

May 7, 2025

To: Puerto Rico Electric Power Authority ("P3A")

Attention: Josué Colón Ortiz

Executive Director

Roberto Sánchez Vilella (Minillas) Government Center

De Diego Ave. Stop 22,

San Juan, PR 00907

RE: LUMA's Response to P3A's Letter related to LUMA's CC&B Write-Off Process Initiative

Dear Executive Director Colón Ortiz:

LUMA confirms receipt of P3A's Letter dated April 10, 2025, "LUMA CC&B Write-Off Process Initiative – Transmittal # LUMA-PREP-T-01468" ("April 10th Letter"), in which P3A requests LUMA provide information and documentation related to the Collection and Billing ("CC&B") write-off Initiative. Below is LUMA's response to P3A's April 10th Letter.

LUMA would like to emphasize that pursuant Section 5.3(a) and Annex I Scope of Services, VI(B)(8) of The Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement ("T&D OMA")¹, Operator shall be responsible for all finance and accounting related to the T&D System including the development and management of billing, tracking, reporting, managing and collecting revenues due to PREPA associated with services provided or related to lighting, telecommunications and other equipment attached to the Transmission and Distribution ("T&D") system sites and infrastructure. Moreover, in fulfilling its obligation as T&D Operator, LUMA shall ensure that all financial records and billings are compliant with the General Accepted Accounting Principles ("GAAP")². Furthermore, Article 1203 of the 2020 Civil Code of Puerto Rico³ established a four (4) year statute of limitations for all personal actions, such as billing, dictating the period in which debts can be actively perused.

In compliance with the obligations under the T&D OMA and Applicable Law, LUMA has been working to update the uncollectable billing accounts backlog within the CC&B system (also known as "CC&B Write-Off Process"). After a thorough evaluation of the uncollected balances, LUMA identified the need to offset uncollectable balances against PREPA's existing provision for bad debt accounts. LUMA would like to note that the CC&B write-off process is a standard and necessary activity of any prudent utility to maintain accurate and updated financial records. Therefore, in the spirit of

¹ The Puerto Rico Transmission and Distribution System Operation and Maintenance Agreement ("T&D OMA") executed in 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 *Id.*, Annex I Scope of Services, VI(B)(1).

³ Article 1203 of Act 20 from June 1, 2020, as amended (31 L.P.R.A. § 9495).

transparency and collaboration, LUMA prudently informed P3A of the commencement of the write-off process (Transmittal #LUMA-P3A-T-01315; LUMA-P3A-T-01468).

Nevertheless, recognizing P3A's desire for a transparent and informed review of the write-off process, LUMA is providing the following documents as requested:

- JAN_2025_detailed and FEB_2025_Detailed
- LUMA's Prescriptive Terms Policy
- Detailed By Customer class
- CSS Convection
- Transactions Report
- Revenue Protection Write Off Proposal- Updated as of April 28, 2025.

Finally, it is important to highlight that P3A's role, as defined under the T&D OMA Section 6.2 is of exercising "oversight", which entails reviewing 'ex post facto' actions performed by LUMA. Even this contractual definition does not extend to permitting P3A to mandate how to operate and manage the T&D System outside of the contemplated parameters of the T&D OMA and the Puerto Rico Energy Bureau ("PREB") regulatory requirements. The purpose of the oversight is to make sure that LUMA is complying with its contractual obligations agreed upon in the T&D OMA. Consequently, P3A should not intervene with LUMA's management unless it can evidence a legal violation or a non-compliance with the T&D OMA, at which time the Agreement provides resolution mechanisms within its Article 15. By preventing LUMA from executing its contractual obligations as outlined in Section 5.3(a) and Annex I Scope of Services, VI(B)(8), P3A and PREPA would be directly obstructing the fulfillment of the T&D OMA of which you are party to.

We take our responsibilities under the T&D OMA seriously. After reviewing the documentation provided, should you believe, in good faith, that LUMA has failed to comply with any material obligation under T&D OMA, Article 15 of such Agreement provides a process for addressing disputes of such a nature.

Sincerely,

Jessica Laird

Jessica Laird

Vice President, Customer Experience

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