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Executive Director

BY ELECTRONIC MAIL

October 20, 2025

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Executive Director
Puerto Rico Public-Private Partnerships Authority

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Governor's Chief of Staff
Executive Director
Puerto Rico Fiscal Agency and Financial Advisory Authority

Mr. Winnie Irrizarry
Chief Executive Officer
Genera PR, LLC

Mr. Juan Saca
President and Chief Executive Officer
LUMA Energy, LLC

Ms. Mary Carmen Zapata
Executive Director
Puerto Rico Electric Power Authority

Re: Liquidity Situation, Stabilization and Restoration of Puerto Rico's Energy Grid

To all stakeholders:

Thank you for your participation in last week's meeting regarding the liquidity situation, stabilization and restoration of Puerto Rico's energy grid. The challenges before us are urgent and

consequential, with profound implications for the people and businesses of Puerto Rico. The current lack of cooperation is untenable. Immediate, coordinated action is imperative, and the Oversight Board remains committed to convening all parties to drive meaningful progress.

As you are aware, the purpose of last week's meeting was to initiate discussion on the liquidity constraints within the energy system and to start exploring potential solutions. Some of these challenges do not assign fault to any single entity; rather, they underscore systemic issues that must be confronted by any operator. One fact is clear: the shortage of operating cash is having real and profound consequences on the ability to generate energy in a reliable way and to restore and stabilize the grid.

To support last week's dialogue, the Oversight Board presented preliminary observations derived from limited data provided by certain parties. As stated in the meeting, this information represented initial observations—not conclusions. There was no report prepared or definitive conclusions presented during the meeting because we do not yet have a complete picture of the system liquidity and operating cash needs. Despite repeated requests, critical information—including fuel transfer analyses, PREPA's internal operating costs, and other essential data—has not been furnished by PREPA, Genera and others. We are also seeking additional information from LUMA. This lack of transparency is a material impediment to decision making and progress. Decisions must be grounded in facts, not assumptions. Accordingly, we urge all parties to provide complete and accurate data without delay.

Against this backdrop, the following key observations emerged from our discussion:

Customer Cash Collections Remain Stable – Collections have remained consistent with budgeted levels, suggesting that liquidity shortages are not attributable to revenue shortfalls. There do appear, however, to be opportunities to further improve liquidity by further enhancing collections. As discussed, this could be achieved by having government agencies, which collectively owed \$83 million as of September 2025, pay their bills. Other longstanding legacy challenges that predate the current operating model, such as fixing non-technical losses, should also be a focus. Non-technical losses in the system are well-documented in public statements and PREB filings.

GridCo Funding Has Been Inconsistent, and Has Declined This Year – While PREPA has transferred approximately \$900 million more than GridCo's budget since privatization, the vast majority of those funds appear to have been spent on disaster response and restoration work as well as non-budgeted expenses such as emergency outage response work. Since February 2025, it is clear PREPA's monthly transfers to GridCo are less than GridCo's monthly approved budget, impacting GridCo's liquidity for operations. However, it is also clear that lack of Federal reimbursements have impacted liquidity. Until we have all information from all parties it is difficult to identify a path forward.

Operating Cash Reserves Are Nearly Exhausted – The lack of liquidity has severely depleted GridCo's cash reserves, resulting in employee layoffs and significant delays in supplier payments. Restoration projects are also being halted. Genera reports similar arrears, and payments to suppliers are also delayed as a result.

Funding Methodology May Need Adjustment – PREPA’s current approach to calculating transfer amounts appears flawed when calculating the amount against cash needs. By reducing transfers based on GridCo’s month-end cash balances, the methodology understates the actual operating cash requirements and assumes GridCo can operate with a zero cash balance each month. As noted in the meeting, this is not a viable or sustainable way to run operations.

Unrestricted Cash Holdings at HoldCo – Although overall liquidity in the energy system appears constrained, as of September 29, PREPA appeared to hold approximately \$200 million in unrestricted cash. As discussed in the meeting, while this figure may have declined following the subsequent monthly funding cycle, it suggests that additional liquidity could potentially be available at the HoldCo level. This potential source of funding should be evaluated to see whether a portion is available for transfer to GenCo or GridCo to help stabilize near-term operations.

Federal Funding Reimbursement Delays – The pace of FEMA obligations has slowed considerably, extending reimbursement timelines. Similarly, COR3’s review cycles and processes at Vivienda remain lengthy, creating significant interim cash pressures on the system. Currently, at least \$745 million in disaster-related expenses from FEMA and Vivienda remain unreimbursed. This is not an isolated issue—it reflects a systemic failure across multiple entities, including LUMA, FEMA, COR3, PREPA, and Vivienda, driven by process inefficiencies and lack of coordination. Where the system operator is solely responsible for the reimbursement delay they must be held accountable. Nonetheless, we must work together to maximize FEMA and CDBG-DR reimbursements for Puerto Rico. During the meeting, the Oversight Board asked for all parties commitment to convene and eliminate the blockages preventing these reimbursements. Securing these funds—and accelerating future reimbursements—is critical to improving system reliability and enabling faster execution of restoration projects. Our top priority must be to deliver projects at the fastest possible pace.

During our meeting we also discussed how the legacy shortcomings in PREPA’s data and accounting systems cannot be overstated. The Oversight Board’s analysis is limited by these deficiencies. As discussed at our meeting, the Accounting Remediation report prepared by FTI Consulting for AAFAF, P3A, and the Puerto Rico Department of the Treasury, underscores the critical deficiencies observed of the legacy accounting functions—marked by the absence of a unified finance structure, missing data, and unreconciled balances. These issues present immediate and significant challenges that cannot be ignored.

The Oversight Board remains committed to supporting our collective efforts to improve financial and operational visibility, but meaningful progress will require full access to accurate data and collaboration from all stakeholders. While the current GridCo operator, LUMA, provided a significant amount of data in response to the Oversight Board’s repeated requests, more information from GridCo is required. The GenCo operator, Genera, and PREPA itself need to fulfill all information requests. A transparent and complete set of data is needed to secure a holistic view of system operating cash needs from all parties. Let me close by reaffirming now is the time to unite and channel all our efforts toward addressing the challenges before us.

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Sincerely,

A handwritten signature in blue ink, appearing to read "R. Mujica, Jr.", is written over the word "Sincerely,".

Robert F. Mujica, Jr.
Executive Director

CC: Mr. Edison Avilés
Ms. Tina Francone