

September 20, 2024

To: Puerto Rico Electric Power Authority (P3A)

Attention: Gerardo Lorán
Roberto Sánchez Vilella (Minillas) Government Center
De Diego Ave. Stop 22,
San Juan, PR 00907

RE: LUMA CC&B Write Off Process Initiative Notification

Following up on LUMA's notification to PREPA sent on August 05, 2024 (Transmittal # LUMA-PREP-T-0074), LUMA, as a prudent utility company, would like to address the necessary 'write off' process of PREPA's 'legacy uncollectable accounts' directly with P3A as Administrator of the Transmission and Distribution Operating and Maintenance Agreement¹ ("T&D OMA").

Pursuant to Section 5.3 (a) and Annex I Scope of Services VI.B.8. of the T&D OMA and Article 1203 of the 2020 Civil Code of Puerto Rico², on January 2024, LUMA Revenue Protection Team initiated the process of updating the uncollectable billing accounts backlog within Customer Collection and Billing program system ("CC&B").

In compliance with said dispositions under the T&D OMA and the Civil Code of Puerto Rico, LUMA has identified more than 148,900 service agreements with uncollectible balances that will require for PREPA to offset against the existing provision for bad debt accounts.

Complete details of these accounts and non-collectibles greater than 4 years can be found in Exhibit A, attached to this letter. The table below summarizes the amounts of these accounts.

	Total Account Balance	Uncollectable Amounts Older than 4-years
Non-Electric Agreements	\$147,171,597.94	\$119,316,990.74
Electric Agreements	+ \$218,841,653.79	\$188,570,415.90
Total	\$366,013,251.73	\$307,887,406.64

A write off process is a standard practice for any resilient utility company that ensures accuracy and reliability of its financial data, and this manual write off process for PREPA 'legacy bad debt' is not going to be the last. LUMA anticipates at least one more manual write off process will be required to fully align the records before the automated write off tool within the CC&B System can be deployed.

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")

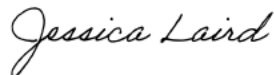
² Article 1203 of Act 20 from June 1, 2020, as amended (31 L.P.R.A. § 9495)



LUMA requests for P3A to confirm its alignment with LUMA's write off process plans and ensure with the Puerto Rico Fiscal Agency and Financial Advisory Authority that PREPA's provision for bad debt, within its general ledger, contains sufficient funds for this write off entry.

Should P3A have any questions, please do not hesitate to reach out.

Sincerely,



Jessica Laird

Vice President, Customer Experience

C:

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