

NEPR

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Exhibit 1

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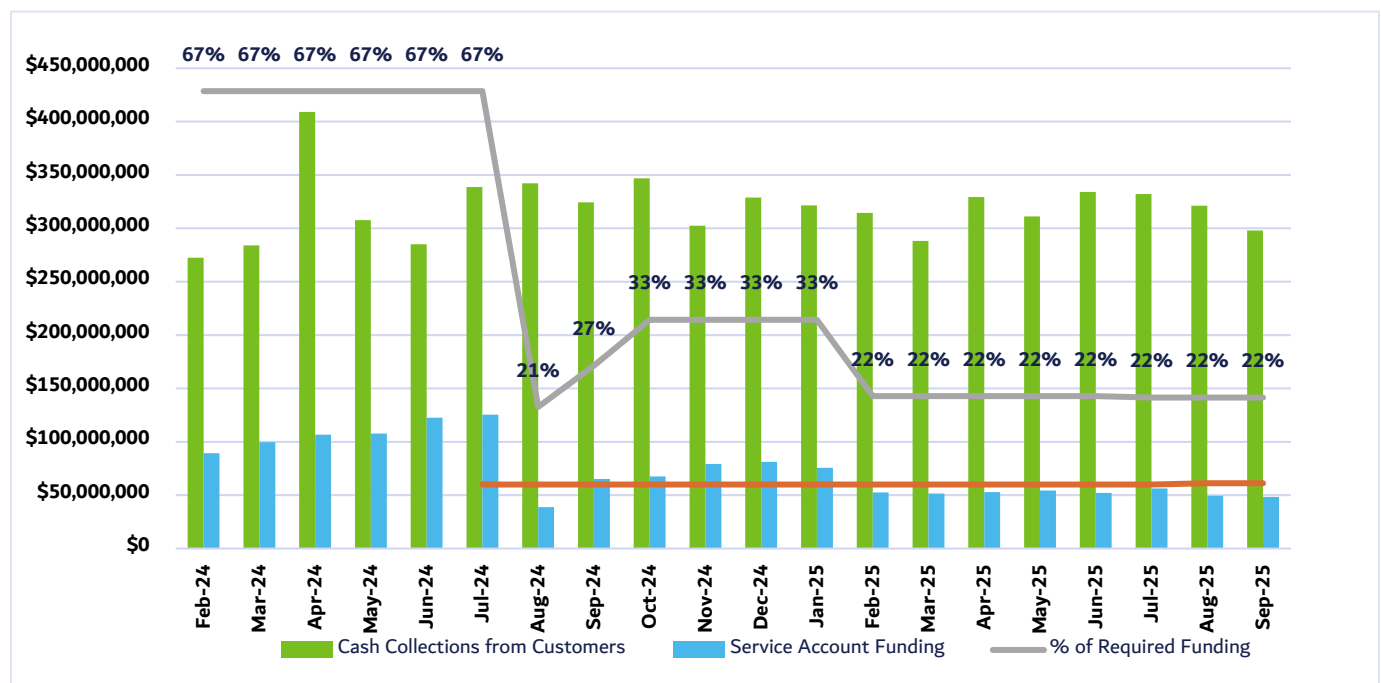
NEPR-MI-2021-0004

Ongoing Financial Challenges and Organizational Measures to Protect Operations

LUMA hereby provides notice of recent measures taken as a result of the critical funding challenges affecting the operation and maintenance of Puerto Rico's electric transmission and distribution system (T&D System).

Over the last several years, LUMA has consistently highlighted the need for a revised rate and funding structure that enables the long-term financial sustainability of the energy system as a whole. More recently, LUMA has raised the alarm about a growing crisis: the chronic underfunding of the T&D System's operational and capital expenditure accounts. Since August 2024, deposits into LUMA's operating and non-federally funded capital accounts have not exceeded 33% of the minimum balances required under the Transmission and Distribution Operation and Maintenance Agreement (T&D OMA).

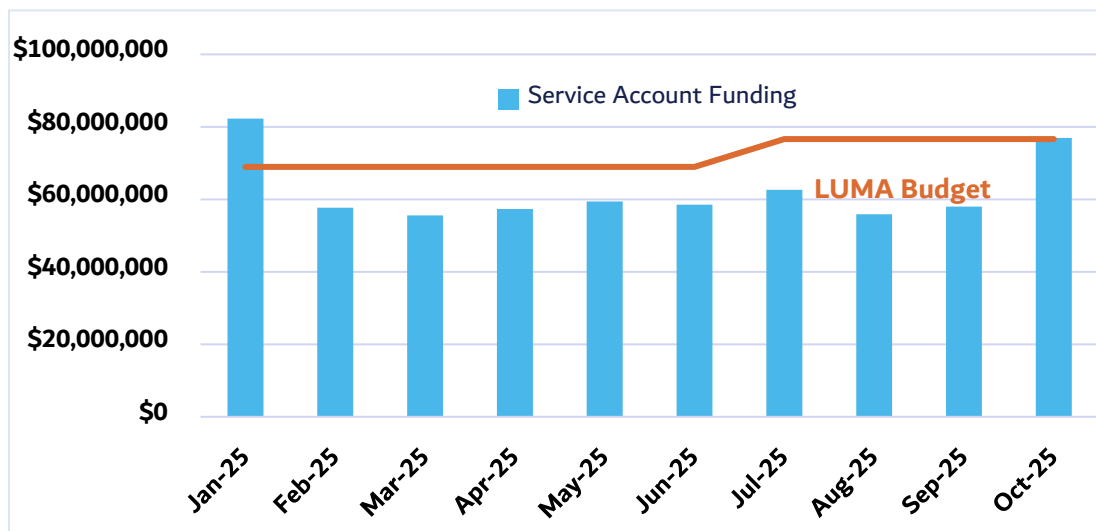
Figure 1 – Customer Collections and Service Account Funding



Since February 2025, deposits for both operating (including Service Fee payments) and non-federally funded expenditures have been, on average, 28% less than the monthly allocation based on the Energy Bureau-approved budget.

