on November 22, 2022 (“November 22 Meeting”), LUMA provided an overview of its Service Account withdrawal and funding process for Federally Funded Capital Expenditures, and confirmed LUMA’s understanding that its process complies with T&D OMA, particularly Sections 7.5(a)(iii), 7.5(b)(iii)(B), 7.5(c)(iv), 7.5(d)(iii), 7.5(e)(iii), 7.5(f)(iii) of the Puerto Rico Transmission & Distribution system Operation and Maintenance Agreement (“T&D OMA”) dated June 22, 2020 by and between the P3A, the Puerto Rico Electric Power Authority (“PREPA”) and LUMA.

As of June 28, 2024, the Capital Account – Federally Funded contains approximately \$326 million, of which approximately \$226 million are related to Working Capital Advances (“WCAs”), which, as P3A is aware, are restricted funds only to be used on the specific Federally Funded Capital Projects for which these WCAs were approved, in accordance with FEMA regulations. LUMA hereby reiterates that Federally Funded funds have been used in accordance with the T&D OMA and FEMA regulations. Over the last six reconciliation periods, LUMA has transferred over \$144 million from the Capital Account – Federally Funded to the Operating Account.

Moreover, in the second to last paragraph of the April Letter, P3A indicated “LUMA must (i) reconcile the Operating Account for the full amount attributable to non-T&D Pass-Through Expenditures, in particular, Capital Costs, and (ii) perform such reconciliation on a monthly basis, without fail (sic). Further, P3A requests that LUMA provide, for the last six months and moving forward, the monthly report required by Section 7.5(a)(iv) of the T&D OMA, showing the full accounting of the Operating Account for the prior month.”

With regards to the P3A’s assertion that Capital Costs are “non-T&D Pass-Through Expenditures”, LUMA reiterates that, generally, all Capital Expenditures incurred by LUMA in relation to the O&M Services are considered T&D Pass-Through Expenditures, as provided for in Annex XI of the T&D OMA.

Regarding the monthly reports required by Section 7.5(a)(iv), LUMA submits it complies with such requirements, as evidenced by LUMA’s simultaneous notification to the P3A of funding withdrawals, as well as monthly withdrawal summaries, in accordance with T&D OMA Section 7.5.

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Finally, LUMA remains committed to working collaboratively with P3A and COR3 to expedite RFR submissions. As such, LUMA will work diligently to continuously optimize and enhance its internal RFR process and thus maximize the pace at which federal funds are reimbursed. Notwithstanding, LUMA remains firm in its position that PREPA's responsibility to fully fund all Service Accounts is independent from, and not conditioned by, the pace at which federal fund reimbursements are received by LUMA.

Please contact us should you have any questions.

Sincerely,

Alejandro J. Figueroa Ramírez
Alejandro J. Figueroa Ramírez (Jul 2, 2024 12:26 EDT)

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