

February 21, 2025

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

Attention: Josué A. Colón Ortiz  
Executive Director  
Roberto Sánchez Vilella (Minillas) Government Center  
De Diego Ave. Stop 22,  
San Juan, PR 00907

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

Attention: Mary C. Zapata Acosta  
Executive Director  
PO BOX 364267  
San Juan, Puerto Rico 00936-4267

**Re: Notice of PREPA Non-Compliance with Service Accounts Funding – January 2025**

Dear Executive Director Colón:

LUMA is providing written notice of PREPA's failure to fully fund the Service Accounts, as required under Section 7.5 of the Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement ("T&D OMA")<sup>1</sup>, which states the Owner shall replenish the Service Accounts no later than the tenth (10<sup>th</sup>) Business Day of each month in accordance with the funding requirements for each Service Account. Attached is the January Service Accounts Funding notification (LUMA-PREP-T-00879), which was sent on February 10, 2025.

On February 14, 2025, the tenth (10<sup>th</sup>) Business Day of the month, PREPA failed to fund \$438,792,000 out of \$736,639,000 Service Accounts as required by Section 7.5 of the T&D OMA, including the GenCo Fuel Account as per Section 3.3 of the Puerto Rico PREPA-GenCo-HydroCo Operating Agreement ("PGHOA")<sup>2</sup>, in an amount equal to the requisite funding amount established therein. PREPA also failed to fund the Outage Event Reserve Account (Section 7.5 (d)(ii) of the T&D OMA), which has remained unfunded since January 2024.

Furthermore, on September 27, 2024, LUMA withdrew \$30 million from the Contingency Reserve Account, following P3A's encouragement to utilize these funds. Under Section 7.5(f)(iv) of the T&D OMA, PREPA is required to replenish the Contingency Reserve Account by the tenth (10<sup>th</sup>) Business Day of the following month in accordance with the formula established therein. As of the date of this

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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, 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")

<sup>2</sup> The Puerto Rico PREPA-GenCo-HydroCo Operating Agreement ("PGHOA") executed on June 19, 2023, by and among 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")



notice, PREPA has not replenished the Contingency Reserve Account in compliance with the T&D OMA for the fifth (5<sup>th</sup>) consecutive month.

PREPA's obligation to timely and fully fund the Service Accounts is a Material Obligation under the T&D OMA and necessary to enable LUMA to comply with its responsibilities as Operator of the T&D System in a manner consistent with Contract Standards and Prudent Utility Practice. LUMA strongly urges PREPA to provide the remaining funding for the Service Accounts required by Section 7.5 of the T&D OMA, Section 3.3 of the PGHOA, and Section 7.6 of the Puerto Rico Thermal Generation Facilities Operation and Maintenance Agreement ("LGA OMA")<sup>3</sup> immediately.

The following table provides a summary the current underfunding on the Service Accounts:

Service Accounts	As per T&D OMA Required	As per Bank, 1/31/2025	T&D OMA Funding Gap Requirement	Amount Refunded by PREPA	T&D OMA Underfunding	Notes
<b>Luma Energy Service Accounts -</b>						
Operating Account 350	\$ 268,812	\$ 32,196	\$ 236,616	\$ 52,581	\$ 184,035	
Capital Account - Federally Funded 468	\$ 452,683	\$ 763,792	\$ -	\$ -	\$ -	
Capital Account - Non Federally Funded 361	\$ 41,462	\$ 18,398	\$ 23,064	\$ 5,125	\$ 17,939	
Outage Event Reserve Account 372	\$ 30,000	\$ 1,639	\$ 28,361	\$ -	\$ 28,361	The amount of approx. \$28M in T&D OMA Funding Gap, which represents the amount required to bring the OE Reserve Account to its minimum T&D OMA required balance, does not include an additional approx. \$210M that has not been reimbursed by PREPA for prior Outage Event expenses.
Purchased Power Account 383	\$ 114,704	\$ 25,318	\$ 89,386	\$ 59,591	\$ 29,795	
Contingency Reserve 405	\$ 78,184	\$ 53,287	\$ 16,288	\$ -	\$ 16,288	Account has not been funded by PREPA for the last five months
<b>Subtotals</b>			<b>\$ 393,715</b>	<b>\$ 117,297</b>	<b>\$ 276,418</b>	
<b>Genera PR Service Accounts - A:</b>						
Genco Operating Account 515	\$ 51,900	\$ -	\$ 51,900	\$ 25,950	\$ 25,950	
Fuel Account 394	\$ 288,400	\$ -	\$ 288,400	\$ 154,600	\$ 133,800	The \$154M correspond to the out of cycle cash advances requested by Genera which are inconsistent with contractual agreements.
Genco Reserve Account 875	\$ 30,000	\$ 27,376	\$ 2,624	\$ -	\$ 2,624	
<b>Subtotals</b>			<b>\$ 342,924</b>	<b>\$ 180,550</b>	<b>\$ 162,374</b>	
<b>Totals</b>			<b>\$ 736,639</b>	<b>\$ 297,847</b>	<b>\$ 438,792</b>	

<sup>3</sup> 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").

Nothing contained in this Notice 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 related to the subject of this notice. This shall not be construed as a Notice of an Event of Default. LUMA reserves the right to issue such Notice of an Event of Default.

Sincerely,

Andrew Smith

Andrew Smith (Feb 21, 2025 17:19 AST)

**Andrew Smith**

Chief Financial Officer

C: Lionel Santa Crispin, Counsel, PREPA; [lionel.santa@prepa.pr.gov](mailto:lionel.santa@prepa.pr.gov)  
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# Non Compliance

Final Audit Report

2025-02-21

Created:	2025-02-21
By:	Nahir Vazquez Lucena (nahir.vazquez@lumapr.com)
Status:	Signed
Transaction ID:	CBJCHBCAABAAH8CcssQMsi60mHr9XPQDOAWvpQ4P4z8HY


## "Non Compliance" History

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 Email viewed by andrew.smith@lumapr.com

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 Signer andrew.smith@lumapr.com entered name at signing as Andrew Smith

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 Document e-signed by Andrew Smith (andrew.smith@lumapr.com)

Signature Date: 2025-02-21 - 9:19:15 PM GMT - Time Source: server

 Agreement completed.

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