NEPR-MI-2021-0004

Figure 2 – Service Account Funding against LUMA's Budget

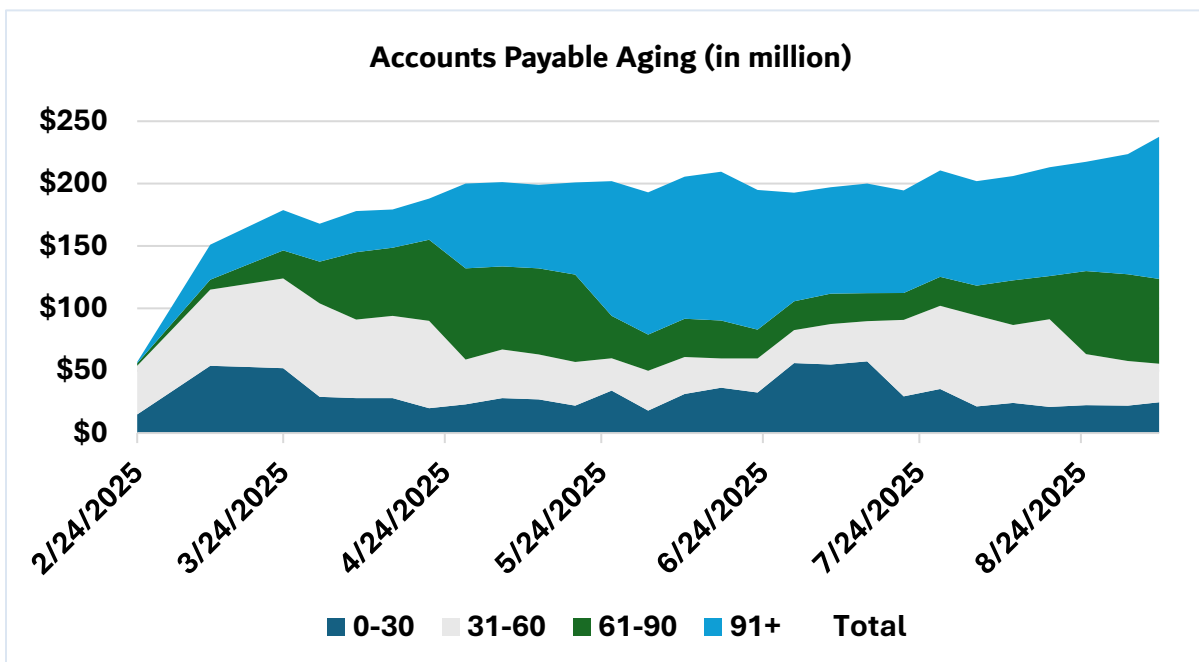


This chronic underfunding has constrained resources and limited progress on key projects that support service reliability. For example, as of September 2025, LUMA's accounts payables has continued to grow in excess of \$230 million, placing a strain on our vendor's ability to continue providing services and requiring LUMA to allocate funds otherwise required for daily operations towards payment of critical vendors.¹

¹ To that end, starting April 2025, LUMA implemented a weekly, inter-departmental critical commitments meeting during which funding available for payment of vendor invoices is allocated based on the priorities agreed to by LUMA's executive leadership.

NEPR-MI-2021-0004

Figure 3 – Accounts Payable Aging



In response, LUMA has implemented a series of internal measures to preserve operations, reduce costs, and maintain service continuity. These measures have included temporarily scaling back vegetation management; delaying the replacement of critical equipment such as breakers, transformers, and transmission structures—much of which has already exceeded its service life; postponing payments to suppliers and contractors while reassessing vendor contracts to minimize costs; and freezing open positions, leaving vacancies unfilled. Despite these efforts, the ongoing financial constraints have necessitated further steps, including the reduction of about 160 positions across nearly all levels of the organization. **One key consideration taken when identifying and implementing each of these measures was avoiding any disruption to day-to-day operations and minimizing their impact to our customers.** Absent a long term, sustainable funding solution, reverting or failing to implement these measures would risk causing irreversible damage to the utility by placing it in a financial position from which it would be unable to recover.

Although the impact of this workforce reduction extends across multiple departments, LUMA stresses that this action does not represent a reduction in budgetary need. The approved provisional rate budget remains fully required to support planned activities that have been temporarily deferred due to liquidity constraints. These constraints affect the timing of execution but not the necessity of the underlying work. Maintaining the approved provisional budget level is essential to ensure that, once funds become available, LUMA can mobilize resources to advance these activities without further delay. These measures highlight the importance of timely completion of the ongoing rate review proceeding and the pressing and immediate need for identifying financing mechanisms that enable uninterrupted investments into the energy system, commensurate with approved budget, and reflective of the ordinary working capital needs that any T&D System comparable to LUMA would have in place.